Release time	IMMEDIATE
Date	21 August 2018

Polymetal International plc

Half-yearly report for the six months ended 30 June 2018

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 2018.

"I am delighted to report strong earnings on the back of solid operational delivery in the first half of the year", said Vitaly Nesis, Group CEO of Polymetal, commenting on the results. "We expect stronger production and free cash flow generation for the second half and remain focused on steadily progressing our further growth pipeline, including full ramp-up of Kyzyl, while generating meaningful dividends to our shareholders".

FINANCIAL HIGHLIGHTS

- Revenue in 1H 2018 increased by 16% to US$ 789 million compared to 1H 2017 ("year-on-year"), primarily driven by gold equivalent (GE) production growth of 11%. Gold sales were 445 Koz, up 17% year-on-year, while silver sales were down 2% to 12.1 Moz, in line with production volume dynamics. Average realised prices largely tracked market dynamics: gold was up 6% year-on-year, while silver was down 4%.
- Group Total cash costs ("TCC")[1] were US$ 683/GE oz for 1H 2018, up 4% year-on-year, and well within the Company's guidance of US$ 650-700/GE oz. All-in sustaining cash costs ("AISC")[1] amounted to US$ 893/GE oz, decreasing by 1% year-on-year. Both cost measures are expected to decline in 2H on the back of seasonally higher production and sales, notably at Mayskoye and Svetloye.
- Adjusted EBITDA[1] was US$ 305 million, an increase of 19% year-on-year, mostly driven by higher production volumes and commodity prices. The Adjusted EBITDA margin increased by 1% to 39% (1H 2017: 38%).
- Net earnings[2] were US$ 175 million versus US$ 120 million in 1H 2017, reflecting an increase in EBITDA. Underlying net earnings[1] increased by 32% to US$ 155 million (1H 2017: US$ 117 million).
- Regular dividends for 2017 of US$ 0.30 per share (total of US$ 136 million) were paid in May 2018. An interim dividend of US$ 0.17 per share (1H 2017: US$ 0.14 per share) representing 50% of the Group's underlying net earnings for 1H 2018 has been proposed by the Board in accordance with the dividend policy, while complying with the hard ceiling of 2.5x Net debt/Adjusted EBITDA .
- Net debt increased to US$ 1,652 million during the period (31 December 2017: US$ 1,420 million), representing 2.08x of last twelve months Adjusted EBITDA, driven by a seasonal working capital increase. As in prior years, stronger production and a traditional seasonal working capital drawdown should drive stronger free cash flow generation in 2H 2018.
- Polymetal remains on track to meet its 2018 production guidance of 1.55 Moz of gold equivalent. TCC and AISC are expected to be within the guidance range of US$ 650-700/GE oz and US$ 875-925/GE oz, respectively. This guidance remains contingent on the RUB/USD exchange rate that has a significant effect on the Group's Rouble-denominated operating costs.

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[1] The financial performance reported by the Group contains certain Alternative Performance Measures (APMs) disclosed to compliment measures that are defined or specified under International Financial Reporting Standards (IFRS). For more information on the APMs used by the Group, including justification for their use, please refer to the "Alternative performance measures" section below.
[2] Profit for the financial period.

FINANCIAL HIGHLIGHTS[1]	1H 2018	1H 2017	Change, %
Revenue, US$m	789	683	+16%
Total cash cost, US$/GE oz	683	656	+4%
All-in sustaining cash cost, US$/GE oz	893	906	-1%
Adjusted EBITDA, US$m	305	257	+19%
Average realised gold price, US$/ oz	1,312	1,240	+6%
Average realised silver price, US$/ oz	15.6	16.3	-4%
Net earnings, US$m	175	120	+46%
Underlying net earnings, US$m	155	117	+32%
Return on Assets, %	13%	12%	+1%
Return on Equity (underlying),%	12%	10%	+2%
Basic EPS, US$/share	0.40	0.28	+43%
Underlying EPS, US$/share	0.35	0.27	+30%
Dividend declared during the period, US$/share[2]	0.30	0.18	+67%
Dividend proposed for the period, US$/share	0.17	0.14	+21%
Net debt, US$m	1,652	1,420[3]	+16%
Net debt/Adjusted EBITDA[4]	2.08	1.91	+9%
Net operating cash flow, US$m	93	35	+166%
Capital expenditure[5], US$m	169	193	-12%
Free cash flow[6], US$m	(64)	(163)	NM[7]

[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 2018: Final dividend for FY 2017 paid in May 2018. 1H 2017: Final dividend for FY 2016 paid in May 2017.
[3] As at 31 December 2017.
[4] On a last twelve months basis. Adjusted EBITDA for 2H 2017 was US$ 488 million.
[5] Purchases of property, plant and equipment in the consolidated statement of cash flows.
[6] 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.
[7] NM – not meaningful.

CONFERENCE CALL AND WEBCAST

Polymetal will hold a conference call and webcast on Tuesday, 21 August 2018 at 10:00 London time (12:00 Moscow time).

To participate in the call, please dial:
8 800 500 98 63 access code 39962809# (free from Russia), or
+44 203 009 24 62 (free from the UK), or
+1 646 722 4913 (free from the US), or

follow the link: http://polymetal210818-live.audio-webcast.com.

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://polymetal210818-live.audio-webcast.com. A recording of the call will be available immediately after the call at +44 20 3364 5147 (from within the UK), 1 646 722 4969 (USA Toll Free) and +7 495 249 16 71 (from within Russia), access code 418783030#, from 12:30 Moscow time Tuesday, 21 August, till 12:30 Moscow time Tuesday, 28 August, 2018.

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FORWARD-LOOKING STATEMENTS

THIS RELEASE MAY INCLUDE STATEMENTS THAT ARE, OR MAY BE DEEMED TO BE, “FORWARD-LOOKING STATEMENTS”. THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS AT THE DATE OF THIS RELEASE. THESE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY, INCLUDING THE WORDS “TARGETS”, “BELIEVES”, “EXPECTS”, “AIMS”, “INTENDS”, “WILL”, “MAY”, “ANTICIPATES”, “WOULD”, “COULD” OR “SHOULD” OR SIMILAR EXPRESSIONS OR, IN EACH CASE THEIR NEGATIVE OR OTHER VARIATIONS OR BY DISCUSSION OF STRATEGIES, PLANS, OBJECTIVES, GOALS, FUTURE EVENTS OR INTENTIONS. THESE FORWARD-LOOKING STATEMENTS ALL INCLUDE MATTERS THAT ARE NOT HISTORICAL FACTS. BY THEIR NATURE, SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS BEYOND THE COMPANY'S CONTROL THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS ARE BASED ON NUMEROUS ASSUMPTIONS REGARDING THE COMPANY'S PRESENT AND FUTURE BUSINESS STRATEGIES AND THE ENVIRONMENT IN WHICH THE COMPANY WILL OPERATE IN THE FUTURE. FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE. THERE ARE MANY FACTORS THAT COULD CAUSE THE COMPANY'S ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN SUCH FORWARD-LOOKING STATEMENTS. THE COMPANY EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN TO REFLECT ANY CHANGE IN THE COMPANY'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENTS ARE BASED.

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OPERATING REVIEW

MARKET SUMMARY

Precious metals

Gold closed the half-year period at US$ 1,250/oz, a decrease of 5% year-to-date. The average LBMA gold price for the period was US$ 1,318/oz, up 6% year-on-year.

Gold prices, while having sustained a prolonged period of steady performance, decreased below the US$ 1,300/oz mark in mid-May. As the commodity gained on the back of geopolitical concerns at the beginning of the period, investor demand weakened throughout 2Q 2018. A strong US Dollar, US treasury yields reaching a seven-year high as well as a second Fed hike put pressure on gold prices by the end of 1H 2018.

1H 2018 total gold demand was 1,960[1] tonnes (down 6% year-on-year). Inflows into ETFs continued to soften (62%[1] lower year-on-year), having slowed sharply from the torrent of 2016-2017. Jewellery demand was stable as growth in China and the US compensated for weaker Indian demand. Central bank net purchases were 8%[1] higher than in the previous year and were mostly concentrated in Russia, Turkey and Kazakhstan. China, Germany and the US drove the weakness in bar and coin investment with global demand falling 8%[1]. Demand for gold in the technology sector continued to improve: the wireless sector was a key area of growth as facial recognition is increasingly deployed on smartphones, gaming consoles and security systems. Gold supply grew 5%[1] supported by production and recycling growth.

Silver price dynamics were influenced by increasing levels of volatility: the average price decreased by 3% from US$ 17.2/oz for 1H 2017 to US$ 16.7/oz for 1H 2018. The spot price at 30 June 2018 was US$ 16.0/oz decreasing by 5% compared to 1 January 2018.

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 financial results and performance.

During 1H 2018 the Russian Rouble weakened moderately mainly on the back of new US Government sanctions imposed against certain Russian individuals and companies. The Russian Rouble depreciated 2% year-on-year from an average of 58.1 RUB/USD in 1H 2017 to 59.3 RUB/USD in 1H 2018, while the spot rate as at 30 June 2018 depreciated by 9% to 62.8 RUB/USD compared to 31 December 2017. The economics of Kazakh gold mining operations were also impacted by slight weakening of the Kazakh Tenge (down 2% year-on-year, from 319 KZT/USD in 1H 2017 to 326 KZT/USD in 1H 2018). The Armenian Dram remains the most stable currency in the CIS region with an average exchange rate of 482 AMD/USD in 1H 2018 (1H 2017: 485 AMD/USD).

OPERATING RESULTS

	1H 2018	1H 2017	Change, %
Waste mined, Mt	60.9	55.1	+11%
Underground development, km	64.4	53.8	+20%
Ore mined, Kt	6,541	6,590	-1%
Open-pit	4,191	4,402	-5%
Underground	2,350	2,189	+7%
Ore processed, Kt	6,967	6,286	+11%
Average grade processed, GE g/t	3.8	4.0	-6%
Production			
Gold, Koz	446	389	+15%
Silver, Moz	12.7	12.8	-1%
Copper, Kt	1.6	1.0	+60%
Zinc, Kt	3.0	2.3	+30%
Gold equivalent, Koz[2]	**619**	**558**	**+11%**
Sales			
Gold, Koz	445	380	+17%
Silver, Moz	12.1	12.4	-2%
Copper, Kt	1.5	0.5	+171%

[1] Gold Demand Trends Q2 2018 published by World Gold Council.
[2] Based on 1:80 Ag/Au, 5:1 Cu/Au and 2:1 Zn/Au conversion ratios.

Zinc, Kt	2.3	2.2	+3%
Gold equivalent, Koz[1]	**601**	**551**	**+9%**
Headcount	12,273	11,575	+6%
Health and safety			
LTIFR[2]	0.16	0.15	+7%
Fatalities	1	1	-

- GE production in 1H 2018 was 619 Koz, up 11% year-on-year and fully in line with the 2018 production plan. Stronger production in the 2H will be driven by traditional seasonal concentrate de-stockpiling at Mayskoye, as well as first contributions from the recently launched Kyzyl operation. The Company remains on track to meet its FY2018 production guidance of 1.55 Moz of gold equivalent.
- Kyzyl produced first concentrate in June, one month ahead of schedule. The operation is expected to ramp up to full throughput capacity (150 Kt per month) and reach design recoveries (86%) by October 2018. The company plans to produce 80 Koz of payable gold at Kyzyl this year.

[1] Based on actual realised prices.
[2] LTIFR = lost time injury frequency rate per 200,000 hours worked.

FINANCIAL REVIEW

REVENUE

		1H 2018	1H 2017	Change, %
Sales volumes				
Gold	Koz	445	380	+17%
Silver	Moz	12.1	12.4	-2%
Copper	Kt	1.5	0.5	+171%
Zinc	Kt	2.3	2.2	+3%
Gold equivalent sold[1]	**Koz**	**601**	**551**	**+9%**

Sales by metal *(US$ mln unless otherwise stated)*		1H 2018	1H 2017	Change, %	Volume variance, US$ mln	Price variance, US$ mln
Gold		**584**	**471**	**+24%**	**81**	**32**
Average realised price	*US$/oz*	1,312	1,240	+6%		
Average LBMA closing price	*US$/oz*	1,318	1,238	+6%		
Share of revenues	*%*	74%	69%	+5%		
Silver		**189**	**202**	**-6%**	**(5)**	**(8)**
Average realised price	*US$/oz*	15.6	16.3	-4%		
Average LBMA closing price	*US$/oz*	16.7	17.2	-3%		
Share of revenues	*%*	24%	30%	-6%		
Other metals		**16**	**10**	+60%		
Share of revenues	*%*	2%	1%	+1%		
Total revenue		**789**	**683**	**+16%**	**63**	**43**

In 1H 2018, revenue grew by 16% year-on-year to US$ 789 million driven by a 9% increase of gold equivalent volume sold and 6% growth of average realised gold price, while average realised silver price moved lower by 4% compared to prior period. Gold sales volume increased by 17%, while silver sales volume decreased by 2% year-on-year, both broadly following production dynamics.

The average realised price for gold was US$ 1,312/oz in 1H 2018, up 6% from US$ 1,240/oz in 1H 2017, in line with the average market price. The average realised silver price was US$ 15.6/oz, down 4% year-on-year, and 6% below the average market price of US$ 16.7/oz as a larger volume of Polymetal's sales were recorded in 2Q 2018 when the silver market prices were lower.

The share of gold sales as a percentage of total revenue increased from 69% in 1H 2017 to 74% in 1H 2018, driven by a corresponding shift in production and sales volume by metal.

Analysis by segment/operation		**Revenue,** *US$m*			**Gold equivalent sold,** *Koz (silver equivalent for Dukat, Moz)*		
Segment	**Operation**	**1H 2018**	**1H 2017**	**Change, %**	**1H 2018**	**1H 2017**	**Change, %**
Khabarovsk	Albazino/Amursk	216	132	+64%	163	107	+53%
	Svetloye	61	25	+144%	47	19	+143%
	Okhotsk	32	34	-6%	25	28	-11%
	Total Khabarovsk	**309**	**191**	**+62%**	**234**	**154**	**+53%**
Magadan	Dukat	191	203	-6%	12.3	12.6	-2%
	Omolon	99	122	-19%	75	98	-24%
	Mayskoye	-	11	-100%	-	8	-100%
	Total Magadan	**290**	**336**	**-14%**	**223**	**270**	**-17%**
Kazakhstan	Varvara	90	60	+50%	65	49	+33%
Ural	Voro	71	76	-7%	54	61	-11%
Armenia	Kapan	29	20	+45%	24	17	+42%
Total revenue		**789**	**683**	**+16%**	**601**	**551**	**+9%**

[1] Based on actual realised prices

Sales at all operating mines broadly followed the planned production dynamics. At Mayskoye, there was no gold production in 1H 2018 as Amursk POX capacity was taken up by higher margin third-party material. With the summer navigation period starting in July, production at Mayskoye will be booked in the second half of the year once the stockpiled concentrate is shipped to off-takers and loaded carbon produced from the oxidized ore through the combined float-leach circuit (held within metal inventories at 30 June 2018) is stripped at the Amursk POX.

COST OF SALES

Cost of sales
(US$ mln)

	1H 2018	1H 2017	Change, %
On-mine costs	244	213	+15%
Smelting costs	165	151	+9%
Purchase of ore and concentrates from third and related parties	50	45	+11%
Mining tax	43	39	+10%
Total cash operating costs	**502**	**448**	**+12%**
Depreciation and depletion of operating assets	107	102	+5%
Total costs of production	**609**	**550**	**+11%**
Increase in metal inventories	(161)	(142)	+13%
Write-down of metal inventories to net realisable value	7	2	+250%
Total change in metal inventories	**(154)**	**(140)**	**+10%**
Write-down of non-metal inventories to net realisable value	1	1	-
Idle capacities and abnormal production costs	3	4	-25%
Total cost of sales	**459**	**415**	+11%

Cash operating cost structure	**1H 2018, US$ mln**	**1H 2018, % of total**	**1H 2017, US$ mln**	**1H 2017, % of total**
Services	163	32%	156	35%
Consumables and spare parts	138	27%	112	25%
Labour	105	21%	93	21%
Purchase of ore and concentrates from third and related parties	50	10%	45	10%
Mining tax	43	9%	39	9%
Other expenses	3	1%	3	1%
Total	**502**	**100%**	**448**	**100%**

The total cost of sales increased by 11% in 1H 2018 to US$ 459 million, primarily driven by a volume-based increase in production and sales (11% and 9% year-on-year respectively in gold equivalent terms).

The cost of consumables and spare parts increased by 23% compared to 1H 2017, caused mostly by the increase in gold equivalent production volume and increase in domestic diesel prices. The cost of services was up 4% year-on-year, below production growth, driven by lower volume of ore transportation services and decrease in maintenance services provided during the period.

The total cost of labour within cash operating costs in 1H 2018 was US$ 105 million, a 13% increase, mainly stemming from production growth and annual salary increases (tracking domestic CPI inflation).

Mining tax increased by 10% year-on-year to US$ 43 million, in line with the production volume increase of 11%.

Depreciation and depletion was US$ 107 million, up 5% year-on-year, of which US$35 million is included within the increase in metal inventories.

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

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US$ mln)	1H 2018	1H 2017	Change, %
Labour	66	60	+10%
Services	7	6	+17%
Share based compensation	6	4	+50%
Depreciation	2	2	-
Other	8	8	-
Total	**89**	**80**	**+11%**

General, administrative and selling expenses increased by 11% year-on-year from US$ 80 million to US$ 89 million mostly driven by the increased headcount at mature operations, as well as regular salary reviews.

OTHER OPERATING EXPENSES

(US$ mln)	1H 2018	1H 2017	Change, %
Social payments	8	6	+33%
Taxes, other than income tax	7	5	+40%
Exploration expenses	6	6	-
Provision for investment in Special Economic Zone	5	7	-29%
Bad debt and expected credit loss allowance	4	1	+300%
Housing and communal services	2	2	-
Loss on disposal of property, plant and equipment	1	-	NM
Additional tax exposures, penalties and accrued interest, net	(1)	(10)	-90%
Change in estimate of environmental obligations	(2)	-	NM
Gain on disposal of Aktogai Mys LLC	(5)	-	NM
Other expenses	2	(2)	NM
Total	**27**	**15**	**+80%**

Other operating expenses increased to US$ 27 million in 1H 2018 compared to US$ 15 million in 1H 2017.

In 1H 2018 Polymetal disposed of its entire interest in Aktogai Mys LLC for a total consideration of US$ 17 million, adjusted for the repayment of the outstanding loans advanced to Aktogai Mys LLC, amounting to US$ 10 million. Total gain on disposal of Aktogai Mys LLC amounted to US$ 5 million. For details refer to Note 17 of the condensed consolidated financial statements.

TOTAL CASH COSTS BY MINE

Total cash costs per gold equivalent ounce[1]

Segment	Operation	1H 2018	1H 2017	Change, %	2H 2017	Change, %
Khabarovsk	Okhotsk	918	892	+3%	637	+44%
	Svetloye	368	520	-29%	267	+38%
	Albazino/Amursk	694	656	+6%	689	+1%
	Total Khabarovsk	**652**	**681**	**-4%**	**568**	**+15%**
Magadan	Dukat (SE oz)[2]	8.6	8.3	+4%	8.1	+7%
	Omolon	713	683	+4%	626	+14%
	Mayskoye	NM	NM	NM	1 021	NM
	Total Magadan	**743**	**675**	**+10%**	**759**	**-2%**
Ural	Voro	412	387	+6%	379	+9%
Kazakhstan	Varvara	760	758	+0%	663	+15%
Armenia	Kapan	919	795	+16%	904	+2%
Total Group		**683**	**656**	**+4%**	**659**	**+4%**

In 1H 2018, total cash costs per gold equivalent ounce sold ("TCC") were US$ 683/GE oz, up 4% year-on-year and up 4% compared to 2H 2017. Domestic inflation was almost offset by a lower Russian Rouble exchange rate, while the increase was mainly driven by changes in average grade and sales structure between mines. 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 2017	**656**		**906**	
USD rate change	(13)	-2%	(17)	-2%
Change in sales structure between mines	10	1%	10	1%
Domestic inflation	14	2%	19	2%
Mining tax change - Au&Ag price	1	0%	1	0%
Change in average grade processed by mine	10	1%	10	1%
Au/Ag ratio change	10	2%	10	1%
Other	(5)	-1%	(46)	-5%
Cost per gold equivalent ounce – 1H 2018	**683**	**4%**	**893**	**-1%**

Total cash cost by mine:

- Dukat's total cash cost per silver equivalent ounce sold ("SE oz") increased by 4% year-on-year and 7% half-on-half to US$ 8.6/SE oz. Cost increase is attributable to the planned moderate silver grade decline at the Dukat underground mine compared to prior periods.
- At Voro, TCC increased by 6% year-on-year and 9% half-on-half to US$ 412/GE oz, mostly driven by scheduled lower grades in ore processed at the CIP plant.
- At Okhotsk, TCC was US$ 918/GE oz, a 3% increase year-on-year and 44% increase half-on-half, following completion of processing of third-party ore with better metallurgical properties that was introduced to the feed at the Khakanja plant in 2H 2017.
- Svetloye was the lowest cost operation in 1H 2018, with TCC of US$ 368/GE oz, 29% lower year-on-year as it ramped up to full capacity and achieved positive mine-to-model grade reconciliations. Cost performance was up 38% compared to 2H 2017 driven by a scheduled decline in gold grade processed.

[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$ 724/GE oz (1H 2017: US$ 632/GE oz) and was included in the Group TCC calculation.

- At Varvara, TCC was US$ 760/GE oz, unchanged year-on-year and up 15% half-on-half. The cost increase compared to 2H 2017 mainly stemmed from lower grades in the stockpiles processed at the leaching circuit.
- At Omolon, TCC amounted to US$ 713/GE oz, an increase of 4% year-on-year and 14% half-on-half, which was primarily driven by a change in sales structure as the Birkachan heap leach operation with lower-grade ore resumed operations in Q2 2018.
- At Albazino/Amursk, TCC was US$ 694/GE oz, up 6% year-on-year and up 1% half-on-half. The cost increase compared to 1H 2017 was mostly attributable to processing of additional feed from third party material at the Amursk POX.
- Kapan's total cash costs were US$ 919/GE oz, 16% up year-on-year and 2% up half-on-half due to a decline in gold grades as manual underground stoping was replaced with mechinised due to health and safety concerns leading to a higher dilution.
- At Mayskoye, there were no sales during 1H 2018 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 2018	**1H 2017**	**Change, %**	**1H 2018**	**1H 2017**	**Change, %**
Total cash costs	**683**	**656**	**+4%**	**411**	**361**	**+14%**
SG&A and other operating expenses not included in TCC	99	46	+114%	59	26	+132%
Capital expenditure excluding new projects	62	138	-55%	37	76	-51%
Exploration expenditure (expensed and capitalised)	50	66	-24%	30	36	-18%
All-in sustaining cash costs	**893**	**906**	**-1%**	**537**	**499**	**+8%**
Finance cost	52	54	-5%	31	30	+3%
Capitalised interest	8	5	+53%	5	3	+67%
Income tax charge	58	54	+8%	35	30	+17%
After-tax All-in cash costs	**1,011**	**1,021**	**-1%**	**608**	**562**	**+8%**
Development capital	178	139	+28%	107	76	+40%
SG&A and other expenses for development assets	19	12	+59%	11	6	+79%
All-in costs	**1,208**	**1,171**	**+3%**	**727**	**645**	**+13%**

All-in sustaining cash costs amounted to US$ 893/GE oz in 1H 2018 and remained broadly unchanged year-on-year. AISC by mines were represented as follows:

[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 cost by segment/operation, US$/GE oz

Segment	Operation	1H 2018	1H 2017	Change, %
Khabarovsk	Okhotsk	1,091	1,145	-5%
	Svetloye	494	883	-44%
	Albazino/Amursk	798	893	-11%
	Total Khabarovsk	**767**	**937**	**-18%**
Magadan	Dukat	10.4	10.2	+2%
	Omolon	897	901	-0%
	Mayskoye	NM	NM	NM
	Total Magadan	**929**	**881**	**+5%**
Ural	Voro	497	473	+5%
Kazakhstan	Varvara	941	1,026	-8%
Armenia	Kapan	1,067	1,197	-11%
Total Group		**893**	**906**	**-1%**

All-in sustaining cash costs decreased or remained almost flat compared to prior period at all operating mines and generally followed total cash cost dynamics. Mayskoye half-yearly AISC are not representative of the expected full year performance as the production and sales occur in the second half of the year.

ADJUSTED EBITDA[1] AND EBITDA MARGIN

Reconciliation of Adjusted EBITDA *(US$ mln)*	1H 2018	1H 2017	Change, %
Profit for the financial period	175	120	+46%
Finance cost (net)	30	28	+7%
Income tax expense	35	30	+17%
Depreciation expense	74	87	-15%
EBITDA	**314**	**265**	**+18%**
Write-down of metal inventory to net realisable value	7	2	+250%
Write-down of non-metal inventory to net realisable value	1	1	-
Share based compensation	6	4	+50%
Revaluation of initial share in Prognoz	(24)	-	NM
Change in fair value of contingent consideration liability	-	1	-100%
Additional tax exposures, penalties and accrued interest, net	(1)	(10)	-90%
Net foreign exchange gain	(2)	(7)	-71%
Bad debt and expected credit loss allowance	4	1	+300%
Adjusted EBITDA	**305**	**257**	**+19%**
Adjusted EBITDA margin	**39%**	**38%**	+1%

[1]Adjusted EBITDA is a key measure of the Company's operating performance and cash generation capacity (excluding impact of financing, depreciation and tax) and a key industry benchmark allowing to perform peer comparison. Adjusted EBITDA also excludes the impact of certain accounting adjustments (mainly non-cash items) that can mask underlying changes in core operating performance.

The Company defines Adjusted EBITDA (a non-IFRS measure) as profit for the period adjusted for depreciation and amortisation, write-downs 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/operation
(US$ mln)

Segment	Operation	1H 2018	1H 2017	Change, %
Khabarovsk	Albazino/Amursk	101	57	+77%
	Svetloye	41	13	+215%
	Okhotsk	13	7	+86%
	Total Khabarovsk	**155**	**77**	**+101%**
Magadan	Dukat	73	89	-18%
	Omolon	42	53	-21%
	Mayskoye	(8)	(3)	+167%
	Total Magadan	**107**	**139**	**-23%**
Ural	Voro	47	49	-4%
Kazakhstan	Varvara	37	23	+61%
	Kyzyl	(6)	(3)	+100%
	Total Kazakhstan	**31**	**20**	+55%
Armenia	Kapan	8	7	+14%
Corporate and other and intersegment operations		(43)	(35)	+23%
Total		**305**	**257**	**+19%**

In 1H 2018, Adjusted EBITDA was US$ 305 million, 19% higher year-on-year, with an Adjusted EBITDA margin of 39%, reflecting a 9% increase in sales volumes and moderate increase of average realised gold price. At Albazino/Amursk, Svetloye, Okhotsk, Varvara and Kapan, Adjusted EBITDA increased on the back of a robust operating performance. At Dukat and Omolon, the decrease was mainly driven by increase in TCC (4% up at both operations) combined with decline in GE production (down 2% and 8%, respectively). At Voro, Adjusted EBITDA remained almost flat year-on-year.

OTHER INCOME STATEMENT ITEMS

Polymetal recorded a net foreign exchange gain in 1H 2018 of US$ 2 million compared to US$ 7 million in 1H 2017. 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, partially offset by forex losses on intercompany loans not eliminated on consolidation due to different functional currencies of the lending and borrowing subsidiaries. The Group's average gross debt during 1H 2018 was US$ 1,573 million, mostly denominated in US Dollars. The RUB/USD exchange rate fluctuated significantly during the period, with the lowest rate of 55.7 RUB/USD in February and the highest rate of 64.1 RUB/USD in June. The Company does not use any hedging instruments for managing foreign exchange risk, other than a natural hedge arising from the fact that the majority of the Group's revenue is denominated or calculated in US Dollars.

In 1H 2018 the Group has completed the acquisition of 100% stake in the Prognoz silver deposit. The Group remeasured its previously recognised share of the business subject to joint control at the acquisition-date fair value and recognised the resulting gain of US$ 24 million in the income statement. For more information refer to Note 2 of the condensed consolidated financial statements.

NET EARNINGS, EARNINGS PER SHARE AND DIVIDENDS

The Group recorded a net income of US$ 175 million in 1H 2018 versus US$ 120 million in 1H 2017. The underlying net earnings (excluding after-tax impact of write-down of metal inventory to net realisable value, foreign exchange gain and revaluation of initial share in Prognoz) were US$ 155 million compared to US$ 117 million in 1H 2017.

Reconciliation of underlying net earnings[1] *(US$ mln)*	1H 2018	1H 2017	Change, %
Profit for the financial period	175	120	+46%
Write-down of metal inventory to net realisable value	7	2	+250%
Tax effect on write-down of metal inventory to net realisable value	(1)	-	NM
Revaluation of initial share in Prognoz	(24)	-	NM
Foreign exchange gain	(2)	(7)	-71%
Tax effect on foreign exchange gain	-	1	-100%
Change in fair value of contingent consideration liability	-	1	-100%
Underlying net earnings	**155**	**117**	**+32%**

Basic earnings per share was US$ 0.40 per share compared to US$ 0.28 per share in 1H 2017. Underlying basic EPS[2] was US$ 0.35 per share compared to US$ 0.27 per share in 1H 2017.

In accordance with the Company's dividend policy, the Board is proposing to pay an interim dividend of US$ 0.17 per share (delivering a total expected dividend of US$ 77 million) representing 50% of the Group's underlying net earnings for the period. During 1H 2018, Polymetal paid a total of US$ 136 million in dividends, representing the final dividend for FY 2017.

CAPITAL EXPENDITURE[3]

(US$ mln)	1H 2018	1H 2017	Change, %
Kyzyl	42	37	+14%
Albazino/Amursk	39	25	+56%
Dukat	8	15	-47%
Varvara	7	6	+17%
Omolon	4	5	-20%
Kapan	3	13	-77%
Svetloye	2	4	-50%
Okhotsk	1	1	-
Voro	1	1	-
Mayskoye	1	7	-86%
Corporate and other	4	-	NM
Exploration	27	42	-36%
Capitalised stripping	30	37	-19%
Total capital expenditure	**169**	**193**	**-12%**

In 1H 2018, total capital expenditure was US$ 169[4] million, down 12% year-on-year mainly on the back of decreased brownfield exploration spending across the operating asset portfolio and lower capital expenditure at Kapan following finalisation of underground mining fleet upgrades. Capital expenditure excluding capitalised stripping costs was US$ 139 million in 1H 2018 (1H 2017: US$ 156 million).

The major capital expenditure items in 1H 2018 were as follows:

- Across all operating mines, except for Albazino/Amursk and Kyzyl, capital expenditure declined or remained almost unchanged year-on-year and was mainly represented by routine mining fleet upgrades/replacements and maintenance expenditure at processing facilities;
- Capital expenditure at Albazino/Amursk was US$ 39 million, an increase of 56% year-on-year, mostly related to the POX debottlenecking project (planned to reach full expanded capacity in the second half of 2018) and the feasibility study for the second POX line in the amount of US$ 31 million during 1H 2018 and mainly represented by the installation of new pipes and valves, oxygen station equipment and new filter presses for tailings and gypsum sediment.

[1] Underlying net earnings represent net profit for the year excluding the impact of key items that can mask underlying changes in core performance.
[2] Underlying basic EPS are calculated based on underlying net earnings.
[3] On a cash basis.
[4] On accrual basis, capital expenditure was US$ 185 million in 1H 2018 (1H 2017: US$ 203 million).

- At Kyzyl, capital expenditure in 1H 2018 comprised US$ 42 million, mainly representing the finalisation of key equipment installations (notably, concentrator equipment, the crusher unit and the assay lab) and infrastructure. The processing plant produced first concentrate in June 2018, one month ahead of schedule.
- The Company invests in standalone exploration projects. Capital expenditures for exploration in 1H 2018 was US$ 27 million compared to US$ 42 million in 1H 2017.
- Capitalised stripping costs totalled US$ 30 million in 1H 2018 (1H 2017: US$ 37 million) and are attributable to operations with stripping ratios exceeding their life of mine ("LOM") averages during the period, including in particular Kyzyl, Omolon, Albazino and Varvara.

CASH FLOWS

(US$ mln)	**1H 2018**	**1H 2017**	**Change, %**
Operating cash flows before changes in working capital	221	197	+12%
Changes in working capital	(128)	(162)	-21%
Total operating cash flows	**93**	**35**	**+166%**
Capital expenditure	(169)	(193)	-12%
Acquisition costs in business combinations and investments in associates and joint ventures	(27)	(8)	+238%
Other	12	(5)	NM
Investing cash flows	**(184)**	**(206)**	**-11%**
Financing cash flows			
Net increase in borrowings	235	243	-3%
Dividends paid	(136)	(77)	+77%
Contingent consideration payment	(4)	(2)	+100%
Total financing cash flows	**95**	**164**	**-42%**
Net decrease in cash and cash equivalents	**4**	**(7)**	**-157%**
Cash and cash equivalents at the beginning of the year	36	48	-25%
Effect of foreign exchange rate changes on cash and cash equivalents	(2)	(1)	+100%
Cash and cash equivalents at the end of the period	**38**	**40**	**-5%**

Total operating cash flows in 1H 2018 strenthened significantly year-on-year. Operating cash flows before changes in working capital grew by 12% year-on-year to US$ 221 million. Net operating cash flows were US$ 93 million, compared to US$ 35 million in 1H 2017. This was affected by a traditional seasonal increase in working capital in 1H 2018 of US$ 128 million (US$ 162 million in 1H 2017), mainly represented by concentrate produced at Mayskoye and ore stockpiled at Omolon, that was partially offset by advances received under prepaid bullion sales arrangements.

Total cash and cash equivalents decreased by 5% compared to 1H 2017 and comprised US$ 38 million, with the following items affecting the cash position of the Group:

- Operating cash flows of US$ 93 million;
- Investment cash outflows totalled US$ 184 million, down 11% year-on-year and mainly represented by capital expenditure (down 12% year-on-year to US$ 169 million) and loans forming part of net investment in joint ventures (mainly, Nezhda and Prognoz) of US$ 27 million;
- Payment of final dividends for 2017 amounting to US$ 136 million; and
- The net increase in borrowings of US$ 235 million.

BALANCE SHEET, LIQUIDITY AND FUNDING

Net debt	30-Jun-18	31-Dec-17	Change, %
Short-term debt and current portion of long-term debt	173	26	+565%
Long-term debt	1,517	1,430	+6%
Gross debt	**1,690**	**1,456**	**+16%**
Less: cash and cash equivalents	38	36	+6%
Net debt	**1,652**	**1,420**	**+16%**
Net debt / Adjusted EBITDA[1]	**2.08**	**1.91**	**+9%**

The Group's net debt increased to US$ 1,652 million as of 30 June 2018, representing a Net debt / Adjusted EBITDA (over the last 12 months) ratio of 2.08x.

The proportion of long-term borrowings comprised 90% as at 30 June 2018 (98% as at 31 December 2017). In addition, as at 30 June 2018 the Group had US$ 1.2 billion (31 December 2017: US$ 1.4 billion) of available undrawn facilities, of which US$ 1.1 billion is committed, from a wide range of lenders that maintain its operational flexibility in the current environment.

The average cost of debt remained low at 4.11% in 1H 2018 (1H 2017: 4.16%), supported by the ability to negotiate competitive margins given the solid financial position of the Company and its excellent credit history. The Group is confident in its ability to repay its existing borrowings as they fall due.

2018 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 FY2018 production guidance of 1.55 Moz of gold equivalent at TCC of US$ 650-700/GE oz and AISC of US$ 875-925/GE oz.
- The cost guidance remains contingent on the RUB/USD exchange rate dynamic 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.

[1] 1H 2018 – on a last twelve months basis.

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 2017, except for the increased level of political risk as described below. 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 2017 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;

As a result of the latest wave of sanctions imposed by the US on certain Russian companies and individuals during 1H 2018 and subsequent to the reporting date, the Group believes that the level of political risk has increased from medium to high. Sanctions imposed during 2014–1H 2018 have not had any direct influence on the Group's operations. However, there is a risk that further sanctions, if imposed, could impact the Group's ability to operate in Russia, including cost and availability of funding.

The Group continues to assess the level of tax risk as high due to the recent initiative of a "super-profits" tax for mining, chemical and fertilizer companies currently considered by the Russian government. As of the date of these financial statements, there is no certainty as to whether and when such tax could be implemented as well as no clarity on the details of the proposed additional taxation, and what impact it might have on the financial position of the Group.

A detailed explanation of these risks and uncertainties can be found on pages 73 to 76 of the 2017 Annual report which is available at www.polymetalinternational.com.

GOING CONCERN

The Group has assessed its going concern status taking into account the financial position, forecast trading performance, borrowings and available credit facilities, including contractual maturities, forecast covenant compliance on those borrowings and capital expenditure commitments. As at 30 June 2018, the Group's net debt was US$ 1,652 million and it had US$ 1,166 million of undrawn facilities of which US$ 1,116 million were considered committed.

The Board has considered the cash flow projections for the period to the end of December 2019 and is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing these condensed consolidated financial statements.

Directors’ responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board,

Bobby Godsell

Chairman of the Board of Directors

20 August 2018

Vitaly Nesis

Group Chief Executive Officer

20 August 2018

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 2018 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 Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

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

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed 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 Financial Reporting Council Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 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
20 August 2018

POLYMETAL INTERNATIONAL PLC

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June 2018 (unaudited) US$m	Six months ended 30 June 2017 (unaudited) US$m	Year ended 31 December 2017 (audited) US$m
Revenue	4	789	683	1,815
Cost of sales	5	(459)	(415)	(1,106)
Gross profit		**330**	**268**	**709**
General, administrative and selling expenses	9	(89)	(80)	(158)
Other operating expenses, net	10	(27)	(15)	(44)
Share of profit/(loss) of associates and joint ventures		-	(1)	3
Operating profit		**214**	**172**	**510**
Foreign exchange gain/(loss), net		2	7	(10)
Revaluation of initial share in Prognoz	2	24	-	-
Change in fair value of contingent consideration liability	22	-	(1)	2
Finance income		1	2	4
Finance costs	12	(31)	(30)	(63)
Profit before income tax		**210**	**150**	**443**
Income tax expense	13	(35)	(30)	(89)
Profit for the financial period		**175**	**120**	**354**
Profit for the financial period attributable to:				
Equity shareholders of the parent		175	120	354
		175	**120**	**354**
Earnings per share (US$)				
Basic	14	0.40	0.28	0.82
Diluted	14	0.40	0.28	0.81

POLYMETAL INTERNATIONAL PLC

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2018 (unaudited) US$m	Six months ended 30 June 2017 (unaudited) US$m	Year ended 31 December 2017 (audited) US$m
Profit for the period	175	120	354
Items that may be reclassified to profit and loss			
Exchange differences on translating foreign operations	(216)	52	113
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax	20	2	(23)
Total comprehensive income for the period	**(21)**	**174**	**444**
Total comprehensive income for period attributable to:			
Equity shareholders of the Parent	(21)	174	444
	(21)	**174**	**444**

POLYMETAL INTERNATIONAL PLC

Condensed Consolidated Balance Sheet

Assets	Notes	30 June 2018 (unaudited) US$m	31 December 2017 (audited) US$m	30 June 2017 (unaudited) US$m
Property, plant and equipment	16	2,313	2,054	1,941
Goodwill		16	18	17
Investments in associates and joint ventures	17	88	96	52
Non-current loans and receivables		7	15	9
Deferred tax asset		67	61	48
Non-current inventories	18	112	123	116
Total non-current assets		**2,603**	**2,367**	**2,183**
Current inventories	18	616	514	627
VAT receivable		91	96	75
Trade receivables and other financial instruments		75	71	83
Prepayments to suppliers		90	38	65
Income tax prepaid		11	6	17
Cash and cash equivalents		38	36	40
Total current assets		**921**	**761**	**907**
Total assets		**3,524**	**3,128**	**3,090**
Liabilities and shareholders' equity				
Accounts payable and accrued liabilities		(124)	(135)	(138)
Contract liabilities	4	(69)	-	(13)
Current borrowings	19	(173)	(26)	(133)
Income tax payable		(15)	(10)	(12)
Other taxes payable		(35)	(38)	(30)
Current portion of contingent consideration liability	22	(5)	(5)	(5)
Total current liabilities		**(421)**	**(214)**	**(331)**
Non-current borrowings	19	(1,517)	(1,430)	(1,489)
Contingent consideration liability	22	(58)	(57)	(60)
Deferred tax liability		(122)	(77)	(77)
Environmental obligations		(36)	(39)	(37)
Other non-current liabilities		(4)	(4)	(4)
Total non-current liabilities		**(1,737)**	**(1,607)**	**(1,667)**
Total liabilities		**(2,158)**	**(1,821)**	**(1,998)**
Net assets		**1,366**	**1,307**	**1,092**
Stated capital account	21	2,250	2,031	2,031
Share-based compensation reserve		18	21	15
Translation reserve		(1,347)	(1,151)	(1,187)
Retained earnings		445	406	233
Total equity		**1,366**	**1,307**	**1,092**

Condensed Consolidated Balance Sheet (continued)

These condensed financial statements are approved and authorised for issue by the Board of Directors on 20 August 2018 and signed on its behalf by

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

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June 2018 (unaudited) US$m	Six months ended 30 June 2017 (unaudited) US$m	Year ended 31 December 2017 (audited) US$m
Net cash generated by operating activities	24	**93**	**35**	**533**
Cash flows from investing activities				
Purchases of property, plant and equipment	16	(169)	(193)	(383)
Acquisitions of JV and associate	17	-	(6)	(16)
Disposal of JV	17	3		
Loans forming part of net investment in joint ventures	17	(27)	-	(52)
Nezhda call option premium paid	17	-	-	(12)
Cash outflow on acquisitions	2	-	(2)	(7)
Loans advanced		(12)	(6)	(18)
Receipt of repayment of loans provided		21	1	11
Net cash used in investing activities		**(184)**	**(206)**	**(477)**
Cash flows from financing activities				
Borrowings obtained	19	893	1,072	3,108
Repayments of borrowings	19	(658)	(829)	(3,032)
Dividends paid	15	(136)	(77)	(138)
Contingent consideration payment	22	(4)	(2)	(5)
Net cash generated/(used in) by financing activities		**95**	**164**	**(67)**
Net increase/(decrease) in cash and cash equivalents		4	(7)	(11)
Cash and cash equivalents at the beginning of the period		36	48	48
Effect of foreign exchange rate changes on cash and cash equivalents		(2)	(1)	(1)
Cash and cash equivalents at the end of the period		**38**	**40**	**36**

Condensed Consolidated Statement of Changes in Equity

	Notes	Number of shares outstanding (unaudited)	Stated capital account	Share-based compensation reserve	Foreign translation reserve	Retained earnings	Total equity
		no. of shares	US$m	US$m	US$m	US$m	US$m
Balance at 31 December 2016 (audited)		**428,262,338**	**2,010**	**12**	**(1,241)**	**200**	**981**
Profit for the financial period		-	-	-	-	120	120
Other comprehensive income, net of income tax		-	-	-	54	-	54
Shares-based compensation		-	-	4	-	-	4
Shares alloted to employees		141,400	1	(1)	-	-	-
Issue of shares to acquire non-controlling interest	21	893,575	10	-	-	(10)	-
Issue of shares for contingent consideration	22	815,348	10	-	-	-	10
Dividends	15	-	-	-	-	(77)	(77)
Balance at 30 June 2017 (unaudited)		**430,112,661**	**2,031**	**15**	**(1,187)**	**233**	**1,092**
Profit for the financial period		-	-	-	-	234	234
Other comprehensive income, net of income tax		-	-	-	36	-	36
Shares-based compensation		-	-	6	-	-	6
Shares alloted to employees		2,819	-	-	-	-	-
Issue of shares to acquire non-controlling interest	21	-	-	-	-	-	-
Issue of shares for contingent consideration	22	-	-	-	-	-	-
Dividends	15	-	-	-	-	(61)	(61)
Balance at 31 December 2017 (audited)		**430,115,480**	**2,031**	**21**	**(1,151)**	**406**	**1,307**
Profit for the financial period		-	-	-	-	175	175
Other comprehensive income, net of income tax		-	-	-	(196)	-	(196)
Shares-based compensation		-	-	6	-	-	6
Shares alloted to employees		997,418	9	(9)	-	-	-
Issue of shares for Prognoz acquisition	2	20,459,668	200	-	-	-	200
Issue of shares for contingent consideration	22	1,015,113	10	-	-	-	10
Dividends	15	-	-	-	-	(136)	(136)
Balance at 30 June 2018 (unaudited)		**452,587,679**	**2,250**	**18**	**(1,347)**	**445**	**1,366**

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

The unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union ('EU'), and the Disclosure and Transparency Rules of the Financial Conduct Authority effective for the Company's reporting for the period ended 30 June 2018. 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 2017 Annual Report of Polymetal International plc and its subsidiaries ("2017 Annual Report") available at www.polymetalinternational.com.

The half-yearly financial report does not constitute the Company's statutory financial statements. The Group's most recent statutory financial statements, which comprise the annual report and audited financial statements for the year ended 31 December 2017, were approved by the directors on 9 March 2018 and have been filed with the Jersey Registrar of Companies.

Accounting policies

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

The accounting policies and methods of computation applied are consistent with those adopted and disclosed in the Group's financial statements for the year ended 31 December 2017, except for as described below.

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 2017, except for as described below.

During the period ended 30 June 2018 the Group has completed the acquisition of Prognoz silver property (Note 2). To determine the appropriate accounting approach to be followed for the transaction, the Group applied judgement to determine that the transaction meets the definition of a business combination under IFRS 3 *Business Combinations*, and therefore it was accounted for using the acquisition method at fair values of the the assets acquired and liabilities assumed as estimated on the date of acquisition. The valuation of these assets and liabilities, including mineral rights, as well as contingent consideration related to the acquisition, is based on a number of assumptions, including the forecast silver prices and estimated Prognoz's future production and costs that include management's estimates of discounted future cash flows.

New standards adopted by the Company and changes in accounting policies

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. This standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. IFRS 15 uses a control-based approach to recognise revenue which is a change from the risk and reward approach under the IAS 18. The standard requires entities to apportion revenue earned from contracts to individual performance obligations, on a relative standalone selling price basis.

The Group has adopted IFRS 15 effective 1 January 2018 applying the modified retrospective approach. Under the modified retrospective approach, the Group recognises transition adjustments, if any, in retained earnings on the date of initial application (1 January 2018), without restating the financial statements on a retrospective basis.

The Group's revenue is primarily derived from commodity sales, for which the point of recognition is dependent on the contract sales terms, known as the international commercial terms (Incoterms). As the transfer of risks and rewards generally coincides with the transfer of control at a point in time under incoterms, the timing and amount of revenue recognised by the Group for the sale of commodities is not materially affected.

For the Incoterms Cost, Insurance and Freight (CIF) and Cost and Freight (CFR) the seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. Consequently, the freight service on export commodity contracts with CIF/CFR incoterms represents a separate performance obligation as defined under the new standard, and a portion of the revenue earned under these contracts, representing the obligation to perform the freight service, is deferred and recognised over time as this obligation is fulfilled, along with the associated costs. The shipping services do not represent the Group's core activity and are fully outsourced, so these are presented within other operating income and expenses. For the period ended 30 June 2018 the revenues attributed to the shipping services amounted to US$ 2 million.

The impact of applying the change during the year ended 31 December 2017 would have been to reduce both revenue and operating costs by US$ 9 million with no impact on profit (period ended 30 June 2017: nil). There is no impact on assets and liabilities at 30 June 2017 and 31 December 2017. Accordingly, there were no transition adjustments recorded at 1 January 2018 and the information presented for 2017 has not been restated.

During the period ended 30 June 2018 the Group has entered into prepaid bullion sales arrangements, which are settled solely through bullion shipments and are priced based in the spot London Bulllion Market Association (LBMA) price prevailing of the date of the respective shipment. These arrangements fall under IFRS 15 *Revenue from Contracts with Customers* and the respective advances received represent contract liabilities, which are presented separately on the balance sheet.

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 has adopted IFRS 9 on 1 January 2018. For transition, the Group has elected to apply the limited exemption relating to the classification, measurement and impairment requirements for financial assets and accordingly has not restated comparative periods.

The impact of adopting IFRS 9 on the Group retained earnings at 1 January 2018 is as follows:

- Impairment: The impact of the introduction of an 'expected credit loss' model for the assessment of impairment of financial assets held under amortised cost would be to increase the Group's operating costs by US$ 4 million and decrease the Group's profit before tax by US$ 4 million for the year ended 31 December 2017, and to reduce current assets by US$ 4 million at 31 December 2017.
- Classification and measurement: The measurement and accounting treatment of the Group's financial assets is unchanged on application of the new standard, except for the trade receivables from provisional copper, gold and silver concentrate sales, which are classified and measured at fair value through profit and loss (FVTPL) under new Standard, rather than at amortised cost with embedded derivative, separated from the host contract and measured at fair value. The classification of these receivables as FVTPL does not change on raising of the final invoice.
- Hedge accounting: no impact as the Group does not elect to use hedge accounting.

As these effects are considered immaterial, the Group has concluded that no adjustments were required to its opening retained earnings and there were no significant changes to its measurement of financial instruments for the comparative period as a result of the adoption of IFRS 9.

The adoption of the expected credit loss impairment model has the impact on the Group's financial statements as follows: decrease in the Group's profit before tax by US$4 million for the period ended 30 June 2018, and a reduction in current assets by US$ 4 million at 30 June 2018.

New accounting standards issued but not yet effective

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. Application of the standard is mandatory for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted. The Group is in the process of determining the impact of IFRS 16 on its consolidated financial statements.

The Group has decided to adopt the modified retrospective transition approach and so the cumulative effect of transition to IFRS 16 will be recognised in retained earnings with no restatement of the comparative period. The principal impact of IFRS 16 will be the change of lessee's accounting treatment for the contracts which are currently classified as operating leases. Such lease agreements will give rise to the recognition of a right of use asset within property, plant and equipment and a related liability for future lease payments.

The Group has determined that surface lease arrangements with municipal goverments for the purposes of mining and exploration actities fall outside of the scope of IFRS 16. Based on the analysis of the existing lease agreements, the right of use asset will principally relate to the leased office buidings, and the expected impact of these lease agreements approximates to US$ 31 million. The Group is finalising the analysis of the IFRS 16 impact on its consolidated financial statements and is in process of the practical application of the IFRS 16 requirements.

In the Group's Income Statement depreciation of right-of-use assets and interest expense on the lease liabilities will be recognised instead of operating lease expenses under IAS 17. The impact of the standard on underlying earnings and profit before tax following adoption is not expected to be significant.

The following standards and interpretations were in issue but not yet effective as of reporting date and are not applicable or have no effect to the Group:

- Amendments to IAS 40 *Investment Property*, effective for annual period beginning on or after 1 January 2018;
- Amendments to IAS 1 *First-time Adoption of International Financial Reporting Standards*, effective for annual period beginning on or after 1 January 2018;
- Amendments to IFRS 2 *Share-based payments,* effective for annual period beginning on or after 1 January 2018;
- IFRIC 23 *Uncertainty over Income Tax Treatment*, effective for annual period beginning on or after 1 January 2019.

Going concern

The Group has assessed its going concern status taking into account the financial position, forecast trading performance, borrowings and available credit facilities, including contractual maturities, forecast covenant compliance on those borrowings and capital expenditure commitments. As at 30 June 2018, the Group's net debt was US$ 1,652 million and it had US$ 1,166 million of undrawn facilities of which US$ 1,116 million were considered committed.

The Board has considered the cash flow projections for the period to the end of December 2019 and is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing these condensed consolidated financial statements.

Functional and presentation currencies

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. For all Russian entities the functional currency is the Russian Rouble (RUB). The functional currency of the Group's entities located and operating in Kazakhstan (Varvarinskoye JSC, Komarovskoye Mining Company LLC, Bakyrchik Mining Venture LLC, Inter Gold Capital LLC) 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 US Dollar.

The Group has chosen to present its consolidated financial statements in US 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/US Dollar	**Kazakh Tenge/US Dollar**	**Armenian Dram/US Dollar**
30 June 2018			
Period ended	62.76	341.08	482.24
Average	59.34	326.45	482.13
Maximum monthly rate	62.71	336.08	484.13
Minimum monthly rate	56.79	320.70	480.45
30 June 2017			
Period ended	59.09	321.46	480.47
Average	57.98	318.73	484.51

Maximum monthly rate	59.96	331.27	486.51
Minimum monthly rate	56.43	312.48	481.56
31 December 2017			
Year ended	57.60	332.33	484.10
Average	58.35	326.02	482.71
Maximum monthly rate	59.96	338.78	486.51
Minimum monthly rate	56.43	312.48	478.25

2. ACQUISITIONS

Prognoz silver property acquisition

In January 2017 the Group entered into an agreement with Polar Acquisition Ltd (PAL), under which Polymetal would 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 private investor. The arrangement allowed 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. As of acquisition date and as of 31 December 2017 the Group had determined that Prognoz constituted a joint venture under IFRS 11 *Joint Arrangements* and therefore the investment was accounted for using the equity method. In January 2018 Polymetal agreed with PAL to accelerate the exercise of the option in order to acquire a further 45% ownership stake in Prognoz at a fixed price.

In April 2018 the Group completed the acquisition of Prognoz through two consecutive deals. On 13 April 2018 the Group completed the acquisition of the 45% stake from PAL for consideration paid through the issue of 6,307,000 Polymetal new ordinary shares and on 23 April 2018 acquired the remaining 50% a stake from the private investor for consideration paid by issuing 14,152,668 new ordinary shares of the Company. As a result of the transactions, Polymetal consolidated 100% stake in the Prognoz.

In addition to the consideration paid to PAL for the 45% stake Polymetal also committed to pay PAL a net smelter return ("NSR") royalty of between 2 and 4% (pro rated by the 45% stake being acquired), which will be dependent on the applicable statutory mineral extraction tax rate at the time when the asset enters commercial production.

In addition to the consideration paid to the private investor for the 50% stake Polymetal also committed to pay a NSR royalty in the range of 0.5% to 2.5%, pro rated to the 50% stake being acquired and capped at US$ 40 million. The royalty will be only payable if silver price is US$ 19/oz or higher, with the actual royalty rate within the range determined on a progressive scale dependent on silver price.

The Group has determined that it obtained control over Prognoz silver property as of 23 April 2018.

Prognoz is the largest undeveloped primary silver deposit in Eurasia with JORC-compliant Indicated and Inferred Resources (estimated by Micon in 2009) of 292 Moz at 586 g/t silver.

Prognoz currently runs the exploration activities and represents an integrated set of activities, and so it was determined that it meets the definition of a business pursuant to IFRS 3 and thus was accounted for at fair value using the acquisition method.

Consideration transferred

The fair value of the 6,307,000 ordinary shares issued as part of the consideration paid for Prognoz to PAL was determined based on the spot price at the acquisition date, being US$9.63, and it was valued at US$ 61 million.

The fair value of the 14,152,668 ordinary shares issued as part of the consideration paid for Prognoz to PAL was determined based on the spot price at the acquisition date, being US$9.83, and it was valued at US$ 139 million, with US$ 24 million allocated to the acquired shareholders' loan.

The NSR royalties described above meet definition of contingent consideration and are accounted for at their fair value at the acquisition date as follows.

The fair value of the NSR payable to PAL was determined using a valuation model which simulates expected production silver and the silver prices to estimate Prognoz future revenues. The royalty agreement is subject to an agreed cap that increases progressively with the silver price.

Based on the internal forecast, bechmarked against the external sources of information, the Group applied the long-term price silver of US$16 million per ounce and NSR capped at US$ 100 million. At acquisition date, the fair value of the contingent consideration was estimated at US$ 9 million. The payment to PAL is subject finalisation based on the JORC-compliant resource estimate, which is expected by the end of 2018.

The fair value of the NSR payable to the private investor was determined using a valuation model which simulates the expected production of silver at the silver prices as above and was calculated using Monte Carlo modelling. At acquisition date, the fair value of the contingent consideration was estimated at US$ 5 million.

The key assumptions used in the contingent consideration calculations are set out below:

Silver price volatility	31.69%
Silver price as of acquisition date/long-term price per ounce	US$ 16.94/US$ 16
Discount rate	9%

Revaluation of the investment in joint venture previously recognised

As the Group has obtained control over a previously held joint venture operation that constitutes a business, in accordance with IFRS 3 requirements it remeasured its previously recognised share of the business subject to joint control at the acquisition date fair value and recognised the resulting gain of US$ 24 million in the income statement.

Assets acquired and liabilities recognised at the date of acquisition

As of date of finalisation of these interim consolidated financial statements for the period ended 30 June 2018, the calculation of the fair value of the assets acquired and liabilities recognised at the date of acquisition was not finalised and therefore was provisionally accounted for, together with the value of contingent consideration recognised.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed and its reconciliation to the provisionally accounting are set out in the table below:

	US$m
Property, plant and equipment	321
Other current assets	2
Borrowings	(47)
Deferred tax liabilities	(57)
Fair value of the net assets acquired	**219**
Consideration transferred	
Fair value of shares issued to PAL for 45% stake	61
Contingent consideration payable to PAL	9
Consideration for 45% share in JV	**70**
Fair value of shares issued for 50% stake	139
Contingent consideration payable	5
Less: consideration allocated to shareholder loan	(24)
Total consideration for 50% share	**120**
Initial investment in JV as of 31 December 2017	5
Revaluation of 50% achieved by 13 April 2018	24
Total consideration	**219**

No significant financial assets were acquired in business combination.

Impact of the acquisition on the result of group

The impact of Prognoz on the Group’s financial result was not significant given the close proximity between the acquisition date and the six month reporting period ending 30 June 2018. Prognoz had not generated any revenue in this period ended 30 June 2018.

3. SEGMENT INFORMATION

The Group has five reportable segments:

- Magadan (Omolon Gold Mining Company LLC, Magadan Silver JSC, Mayskoye Gold Mining Company LLC);
- Ural (Gold of Northern Urals CJSC);
- Khabarovsk (Albazino Resources Ltd, Amur Hydrometallurgical Plant LLC, Okhotskaya Mining and Exploration Company LLC, Svetloye LLC);
- Kazakhstan (Varvarinskoye JSC, Komarovskoye Mining Company LLC, Bakyrchik Mining Venture LLC, Inter Gold Capital LLC);
- Armenia (Kapan MPC CJSC, Lichkvaz 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 an Alternative Performance Measure (APM). For more information on the APMs used by the Group, including definitions, please refer to page 50.

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

Revenue shown as corporate and other comprises, principally, intersegment revenue relating to the supply of inventories, spare parts and fixed assets, and rendering management services to the Group's production entities. 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 2018 (US$m)	MAGADAN	KHABAROVSK	URAL	KAZAKHSTAN	ARMENIA	Total reportable segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	290	309	71	90	29	789	-	-	789
Intersegment revenue	-	7	-	2	-	9	93	(102)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	154	151	20	50	17	392	56	(69)	**379**
Cost of sales	186	179	25	61	21	472	56	(69)	459
Depreciation included in Cost of sales	(25)	(28)	(5)	(10)	(4)	(72)	-	-	(72)
Write-down of metal inventory to net realisable value	(7)	-	-	-	-	(7)	-	-	(7)
Write-down of non-metal inventory to net realisable value	-	-	-	(1)	-	(1)	-	-	(1)
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	17	9	2	8	3	39	49	(7)	**81**
General, administrative and selling expenses	28	18	6	11	3	66	57	(34)	89
Intercompany management services	(11)	(9)	(4)	(2)	-	(26)	(1)	27	-
Depreciation included in SGA	-	-	-	(1)	-	(1)	(1)	-	(2)
Share based-compensation	-	-	-	-	-	-	(6)	-	(6)
Other operating expenses excluding additional tax charges	12	5	2	3	1	23	(1)	2	24
Other operating expenses	12	5	2	3	1	23	2	2	27
Bad debt and expected credit loss allowance	-	-	-	-	-	-	(4)	-	(4)
Additional mining taxes and VAT exposures, penalties and accrued interest	-	-	-	-	-	-	1	-	1
Share of income of associates and joint ventures						-	-	-	-
Adjusted EBITDA	**107**	**151**	**47**	**31**	**8**	**344**	**(11)**	**(28)**	**305**
Depreciation expense	25	28	5	11	4	73	1	-	74
Write-down of non-metal inventory to net realisable value	-	-	-	1	-	1	-	-	1
Write-down of metal inventory to net realisable value	7	-	-	-	-	7	-	-	7
Share-based compensation	-	-	-	-	-	-	6	-	6
Bad debt and expected credit loss allowance	-	-	-	-	-	-	4	-	4
Additional mining taxes and VAT exposures, penalties and accued interest	-	-	-	-	-	-	(1)	-	(1)
Operating profit / (loss)	**75**	**123**	**42**	**19**	**4**	**263**	**(21)**	**(28)**	**214**
Net foreign exchange gains									**2**
Revaluation of initial share in Prognoz									**24**
Change in fair value of contingent consideration liability									**-**
Finance income									**1**
Finance costs									**(31)**
Profit before tax									**210**
Income tax expense									**(35)**
Profit for the financial period									**175**
Current metal inventories	235	121	39	46	9	450	1	(11)	440
Current non-metal inventories	90	40	5	20	6	161	25	(10)	176
Non-current segment assets:	-	-	-	-	-	-	-	-	-
Property, plant and equipment, net	412	427	35	919	66	1 859	454	-	2 313
Goodwill	16	-	-	-	-	16	-	-	16
Non-current inventory	73	14	2	23	1	113	-	(1)	112
Investments in associates	-	-	-	-	-	-	88	-	88
Total segment assets	**826**	**602**	**81**	**1 008**	**82**	**2 599**	**568**	**(22)**	**3 145**
Additions to non-current assets:	-	-	-	-	-	-	-	-	-
Property, plant and equipment	29	55	3	81	5	173	12	-	185
Acquistion of subsidiaries	-	-	-	-	-	-	321	-	321

3. Segment information (continued)

Period ended 30 June 2017 (US$m)	MAGADAN	KHABAROVSK	URAL	KAZAKHSTAN	ARMENIA	Total reportable segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	336	191	76	60	20	683	-	-	683
Intersegment revenue	-	4	-	4	-	8	104	(112)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	169	104	21	36	10	340	66	(79)	**327**
Cost of sales	205	134	28	49	12	428	66	(79)	415
Depreciation included in Cost of sales	(37)	(26)	(7)	(12)	(3)	(85)	-	-	(85)
Write-down of metal inventory to net realisable value	-	(1)	-	(1)	-	(2)	-	-	(2)
Write-down of non-metal inventory to net realisable value	1	(3)	-	-	1	(1)	-	-	(1)
Rehabilitation expenses	-	-	-	-	-	-	-	-	-
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	15	9	3	6	2	35	45	(6)	**74**
General, administrative and selling expenses	26	17	6	8	2	59	51	(30)	80
Intercompany management services	(11)	(7)	(3)	(1)	-	(22)	(2)	24	-
Depreciation included in SGA	-	(1)	-	(1)	-	(2)	-	-	(2)
Share-based compensation	-	-	-	-	-	-	(4)	-	(4)
Other operating expenses excluding additional tax charges	13	5	3	2	1 -	24	1	(1)	24
Other operating expenses	10	6	2	2	(5)	15	1	(1)	15
Bad debt allowance	-	(1)	-	-	-	(1)	-	-	(1)
Additional mining taxes and VAT exposures, penalties and accrued interest	3	-	1	-	6	10	-	-	10
Share of income of associates and joint ventures						-	(1)	-	(1)
Adjusted EBITDA	**139**	**77**	**49**	**20**	**7**	**292**	**(9)**	**(26)**	**257**
Depreciation expense	37	27	7	13	3	87	-	-	87
Write-down of non-metal inventory to net realisable value	(1)	3	-	-	(1)	1	-	-	1
Write-down of metal inventory to net realisable value	-	1	-	1	-	2	-	-	2
Share-based compensation	-	-	-	-	-	-	4	-	4
Bad debt allowance	-	1	-	-	-	1	-	-	1
Additional mining taxes and VAT exposures, penalties and accued interest	(3)	-	(1)	-	(6)	(10)	-	-	(10)
Operating profit / (loss)	**106**	**45**	**43**	**6**	**11**	**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	196	166	42	53	12	469	1	(15)	455
Current non-metal inventories	77	37	5	22	7	148	31	(7)	172
Non-current segment assets:									
Property, plant and equipment, net	451	393	45	861	61	1,811	130	-	1,941
Goodwill	17	-	-	-	-	17	-	-	17
Non-current inventory	96	12	2	5	2	117	-	(1)	116
Investments in associates	-	-	-	-	-	-	34	-	34
Total segment assets	**837**	**608**	**94**	**941**	**82**	**2,562**	**196**	**(23)**	**2,735**
Additions to non-current assets:									
Property, plant and equipment	48	43	4	83	14	192	11	-	203
Acquistion of subsidiaries	-	-	-	-	-	-	2	-	2

3. Segment information (continued)

Period ended 31 December 2017 (US$m)	MAGADAN	KHABAROVSK	URAL	KAZAKHSTAN	ARMENIA	Total reportable segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	810	630	155	154	66	1,815	-	-	1,815
Intersegment revenue	-	14	1	6	-	21	218	(239)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	437	301	43	83	39	903	141	(167)	**877**
Cost of sales	540	371	56	114	51	1,132	141	(167)	1,106
Depreciation included in Cost of sales	(94)	(65)	(13)	(29)	(9)	(210)	-	-	(210)
Write-down of metal inventory to net realisable value	(12)	(3)	-	(1)	-	(16)	-	-	(16)
Write-down of non-metal inventory to net realisable value	3	(2)	-	(1)	(3)	(3)	-	-	(3)
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	29	18	5	13	5	70	89	(15)	**144**
General, administrative and selling expenses	53	35	12	17	5	122	102	(66)	158
Intercompany management services	(23)	(16)	(7)	(3)	-	(49)	(2)	51	-
Depreciation included in SGA	(1)	(1)	-	(1)	-	(3)	(1)	-	(4)
Share-based compensation	-	-	-	-	-	-	(10)	-	(10)
Other operating expenses excluding additional tax charges	24	10	11	9	2 -	56	6	(10)	52
Other operating expenses	21	11	9	9	(4)	46	8	(10)	44
Additional mining taxes and VAT exposures, penalties and accrued interest	3	(1)	2	-	6	10	(2)	-	8
Share of income of associates and joint ventures						-	3	-	3
Adjusted EBITDA	**320**	**315**	**97**	**55**	**20**	**807**	**(15)**	**(47)**	**745**
Depreciation expense	95	66	13	30	9	213	1	-	214
Write-down of non-metal inventory to net realisable value	(3)	2	-	1	3	3	-	-	3
Write-down of metal inventory to net realisable value	12	3	-	1	-	16	-	-	16
Share-based compensation	-	-	-	-	-	-	10	-	10
Additional mining taxes and VAT exposures, penalties and accued interest	(3)	1	(2)	-	(6)	(10)	2	-	(8)
Operating profit / (loss)	**219**	**243**	**86**	**23**	**14**	**585**	**(28)**	**(47)**	**510**
Net foreign exchange gains									**(10)**
Change in fair value of contingent consideration liability									**2**
Finance income									**4**
Finance costs									**(63)**
Profit before tax									**443**
Income tax expense									**(89)**
Profit for the financial period									**354**
Current metal inventories	130	125	42	30	6	333	-	(5)	328
Current non-metal inventories	99	48	6	21	4	178	17	(9)	186
Non-current segment assets:									
Property, plant and equipment, net	469	443	46	892	66	1,916	138	-	2,054
Goodwill	18	-	-	-	-	18	-	-	18
Non-current inventory	86	13	2	23	1	125	-	(2)	123
Investments in associates	-	-	-	-	-	-	96	-	96
Total segment assets	**802**	**629**	**96**	**966**	**77**	**2,570**	**251**	**(16)**	**2,805**
Additions to non-current assets:									
Property, plant and equipment	106	114	9	165	24	418	13	-	431
Acquistion of subsidiaries	-	-	-	-	-	-	2	-	2

4. REVENUE

Revenue analysed by geographical regions of customers is presented below:

	Six months ended		Year ended
	30 June 2018	30 June 2017	31 December 2017
	US$m	US$m	US$m
Russian Federation	524	399	1,090
Kazakhstan	163	135	301
Europe	57	109	224
East Asia	45	40	200
Total	**789**	**683**	**1,815**

Included in revenues for the six months ended 30 June 2018 are revenues from customers whose share of total revenue was greater than 10%. These were US$ 291 million, US$ 96 million, US$ 82 million and US$ 81 million, respectively (year ended 2017: to US$ 610 million, US$ 200 million, US$ 167 million and US$136, respectively; period ended 30 June 2017: US$ 206 million, US$ 94 million, US$ 82 million and US$ 78 million, respectively).

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

	Six months ended 30 June 2018 (unaudited)				Six months ended 30 June 2017 (unaudited)			
	Thousand ounces/ tonnes shipped	Thousand ounces/ tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US$m	Thousand ounces/ tonnes shipped	Thousand ounces/ tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US$m
Gold (thousand ounces)	450	445	1,312	584	383	380	1,240	471
Silver (thousand ounces)	12,275	12,086	16	189	12,645	12,426	16.3	202
Copper (tonnes)	1,535	1,454	6,189	9	588	537	7,454	4
Zinc (tonnes)	2,723	2,314	3,025	7	2,684	2,245	2,673	6
Total				**789**				**683**

	Year ended 31 December 2017			
	Thousand ounces/ tonnes shipped	Thousand ounces/ tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US$m
Gold (thousand ounces)	1,105	1,090	1,247	1,359
Silver (thousand ounces)	26,888	26,469	16.1	426
Copper (tonnes)	2,717	2,573	6,607	17
Zinc (tonnes)	5,466	4,679	2,779	13
Total				**1,815**

Revenue is derived principally from the sale of gold and silver bullions and copper, gold and silver concentrate and dore. The Group sells gold and silver bullions to banks through long-term agreements. The sales price, as determined in the agreement, may be variable based upon the London Bullion Market Association (LBMA) spot or fixed price, however the Group does not enter into fixed price contracts.

During the period ended 30 June 2018 the Group has entered into prepaid bullion sales arrangements, which are settled solely through bullion shipments and are priced similar to the long-term sales arrangement described above. The arrangements fall under IFRS 15 *Revenue from Contracts with Customers* and respective advances received represent contract liabilities amounting to US$ 69 million as at 30 June 2018.

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

The price for gold and silver bullions is determined at the date of sale whilst copper, zinc, gold and silver concentrate and doré is sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale, therefore these revenue streams are disclosed separately below:

	MAGADAN	KHABAROVSK	URAL	KAZAKHSTAN	ARMENIA	TOTAL
	US$m	US$m	US$m	US$m	US$m	US$m
Six months ended 30 June 2018 (unaudited)						
Bullions	152	301	71	-	-	524
Concentrate and dore	138	8	-	90	29	265
	290	**309**	**71**	**90**	**29**	**789**
Six months ended 30 June 2017 (unaudited)						
Bullions	183	188	76	-	-	447
Concentrate and dore	153	3	-	60	20	236
	336	**191**	**76**	**60**	**20**	**683**
Year ended 31 December 2017						
Bullions	397	627	155	-	-	1,179
Concentrate and dore	413	3	-	154	66	636
	810	**630**	**155**	**154**	**66**	**1,815**

5. COST OF SALES

	Six months ended		Year ended
	30 June 2018	30 June 2017	31 December 2017
	US$m	US$m	US$m
Cash operating costs			
On-mine costs (Note 6)	244	213	414
Smelting costs (Note 7)	165	151	316
Purchase of ore and concentrates from third parties	39	21	54
Purchase of ore from related parties (Note 23)	11	24	38
Mining tax	43	39	88
Total cash operating costs	**502**	**448**	**910**
Depreciation and depletion of operating assets (Note 8)	107	102	193
Total costs of production	**609**	**550**	**1,103**
Increase in metal inventories (Note 18)	(161)	(142)	(26)
Write-down of metal inventories to net realisable value (Note 18)	7	2	16
Write-down of non-metal inventories to net realisable value (Note 18)	1	1	3
Idle capacities and abnormal production costs	3	4	10
Total	**459**	**415**	**1,106**

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 2018	30 June 2017	31 December 2017
	US$m	US$m	US$m

Services	113	103	192
Labour	69	61	118
Consumables and spare parts	60	48	101
Other expenses	2	1	3
Total (Note 5)	**244**	**213**	**414**

7. SMELTING COSTS

	Six months ended		Year ended
	30 June 2018	30 June 2017	31 December 2017
	US$m	US$m	US$m
Consumables and spare parts	78	64	132
Services	50	53	116
Labour	36	32	65
Other expenses	1	2	3
Total (Note 5)	**165**	**151**	**316**

8. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Six months ended		Year ended
	30 June 2018	30 June 2017	31 December 2017
	US$m	US$m	US$m
On-mine	78	74	137
Smelting	29	28	56
Total (Note 5)	**107**	**102**	**193**

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 2018	30 June 2017	31 December 2017
	US$m	US$m	US$m
Labour	66	60	116
Services	7	6	11
Share-based compensation	6	4	10
Depreciation	2	2	4
Other	8	8	17
Total	**89**	**80**	**158**

10. OTHER OPERATING EXPENSES, NET

	Six months ended		Year ended
	30 June 2018	30 June 2017	31 December 2017
	US$m	US$m	US$m
Social payments	8	6	15
Taxes, other than income tax	7	5	11
Exploration expenses	6	6	18
Provision for investment in Special Economic Zone	5	7	12
Bad debt and expected credit loss allowance	4	1	-
Housing and communal services	2	2	4
Loss on disposal of property, plant and equipment	1	-	1
Gain on disposal of Aktogai Mys LLC (Note 17)	(5)	-	-
Change in estimate of environmental obligations	(2)	-	(4)

Additional tax exposures, penalties and accrued interest, net	(1)	(10)	(8)
Other expenses	2	(2)	(5)
Total	**27**	**15**	**44**

For the operations held in the Special economic zone of the Russian Far East, Omolon Gold Mining Company LLC and JSC Magadan Silver are entitled to the decreased statutory income tax rate of 17%, as well as decreased mining tax rate (paying 60% of standard mining tax rates). In return for obtaining this tax relief the members of the Special economic zone are obliged to invest 50% of their tax savings each year to the Special economic zone Development Programme, amounting to US$ 5 million for six months ended 30 June 2018 (six months ended 30 June 2017: US$ 7 million; year ended 31 December 2017: US$ 12 million).

Expected credit loss allowance is recognised under IFRS 9 *Financial instruments* requirements, which introduced a single expected credit loss impairment model, based on changes in credit quality since initial application.

Other expenses include net income related to the transportation of silver, gold, copper and zinc concentrate, recognised in accordance with IFRS 15 *Contracts with customers.*

Operating cash outflow from exploration activities amounts to US$ 5 million for six months ended 30 June 2018 (six months ended 30 June 2017: US$ 7 million; year ended 31 December 2017: US$ 16 million).

Total provision for the additional taxes and VAT exposures, penalties and accrued interest as of 30 June 2018 is US$ 5 million (2017: 31 December 2017: US$ 7 million; 30 June 2017: US$ 3 million). The provision is mainly related to royalties and property tax. There were no significant movements in provisions during the period ended 30 June 2018.

11. EMPLOYEE COSTS

	Six months ended		**Year ended**
	30 June 2018	**30 June 2017**	**31 December 2017**
	US$m	**US$m**	**US$m**
Wages and salaries	153	139	275
Social security costs	41	38	68
Share-based compensation	6	4	10
Total payroll costs	**200**	**181**	**353**
Reconcilation:			
Less: employee costs capitalised	(18)	(19)	(40)
Less: employee costs absorbed into unsold metal inventory balances	(32)	(20)	12
Employee costs included in operating costs	**150**	**142**	**325**

The weighted average number of employees was:

	Six months ended		**Year ended**
	30 June 2018	**30 June 2017**	**31 December 2017**
Magadan	4,015	3,688	3,827
Khabarovsk	2,867	2,654	2,724
Kazakhstan	2,038	1,691	1,760
Armenia	975	1,083	1,084
Ural	814	878	872
Corporate and other	1,564	1,581	1,529
Total	**12,273**	**11,575**	**11,796**

12. FINANCE COSTS

	Six months ended		**Year ended**
	30 June 2018	**30 June 2017**	**31 December 2017**
	US$m	**US$m**	**US$m**
Interest expense on borrowings	28	28	57
Unwinding of discount on environmental obligations	2	2	3
Unwinding of discount on contingent considerations	1	-	3
Total	**31**	**30**	**63**

Interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US$ 5 million, US$ 3 million and US$ 8 million during the six months ended 30 June 2018, the six months ended 30 June 2017, and the year ended 31 December 2017, respectively. These amounts were calculated based on the Group's general borrowing pool and by applying an effective interests rate of 4.11% (annualised), 4.16% (annualised) and 3.96%, respectively, to cumulative expenditure on such assets.

13. INCOME TAX

Income tax for the six months ended 30 June 2018 is charged at 17% (six months ended 30 June 2017: 20%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

	Six months ended		Year ended
	30 June 2018	**30 June 2017**	**31 December 2017**
	US$m	**US$m**	**US$m**
Current income taxes	54	41	111
Deferred income taxes	(19)	(11)	(22)
	35	**30**	**89**

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 do not account for certain non-taxable gains and disallow certain deductions which are included in the determination of accounting profit. These deductions include share-based compensation, social related expenditures and other non-production costs, certain general and administrative expenses, financing expenses, foreign exchange related costs and other costs.

For the operations held in the Special Economic Zone of the Russian Far East Omolon Gold Mining Company LLC and JSC Magadan Silver are entitled to the decreased statutory income tax rate of 17%. Accordingly the rate of 17% was used in the calculation of the current tax and deferred tax positions for those entities. Since 1 January 2017 Svetloye LLC has received tax relief as a Reginal Investment Project and is entitled to the statutory income tax rate of 0% up to 2021.

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 Okhotskaya Mining and Exploration Company LLC up to 2014, Omolon Gold Mining Company LLC up to 2013, Gold of Northern Urals CJSC and Magadan Silver JSC up to 2012, Mayskoye Gold Mining Company LLC up to 2010, and Varvarinskoye JSC 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 2018	**30 June 2017**	**31 December 2017**
	US$m	**US$m**	**US$m**
Net foreign exchange gains/(losses) on net investment in foreign operation			
Current tax expense/(benefit)	2	2	(2)
Deferred tax expense/(benefit)	4	2	(3)
Total income tax recognised in other comprehensive income	**6**	**4**	**(5)**

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

Tax exposures recognised in income tax

During the period ended 30 June 2018, year ended 31 December 2017 and period ended 30 June 2017 no new individual significant exposures were identified as probable and provided for.

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 2018	30 June 2017	31 December 2017
Weighted average number of outstanding common shares	439,092,385	429,643,911	429,880,907
Dilutive effect of share appreciation plan	812,907	5,384,717	5,830,775
Weighted average number of outstanding common shares after dilution	**439,905,292**	**435,028,628**	**435,711,682**

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 2017 and period ended 30 June 2017: nil).

At 30 June 2018, 31 December 2017 and 30 June 2017 the outstanding LTIP awards issued under 2015-2018 tranches represent dilutive potential ordinary shares with respect to earnings per share from continuing operations as these are in the money as of the reporting date.

The awards issued under management bonus deferral award plan are dilutive as of 30 June 2017, 31 December 2017 and 30 June 2018 being contingently issued shares. The awards are included in the calculation of diluted EPS based on the weighted average number of shares that would be issuable if the end of the reporting period were the end of the contingency period.

15. DIVIDENDS

Dividends recognised during the period ended 30 June 2018 and comparative periods are detailed in the below:

	Dividends				
	cents per share US$	US$m	deducted from the equity during the period	proposed in relation to the period	Paid in
Final dividend 2016	18	77	March 2017	2016	May 2017
Interim dividend 2017	14	61	September 2017	2017	September 2017
Final dividend 2017	30	136	March 2018	2017	May 2018
Interim dividend 2018	17	77	n/a	2018	n/a

Total dividends for the period	Deducted from equity	Proposed	Paid
	US$m	US$m	US$m
Period ended 30 June 2017	77	61	77
Year ended 31 December 2017	138	197	138
Period ended 30 June 2018	136	77	136

16. PROPERTY, PLANT AND EQUIPMENT

	Development assets	Exploration assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
Cost	US$m	US$m	US$m	US$m	US$m	US$m
Balance at 31 December 2017	**655**	**150**	**2,024**	**61**	**276**	**3,166**
Additions	14	18	93	2	58	185
Transfers	(449)	(51)	532	-	(32)	-
Change in decommissioning liabilities	-	-	(1)	-	-	(1)
Acquisitions (Note 2)	-	318	3	-	-	321
Disposals and write-offs including fully depleted mines	-	(2)	(37)	-	-	(39)
Translation to presentation currency	(9)	(16)	(164)	(4)	(15)	(208)

	Development assets	Exploration assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
Balance at 30 June 2018	**211**	**417**	**2,450**	**59**	**287**	**3,424**

Accumulated depreciation, amortisation	**Development assets**	**Exploration assets**	**Mining assets**	**Non-mining assets**	**Capital construction in-progress**	**Total**
	US$m	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**
Balance at 31 December 2017	-	-	**(1,081)**	**(31)**	-	**(1,112)**
Charge for the period	-	-	(119)	(2)	-	(121)
Disposals and write-offs including fully depleted mines	-	-	36	-	-	36
Translation to presentation currency	-	-	84	2	-	86
Balance at 30 June 2018	-	-	**(1,080)**	**(31)**	-	**(1,111)**
Net book value						
31 December 2017	**655**	**150**	**943**	**30**	**276**	**2,054**
30 June 2018	**211**	**417**	**1,370**	**28**	**287**	**2,313**

Mining assets, exploration and development assets at 30 June 2018 included mineral rights with net book value which amounted to US$ 1,002 million (31 December 2017: US$ 735 million) and capitalised stripping costs with net book value of US$ 72 million (31 December 2017: US$ 50 million). Mineral rights of the Group comprise assets acquired upon acquisition of subsidiaries.

Transfers from development to mining assets during the period ended 30 June 2018 relate to the start of mining activities at Kyzyl project.

No property, plant and equipment was pledged as collateral at 30 June 2018 or at 31 December 2017.

In April 2018 Polymetal reached an agreement with the Russian Copper Company ("RCC") for an all-share exchange of Polymetal's Tarutin property in Russia for 85% of RCC's East Tarutin property in Kazakhstan. As a result of the transaction, Polymetal will receive 85% of LLP Tarutinskoye, the licence holder for the copper-gold East Tarutin deposit located in Kazakhstan. In return, Polymetal will transfer 100% of Vostochny Basis LLC, the license holder for the copper-gold Tarutin deposit located in the Russian Federation. The transaction does not entail any additional payments or deferred considerations. As of the reporting date, the completion of the exchange of Tarutin property is outstanding as this transaction is awaiting statutory approvals from authorities in Kazakhstan. The completion of the transaction is expected by the end of the year ended 31 December 2018.

17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in associates and joint ventures as at 30 June 2018, 30 June 2017 and 31 December 2017 consisted of the following:

	30 June 2018		**31 December 2017**		**30 June 2017**	
	Voting power %	**Carrying Value**	**Voting power %**	**Carrying Value**	**Voting power %**	**Carrying Value**
		US$m		**US$m**		**US$m**
Investment in associates and joint ventures						
JSC South-Verkhoyansk Mining Company (Nezhda)	17.66	28	17.66	28	17.66	20
GRK Amikan	42.65	8	42.65	7	42.65	6
Prognoz Serebro LLC (Note 2)	n/a	-	5	5	5.00	5
Proeks LLC	30	2	30	2	24.9	2
Aktogai Mys LLC	n/a	-	50	2	50	1
Total		**38**		**44**		**34**
Loans forming part of net investment in joint ventures						
JSC South-Verkhoyansk Mining Company (Nezhda)		50		39		13
Prognoz Serebro LLC		-		13		5
Total		**50**		**52**		**18**

Total investments in associates and joint ventures	**88**	**96**	**52**

Aktogai Mys LLC

In June 2015 Polymetal purchased a 25% stake in the company Aktogai Mys LLC that the owns Dolinnoye exploration licence in Kazakhstan Republic from an unrelated party. In June 2017 Polymetal acquired an additional 25% interest in the Aktogai Mys LLC for a net consideration of US$ 1 million. The Group determined that Aktogai Mys LLC continued to constitute a joint venture under IFRS *11 Joint Arrangements* and the investment was accounted for using the equity method since June 2015.

During the period ended 30 June 2018 Polymetal disposed of its entire interest in Aktogai Mys LLC for the total consideration of US$ 17 million, adjusted for the repayment of the outstanding loans advanced to Aktogai Mys LLC, amounting to US$ 10 million. Total gain on disposal of Aktogai Mys LLC amounts to US$ 5 million, recognised within other operating income (Note 10).

JSC South-Verkhoyansk Mining Company

In December 2015 Polymetal International plc entered into a joint arrangement, under which Polymetal participates in advancing the development of the Nezhdaninskoye gold deposit (Nezhda) in Yakutia, Russia. On 19 January 2016 Polymetal obtained a 15.3% interest in the joint venture entity holding the 100% of JSC South-Verkhoyansk Mining Company (Nezhda) for the total cash consideration of US$ 18 million. It was determined that the arrangement met definition of a joint arrangement as per IFRS 11 *Joint Arrangements*, as joint control of two investors was established. As the arrangement is structured thorough the separate vehicle and the investors have rights for their share in net assets of the joint arrangement, it was concluded that joint arrangement met the definition of the joint venture and should be accounted for using equity method of accounting.

In November 2016 Polymetal increased its share in Nezhda to 17.66% for cash consideration of US$ 3 million.

In July 2017 Polymetal agreed to acquire an additional 7% in the JSC South-Verkhoyansk Mining Company (Nezhda) for a cash consideration of US$ 8 million, from its joint venture partner, Ivan Kulakov. Simultaneously, Polymetal acquired an option to buy out the remaining 75.3% in Nezhda (the “Call option”). The Group determined that the increase in shareholding does not represent a significant change in circumstances that indicate a change in joint control and Nezhda continues to meet the definition of a joint venture. Cash consideration of US$ 8 million paid for the additional stake is accounted for as part of the net investment in the joint venture.

In April 2018 Polymetal served a call option exercise notice to acquire the remaining 75.3% stake for the consideration of US$ 144 million, payable in Polymetal shares.

As of the reporting date, 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. The Group has taken the judgement that it is likely that these approvals will be provided. Completion of the transaction is expected by 31 December 2018.

The Group has a legal right to recovery of the cash consideration of US$ 8 million discussed above in the event if the associated transaction does not receive the required approvals. The Group has performed a valuation of the Call Option at origination date (July 2017), 31 December 2017 and 30 June 2018. The valuation exercise indicates that the fair value of the option approximates its cost of US$ 12 million (see Note 22).

18. INVENTORIES

	30 June 2018 US$m	31 December 2017 US$m	30 June 2017 US$m
Inventories expected to be recovered after twelve months			
Ore stock piles	76	86	82
Consumables and spare parts	36	37	34
Total non-current inventories	**112**	**123**	**116**
Inventories expected to be recovered in the next twelve months			
Ore stock piles	206	144	187
Copper, gold and silver concentrate	137	103	170

Work in-process	65	57	61
Metal for refining	28	9	19
Doré	5	13	17
Refined metals	-	2	1
Total metal inventories	**441**	**328**	**455**
Consumables and spare parts	175	186	172
Total	**616**	**514**	**627**

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

During the six months ended 30 June 2018, the Group recognised certain write-downs of metal inventories. Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. In the net realisable tests performed, the flat real long-term price for gold and silver of US$ 1,200 per ounce and US$ 16 per ounce respectively were used. For short-term metal inventories applicable forward prices as of 30 June 2018 were used.

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

	Six months ended 30 June 2018		Six months ended 30 June 2017	Year ended 31 December 2017
	Magadan	**Total operating segments**	**Total operating segments**	**Total operating segments**
	US$m	**US$m**	**US$m**	**US$m**
Ore stock piles	(2)	**(2)**	(3)	(15)
Ore in heap leach piles	(2)	**(2)**	(1)	(3)
Copper, gold and silver concentrate	(3)	**(3)**	2	2
Total	(7)	**(7)**	**(2)**	**(16)**

During the six month period ended 30 June 2018 the Group also recognised a write-down of consumables and spare parts inventory of US$ 1 million (six months ended 30 June 2017: US$ 1 million; year ended 31 December 2017: US$ 3 million).

The amount of inventories held at net realisable value at 30 June 2018 was US$ 113 million (30 June 2017: US$ 78 million; 31 December 2017: US$ 60 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 US 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 2018			31 December 2017		
	Type of rate	**30 June 2018**	**31 Dec 2017**	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
				US$m	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**
Secured loans from third parties									
US Dollar denominated	fixed	4.00%	4.10%	15	421	436	-	436	436
Total				**15**	**421**	**436**	**-**	**436**	**436**
Unsecured Loans from third parties									
US Dollar denominated	floating	4.12%	3.73%	-	884	884	-	834	834
US Dollar denominated	fixed	4.81%	6.17%	150	212	362	26	152	178
Euro denominated	fixed	2.85%	2.85%	8	-	8	-	8	8
Total				**158**	**1,096**	**1,254**	**26**	**994**	**1,020**
				173	**1,517**	**1,690**	**26**	**1,430**	**1,456**

		Actual interest rate at	30 June 2017		
	Type of rate	**30 June 2017**	**Current**	**Non-current**	**Total**
			US$m	**US$m**	**US$m**
Secured loans from third parties					
US Dollar denominated	floating	4.27%	42	540	582
US Dollar denominated	fixed	4.23%	-	261	261
Total			**42**	**801**	**843**
Unsecured Loans from third parties					
US Dollar denominated	floating	3.52%	-	615	615
US Dollar denominated	fixed	4.15%	91	69	160
Euro denominated	fixed	2.85%	-	4	4

91	**688**	**779**
133	**1,489**	**1,622**

Movements in borrowings are reconciled as follows:

	Beginning of the period	Borrowings obtained	Repayments of borrowings	Net foreign exchange losses	Exchange differences on translating foreign operations	Arrangement fee amortisation	Period end
	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Period ended 30 June 2018	1,456	893	(658)	37	(38)	-	1,690
Year ended 31 December 2017	1,378	3,108	(3,033)	(14)	14	3	1,456

The table below summarises maturities of borrowings:

	30 June 2018	31 December 2017	30 June 2017
	US$m	US$m	US$m
31 December 2017	-		82
Period ended, 30 June 2018	-	-	51
31 December 2018	136	26	124
Period ended, 30 June 2019	37	40	232
31 December 2019	62	65	366
31 December 2020	244	248	262
31 December 2021	536	513	222
31 December 2022	460	414	133
31 December 2023	165	100	100
31 December 2024	50	50	50
Total	**1,690**	**1,456**	**1,622**

20. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group's budgeted capital expenditure commitments as at 30 June 2018 amounted to US$ 37 million (31 December 2017: US$ 46 million, 30 June 2017: US$ 124 million).

Social and infrastructure commitments

During the year ended 31 December 2016 the Group signed a memorandum with East-Kazakhstan Oblast Administration (local Kazakhstan government), where the Group (namely its subsidiaries Bakyrchik Mining Venture LLP and Inter Gold Capital LLP) agreed to participate in financing of certain social and infractructure development project of the region. Total social expenses commitment at 30 June 2018 amounts to US$ 26 million, allocated to the future periods as follows:

	30 June 2018
	US$m
Within one year	-
From one to five years	22
Thereafter	4
Total	**26**

Operating environment

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

Taxation

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

Management has identified a total exposure (covering taxes and related interest and penalties) of approximately US$ 5 million in respect of contingent liabilities (31 December 2017: US$ 7 million; 30 June 2017: US$ 3 million) which relate to the possible incorrect calculation of the technical losses exempt from mining tax and other tax exposures.

The Group continues to assess the level of tax risk as high due to the recent initiative of a "super-profits" tax for mining, chemical and fertilizer companies currently considered by the Russian government. As of the date of these financial statements, there is no certainty as to whether and when such tax could be implemented as well as no clarity on the details of the proposed additional taxation, and what impact it might have on the financial position of the Group.

21. STATED CAPITAL ACCOUNT AND RETAINED EARNINGS

At 30 June 2018, the Company's issued share capital consisted of 452,587,679 ordinary shares of no par value, each carrying one vote (31 December 2017: 430,115,480 ordinary shares; 30 June 2017: 430,112,661).

The movements in stated capital account during the six months ended 30 June 2018 were as follows:

	Stated capital account, no. of shares	Stated capital account, US$m
Balance at 31 December 2017	**430,115,480**	**2,031**
Issue of shares for Prognoz acquisition	20,459,668	200
Issue of shares for Kyzyl contingent consideration	1,015,113	10
Issue of shares in accordance with Deferred Share Awards plan	997,418	9
Balance at 30 June 2018	**452,587,679**	**2,250**

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 2018, 31 December 2017 and 30 June 2017, the Group held the following financial instruments:

	30 June 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$m	**US$m**	**US$m**	**US$m**

	Level 1	Level 2	Level 3	Total
Receivables from provisional copper, zinc, gold and silver concentrate sales	-	39	-	**39**
Nezhda option	-	-	12	**12**
Contingent consideration liability	-	-	(63)	**(62)**
	-	**39**	**(51)**	**(11)**

	31 December 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$m	**US$m**	**US$m**	**US$m**
Receivables from provisional copper, zinc, gold and silver concentrate sales	-	26	-	**26**
Nezhda option	-	-	12	**12**
Contingent consideration liability	-	-	(62)	**(62)**
	-	**26**	**(50)**	**(24)**

	30 June 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$m	**US$m**	**US$m**	**US$m**
Receivables from provisional copper, zinc, gold and silver concentrate sales	-	39	-	**39**
Contingent consideration liability	-	-	(65)	**(65)**
	-	**39**	**(65)**	**(26)**

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 2018, is US$ 1,490 million (31 December 2017: US$ 1,233 million; 30 June 2017: US$ $ 1,449 million), and the carrying value as at 30 June 2018 is US$ 1,690 million (31 December 2017: US$ 1,456 million; 30 June 2017: US$ 1,622 million) (see Note 19).

Carrying values of the long-term loans provided to related parties as at 30 June 2018, 31 December 2017 and 30 June 2017 are approximated to their fair values.

The fair value of receivables arising from copper, zinc, 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.

		Period ended		Year ended
	Location of gain (loss) recorded in profit or loss	**30 June 2018**	**30 June 2017**	**31 December 2017**
		US$m	**US$m**	**US$m**
Receivable from provisional copper, zinc, gold and silver concentrate sales	Revenue	(2)	-	2

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 2018 and year ended 31 December 2017:

	30 June 2018							31 December 2017
	Omolon	**Kyzyl**	**Prognoz**	**Kapan**	**Komar**	**Lichkvaz**	**Total**	**Total**
	US$m	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**
Opening balance	13	12	-	10	25	2	62	76
Additions (Note 2)	-	-	14	-	-	-	14	-
Change in fair value, included in profit or loss	-	(2)	-	-	2	-	-	(2)
Unwind of discount	1	-	-	-	-	-	1	3

Settlement though issue of shares (Note 21)	-	(10)	-	-	-	-	(10)	(10)
Cash settlement	(2)	-	-	(1)	(1)	-	(4)	(5)
Total contingent consideration	12	-	14	9	26	2	63	62
less current portion of contingent consideration liability	(3)	-	-	(2)	-	-	(5)	(5)
	9	-	14	7	26	2	58	57

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 2018 was US$ 12 million, including current portion of US$ 3 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. In May 2018 it was settled by 1,015,113 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 2018 was US$ 2 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 2018, the fair value of the contingent consideration was estimated at US$ 9 million, including current portion of US$ 2 million.

On 1 August 2016 the Group completed the acquisition of Orion Minerals LLP, the holding company for the Komarovskoye Gold Deposit (“Komarovskoye”) in the Republic of Kazakhstan. The seller is entitled to the contingent consideration that was determined based on the life of mine model of the Komarovskoye mine and calculated using Monte Carlo modelling. In addition, a deferred consideration contingent upon future production levels and gold price performance will be paid to the seller. The royalty is calculated on a quarterly basis, based on contained gold in ore mined per relevant quarter and is payable at gold prices above US$ 1,250 per ounce. The royalty is capped at a total consideration of US$ 80 million. As of 30 June 2018, the fair value of the contingent consideration was estimated at US$ 26 million.

During period ended 30 June 2018 the Group completed acquisition of Prognoz silver property (Note 2). The fair value of the related contingent consideration liabilities was estimated at US$ 14 million. The valuation method and applicable assumptions are described in Note 2. There were no changes to the fair value as of 30 June 2018.

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 Komarovskoye contingent consideration liabilitities was performed with following inputs:

- Gold price volatility: 17.02%
- Average gold price as of valuation date/ounce: US$ 1,306

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.

Nezhda Call Option

The Group has valued the Nezhda Call Option (Note 17) using the Black-Scholes option valuation model, with share price volatility assumption approximating to 30%. Exercise price of the option was assessed based on the project NPV, calculated using Nezhda JORC ore reserves and mineral resources available. The fair value of the option approximates to its cost of US$ 12 million as of 30 June 2018 and 31 December 2017.

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 2018	30 June 2017	31 December 2017
	US$m	US$m	US$m
Transactions with related parties			
Purchases of ore from equity method investments (Note 5)	11	24	38
Other sales recognised in other operating expenses, net	8	4	12

	30 June 2018	31 December 2017	30 June 2017
	US$m	US$m	US$m
Balances outstanding as of end of reporting period			
Loans accounted for as a part of the net investment in joint venture	50	52	18
Short-term loans provided to equity method investments	-	8	15
Long-term loans provided to equity method investments	-	6	18
Accounts receivable from equity method investments	4	8	6
Interest receivable from equity method investments	3	2	1
Accounts payable to equity method investments	(6)	(7)	(10)
	51	**69**	**48**

Purchases of ore from equity method investments are mainly represented by ore purchased from GRK Amikan, which is processed on Varvara and Amursk facilities. As of 30 June 2018 loans provided to equity method investment are represented by loans provided JSC South-Verkhoyansk Mining Company (Nezhda) joint venture (31 December 2017 and 30 June 2017: 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 2018, 31 December 2017 and 30 June 2017 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.

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	Notes	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
		US$m	US$m	US$m
Profit before tax		210	150	443
Adjustments for:				
Depreciation and depletion, recognised in statement of income statement		74	87	214
Write-down of exploration assets and construction in progress		2	1	3
Write-downs of metal inventories to net realisable value	18	7	2	16
Write-down of non-metal inventories to net realisable value	18	1	1	3
Additional tax exposures, penalties and accrued interest, net	10	(1)	(10)	(8)
Provision for investment in Special Economic Zone	10	5	7	12
Share-based compensation	11	6	4	10
Finance costs	12	31	30	63
Finance income		(1)	(2)	(4)
Loss on disposal of property, plant and equipment	10	1	1	1
Change in contingent consideration liability		-	1	(2)
Bad debt and expected credit loss allowance	10	4	1	-

Share of loss of associates and joint ventures	17	-	1	(3)
Foreign exchange gain		(2)	(7)	10
Change in estimate of environmental obligations		(2)	(1)	(4)
Revaluation of initial share in Prognoz acquisition	2	(24)	-	-
Gain on disposal of Aktogai Mys LLC	17	(5)	-	-
Other non-cash expenses		3	3	4
Movements in working capital				
Increase in inventories		(118)	(114)	(35)
Decrease/(Increase) in VAT receivable		2	(11)	(31)
Increase/(Decrease) in trade and other receivables		(13)	(30)	14
Increase in prepayments to suppliers		(59)	(34)	(6)
Increase/(Decrease) in trade and other payables		57	19	(20)
Increase in other taxes payable		3	8	10
Cash generated from operations		**181**	**107**	**690**
Interest paid		(32)	(30)	(63)
Interest received		1	-	1
Income tax paid		(57)	(42)	(95)
Net cash generated by operating activities		**93**	**35**	**533**

Significant non-cash transactions during the six months ended 30 June 2018 represent the issuance of shares to settle Kyzyl contingent consideration of US$ 10 million and the issuance of shares for Prognoz business combination of US$ 200 million (six months ended 30 June 2017 and the year ended 31 December 2017: 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).

Cash flow related to capitalised exploration amounts to US$ 16 million for six months ended 30 June 2018 and is shown within Property, plant and equipment acquisitions (six months ended 30 June 2017: US$ 12 million; year ended 31 December 2017: US$ 33 million). During the period ended 30 June 2018, the capital expenditure related to the new projects, increasing the operating capacity amounts to US$ 107 million (period ended 30 June 2017: US$ 76 million; year ended 31 December 2017: US$ 173 million).

25. SUBSEQUENT EVENTS

There have been no subsequent events.

ALTERNATIVE PERFORMANCE MEASURES

Introduction

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

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

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

Purpose

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

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

APMs and justification for their use

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Underlying net earnings	• Profit/(loss) for the financial period attributable to equity shareholders of the Company	• Write-down of metal inventory to net realisable value (post-tax) • Foreign exchange (gain)/loss (post-tax) • Change in fair value of contingent consideration liability (post-tax) • Revaluation of initial share in Prognoz	• Exclude the impact of key significant one-off non-recurring items and significant non-cash items (other than depreciation) that can mask underlying changes in core performance.
Adjusted EBITDA	• Profit/(loss) before income tax	• Finance cost (net) • Depreciation and depletion • Write-down of metal and non-metal inventory to net realisable value • Share based compensation • Bad debt allowance • Net foreign exchange losses • Change in fair value of contingent consideration liability • Rehabilitation costs	• Exclude the impact of certain non-cash element, either recurring or non-recurring, that can mask underlying changes in core operating performance, to be a proxy for operating cash flow generation.

		• Additional mining taxes, VAT, penalties and accrued interest	
Net debt	• Net total of current and non-current borrowings • cash and cash equivalents	• n/a	• Measures the Group's net indebtedness that provides an indicator of the overall balance sheet strength. • Used by creditors in bank covenants.
Net debt/EBITDA ratio	• No equivalent	• n/a	• Used by creditors, credit rating agencies and other stakeholders.
Free cash flow	• Cash flows from operating activity less free cash flow from investing activities	• Less cash flows used in investing activities, excluding acquisition costs in business combinations and investments in associates and joint ventures	• Reflect cash generating from operations after meeting existing capital expenditure commitments. • Measures the success of the Company in turning profit into cash through the strong management of working capital and capital expenditure.
Total cash costs (TCC)	• Total cash operating costs • General, administrative & selling expenses	• Depreciation expense • Rehabilitation expenses • Write-down of inventory to net realisable value • Intersegment unrealized profit elimination • Idle capacities and abnormal production costs • Exclude Corporate and Other segment and development assets	• Calculated according to common mining industry practice using the provisions of Gold Institute Production Cost Standard. • Give a picture of a Company's current ability to extract its resources at a reasonable cost and generate earnings and cash flows for use in investing and other activities.
All-in sustaining cash costs (AISC)	• Total cash operating costs • General, administrative & selling expenses	• AISC is based on total cash costs, and adds items relevant to sustaining production.	• Include the components identified in World Gold Council's Guidance Note on Non-GAAP Metrics – All-In Sustaining Costs and All-In Costs (June 2013), which is a non-IFRS financial measure. • Provide investors with better visibility into the true cost of production.