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Date	04 March 2020	

Polymetal International plc

Preliminary results for the year ended 31 December 2019

Polymetal International plc (together with its subsidiaries – "Polymetal", the "Company", or the "Group") is pleased to announce the Group's preliminary results for the year ended 31 December 2019.

"We are pleased to report record earnings and solid free cash flow for the year underpinned by a robust operating performance and strong commodity prices", said Vitaly Nesis, Group CEO of Polymetal, commenting on the results. "We have also advanced our key strategic projects, reduced net debt and paid substantial dividends".

FINANCIAL HIGHLIGHTS

- In 2019, revenue increased by 19%, totalling US$ 2,246 million (2018: US$ 1,882 million). Average realised gold and silver prices followed market dynamics and increased by 13% and 11%, respectively. Gold sales were 1,366 Koz, up 14% year-on-year, while silver sales were down 14% to 22.1 Moz, in line with production volume trends and further supported by working capital release.
- Group Total cash costs[1] (TCC) for the full year were stable compared to 2018 at US$ 655/GE oz, 1% above the Group's guidance of US$ 600-650/GE oz owing to higher domestic diesel prices and higher royalties. All-in sustaining cash costs[1] (AISC) were broadly unchanged from 2018 at US$ 866/GE oz, 2% above the Group's guidance of US$ 800-850/GE oz, driven by the same factors.
- Polymetal posted record Adjusted EBITDA[1] of US$ 1,075 million, a 38% increase over 2018, against the backdrop of higher production volumes, higher commodity prices, and stable costs. Adjusted EBITDA margin reached 48% (2018: 41%).
- Net earnings[2] were a record US$ 483 million (2018: US$ 355 million), with basic EPS of US$ 1.02 per share (2018: US$ 0.78 per share). Underlying net earnings[1] increased by 31% to US$ 586 million on the back of higher operating profit.
- Capital expenditure was US$ 436 million[3], up 27% compared to US$ 344 million in 2018 and above the initial guidance of US$ 380 million, mostly due to accelerated pre-stripping and construction at Nezhda. Construction at Nezhda is around 45% complete as of year end.
- Net debt[1] decreased to US$ 1,479 million (31 December 2018: US$ 1,520 million), representing a Net debt/Adjusted EBITDA ratio of 1.38x (2018: 1.95x), well below the Group's target leverage ratio of 1.5x. The Company continued to generate significant free cash flow[1] which amounted to US$ 299[4] million (2018: US$ 134 million), supported by a net cash operating inflow of US$ 696 million (2018: US$ 513 million).
- A final dividend of US$ 0.42 per share (approx. US$ 197 million) representing 50% of the Group's underlying net earnings for 2H 2019 has been proposed by the Board in accordance with our dividend policy while remaining within the Net debt/Adjusted EBITDA target of 1.5x and comfortably below the hard ceiling ratio of 2.5x. In January 2020, the Board also announced a special dividend of US$ 0.20 per ordinary share (approx. US$ 94 million). This will bring the total dividend declared for FY 2019 to US$ 385 million (2018: US$ 223 million), or US$ 0.82 per share versus US$ 0.48 per share in 2018.

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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. The definition and calculation of non-IFRS APMs used in this report, including Adjusted EBITDA, Total cash costs, All-in sustaining cash costs, Underlying net earnings, Net debt and Free cash flow are explained in the "Financial Review" section below.
[2] Profit for the financial period.
[3] On a cash basis, representing cash outflow on purchases of property, plant and equipment in the consolidated statement of cash flows.
[4] After assets disposal and acquisition.

OPERATING AND ESG HIGHLIGHTS

- The Company's FY2019 GE production amounted to 1,614 Koz, an increase of 3% over 2018 and 4% above the original production guidance of 1.55 Moz. A strong contribution from Kyzyl more than compensated for asset disposals while the rest of the portfolio continued to demonstrate stable results. Production from continuing operations grew by 14% year-on-year to 1,609 Koz GE.
- Full year gold production totalled 1,316 Koz, a 8% increase year-on-year, while silver output decreased by 15% on the back of asset disposals and planned grade decline at Dukat.
- Safety performance in 2019 deteriorated both in terms of frequency of lost-time injuries and the number of fatalities. The Board approved significant safety-related changes to the remuneration structure for all levels of the Company management together with a comprehensive action plan focused on impacting behaviors and attitudes of employees.
- Our operational achievements are underpinned by the value that we place on environmental, social and governance (ESG) issues and this has contributed to Polymetal's international recognition as a leading ESG advocate within Russia and the CIS. In 2019, the Company was reaffirmed as a member of the Dow Jones Sustainability and FTSE4Good indices, MSCI ESG Ratings score improved from BBB to A.

2020 OUTLOOK

- The Company reiterates its current production guidance of 1.6 Moz of GE for each of FY2020 and 2021. Traditionally, production in both years will be weighted towards 2H due to seasonality.
- TCC in 2020 is expected to be in the range of US$ 650-700/GE oz while AISC is expected at US$ 850-900/GE oz. The expected increase over 2019 cost levels is driven by the appreciation of the Russian rouble and increased domestic diesel fuel prices compared to 2019, as well as increased royalties on the back of continued strong gold and silver price performance. The guidance remains contingent on the Rouble/Dollar exchange rate and oil price.

FINANCIAL HIGHLIGHTS[1]	**2019**	**2018**	**Change, %**
Revenue, US$m	2,246	1,882	+19%
Total cash cost, US$ /GE oz	655	654[2]	0%
All-in sustaining cash cost, US$ /GE oz	866	864[2]	0%
Adjusted EBITDA, US$m	1,075	780	+38%
Average realised gold price, US$ /oz[3]	1,411	1,253	+13%
Average realised silver price, US$ /oz[3]	16.5	14.8	+11%
Net earnings, US$m	483	355	+36%
Underlying net earnings, US$m	586	447	+31%
Return on Assets[4], %	20%	17%	+3%
Return on Equity (underlying)[4], %	19%	16%	+3%
Basic EPS, US$ /share	1.02	0.78	+31%
Underlying EPS, US$ /share	1.25	1.00	+26%
Dividend declared during the period, US$ /share[5]	0.51	0.47	+9%
Dividend proposed for the period, US$ /share[6]	0.82	0.48	+71%

[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] Restated in respect of Dukat's TCC for 2018 to include the concentrate treatment charges by the third-party offtakers.
[3] Excluding effect of treatment charges deductions from revenue.
[4] Defined in the "Alternative performance measures" section below.
[5] FY 2019: final dividend for FY 2018 declared in May 2019 and interim dividend for the 1H 2019 declared in September 2019. FY 2018: final dividend for FY 2017 declared in May 2018 and interim dividend for the 1H 2018 declared in September 2018.
[6] FY 2019: interim, final and special dividend for FY2019. FY 2018: interim and final dividend for FY2018.

FINANCIAL HIGHLIGHTS[1]	2019	2018	Change, %
Net debt, US$m	1,479	1,520	-3%
Net debt/Adjusted EBITDA	1.38	1.95	-29%
Net operating cash flow, US$m	696	513	+36%
Capital expenditure, US$m	436	344	+27%
Free cash flow[1], US$m	256	176	+45%
Free cash flow post-M&A[2], US$m	299	134	+122%

[1] Net cash generated by operating activities less net cash used in investing activities excluding acquisitions of joint venture and associate, loans forming part of net investment in joint ventures and proceeds from disposal of subsidiaries.
[2] Free cash flow including cash used in/received from acquisition/disposal of assets and joint ventures.

CONFERENCE CALL AND WEBCAST

The company will hold a conference call and webcast on Wednesday, 4 March 2020 at 11:00 London time (14:00 Moscow time).

To participate in the call, please dial:

From the UK:
+44 208 089 2860 (local access)
0800 756 3333 (toll free)

From the US:
+1 334 777 6978 (local access)
800 367 2403 (toll free)

From Russia:
+7 499 609 1260 (local access)
8 800 100 3687 (toll free)

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

Conference code: 2522219

To participate in the webcast follow the link: https://webcasts.eqs.com/polymetal20200304. Please be prepared to introduce yourself to the moderator or register.

Presentation will be available before the call at https://www.polymetalinternational.com/en/investors-and-media/reports-and-results/presentations/.

A recording of the call will be available immediately after the call at +44 207 660 0134 (from the UK), +1 719 457 0820 (from the USA) and 8 10 800 2702 1012 (from Russia), access code 2522219, from 17:30 Moscow time Wednesday, 04 March, till 17:30 Moscow time Wednesday, 11 March, 2020. Webcast replay will be available on Polymetal's website (www.polymetalinternational.com) and at https://webcasts.eqs.com/polymetal20200304.

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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.

TABLE OF CONTENTS

CHAIRMAN'S STATEMENT

This year marks the start of my tenure as Chair of Polymetal. I am both delighted and privileged to take over the helm of such a great company, while acknowledging the sterling efforts of my predecessor, Bobby Godsell, who stood down at the last Annual General Meeting.

My first impressions since joining the Company are extremely favourable. Run by a solid, experienced, commercially and operationally astute management team, Polymetal already has a great suite of assets in its portfolio and an impressive project pipeline that will ensure the future growth of the business. I am also impressed by the emphasis on capital discipline and the long-term view of investing in high-grade projects that offer both returns on capital and sustainable dividends for our investors.

Great achievements in 2019

This is further borne out by the confidence that capital-market participants have in Polymetal: buying into the vision, commitment, hard work, exceptional track record and consistent delivery on guidance and promises that the Company demonstrates; thereby, making it one of the best performing gold stocks in 2019. This also led to our re-admittance to the FTSE100 Index on the London Stock Exchange in September.

The Kyzyl project is a remarkable story of Polymetal succeeding where others have failed. In 2019, the updated ore-reserves estimate added eight years to the life of mine and, with 343 Koz of annual gold production and US$ 355 million of Adjusted EBITDA, Kyzyl is now the largest contributor to the Company's robust performance. Our key development projects Nezhda and POX-2 remain on track and on budget.

Polymetal shows a consistent approach towards achieving its key strategic goals with the focus on mine life extensions across mature assets and further greenfield development, as well as continuing to maintain a track record of substantial dividend flow to our shareholders. By generating a healthy free cash flow of US$ 299 million during the year, we were able to pay-out dividends totalling US$ 240 million in 2019 while our dividend yield over the last five years has averaged 5%[1]. The Board proposes a final dividend for 2019 of $0.42 per share. The Company will also pay out $94 million in special dividends in March 2020.

Building a sustainable future

We continue to emphasise the importance of corporate governance, recognising the role it has to play in reinforcing the excellent credentials that Polymetal has as a safe investment. Our operational achievements are also underpinned by the value that we place on the environmental, social and governance (ESG) issues that have increasingly become the focus of society in general and our industry in particular. Our progress is largely driven by a strong corporate culture and has contributed to Polymetal's international recognition as a leading ESG exponent within Russia and the CIS. In 2019, the Company was reaffirmed as a member of the Dow Jones Sustainability and FTSE4Good indices.

Our biggest failure of the year is having to report two Polymetal employee fatalities and one contractor fatality in the workplace. Attaining zero fatalities remains a core goal and this is underpinned by the KPI structure, which maintains a penalty factor for fatal accidents of up to 50% of annual bonus earned for non-safety related KPIs.

Looking ahead

Finally, I would like to thank management and employees for their commitment and for delivering a solid set of results, and also to say thank you to my Board colleagues for their support throughout the year.

The outlook for the gold market in 2020 remains positive due to the continued uncertainty in the geopolitical and global macroeconomic situation, low interest rates and the momentum created by significant purchases of gold reserves by central banks. At Polymetal, we are well positioned to take advantage of these favourable conditions.

Ian Cockerill
Chairman

[1] Including special dividend for FY2019 paid in March 2020 and proposed final dividend for FY2019.

GROUP CEO STATEMENT

This was an exciting year for Polymetal with remarkable achievements at Kyzyl and further advancement of our growth pipeline. Once again, we delivered on our targets resulting in strong free cash flow and record EBITDA and net profit for the year.

Kyzyl – a key driver for the business

Kyzyl has performed very strongly since its start-up in 2018, surpassing both our own guidance and feasibility study projections. In 2019, it was the key driver behind our excellent operating results, contributing 343 Koz towards the total Group production of 1,614 GE Koz, which represents 3% growth and exceeds our original production guidance of 1.55 Koz.

This also helped underpin our strong financial results for the year, which were additionally supported by favourable gold prices: a record net profit of $483 million and Adjusted EBITDA of $1,075 million. Polymetal generated a healthy level of free cash flow, totalling $299 million, and declared a substantial dividend of $385 million for 2019 ($0.82 per share).

Our decision to invest in Kyzyl was re-affirmed yet again with the latest ore reserves update: an increase of 1.3 Moz, up by 18%, with the bulk coming from open-pit. Total cash costs were tracking at $399/GE oz, 11% below budget, driven by lower mining costs, as well as reduced processing costs with plant throughput increasing to 2.0 million tonnes.

Long-term value creation

The success at Kyzyl, together with a robust performance at other mines, has enabled us to progress our longer-term development pipeline and ensure a steady stream of dividends. With permitting completed and government approval for Nezhda, mining and construction are both on schedule.

Our large-scale downstream project, POX-2 in Amursk, was approved for construction in February 2019 and will process concentrates from Kyzyl, Nezhda, Mayskoye and Voro. From 2H 2023, POX-2 is expected to generate significant economic benefits as all refractory concentrates will be processed in-house. The project incorporates several important design features that will minimise its environmental impact.

In 2019, following an extensive exploration campaign, Polymetal more than doubled ore reserves to 2.8 Moz of gold at the Veduga gold deposit. Given the type of mineralisation, high grade and location, we have decided that the project has the potential to become our next growth project rather than a candidate for outright sale.
Prognoz, located relatively close to Nezhda, is one of the top three undeveloped silver deposits in the world. We completed the preliminary design stage and geotechnical drilling to establish the optimum site for the construction of a concentrator, and are aiming for an initial ore reserve estimate in 2020.

Successful exploration results with the subsequent re-evaluation of ore reserves at Kyzyl, Veduga and Kutyn, helped grow our reserve base by 5%, without diluting the average grade.

Exemplary record on sustainability

Sustainability remains a key pillar of our strategy. Our major initiatives include transitioning our mines to dry tailings, reducing our fresh water usage and carbon footprint; electrification of our fleet at certain mines and first investments in renewable energy at remote operations.

In 2019, we achieved a 26% decrease in fresh water consumption, and remain committed to gradually increasing the share of water reused in our processing cycle. The other important milestone is a shift towards safer methods of waste storage, particularly dry stack tailings. This technology significantly reduces the probability of dam failure and minimises potential damages in the event of an accident. It is already in operation at Amursk and Voro , and will be extended to Nezhda, Prognoz, POX-2 and Omolon.

However, sadly, I have to report two Polymetal employee fatalities and one contractor fatality and send my condolences to the families and friends of these colleagues. The safety of our employees remains paramount and we continue to evolve our safeguarding procedures in order to prevent further incidents. We will not be satisfied until we achieve our target of zero fatalities. From 2020 and onwards, significant safety-related changes have been made to the remuneration structure for all levels of Company management.

Looking to the future

In 2020-2021, we anticipate that production will remain roughly flat at 1.6 Moz. Following the launch of Nezhda in the second half of 2021, we expect a resumption of growth that will enable us to deliver 1.85 Moz by 2023.

At Kyzyl, we expect continued high grades with sustained and stable production, making it our most significant contributor to free cash flow. Construction will continue at Nezhda and POX-2 as will development activities at Prognoz and Viksha. At Veduga, the focus will be on the ore reserves estimate with a target of achieving at least 5.0 Moz by 2021.

Meanwhile, we will continue to invest in greenfield exploration to find virgin deposits in the Former Soviet Union, mostly through partnerships with junior explorers. We will also divest additional non-core assets in 2020. This supports Polymetal's ambitions for management to focus on long-life, low-cost production within its core operations and projects.

None of this could have been achieved without the commitment of our employees. I thank them for their efforts and look forward to their support in helping Polymetal realise its future goals.

Vitaly Nesis
Group CEO

OPERATING REVIEW

Delivering on targets

In 2019, Polymetal exceeded both original and updated production guidance for the eighth year in a row. Robust production combined with positive gold-price dynamics were the key drivers for strong free cash flow generation. The Company's GE production for 2019 amounted to 1,614 Koz, an increase of 3% over 2018 and 4% above the original production guidance of 1.55 Moz. A strong contribution from Kyzyl more than compensated for operating asset disposals (Okhotsk and Kapan), while the rest of the portfolio generated stable results.

Gold production for the full year was up 8%, while silver output decreased by 15% on the back of asset disposals and a planned grade decline at Dukat. Gold sales of 1,366 Koz were up 14% year-on-year, while silver sales were down 14% year-on-year at 22.1 Moz; broadly in line with production dynamics and further supported by working capital release.

Key operating highlights

	2019	2018	Change
Stripping, Mt	158.6	126.7	+25%
Underground development, km	105.8	130.0	-19%
Ore mined, Mt	**17.2**	**14.0**	**+23%**
Open-pit	13.0	9.3	+40%
Underground	4.2	4.7	-10%
Ore processed, Mt	**15.0**	**15.2**	-1%
Average grade in ore processed (gold equivalent, g/t)	**4.0**	**3.9**	+1%
Production			
Gold, Koz	1,316	1,216	+8%
Silver, Moz	21.6	25.3	-15%
Copper, Kt	2.5	3.9	-37%
Gold equivalent, Koz[1]	**1,614**	**1,562**	**+3%**
Sales			
Gold, Koz	1,366	1,198	+14%
Silver, Moz	22.1	25.7	-14%
Copper, Kt	2.8	3.3	-15%
Gold equivalent, Koz[2]	**1,631**	**1,535**	**+6%**
Average headcount	11,611	12,140	-4%
Health and safety			
Fatalities[3]	2	1	+100%
LTIFR	0.19	0.09	+111%

Analysis of production results

Mining

Stripping volumes in 2019 grew by 25% to 158.6 Mt of rock moved, driven mostly by stripping at Komar (Varvara), Kyzyl and Veduga. Following a successful in-fill drilling campaign, open-pit mining recommenced at the Birkachan mine (Omolon) with a view to extending the operation of the heap leach facility. Open-pit mining started at Yolochka open-pit (Omolon).

Underground development decreased by 19% to 106 km (2018: 130 km), mainly due to the disposal of Kapan. However, this was partially offset by the increase in underground development at Khrustalny and Smely underground mines (Dukat).

Total ore mined increased by 23% year-on-year to 17.2 Mt (2018: 14 Mt), mainly driven by open-pit mining restarting at Birkachan (Omolon), as well as increased volumes of open-pit mining at Kyzyl, which operated above its nameplate throughput capacity, and at Komar mine (Varvara).

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

Processing

The volume of ore processed remained largely unchanged over the previous year at 15.0 Mt (2018: 15.2 Mt): increased throughput at Kyzyl fully compensated for the disposal of assets, while other mines operated at a stable pace.

The average gold equivalent grade in ore processed increased by 1% year-on-year to 4.0 g/t, slightly above the average reserve grade of 3.7 g/t. Scheduled moderate grade declines at Albazino (processing of lower grade ore from Ekaterina-1 open-pit) and Dukat (the Omsukchan concentrator processing larger volumes of lower-grade ore), as well as minor declines at Mayskoye and Voro, were offset by high-grade Kyzyl outperforming expectations on gold grade and Omolon (Kubaka mill processing larger volumes of higher grade ore from Birkachan and Olcha underground mines).

Production and sales

In 2019, Polymetal continued to deliver a solid set of operating results. Production from continuing operations grew by 14% year-on-year to 1,609 Koz GE.

The key driver behind this performance was Kyzyl: full-year gold production came in at 343 Koz, while the operation exceeded design specifications on throughput, grade and production. GE production at Dukat totalled 302 Koz, almost flat year-on-year. At Albazino/Amursk, the total gold output amounted to 241 Koz, a 22% decline year-on-year on the back of the decrease in production from Albazino concentrate (affected by processing of lower grade ore from Ekaterina-1 open-pit) and lower volumes of third-party feed processed at the POX plant. At Omolon, GE production was up 5% year-on-year to 205 Koz on the back of larger volumes of higher grade ore being processed. Varvara GE output increased to 149 Koz driven by higher mining and railing volumes at Komar. Gold production at Mayskoye totalled 129 Koz, a 10% increase over 2018, positively impacted by higher recoveries. Voro and Svetloye also delivered a solid set of results: GE production was 107 Koz and 134 Koz, respectively, and remained stable year-on-year.

Metal sales in 2019 were 1,631 Koz of gold equivalent, up 6% compared with 2018, broadly following production dynamics. While most of the sales are comprised of refined metals, we continue to sell concentrates from Dukat (gold/silver), Varvara (gold/copper), Mayskoye (refractory gold) and Kyzyl (double refractory gold) to offtakers. Offtake allows us to maximise our margins and achieve an optimal combination of transportation costs and treatment charges/recoveries: this being one of our core competencies.

Gold equivalent production by mine (Koz)

	2019	**2018**	**Change**
Kyzyl	343	96	257%
Dukat	302	306	-1%
Albazino/Amursk	241	308	-22%
Omolon	205	195	+5%
Varvara	149	142	+5%
Svetloye	134	136	-1%
Mayskoye	129	117	+10%
Voro	107	107	-1%
TOTAL (continuing operations)	**1,609**	**1,407**	**+14%**
Okhotsk	-	104	NA
Kapan	5	51	-90%
TOTAL (including discontinued operations)	**1,614**	**1,562**	**+3%**

Exploration

Greenfield and brownfield exploration is a core element in our strategy for driving long-term growth and has proved to be one of the most efficient growth sources for Polymetal historically. Extending mine life through near-mine exploration at existing operations and new discoveries from greenfield exploration both contribute to the Company’s long-term development prospects. Our exploration activities are focused on six regions in Russia (Khabarovsk, Magadan, Karelia, Yakutia, Chukotka and Urals) as well as on Kazakhstan.

Our key exploration objectives in 2019 were:

- Brownfield exploration projects in close proximity to the Company’s operating assets, notably: exploration drilling at Kyzyl’s second ore zone, East Bakyrchik (5.3 km); Varvara (exploration drilling at East Tarutin gold-copper deposit and Elevator totaling 28.3 km and 4.8 km, respectively); Omolon (5.6 km of exploration drilling at the Nevenrekan): Voro (23 km of drilling at Pescherny and Voro northern and western flanks).

- Full revaluation of ore reserves and mineral resources at Kyzyl, based on data from the drilling campaign (additional 239 diamond drill holes, 41.5 km of drilling).
- Updated mineral resource estimates at Viksha.
- Updated ore reserve and mineral resource estimate at Veduga based on exploration activities conducted in 2017-2018.
- Updated ore reserve and mineral resource estimate at the Kutyn gold project based on the results of drilling conducted in 2017-2019.
- Continued exploration activities at the southern flanks of Nezhda deposit with the goal of identifying new mineralised zones and updating the mineralisation estimates of the known ore bodies.

Key 2019 achievements

In 2019, Polymetal succeeded in extending life-of-mine at producing assets and continued to invest in the next generation of assets. Exploration activities were carried out at 52 licensed properties. 13 new licences were obtained for geological studies, exploration and production of gold, silver, PGMs and copper. In total, 198 km of drilling were completed. The total capital expenditure on exploration was $46 million; this is 10% lower than in 2018 because of the completion of major drilling campaigns at Nezhda and Dukat.

As a result of our exploration efforts, meaningful reserve and resource estimates were completed during the year, including:

- An updated JORC-compliant ore reserve and mineral resource estimate at Kyzyl: 41.7 Mt of ore with an average grade of 6.3 g/t containing 8.5 Moz of gold. Open-pit reserves increased by 37% to 4.2 Moz of gold contained at an average grade of 5.7 g/t, while underground reserves were up 4% to 4.3 Moz of gold contained at an average grade of 7.1 g/t. Total life-of-mine extended by eight years (to 2047), while life-of-mine for the open-pit increased by five years (to 2031) compared with the previous estimate conducted in 2015.
- An increase of more than double in ore reserves at Veduga. The updated ore reserve estimate comprises 18.9 Mt of ore with an average grade of 4.6 g/t containing 2.8 Moz of gold. Open-pit reserves increased by 31% to 0.8 Moz of gold contained (28% of total reserves) at an average grade of 3.8 g/t.
- An updated JORC-compliant open-pit ore reserves estimate at Kutyn: 8.4 Mt of ore with an average grade of 3.0 g/t containing 812 Koz of gold. This represents a 110% increase in gold contained in comparison with the previous reserve estimate prepared in 2015.
- An updated JORC-compliant mineral resource estimate at Viksha. The new estimate incorporates data from 359 additional diamond drill holes (44 km) completed by Polymetal in 2017-2018. The total amount of four metals contained is 5.7 Moz of PdE at an average grade of 1.1 g/t of PdE.
- Initial JORC-compliant mineral resource estimate at Elevator (Varvara). Resources amounted to 402 Koz of gold with an average grade of 1.8 g/t. This offset the decrease in resources at Varvara and Komar attributable to changes to the boundaries of the mineral resources.
- Initial ore reserves estimate at Primorskoye deposit (Dukat) amounted to 12.2 Moz silver equivalent with an average grade of 3,113 g/t at a cut-off grade of 1,115 g/t of silver equivalent (for processing at Lunnoye plant).
- An increase of additional mineral resources at Albazino by 159 Koz to 1.8 Moz GE with an average grade of 4.6 g/t; Nevenrekan (Omolon hub) by 78 Koz to 242 Koz of GE with an average grade of 19.3 g/t; Emmy and Lyudmila ore zones (Svetloye) by 109 Koz

In 2019, we formed our first strategic partnerships with junior exploration companies for early-stage exploration in the Taimyr Peninsula and the Chaunsk region of Chukotka, Russia, with the goal of combining Polymetal's financial and permitting clout with junior's fresh thinking and fast decision-making.

2020 targets

In 2020, Polymetal will continue to invest in both near-mine and greenfield exploration projects in order to increase ore reserves.

The key objectives are as follows:

- Prepare initial ore reserves estimate for East Bakyrchik (Kyzyl)
- Prepare initial ore reserves estimate for Prognoz

- Complete ore reserves estimate update at Veduga
- Prepare initial ore reserves estimate for Voro refractory ore
- Prepare initial mineral resources estimate at Talgiy (Albazino)
- Upgrade mineral resources categories at Elevator.

The Company also plans to further develop its co-operation with junior exploration companies and enter into several new strategic partnerships. In 2020, the results of the first field season of working with existing junior partners are expected.

Exploration areas and volumes (mine site exploration excluded)

	Drilling, km	
	2019	**2018**
Brownfield		
Kyzyl	5.3	7.3
Albazino	13.2	26.8
Mayskoye	-	29.5
Varvara hub	45.3	53.2
Voro hub	23.3	32.9
Omolon hub	11.8	21.3
Svetloye hub	2.8	5.9
Dukat hub	0.6	27.6
Okhotsk (sold in December 2018)	-	15.9
Subtotal	**102.4**	**220.6**
Greenfield		
Yakutia	43.1	85.7
Nezhda	1.8	25.9
Prognoz	41.4	59.8
Veduga	19.2	-
Kutyn	16.1	19.8
Viksha	11.9	14.7
Urals	3.9	9.3
Other	1.9	-
Subtotal	**96.1**	**129.6**
Total	**198.5**	**350.2**

Reserves and Resources

In 2019, Group Ore Reserves increased by 5% year-on-year to 25.2 Moz of gold equivalent due to successful exploration results with the subsequent re-evaluation of Ore Reserves at Kyzyl, Veduga, Kutyn and initial estimate at Primorskoye (Dukat hub). GE Ore Reserves per share also grew by 5%.

Gold reserves were up 6% at 23.7 Moz, while silver reserves decreased 14% to 116 Moz. The share of gold in Ore Reserves increased to 94%.

Mineral Resources (additional to Ore Reserves) declined by 4% year-on-year to 25.4 Moz of GE. The Lichkvaz disposal and conversion of Mineral Resources to Ore Reserves at Kyzyl, Primorskoye and Veduga were largely compensated by initial Mineral Resource estimate of Elevator (Varvara hub) and increase in resources at Albazino and Svetloye. The share of gold in Mineral Resources stands at 80%, silver – 17%.

The average grade in Ore Reserves remained largely unchanged over the previous year at 3.7 g/t of GE. It continues to be one of the highest within the global sector. The average Mineral Resources grade also remained stable at 5.2 g/t of GE.

Ore Reserves and Mineral Resources summary[1][2]

	1 January 2020	1 January 2019	Change
Ore Reserves (Proved + Probable), gold equivalent Moz	**25.2**	**24.0**	**+5%**
Gold, Moz	23.7	22.3	+6%
Silver, Moz	116.0	135.0	-14%
Average reserve grade, g/t	**3.7**	**3.8**	**-2%**
Ore Reserves per share, GE oz/per share	**0.054**	**0.051**	**+5%**
Mineral Resources (Measured + Indicated + Inferred), gold equivalent Moz	**25.4**	**26.3**	**-4%**
Gold, Moz	20.3	21.0	-3%
Silver, Moz	337.7	354.9	-5%
Average resource grade, g/t	**5.2**	**5.1**	**+1%**

Ore Reserves reconciliation, GE Moz

Ore Reserves, As at 1 January 2019	Metals to gold equivalent conversion price ratio change	Depletion	Revaluation[3]	Change in ownership[4]	Initial Ore Reserves estimate	Ore Reserves, As at 1 January 2020
24.0	+0.1	-1.8	+2.5	-0.1	+0.5	25.2

Health and safety

Our lost-time injury frequency rate (LTIFR) increased in 2019 to 0.19 (compared to 0.09 in 2018) due to the rise in tripping and falling risk that caused 12 accidents. Far more regretfully it is to report the loss of two colleagues – the first in March at the Mayskoye underground mine when a jumbo drill rig operator was injured by the rotating boom and the second at our Omolon operation in May when a pump station operator died at the Kubaka pit. We also regret to report one contractor fatality which happened during truck maintenance at the Omolon mine.

As a result of the tragic fatality at our Mayskoe site, the drilling machinery at all sites is now equipped with sensors that automatically stop drilling if a worker accidentally enters the hazardous area. After following up on the root causes of the second fatality, we have rigorously inspected all safety fences, water collectors and reservoirs, while also partially mechanising the pumping process to minimise manual labour. In response to the death of a contract worker, we incorporated more safety-related terms and obligations into our agreements with contractors and enhanced our responsibility for contractor safety.

	2019	2018	Change, %
Polymetal			
Injuries, including:	20	11	+82%
Fatalities	2	1	+100%
Severe injuries	3	2	+50%
LTIFR (per 200,000 hours worked)	0.19	0.09	+111%
Contractors			
Injuries, including:	10	15	-33%
Fatalities	1	0	NA
LTIFR (per 200,000 hours worked)	0.20	0.27	-26%

Achieving zero fatalities remains our primary objective, with efforts in 2020 to be focused on cultural aspects of safety, including the "tone from the top" approach, enhancement of risk management procedures and engagement of employees and suppliers.

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[1] Ore Reserves and Mineral Resources from continuing operations. Kapan mine was classified as a discontinued operation as at 1 January 2019 and is not included in this estimate; Lichkvaz, Oroch, Sopka Kvartsevaya, Dalneye and Irbychan mines were classified as assets held for sale as at 1 January 2020 and are not included in this estimate.
[2] Mineral Resources are additional to Ore Reserves. Total Ore Reserves and Mineral Resources numbers include base metals (copper, zinc and lead). PGM Mineral Resources are presented separately and are not included in the calculation of the gold equivalent. Any discrepancies in calculations are due to rounding.
[3] Including the effect of the expected sale and stockpiles write-off of Sopka Kvartsevaya (-199 Koz) and Dalneye (-58 Koz) deposits.
[4] Lichkvaz sale.

Employees
Our headcount decreased in 2019 due to the sale of two operating assets, with turnover remaining stable at 5.8% level. We aim to retain our voluntary turnover rate below 6% going forward.

In 2019, we focused on wider inclusion of women across our workforce, including our leadership teams. The share of women in Polymetal's workforce increased slightly to 21% in 2019.

	2019	2018	Change, %
Average headcount	11,611	12,140	-4%
Share of female employees (% of total)	21	20	+5%
Share of female managers (% of total)	22	22	+0%
Share of female qualified personnel (% of total)	39	40	-3%
Turnover	5.8	5.8	+0%

Environment
Our Environmental Management System is the cornerstone of our approach and all production sites are certified to ISO 14001 global standard. To further prioritise action on our most material issues, in 2019 we rolled out issue-specific management systems for our priority risks of climate change, cyanide management, mine closure and tailing storage.

Although we do not generally operate in regions of water stress, we continue to minimise our fresh water withdrawal. In 2019, the share of water we reused and recycled amounted to 87% of total water consumption at our sites (compared to 83% in 2018).

We operate nine tailings dams in Russia and Kazakhstan, each is rigorously monitored daily. We are confident that any emergency dam failure would have no impact on local communities and employees. However, given the number of incidents in the wider mining industry, we published our first Tailings Storage Facilities (TSF) disclosure in 2019. To further improve tailings safety and minimise the risk of the possibility of dam failure, we are shifting towards dry stack storage methods. Such facilities are already in operation at our Amursk and Voro mines, and will be extended to Nezhda, Prognoz, POX-2 sites and Omolon.

	2019	2018	Change, %
Water			
Fresh water withdrawn, th. m3	4,919	6,606	-26%
Water reused and recycled, th. m3	32,275	32,813	-2%
Total water consumed, th. m3	37,194	39,419	-6%
Share of water recycled and reused, %	87%	83%	+5%
Waste			
Share of waste recycled (including overburden)	14%	16%	-13%
Share of dry stacking in tailings disposal	10%	10%	+0%
Energy and greenhouse gas emissions[1]			
Total energy consumed, GJ	6,826,281	6,640,157	+3%
Energy intensity, GJ per Koz of GE produced	4,229	4,251	-1%
Scope 1 GHG emissions, CO2 eq. Kt	488	481	+2%
Scope 2 GHG emissions, CO2 eq. Kt	636	571	+11%
GHG intensity of Scope 1 and Scope 2 emissions, t of CO2e per Kt of ore processed	75.14	75.64	-1%
Scope 3 GHG emissions, CO2 eq. Kt	1,149	1,133	+1%

We fully recognise that climate change risks will require us to produce less GHG emissions while operating in many challenging remote locations with no access to grid power. We continue to improve our energy efficiency at our operating sites, look for opportunities to further apply renewable energy at our remote locations (following solar and wind power plans in Khabarovsk region) and engage with business partners to enhance GHG reporting transparency. In 2019, we performed an initial assessment of climate-related risks and started to report Scope 3 emissions as well as implemented Climate Management System at all our sites.

Communities

Polymetal's investment in local communities development increased by 50% during 2019, amounting to $15m which have been targeted at healthcare and sports, education, infrastructure, culture and Indigenous Minorities of the North.

[1] Excluding Kapan and Okhotsk operations, as the new methodology has been applied since 2019 for more precise disclosure of emissions, data for 2018 has been restated accordingly for comparative purposes and includes continuing operations only.

We embrace and empower open dialogue with our neighbours – during the year, we responded to 100% of communities enquiries received from various channels and are pleased to report no cases of human rights violations connected with Polymetal's employees or contractors.

	2019	2018	Change, %
Total community investment (US$ thousand)	15,148	10,092	+50%
Enquiries from communities received and responded to	588	755	-22%

Outlook for 2020

Safety remains a top priority for Polymetal. We continue to focus on further improvements across health and safety metrics and reiterate our commitment to a zero-fatalities target in relation to all employees and contractors on our sites.

In 2020, we expect stable operating performance to ensure steady financial results, while continued progress with the Nezhda and POX-2 projects will enable us to resume production growth in 2022. The Company reiterates its current production guidance of 1.6 Moz of GE in both 2020 and 2021. Traditionally, production in both years will be weighted towards the second half of the year due to seasonality.

At Kyzyl, the Company intends to push the throughput further to 2.1 Mtpa level by the second half of 2020. We expect grade-driven production increases at Omolon and Albazino, as well as a sustained contribution from Varvara, Svetloye and Mayskoye. Production at Dukat and Voro will continue to decline gradually on the back of the planned depletion of higher-grade ore sources.

At the same time, we will focus on advancing our long-term project pipeline. At Nezhda, we plan to start equipment installation and complete the construction and commissioning of the diesel power plant by the year-end. At POX-2, the goal is to receive all necessary permits and deliver the autoclave on-site. We will continue to advance Prognoz and Veduga, concentrating on additional drilling as well as initial and upgraded ore reserves estimates, which will inform our future investment decisions.

We will also continue running a number of development projects at existing operations, aimed at either extending the life-of-mine or reducing costs. This includes Mayskoye, where a new mining method and a conveyor ore transportation system will enable cost-effective and lower carbon footprint operations at deep underground levels. We are in the process of reducing our reliance on diesel power, and with it our environmental impact, through renewable energy projects at remote sites. Another large project, the flotation circuit at Voro, will extend the life-of-mine there by 10+ years.

FINANCIAL REVIEW

MARKET SUMMARY

Precious metals

In 2019, gold broke its own 2018 record and had the best performance since 2010, rising by 19% year-on-year to US$ 1,523/oz. The average price for the year amounted to US$ 1,393/oz, a 10% year-on-year increase, reaching its highest level since 2013. Until May, gold was relatively flat, hovering around US$ 1,300/oz. But a rally started from early June and by September the price hit a multi-year high of US$ 1,546/oz as the Federal Reserve shifted to cutting rates for the first time since the financial crisis, while US/China trade tensions and Brexit concerns increased. In the beginning of Q4, gold lost some of its previous gains, dropping to US$ 1,450/oz as Brexit and US/China resolutions continued into 2020, and investor interest shifted towards riskier assets. However, in December, gold rebounded by 4% finishing the month at US$ 1,523/oz as investors repositioned ahead of 2020.

Subsequently, annual gold demand was boosted by a significant rise in investment flows into ETFs and similar products used as “safe haven” assets. Gold-backed ETFs saw a 401[1] tonnes inflow (comprising 9% of the total gold demand) compared to 76 tonnes in 2018. ETF holdings totaled 2,886[1] tonnes by the year-end. On the contrary, investment in gold bars and coins dropped 20% year-on-year to 871[1] tonnes – the lowest level since 2009. Most of the decline came from a sharp downturn in the two largest markets: China and India. Central banks were net buyers for the 10th consecutive year. The three largest purchaser were Turkey (+159 tonnes), Russia (+158 tonnes) and Poland (+100 tonnes). Overall, total central banks’ demand comprised 650[1] tonnes, the second highest level of annual purchases for 50 years after 2018. Full-year gold demand in the technology sector fell by 2% year-on-year to 327[1] tonnes as 2019 was a weaker year for the whole electronics industry. Jewelry demand declined by 6% to 2,107[1] tonnes affected by the steep rise in the gold price in the 2H, which decreased affordability. As the remarkable groth of investments into gold backed ETFs was offset by a decline in the two largest demand categories, jewelry and bars and coins, the total annual gold demand increased by 1% year-on-year to 4,356[1] tonnes.

Global gold supply in 2019 was up 2% year-on-year to 4,776[1] tonnes. 1% decline in mine production was offset by an 11% growth in recycled gold supply which totaled 1,304[1] tonnes spurred by price dynamics.

During 2019, silver mostly tracked gold price dynamics driven by similar factors including global economic and political concerns, as investors perceived silver as another “safe haven” investment. As a result, silver price jumped by 17% year-on-year to US$ 18.0/oz with the peak level of US$ 19.3/oz also reached in September.

Foreign exchange

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

In 2019, the oil market rebounded after its sharp decline in the fourth quarter of 2018. Brent crude oil price ended the year at $66 per barrel, an increase of 23% year-on-year. Higher oil prices, improving country’s sentiment, increased inflow of foreign investments into Rouble assets and lower inflation expectations provided support for the national currency. In 2019, Russian Rouble weakened by 3% year-on-year from 62.7 RUB/ USD average rate in 2018 to 64.7 RUB/USD in 2019. This had a moderate positive impact on the mining sector, resulting in lower Dollar value of Rouble-denominated operating costs and higher margins. The spot rate as at 31 December 2019 appreciated by 11% to 61.9 RUB/USD compared to 31 December 2018.

In 2019, Kazakh Tenge was relatively stable during the year staying close to the levels it had reached after significant depreciation in the second half on 2018. Average rate weakened by 11% to 383 KZT/USD which is supportive for the economics of Kazakh gold miners.

[1] Gold Demand Trends Full Year 2019 published by World Gold Council.

REVENUE

		2019	2018	Change, %
Sales volumes				
Gold	Koz	1,366	1,198	+14%
Silver	Moz	22.1	25.7	-14%
Copper	Kt	2.8	3.3	-15%
Gold equivalent sold[1]	**Koz**	**1,631**	**1,535**	**+6%**

Sales by metal *(US$m unless otherwise stated)*		2019	2018	Change, %	Volume variance, US$m	Price variance, US$m
Gold		**1,882**	**1,468**	**+28%**	**207**	**207**
Average realised price[2]	*US$ /oz*	1,411	1,253	+13%		
Average LBMA price	*US$ /oz*	1,393	1,269	+10%		
Share of revenues	*%*	84%	78%			
Silver		**349**	**380**	**-8%**	**(53)**	**22**
Average realised price	*US$ /oz*	16.5	14.8	+11%		
Average LBMA price	*US$ /oz*	16.2	15.7	+3%		
Share of revenues	*%*	16%	20%			
Other metals		**15**	**34**	-56%		
Share of revenues	*%*	1%	2%			
Total revenue		**2,246**	**1,882**	**+19%**	**117**	**247**

In 2019, revenues grew 19% year-on-year to US$ 2,246 million on the back of higher volumes and metal prices.

Gold sales volume increased by 14%, while silver sales volume decreased by 14% year-on-year, both broadly following production volumes. This resulted in total gold equivalent volume sold increasing by 6%.

The average realised price of gold was US$ 1,411/oz in 2019, up 13% from US$ 1,253/oz in 2018, and 1% above the average market price of US$ 1,393/oz. The average realised silver price was US$ 16.5/oz, up 11% year-on-year and 2% above market price of US$ 16.2/oz. Larger volumes of Polymetal's sales were recorded in 2H 2019 when both gold and silver market prices were meaningfully higher.

The share of gold sales as a percentage of total revenue increased from 78% in 2018 to 84% in 2019, driven by a corresponding shift in production and sales volume by metal.

[1] Based on actual realised prices.
[2] Excluding effect of treatment charges deductions from revenue.

Analysis by segment/operation		Revenue, *US$m*			Gold equivalent sold, *Koz (silver equivalent for Dukat, Moz)*		
Segment	**Operation**	**2019**	**2018**	**Change, %**	**2019**	**2018**	**Change, %**
Magadan	Dukat	382	379	+1%	24.1	25.7	-6%
	Omolon	293	231	+27%	210	182	+15%
	Mayskoye	167	115	+45%	132	112	+18%
	Total Magadan	**842**	**725**	**+16%**	**619**	**604**	**+2%**
Khabarovsk	Albazino/Amursk	374	406	-8%	266	318	-16%
	Svetloye	195	169	+15%	137	136	+1%
	Total Khabarovsk	**569**	**575**	**-1%**	**403**	**454**	**-11%**
Kazakhstan	Kyzyl	478	94	+409%	353	85	+317%
	Varvara	203	178	+14%	147	141	+4%
	Total Kazakhstan	**681**	**272**	**+150%**	**500**	**226**	**+121%**
Ural	Voro	149	134	+11%	107	107	-
Continued operations	**Total revenue**	**2,241**	**1,706**	**+31%**	**1,628**	**1,391**	**+4%**
Discontinued operations							
Khabarovsk	Okhotsk[1]	-	115	-100%	-	93	-100%
Armenia	Kapan[2]	5	61	-92%	4	52	-92%
Continued and discontinued operations	**Total revenue**	**2,246**	**1,882**	**+19%**	**1,631**	**1,535**	**+6%**

Sales at all operating mines were broadly in line with planned production dynamics. Kyzyl outperformed original budget and delivered total gold production and sales of 343 Koz and 353 Koz, respectively.

COST OF SALES

Cost of sales *(US$m)*	**2019**	**2018**	**Change, %**
On-mine costs	488	482	+1%
Smelting costs	360	349	+3%
Purchase of ore and concentrates from third parties	59	100	-41%
Mining tax	115	97	+19%
Total cash operating costs	**1,022**	**1,028**	**-1%**
Depreciation and depletion of operating assets	250	228	+10%
Rehabilitation expenses	5	1	+400%
Total costs of production	**1,277**	**1,257**	**+2%**
Increase in metal inventories	(98)	(187)	-48%
Write-down of metal inventories to net realisable value	19	21	-10%
Total change in metal inventories	**(79)**	**(166)**	**-52%**
Write-down of non-metal inventories to net realisable value	(1)	2	-150%
Idle capacities and abnormal production costs	4	3	+33%
Total cost of sales	**1,201**	**1,096**	**+10%**

[1] Sold in 4Q 2018.
[2] Sold in 1Q 2019.

Cash operating cost structure	2019, US$m	2019, % of total	2018, US$m	2018, % of total
Services	370	36%	340	33%
Consumables and spare parts	275	27%	280	27%
Labour	196	19%	203	20%
Mining tax	115	11%	97	9%
Purchase of ore and concentrates from third and related parties	59	6%	100	10%
Other expenses	7	1%	8	1%
Total	**1,022**	**100%**	**1,028**	**100%**

In 2019, the total cost of sales increased by 10% to US$ 1,201 million, reflecting a volume-based increase in production and sales (3% and 6% year-on-year, respectively, in gold equivalent terms), combined with domestic inflation (3%) and growth of domestic diesel prices by approximately 20%. Another driver of cost increase was the increase in depreciation charges, namely at Kyzyl.

The cost of services was up 9% year-on-year, driven both by production growth and higher volume of transportation services during the period, notably at Omolon (ore transportation from the Olcha underground mine) and Kyzyl (concentrate transportation).

The cost of consumables and spare parts decreased by 2% compared to 2018, mostly caused by the Russian Rouble and Kazakh Tenge depreciation combined with the effect of high-cost assets disposal, offsetting increase of gold equivalent production volume and impact of domestic diesel prices increase.

The total cost of labour within cash operating costs in 2019 was US$ 196 million, a 3% decrease over 2018, mainly stemming from decrease in average headcount following asset disposals, partially offset by production growth and annual salary increases (tracking domestic CPI inflation).

Mining tax increased by 19% year-on-year to US$ 115 million, above production volume increase, mainly impacted by higher metal prices.

Depreciation and depletion was US$ 250 million, up 10% year-on-year, of which US$ 15 million is included within the increase in metal inventories. The increase is mostly attributable to Kyzyl with a relatively high book value of fixed assets and mineral rights.

In 2019, a net metal inventory increase of US$ 98 million was recorded (excluding write-downs to net realisable value) mainly represented by silver concentrate produced but not yet sold at Dukat, and ore stockpiles at Omolon (heap leach ore at Birkachan) and Varvara. The Group recognised US$ 19 million write-down to net realisable value of its lower grade metal inventories, excluding write-off on asset held for sale (see Note 5 of the consolidated financial statements).

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US$m)	2019	2018	Change, %
Labour	138	127	+9%
Share based compensation	12	12	-
Services	8	16	-50%
Depreciation	7	3	+133%
Other	17	17	-
Total	**182**	**175**	**+4%**

General, administrative and selling expenses ("SGA") increased by 4% year-on-year from US$ 175 million in 2018 to US$ 182 million in 2019, mainly caused by the increased headcount of administrative personnel with the launch of Kyzyl and by commencement of POX-2 and Nezhda project development, as well as regular salary reviews.

OTHER OPERATING EXPENSES

(US$m)	2019	2018	Change, %
Social payments	24	16	+50%
Exploration expenses	19	13	+46%
Provision for investment in Special economic zone	11	11	-
Taxes, other than income tax	11	13	-15%
Lichkvaz exploration expenses and mineral rights write-off	-	24	-100%
Other expenses	3	(2)	-NA%
Total	**68**	**75**	**-9%**

Other operating expenses decreased to US$ 68 million in 2019 compared to US$ 75 million in 2018. Increase in social payments was mostly attributable to social expenditures at Kyzyl and Amursk POX-2 project.

In 2018, following the binding agreement for sale of Kapan, the Group had fully written down the carrying value of the Lichkvaz development project, giving rise to a charge of US$ 24 million.

TOTAL CASH COSTS

Total cash costs per gold equivalent ounce [1]		**Cash cost per GE ounce, US$ /oz**			**Gold equivalent sold, Koz** (silver for Dukat, Moz)		
Segment	**Operation**	**2019**	**2018[2]**	**Change, %**	**2019**	**2018**	**Change, %**
Magadan	Dukat (SE oz) [3]	10.0	9.3	+8%	24.1	25.7	-6%
	Omolon	749	647	+16%	210	182	+15%
	Mayskoye	1,072	829	+29%	132	112	+18%
	Total Magadan	**867**	**735**	**+18%**	**619**	**604**	**+2%**
Khabarovsk	Svetloye	310	301	+3%	137	136	+1%
	Albazino/Amursk	734	670	+10%	266	318	-16%
	Total Khabarovsk	**590**	**592**	**-0%**	**403**	**454**	**-11%**
Kazakhstan	Kyzyl	399	554	-28%	353	85	+317%
	Varvara	723	688	+5%	147	141	+4%
	Total Kazakhstan	**494**	**638**	**-23%**	**500**	**226**	**+121%**
Ural	Voro	383	391	-2%	107	107	-
Continued operations	**Total**	**653**	**636**	**+3%**	**1,628**	**1,391**	**+17%**
Discontinued operations							
Khabarovsk	Okhotsk[4]	NA	746	-100%	-	93	-100%
Armenia	Kapan[5]	1,306	987	+32%	4	52	-92%
Continued and discontinued operations	**Total**	**655**	**654**	**+0%**	**1,631**	**1,535**	**+6%**

In 2019, total cash costs per gold equivalent ounce sold (“TCC”) were effectively flat year-on-year at US$ 655/GE oz. The robust operating results at Kyzyl had a positive impact on cost level, offsetting impact of fuel price increases, general domestic inflation and asset-specific factors at some of the mature assets (most importantly, Mayskoye with concentrate fully diverted to Chinese offtake).

[1] Total cash costs comprise cost of sales of the operating assets (adjusted for depreciation expense, rehabilitation expenses and write-down of metal and non-metal inventory to net realisable value and certain other adjustments) and general, administrative and selling expenses of the operating assets. Gold equivalent sales volume is calculated based on average realised metal prices in the relevant period. Total cash cost per gold equivalent ounce sold is calculated as Total cash costs divided by total gold equivalent unit ounces sold. For more information refer to the “Alternative performance measures” section below.
[2] Restated for Dukat’s TCC to include the effect of treatment charges.
[3] Dukat’s total cash cost per gold equivalent was US$ 859/GE oz (2018: US$ 752/GE oz) and was included in the Group TCC calculation.
[4] Sold in 4Q 2018.
[5] Sold in 1Q 2019.

Total cash cost by operation:

- Kyzyl's total cash costs were at US$ 399/GE oz, significantly below Group's average and feasibility study levels and down 28% year-on-year, as the mine delivered in excess of its design capacity and planned grade during the period.
- Dukat's total cash cost per silver equivalent ounce sold ("SE oz") increased by 8% year-on-year to US$ 10.0/SE oz. The cost increase is attributable to the planned moderate decrease in silver grade.
- At Omolon, TCC amounted to US$ 749/GE oz, an increase of 16% year-on-year, which was driven by switch to processing lower grade ore from Birkachan open-pit and high ore transportation costs at Olcha underground.
- Total cash costs at Mayskoye were US$ 1,072/GE oz, a 29% increase year-on-year, mostly driven by higher share of concentrate sales to offtakers, increased share of high-cost underground mining and decline in average grade processed.
- Svetloye was the lowest cost operation in 2019, with TCC of US$ 310/GE oz, almost unchanged compared to US$ 301/GE oz in 2018, delivering a solid and stable set of operating results.
- At Albazino/Amursk, TCC were US$ 734/GE oz, up 10% compared to 2018. The cost performance was mostly attributable to processing of lower grade ore from the Ekaterina-1 open pit, as well as higher-cost 3rd party concentrate processed at the Amursk POX.
- At Varvara, TCC were US$ 723/GE oz, increasing by 5% year-on-year, mainly stemmed from higher cost of mining at Komar and processing additional feed from higher cost third-party ore.
- At Voro, TCC were US$ 383/GE oz, almost unchanged year-on-year. The heap leach facility and CIP plant continued to deliver a stable performance in line with the mine plan despite moderate grade declines.

Analysis of 2H 2019 versus 1H 2019 performance:

Total cash costs per gold equivalent ounce [1]		Cash cost per GE ounce, US$ /oz			Gold equivalent sold, Koz (silver for Dukat)		
Segment	**Operation**	**2H 2019**	**1H 2019**	**Change, %**	**2H 2019**	**1H 2019**	**Change, %**
Magadan	Dukat (SE oz)	10.0	10.0	-	12.3	11.9	+4%
	Omolon	672	832	-19%	110	100	+10%
	Mayskoye	1,059	NA[2]	NA	124	9	NA
	Total Magadan	**863**	**871**	**-1%**	**379**	**240**	**+58%**
Khabarovsk	Svetloye	280	388	-28%	99	38	+162%
	Albazino/Amursk	707	754	-6%	111	155	-28%
	Total Khabarovsk	**506**	**682**	**-26%**	**210**	**192**	**+9%**
Kazakhstan	Kyzyl	393	407	-3%	191	162	+18%
	Varvara	735	708	+4%	79	68	+17%
	Total Kazakhstan	**493**	**504**	**-2%**	**270**	**230**	**+18%**
Ural	Voro	386	381	+1%	50	57	-12%
Armenia	Kapan[3]	NA	1,306	NA	-	4	-96%
Total Group		**645**	**667**	**-3%**	**908**	**722**	**+26%**

In 2H 2019, total cash costs were 3% lower compared to 1H 2019 at US$ 645/GE oz. The performance was mostly driven by strong operational delivery at Omolon, Svetloye and Kyzyl, offsetting contribution of sales from Mayskoye with higher than Group-average cost levels.

[1] Total cash costs comprise cost of sales of the operating assets (adjusted for depreciation expense, rehabilitation expenses and write-down of metal and non-metal inventory to net realisable value and certain other adjustments) and general, administrative and selling expenses of the operating assets. Gold equivalent sales volume is calculated based on average realised metal prices in the relevant period. Total cash cost per gold equivalent ounce sold is calculated as Total cash costs divided by total gold equivalent unit ounces sold. For more information refer to the "Alternative performance measures" section below.
[2] There were no meaningful sales at Mayskoye during 1H 2019 hence the total cash costs for the period are considered unrepresentative of the underlying performance.
[3] Sold in 1Q 2019.

Total cash cost by operation:

- Dukat, Kyzyl, Varvara and Albazino-Amursk demonstrated stable operating performances during the period, while total cash costs changed marginally half-on-half.
- Svetloye heap leach operation had a notable decrease of TCC by 28% half-on-half to US$ 280/GE oz on the back of seasonally higher production volumes and working capital release.
- At Omolon, cash costs decreased by 19% compared to 1H 2019 to US$ 672/GE oz driven by increased share of lower-cost ore from Oroch and Birkachan processed at the Kubaka plant.

ALL-IN SUSTAINING AND ALL-IN CASH COSTS[1]

All-in sustaining cash costs amounted to US$ 866/GE oz and remained broadly unchanged year-on-year. AISC by mines were represented as follows:

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

Segment	Operation	2019	2018	Change, %
Magadan	Dukat (SE oz)	12.2	11.1	+10%
	Omolon	880	816	+8%
	Mayskoye	1,264	970	+30%
	Total Magadan	**1,036**	**869**	**+19%**
Khabarovsk	Svetloye	449	425	+6%
	Albazino/Amursk	872	800	+9%
	Total Khabarovsk	**728**	**715**	**+2%**
Kazakhstan	Kyzyl	514	829	-38%
	Varvara	1,064	940	+13%
	Total Kazakhstan	**675**	**899**	**-25%**
Ural	Voro	460	477	-3%
Continued operations	**Total**	**864**	**855**	**+1%**
Discontinued operations				
Khabarovsk	Okhotsk[1]	NA	846	-100%
Armenia	Kapan[2]	1,320	1,131	+17%
Continued and discontinued operations	**Total**	**866**	**864**	**+0**

All-in sustaining cash costs at all operating mines generally followed total cash cost dynamics.

[1] Disposed in 4Q 2018
[2] Disposed in 1Q 2019.

	Total, US$m			US$ /GE oz		
	2019	**2018**	**Change, %**	**2019**	**2018**	**Change, %**
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value (Note 6 of condensed Financial statements)	**953**	**925**	**+3%**	**582**	**600**	**-3%**
adjusted for:						
Idle capacities	(4)	(3)	+29%	(3)	(2)	+50%
Inter-segment realised profit on metal inventory	(8)	(34)	-76%	(5)	(22)	-77%
Treatment charges deductions reclassification to cost of sales	63	51	+24%	38	33	+15%
SGA expenses, excluding depreciation, amortization and share based compensation (Note 6 of condensed financial statements)	**74**	**77**	**-3%**	**45**	**50**	**-10%**
adjusted for:						
SGA of development projects	(7)	(6)	+25%	(4)	(4)	-
Total cash costs	**1,070**	**1,010**	**+6%**	**655**	**654**	**-**
SGA and other operating expenses not included in TCC	154	124	+24%	94	80	+18%
Capital expenditure excluding new projects	98	128	-23%	60	83	-28%
Exploration expenditure (capital and current)	94	72	+31%	57	47	+21%
All-in sustaining cash costs[1]	**1,416**	**1,334**	**+6%**	**866**	**864**	**+0%**
Net finance cost	74	63	+17%	45	41	+10%
Capitalised interest	9	11	-16%	6	7	-14%
Income tax expense	135	71	+90%	82	46	+78%
After-tax All-in cash costs	**1,635**	**1,479**	**+11%**	**999**	**958**	**+4%**
Development capital	236	146	+62%	144	95	+52%
SGA and other expenses for development assets	15	18	-17%	9	12	-25%
All-in costs	**1,885**	**1,643**	**+15%**	**1,152**	**1,064**	**+8%**

The table below summarises 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 – 2018	**654**		**864**	
Effect of Kyzyl on 2019 TCC	(79)	-12%	(96)	-11%
USD rate change	(19)	-3%	(24)	-3%
Effect of high-cost assets disposal	(19)	-3%	(9)	-1%
Change in average grade processed	50	+8%	50	+6%
Change in sales structure (other than Kyzyl)	21	+3%	21	+3%
Domestic inflation	18	+3%	23	+3%
Mining tax change - Au&Ag price	13	+2%	13	+2%
Au/Ag ratio change	(2)	-1%	(2)	-1%
Other	17	+3%	25	+3%
Cost per gold equivalent ounce – 2019	**655**	**-**	**866**	**-**

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

ADJUSTED EBITDA AND EBITDA MARGIN[1]

Reconciliation of Adjusted EBITDA *(US$m)*	**2019**	**2018**	**Change, %**
Profit for the financial period	483	355	+36%
Finance costs (net)[2]	74	63	+17%
Income tax expense	135	71	+90%
Depreciation and depletion	242	186	+30%
EBITDA	**934**	**675**	**+38%**
Foreign exchange loss, net	36	40	-10%
Loss on disposal of subsidiaries, net	16	54	-70%
Share based compensation	12	12	-
Change in fair value of contingent consideration liability	23	(7)	-429%
Write-down of assets held for sale	28	-	NA
Other non-cash items	26	23	+13%
Revaluation of initial share in Prognoz	-	(41)	-100%
Lichkvaz exploration expenses and mineral rights write-off	-	24	-100%
Adjusted EBITDA	**1,075**	**780**	**+38%**

Adjusted EBITDA by segment/operation
(US$ mln)

Segment	**Operation**	**2019**	**2018**	**Change, %**
Khabarovsk	Albazino/Amursk	167	184	-9%
	Svetloye	142	124	+15%
	Total Khabarovsk	**309**	**308**	**+0%**
Magadan	Dukat	141	137	+3%
	Omolon	123	106	+16%
	Mayskoye	43	35	+23%
	Total Magadan	**307**	**278**	**+10%**
Kazakhstan	Kyzyl	355	54	+557%
	Varvara	93	77	+21%
	Total Kazakhstan	**448**	**131**	**+242%**
Ural	Voro	104	88	+18%
Corporate and other and intersegment operations		(93)	(87)	+7%
Continued operations	**Total**	**1,075**	**718**	**+50%**
Discontinued operations				
Khabarovsk	Okhotsk[3]	-	51	-100%
Armenia	Kapan[4]	-	11	-100%
Continued and discontinued operations	**Total**	**1,075**	**780**	**+38%**

In 2019, Adjusted EBITDA jumped by 38% year-on-year to US$ 1,075 million, with an Adjusted EBITDA margin of 48%. The increase was mainly driven by a 13% growth in the average realised gold price and an 11% growth in the

[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 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, gains and losses on disposal or revaluation of investments in subsidiaries, joint ventures and associates, rehabilitation expenses, bad debt allowance, foreign exchange gains or losses, changes in fair value of contingent consideration, finance income, finance costs, income tax expense and other tax exposures accrued within other operating expenses. Adjusted EBITDA margin is Adjusted EBITDA divided by revenue.
[2] Net of finance income.
[3] Disposed in 4Q 2018
[4] Disposed in 1Q 2019.

average realised silver price, combined with a 6% increase in sales volumes and higher share of low-cost production at Kyzyl.

In 2019, Kyzyl contributed one-third of total Adjusted EBITDA amounting to US$ 355 million. At all other operating mines, except for Albazino/Amursk, Adjusted EBITDA increased on the back of growing metals prices. At Albazino/Amursk, the decrease was mainly driven by decline in GE sales (down 16%) and higher total cash costs (up 10%).

OTHER INCOME STATEMENT ITEMS

Polymetal recorded a net foreign exchange loss in 2019 of US$ 36 million (2018: US$ 40 million loss), mostly attributable to intercompany loans with different functional currencies in the lending and borrowing subsidiaries. This foreign exchange loss was partially offset by the revaluation of the US Dollar-denominated borrowings of Russian operating companies, the functional currency of which is the Russian Rouble. The Group's average gross debt during 2019 was US$ 1,816 million, mostly denominated in US Dollars, while the RUB/USD exchange rate decreased from 69.5 RUB/USD as at 31 December 2018 to 61.9 RUB/USD as at 31 December 2019.

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

In 2019, the Company has completed disposal of the Kapan mine to Chaarat Gold Holdings Limited. The total consideration received amounted to US$ 55 million, of which US$ 10 million was settled in Chaarat's convertible notes. Subsequent to the reporting date, the Group signed a settlement agreement with Chaarat, delivering the convertible bonds back to Chaarat and receiving its newly issued ordinary shares. In December 2019, the Group disposed of the remaining entities with net assets of US$4 million, comprising Armenia segment, for US$ 1 million. This resulted in total loss on disposal of US$ 16 million recognised in the income statement in the period. For more information refer to Note 2 of the consolidated financial statements.

In November 2019, the Company set off a group of assets within Omolon hub with carrying value of US$ 41 million, including Sopka and Dalneye low grade ore stock piles and related mining and exploration licenses, in a separate legal entity, with the intention to dispose of this group of assets through sale to a third party during 2020. The expected sale price approximates to US$ 13 million plus NSR royalty, so as of 31 December 2019 the Group recognised a loss of US$ 28 million. For more information refer to Note 2 of the consolidated financial statements.

NET EARNINGS, EARNINGS PER SHARE AND DIVIDENDS

The Group recorded a net income of US$ 483 million in 2019, an increase of 36% compared to US$ 355 million in 2018. Underlying net earnings attributable to the shareholders of the parent were US$ 586 million, compared to US$ 447 million in 2018:

Reconciliation of underlying net earnings[1] *(US$m)*	**2019**	**2018**	**Change, %**
Profit for the financial period attributable to the shareholders of the Parent	480	354	+35%
Write-down of metal inventory to net realisable value	19	21	-10%
Tax effect on write-down of metal inventory to net realisable value	(4)	(4)	-5%
Foreign exchange (gain)/loss	36	40	-10%
Tax effect on foreign exchange (gain)/loss	(7)	7	NA
Change in fair value of contingent consideration liability	23	(7)	NA
Tax effect on change in fair value of contingent consideration	(5)	(1)	NA
Loss on disposal of subsidiaries	16	54	-70%
Write-down of assets held for sale	28	-	NA
Lichkvaz exploration expenses and mineral rights write-off	-	24	NA
Revaluation of initial share in business combination	-	(41)	NA
Underlying net earnings attributable to the shareholders of the Parent	**586**	**447**	**+31%**

Basic earnings per share were US$ 1.02 per share compared to US$ 0.78 per share in 2018 and were affected by one-off items, including gains/losses on disposal of subsidiaries. Underlying basic EPS[2] was US$ 1.25 per share, compared to US$ 1.00 per share in 2018, driven by robust financial performance from continuing operations.

In accordance with the Company's dividend policy, the Board has proposed to pay a final dividend of US$ 0.42 per share (giving a total expected dividend of US$ 197 million) representing 50% of the Group's underlying net earnings for the period. During 2019, Polymetal paid a total of US$ 240 million in dividends, representing final dividends for FY 2018 and interim dividends for the 1H 2019. An additional US$ 94 million of special dividends (US$ 0.20 per share) was paid in March 2020.

CAPITAL EXPENDITURE[3]

(US$m)	**2019**	**2018**	**Change, %**
Growth projects			
Nezhda	100	-	n/a
POX-2	56	44	+28%
Existing operations			
Dukat	39	16	+146%
Varvara	33	38	-13%
Albazino	28	30	-8%
Kyzyl	14	54	-75%
Mayskoye	14	11	+23%
Omolon	9	13	-32%
Svetloye	7	7	-4%
Voro	3	1	+248%
Kapan	-	7	-100%
Okhotsk	-	3	-100%
Corporate and other	10	15	-31%
Exploration	46	51	-11%
Capitalised stripping	77	54	+43%
Total	**436**	**344**	**+27%**

In 2019, total capital expenditure was US$ 436[4] million, up 27% year-on-year mainly on the back of capital expenditure at Nezhda and POX-2. Capital expenditure excluding capitalised stripping costs was US$ 359 million in 2019 (2018: US$ 290 million).

[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$ 469 million in 2019 (2018: US$ 377 million).

The major capital expenditure items in 2019 were as follows:

- Across all operating mines, except for Dukat, capital expenditure declined or remained roughly flat year-on-year and was mainly represented by regular mining fleet replacements and maintenance expenditure at processing facilities;
- At Dukat, capital expenditure in 2019 comprised US$ 39 million, mainly representing the scheduled upgrade of the tailing storage facilities, purchases of mining fleet and Perevalnoye satellite mine underground development.
- At Varvara, capital expenditure of US$ 33 million is mainly related to upgrade of mining fleet at Komar and purchase of a railroad locomotive and freight cars.
- Capital expenditure at Albazino of US$ 28 million was mostly represented by development of Ekaterina-2 pit, purchases of mining fleet, construction of drain system and construction of two accommodation camps.
- Capital expenditure at Amursk POX was US$ 56 million, an increase of 28% year-on-year, related to the POX-2 development project. Project capex was mainly represented by the detailed engineering and contracting for equipment for the concentrate preparation section, intensive cyanidation unit, water treatment plant and construction of a new concentrate storage facility. The autoclave foundation was completed.
- US$ 100 million was invested at Nezhda mostly related to the construction of the concentrator building, the mine camp and related facilities, and the ore haulage road.
- The Group continues to invest in standalone exploration projects. Capital expenditure for exploration in 2019 was US$ 46 million compared to US$ 51 million in 2018.
- Capitalised stripping costs totalled US$ 77 million in 2019 (2018: US$ 54 million) and are attributable to accelerated stripping at Nezhda (US$ 25 million), as well as operations with stripping ratios exceeding their life of mine averages during the period, including in particular Kyzyl (US$ 22 million), Albazino (US$ 11 million) and Varvara (US$ 9 million).

CASH FLOWS

(US$m)	2019	2018	Change, %
Operating cash flows before changes in working capital	904	614	+47%
Changes in working capital	(208)	(101)	+106%
Total operating cash flows	**696**	**513**	**+36%**
Capital expenditure	(436)	(344)	+27%
Acquisition costs in business combinations and investments in associates and joint ventures	-	(57)	-100%
Disposals cash proceeds	43	15	+187%
Other	(4)	7	-157%
Investing cash flows	**(397)**	**(379)**	**+5%**
Financing cash flows			
Net change in gross debt	(169)	443	-138%
Dividends paid	(240)	(213)	+13%
Contingent consideration payment	(13)	(6)	+117%
Total financing cash flows	**(422)**	**224**	**-288%**
Net decrease/increase in cash and cash equivalents	**(123)**	**358**	-134%
Cash and cash equivalents at the beginning of the year	379	36	+953%
Effect of foreign exchange rate changes on cash and cash equivalents	(3)	(15)	-80%
Cash and cash equivalents at the end of the year	**253**	**379**	**-33%**

Total operating cash flows in 2019 strengthened significantly year-on-year. Operating cash flows before changes in working capital increased by 47% year-on-year to US$ 904 million. Net operating cash flows were US$ 696 million, compared to US$ 513 million in 2018. This was affected by an increase in working capital in 2019 of US$ 208 million (2018: US$ 101 million), mainly represented by release of prepayments received for gold bullion as of 31 December 2018 sold during 2019.

Total cash and cash equivalents decreased by 33% year-on-year and comprised US$ 253 million, with the following items affecting the cash position of the Group:

- Operating cash flows of US$ 696 million;
- Investment cash outflows totalled US$ 397 million, up 5% year-on-year and mainly represented by capital expenditure (up 27% year-on-year to US$ 436 million) offset by cash proceeds on disposal of Kapan (US$ 40 million);
- Payment of regular dividends for 2018 and 1H 2019 amounting to US$ 240 million; and
- The net decrease in borrowings of US$ 169 million.

BALANCE SHEET, LIQUIDITY AND FUNDING

Net debt	31-Dec-19	31-Dec-18	Change, %
Short-term debt and current portion of long-term debt	214	117	+83%
Long-term debt	1,518	1,782	-15%
Gross debt	**1,732**	**1,899**	**-9%**
Less: cash and cash equivalents	253	379	-33%
Net debt	**1,479**	**1,520**	**-3%**
Adjusted EBITDA	**1,075**	**780**	+38%
Net debt / Adjusted EBITDA	**1.38**	**1.95**	-29%

The Group’s net debt decreased to US$ 1,479 million as of 31 December 2019, representing a Net debt / Adjusted EBITDA ratio of 1.38x, well below the Group’s target ratio of 1.5x.

The proportion of long-term borrowings comprised 88% as at 31 December 2019 (94% as at 31 December 2018). In addition, as at 31 December 2019 the Group had US$ 1.9 billion (31 December 2018: US$ 1.1 billion) of available undrawn facilities, of which US$ 1.08 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 4.26% in 2019 (2018: 4.19%) 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.

2020 OUTLOOK

While we recognise that our financial performance is dependent on the RUB/USD exchange rate, inflation in Russia, and oil price dynamics, Polymetal expects to deliver a strong financial performance in 2020 which will be driven by the following factors:

- The Company reiterates its current production guidance of 1.6 Moz of GE for each of FY2020 and 2021.
- TCC in 2020 is expected to be in the range of US$ 650-700/GE oz while AISC is expected to average US$ 850-900/GE oz. The expected increase over 2019 cost levels is driven by the current appreciation of the Russian rouble and increased domestic diesel fuel price, as well as increased royalties on the back of continued strong gold and silver price performance. The guidance remains contingent on the Rouble/Dollar exchange rate and oil price.
- Capital expenditures in 2020 are expected to be approximately US$ 475 million. The US$ 50 million increase compared to the previous estimate is driven by accelerated pre-stripping at Nezhda, several environmentally driven investments, as well as stronger Rouble.
- As a result, the Company expects to continue to deliver positive free cash flow and pay regular dividends in 2020.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historical results.

The principal risks and uncertainties of the Group are listed below:

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

A detailed explanation of these risks and uncertainties can be found on pages 78 to 83 of the 2018 annual report which is available at www.polymetalinternational.com. Further updates will be presented in the full annual financial report for 2019.

GOING CONCERN

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 31 December 2019, the Group held US$ 253 million of cash and had net debt of US$ 1,479 million, with US$ 1,904 million of additional undrawn facilities of which US$ 1,079 million are considered committed. Debt of US$ 214 million is due for payment within one year. The Group's cash generation and liquidity remains strong and the Group believes it will be able to operate within existing facilities.

The Board is satisfied that the Group's forecasts and projections, having taken account of reasonably possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the year ended 31 December 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union (IFRS). The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991. International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'.

In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue in operation and meet its liabilities as they fall due over the reasonably reliable lookout period of three years.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK and Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the strategic report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board,

Ian Cockerill

Chairman of the Board of Directors

Vitaly Nesis

Group Chief Executive Officer

3 March 2020

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2019			Year ended 31 December 2018		
		Continuing operations	Discontinued operations	Total Group	Continuing operations	Discontinued operations	Total Group
		US$m	US$m	US$m	US$m	US$m	US$m
Revenue	5	2,241	5	2,246	1,706	176	1,882
Cost of sales	6	(1,197)	(4)	(1,201)	(971)	(125)	(1,096)
Gross profit		**1,044**	**1**	**1,045**	**735**	**51**	**786**
General, administrative and selling expenses	10	(181)	(1)	(182)	(164)	(11)	(175)
Other operating expenses, net	11	(68)	-	(68)	(47)	(28)	(75)
Share of loss of associates and joint ventures		-	-	-	(1)	-	(1)
Operating profit		**795**	**-**	**795**	**523**	**12**	**535**
Foreign exchange loss, net		(36)	-	(36)	(37)	(3)	(40)
Revaluation of initial share on business combination	2	-	-	-	41	-	41
Loss on disposal of subsidiaries, net	2	(16)	-	(16)	(54)	-	(54)
Write-down of assets held for sale	2	(28)	-	(28)	-	-	-
Change in fair value of contingent consideration liability	23	(23)	-	(23)	7	-	7
Finance income		7	-	7	8	-	8
Finance costs	13	(81)	-	(81)	(71)	-	(71)
Profit before income tax		**618**	**-**	**618**	**417**	**9**	**426**
Income tax expense	14	(135)	-	(135)	(65)	(6)	(71)
Profit for the financial period		**483**	**-**	**483**	**352**	**3**	**355**
Profit for the financial period attributable to:							
Equity shareholders of the Parent		480	-	480	351	3	354
Non-controlling interest		3	-	3	1	-	1
		483	**-**	**483**	**352**	**3**	**355**
Earnings per share (US$)							
Basic	24	1.02	-	1.02	0.79	-	0.79
Diluted	24	1.01	-	1.01	0.79	-	0.79

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2019 US$m	Year ended 31 December 2018 US$m
Profit for the period[1]	**483**	**355**
Items that may be reclassified to profit and loss		
Exchange differences on translating foreign operations	353	(485)
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax	(54)	17
Currency exchange differences recycled to income statement on disposal of foreign operation	-	19
Total comprehensive income/(loss) for the period	**782**	**(94)**

Total comprehensive income/(loss) for the period attributable to:		
Equity shareholders of the Parent	777	(95)
Non-controlling interest	5	1
	782	**(94)**

[1] *Profit for the year ended 31 December 2019 includes a loss of US$ 13 million arising on the disposal of Kapan discontinued operation. Profit for the year ended 31 December 2018 included US$ 3 million of profits relating to discontinued operations and a loss of US$ 63 million arising on the disposal of such operations, amounting to a net loss of US$ 60 million.*

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED BALANCE SHEET

Assets	Note	31 December 2019 US$m	31 December 2018 restated* US$m
Property, plant and equipment	16	2,810	2,419
Right-of-use assets	17	31	-
Goodwill		16	15
Investments in associates and joint ventures		2	2
Non-current loans and receivables		10	6
Deferred tax asset	14	73	73
Non-current inventories	18	114	102
Total non-current assets		**3,056**	**2,617**
Assets held for sale	3	14	74
Current inventories	18	644	537
VAT receivable		149	95
Trade receivables and other financial instruments		48	81
Prepayments to suppliers		62	44
Income tax prepaid		18	8
Cash and cash equivalents	19	253	379
Total current assets		**1,188**	**1,218**
Total assets		**4,244**	**3,835**
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities		(153)	(146)
Prepayments received	5	(5)	(100)
Current borrowings	20	(214)	(117)
Income tax payable		(7)	(8)
Other taxes payable		(41)	(37)
Current portion of contingent consideration liability	23	(7)	(5)
Current lease liabilities	17	(3)	-
Liabilities associated with assets classified as held for sale	3	(1)	(8)
Total current liabilities		**(431)**	**(421)**
Non-current borrowings	20	(1,518)	(1,782)
Contingent consideration liability	23	(59)	(49)
Deferred tax liability	14	(196)	(152)
Environmental obligations	21	(57)	(32)
Non-current lease liabilities	17	(29)	-
Other non-current liabilities		(3)	(2)
Total non-current liabilities		**(1,862)**	**(2,017)**
Total liabilities		**(2,293)**	**(2,438)**
NET ASSETS		**1,951**	**1,397**
Stated capital account	24	2,424	2,414
Share-based compensation reserve	25	26	24
Translation reserve		(1,302)	(1,599)
Retained earnings		780	540
Shareholders' equity		**1,928**	**1,379**
Non-controlling interest	2	23	18
Total equity		**1,951**	**1,397**

Notes on pages 38 to 66 form part of these financial statements. These financial statements are approved and authorised for issue by the Board of Directors on 3 March 2020 and signed on its behalf by:

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

Vitaly Nesis

Group Chief Executive

Ian Cockerill

Chairman of the Board of Directors

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2019 US$m	Year ended 31 December 2018 US$m
Net cash generated by operating activities	27	**696**	**513**
Cash flows from investing activities			
Purchases of property, plant and equipment	16	(436)	(344)
Loans forming part of net investment in joint ventures		-	(51)
Net cash outflow on acquisitions	2	-	(6)
Proceeds from disposal of subsidiaries	2	43	15
Loans advanced		(6)	(28)
Receipt of repayment of loans provided		2	35
Net cash used in investing activities		**(397)**	**(379)**
Cash flows from financing activities			
Borrowings obtained	20	1,244	1,697
Repayments of borrowings	20	(1,410)	(1,254)
Repayments of principal under lease liabilities	17	(3)	-
Dividends paid	15	(240)	(213)
Contingent consideration paid	23	(13)	(6)
Net cash (used in)/from financing activities		**(422)**	**224**
Net (decrease)/increase in cash and cash equivalents		(123)	358
Cash and cash equivalents at the beginning of the period	19	379	36
Effect of foreign exchange rate changes on cash and cash equivalents		(3)	(15)
Cash and cash equivalents at the end of the financial period	19	**253**	**379**

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Number of shares outstanding (unaudited)	Stated capital account	Share-based compensation reserve	Translation reserve	Retained earnings	Total equity attributable to the parent	Non-controlling interest	Total equity
			US$m	US$m	US$m	US$m	US$m	US$m	US$m
Balance at 1 January 2018		**430,115,480**	**2,031**	**21**	**(1,151)**	**406**	**1,307**	**-**	**1,307**
Profit for the financial year		-	-	-	-	353	353	2	355
Other comprehensive income, net of income tax		-	-	-	(448)	-	(448)	(1)	(449)
Share-based compensation	25	-	-	12	-	-	12	-	12
Shares allotted to employees	25	1,001,365	9	(9)	-	-	-	-	-
Issue of shares for business combinations	2	36,402,296	358	-	-	-	358	17	375
Issue of shares for contingent consideration	23	1,015,113	10	-	-	-	10	-	10
Issue of shares to acquire non-controlling interest	24	834,055	6	-	-	(6)	-	-	-
Dividends	15	-	-	-	-	(213)	(213)	-	(213)
Balance at 31 December 2018		**469,368,309**	**2,414**	**24**	**(1,599)**	**540**	**1,379**	**18**	**1,397**
Profit for the financial year		-	-	-	-	480	480	3	483
Other comprehensive loss, net of income tax		-	-	-	297	-	297	2	299
Share-based compensation	25	-	-	12	-	-	12	-	12
Shares allotted to employees	25	819,892	10	(10)	-	-	-	-	-
Dividends	15	-	-	-	-	(240)	(240)	-	(240)
Balance at 31 December 2019		**470,188,201**	**2,424**	**26**	**(1,302)**	**780**	**1,928**	**30**	**1,951**

1. GENERAL

Corporate information

Polymetal Group (the Group) is a leading gold and silver mining group with operations in Russia and Kazakhstan.

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

Significant subsidiaries

As at 31 December 2019 the Company held the following significant mining and production subsidiaries:

Name of subsidiary	Deposits and production facilities	Segment	Country of incorporation	Effective interest held, % 31 December 2019	Effective interest held, % 31 December 2018
Gold of Northern Urals CJSC	Vorontsovskoye	Ural	Russia	100	100
Svetloye LLC	Svetloye	Khabarovsk	Russia	100	100
Magadan Silver JSC	Dukat Lunnoe Arylakh	Magadan	Russia	100	100
Mayskoye Gold Mining Company LLC	Mayskoye	Magadan	Russia	100	100
Omolon Gold Mining Company LLC	Birkachan Tsokol Burgali Olcha	Magadan	Russia	100	100
Albazino Resources Ltd	Albazino	Khabarovsk	Russia	100	100
Amur Hydrometallurgical Plant LLC	AGMK Plant	Khabarovsk	Russia	100	100
Varvarinskoye JSC	Varvarinskoye	Kazakhstan	Kazakhstan	100	100
Bakyrchik Mining Venture LLC	Bakyrchik	Kazakhstan	Kazakhstan	100	100
Komarovskoye Mining Company LLC	Komarovskoye	Kazakhstan	Kazakhstan	100	100
South-Verkhoyansk Mining Company JSC	Nezhda	Yakutia	Russia	100	100
Prognoz Silver LLC	Prognoz	Yakutia	Russia	100	100
GRK Amikan LLC	Veduga	Khabarovsk	Russia	74.31	74.31

Going concern

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 31 December 2019, the Group held US$ 253 million of cash and had net debt of US$ 1,479 million, with US$ 1,904 million of additional undrawn facilities of which US$ 1,079 million are considered committed. Debt of US$ 214 million is due for payment within one year. The Group's cash generation and liquidity remains strong and the Group believes it will be able to operate within existing facilities.

The Board is satisfied that the Group's forecasts and projections, having taken account of reasonably possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the year ended 31 December 2019.

Basis of presentation

The Group's annual condensed consolidated financial statements for the year ended 31 December 2019 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value as of end of the reporting period and share-based payments which are recognised at fair value as of measurement date.

The following accounting policies have been applied in preparing the condensed consolidated financial statements for the year ended 31 December 2019.

New standards adopted by the Company and changes in accounting policies

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2018, except for changes arising from the adoption of the following new accounting pronouncements which became effective in the current reporting period:

- IFRS 16 *Leases*;
- IFRIC 23 *Uncertainty over Income Tax Treatments*;
- Amendments to IAS 28 *Investments in Associates and Joint Ventures*;
- Amendments to IFRS 9 *Financial instruments*;
- Amendments to IAS 19 *Employee Benefits*;
- Annual Improvements to IFRSs: 2015-17 Cycle: IFRS 3 *Business Combinations*, IAS 12 *Income taxes* and IAS 23 *Borrowing costs*.

The Group has determined these amendments do not have a significant impact on its consolidated financial statements or are not applicable to the Group, except for IFRS 16.

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

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

On transition, lease liabilities were recognised as the present value of lease payments still to be made, discounted at the appropriate incremental borrowing rate of 9.96% applicable at 1 January 2019 to the borrowings in Russian Roubles or Kazakh Tenge. For the majority of leased assets, the corresponding right-of-use asset was recognised equal to the value of the lease liability at 1 January 2019, adjusted for any accrued or prepaid lease payments. Total right-of-use assets and respective lease liabilities, recognised at 1 January 2019, amount to US$ 31 million and principally relate to the leased office buildings and other property (Note 17). The Group has determined that surface lease arrangements with municipal government for the purposes of mining and exploration activities fall out of the IFRS 16 scope.

From 1 January 2019, in the Group's Income Statement depreciation of right-of-use assets and interest expense on the lease liabilities are recognised instead of operating lease expenses under IAS 17. During the year ended 31 December 2019, in relation to leases under IFRS 16 the Group recognised the depreciation of right-of-use assets of US$ 4 million and unwind of discount on lease liabilities of US$ 3 million, which are excluded from EBITDA. For the year ended 31 December 2018, US$ 7 million of operating lease costs were charged and deducted from EBITDA.

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

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

New accounting standards issued but not yet effective

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

- IFRS 17 *Insurance Contracts*, effective for annual period beginning on or after 1 January 2021 with earlier application is permitted.
- Definition of a Business – Amendments to IFRS 3 *Business Combinations*, effective for annual periods beginning on or after 1 January 2020.

- Definition of Material – Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, effective for annual periods beginning on or after 1 January 2020.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 *Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, the effective date of the amendments has yet to be set; however, earlier application of the amendments is permitted.

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

Functional and presentation currency

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, Bakyrchik Mining Venture LLC, Inter Gold Capital LLC, Komarovskoye Mining Company LLC) is the Kazakh Tenge (KZT). The functional currency of the Group's entity located and operating in Armenia (Kapan MPC CJSC) was the Armenian Dram (AMD). The functional currency of the parent company Polymetal International plc and its intermediate holding companies is U.S. Dollar.

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

The Group translates its income and expenses in presentation currency on a monthly basis. During the years ended 31 December 2019 and 31 December 2018 exchange rates used in the preparation of the condensed consolidated financial statements were as follows:

	Russian Rouble/U.S. Dollar	Kazakh Tenge/U.S. Dollar	Armenian Dram/U.S. Dollar
31 December 2019			
Year ended	61.91	381.18	479.70
Average	64.74	382.84	480.53
Maximum monthly rate	67.35	389.23	488.33
Minimum monthly rate	62.94	377.87	476.00
31 December 2018			
Year ended	69.47	384.20	483.75
Average	62.68	344.76	483.03
Maximum monthly rate	67.66	372.41	486.30
Minimum monthly rate	56.79	320.70	480.45

2. ACQUISITIONS AND DISPOSALS

Summary of acquisitions and disposals in consolidated statement of profit and loss

	Note	2019 US$m	2018 US$m
Revaluation of initial share on business combination			
Nezhda		-	20
Amikan		-	21
Total		**-**	**41**
Loss on disposal of subsidiaries, net			
Kapan		(13)	-
Khakanja		-	(63)
Other		(3)	9
Total		**(16)**	**(54)**
Write-down of assets held for sale			
Irbychan	5	(28)	-
Total		**(28)**	**-**

(a) Year ended 31 December 2019

Kapan mine disposal

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

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

The notes conversion price was set at US$ 0.25 million per 527,871 ordinary shares, which equalled 21,114,840 Chaarat ordinary shares. The convertible notes met the definitions of financial asset under IFRS 9 Financial instruments and therefore were to be classified as a financial asset in their entirety. The convertible notes failed the solely payments of principal and interest (SPPI) criterion and were accounted for at fair value through profit and loss. The fair value of the convertible bonds as of date of transaction approximated to US$ 11 million.
As part of the transaction an intercompany loan of US$ 11 million outstanding as of 31 December 2018 and 30 January 2019 was assigned to Chaarat for no consideration.

On 29 July 2019, the Company signed a settlement agreement with Chaarat delivering the convertible bonds back to Chaarat and receiving its 14,638,020 newly issued ordinary shares, as well as finalising the working capital adjustment at US$ nil and releasing Polymetal from warranties and indemnities under the sale and purchase agreement. The adjustment to the consideration resulting from this settlement agreement amounts to US$ 5 million, being the realised loss on conversion of the convertible notes. The total loss on disposal of Kapan recognised during the year ended 31 December 2019 therefore amounted to US$ 13 million.

Charaat shares received are quoted shares and accounted for at fair value through profit and loss and are presented within trade receivables and other financial instruments.

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

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

As of 31 December 2018 Kapan was classified as held for sale and discontinued operation in accordance with IFRS 5 *Assets held for sales and discontinued operations*. The major classes of assets and liabilities held by Kapan and their carrying values as of 31 December 2018 approximate to the carrying values as of the disposal date. The results of the Kapan operations are shown as discontinued operations in the consolidated income statement and statement of consolidated statement of cash flows and are presented in Note 3.

In December 2019 the Group disposed of the remaining entities of the Armenia segment. These entities had a net assets value of US$ 4 million and were disposed of for US$ 1 million resulting in a loss on disposal of US$ 3 million.

Amikan purchase price allocation

On October 2018 the Group acquired an additional 31.7% stake in GRK Amikan LLC ("Amikan"), the licence holder for the Veduga property. Veduga is a high-grade refractory gold deposit with reserves of 1.4 Moz of gold at 4.8 g/t and additional mineral resources of 0.4 Moz at 4.9 g/t.

Following this acquisition, the Group increased its overall ownership in the Veduga gold deposit to 74.3%.

Polymetal has been a partial owner of the property since 2006 with the original 50% stake acquired through the JV with AngloGoldAshanti and subsequently diluted by external equity financing. From 2012 the Group's equity ownership was 42.65% and it exercised significant influence over the property. The investment was accounted for using the equity method of accounting. In 2012-2018 2,882 kt of ore with the average grade of 3.84 g/t containing 356 koz of gold was extracted from the open-pit mine at Veduga. Historically ore was sold to multiple processing plants including Varvara.

As the Amikan operations represent an integrated set of activities with a focus on mining and extraction of precious metals, it was determined that it meets the definition of a business pursuant to IFRS 3 and that it should be fair value accounted for using the acquisition method.

Consideration transferred

The total consideration comprised US$ 21.5 million, payable by issuing 2,456,049 Polymetal new ordinary shares. The number of issued shares has been determined by dividing US$ 19.7 million by US$ 8.036, the spot price of ordinary shares of the Company on the Main Market of the London Stock Exchange as at market close on 10 October 2018 in US dollars. The fair value of the consideration transferred was determined based on the 12 October 2018 closing share spot price of 8.78 USD.

As the Group obtained control over the Amikan gold property, which was previously considered a joint venture operation that constituted a business, the Group's previously recognised share of the business subject to joint control was remeasured in accordance with IFRS 3. The remeasurement resulted in a fair value gain of US$ 21 million as of the acquisition date, and was recognised in the income statement.

The non-controlling interest (25.69% ownership interest in Amikan) recognised at the acquisition date was measured as the proportionate share in the recognised amounts of the acquiree's identifiable net assets and amounted to US$ 17 million.

Assets acquired and liabilities recognised at the date of acquisition

The initial accounting of the Amikan acquisition was provisionally determined at 31 December 2018 based on the management's best estimate. The purchase price allocation was updated based on the updated DCF model. The updated model includes processing of the ore, which was written off on preliminary purchase price allocation, resulting in increase of inventories fair value balance and decrease in amount allocated to mineral rights.

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

Assets acquired and liabilities recognised at the date of acquisition

	Provisional amounts previously reported US$m	Adjustments US$m	Adjusted amounts US$m
Property, plant and equipment	101	(7)	94
Inventories	5	7	12
Cash and cash equivalents	4	-	4
Other current assets	(1)	-	(1)
Environmental obligations	(1)	-	(1)
Borrowings	(26)	-	(26)
Deferred tax liabilities	(14)	-	(14)
Fair value of the net assets acquired	**68**	**-**	**68**
Consideration transferred			
Fair value of shares issued	22	-	22
Initial investment in JV as of acquisition date	8	-	8
Revaluation gain	21	-	21
Non-controlling interest at fair value	17	-	17
Total consideration	**68**	**-**	**68**
Cash and cash equivalents acquired	**4**	**-**	**4**

The effect of the finalisation of the Amikan acquisition accounting on the Group balance sheet is as follows:

	31 December 2018 (previously stated) US$m	Fair value adjustments US$m	31 December 2018 (restated) US$m

Property, plant and equipment	2,426	(7)	2,419
Non-current inventories	95	7	102
Change in equity	**-**	**-**	**-**

(b) Year ended 31 December 2018

During the year ended 31 December 2018 the Group completed the Amikan, Prognoz silver property and Nezhda gold property business combinations, and the Tarutin asset swap which was accounted for as the asset acquisition.

The purchase price allocations for Prognoz and Nezhda were finalized in 2018, while the Amikan purchase price allocation was finalised during 2019 as discussed above. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Prognoz	Nezhda	Amikan (restated)	Tarutin	Total
	US$m	US$m	US$m	US$m	US$m
Property, plant and equipment	290	322	94	3	709
Inventories	-	3	12	-	15
Cash and cash equivalents	-	-	4	-	4
Other current assets	2	10	(1)	-	11
Accounts payable and accrued liabilities	-	(10)	-	-	(10)
Environmental obligations	-	(1)	(1)	-	(2)
Borrowings	(42)	(78)	(26)	(3)	(149)
Deferred tax liabilities	(50)	(38)	(14)	-	(102)
Fair value of the net assets acquired	**200**	**208**	**68**	**-**	**476**
Fair value of shares issued	200	136	22	-	358
Cash consideration paid	-	10	-	-	10
Contigent consideration payable	14	-	-	-	14
Option fair value	-	11	-	-	11
Initial investment in JV as of acquisition date	10	31	8	-	49
Less consideration allocated to the Shareholders' loan	(24)	-	-	-	(24)
Revaluation gain	-	20	21	-	41
Non-controlling interest at fair value	-	-	17	-	17
Total consideration	**200**	**208**	**68**	**-**	**476**

The summary of transactions is discussed in detail below.

Prognoz silver property acquisition

In April 2018 the Group completed the acquisition of the Prognoz silver deposit in Yakutia, Russia (“Prognoz”), through two consecutive deals. On 13 April 2018 the Group completed the acquisition of the 45% stake from Polar Acquisition Ltd (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. The initial 5% interest in Prognoz was previously accounted for as a joint venture under IFRS 11 *Joint Arrangements.*

In addition to the share considerations paid to PAL and the private investor Polymetal also committed to pay a net smelter return (“NSR”) royalties as described in Note 29.

As a result of the transactions, Polymetal consolidated its 100% stake in the Prognoz.

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

Prognoz is the largest undeveloped primary silver deposit in Eurasia with JORC-compliant Indicated and Inferred Resources, estimated by the Group in 2018 of 256 Moz at 789 g/t silver equivalent. As the Prognoz operations represent an integrated set of activities with a focus on exploration, it was determined that it meets the definition of a business pursuant to IFRS 3 and that it should be fair value accounted for using the acquisition method.

Consideration transferred

The fair value of the newly issued 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 newly issued 14,152,668 ordinary shares issued as part of the consideration paid for Prognoz to the private investor 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 meet definition of contingent consideration and are accounted for at their fair value at the acquisition date as the described in Note 29. The input assumption applied were as follows.

The fair value of the NSR payable to PAL was determined using the long-term silver price assumption of US$ 15 per ounce. At the acquisition date, the fair value of the contingent consideration was estimated at US$ 9 million.

The fair value of the NSR payable to the private investor was estimated at US$ 5 million by applying the key assumptions set out below:

Silver price volatility	31.69%
Silver price as of acquisition date/long-term real price per ounce	US$ 16.94/US$ 15
Discount rate	9%

Nezhda gold property acquisition

In 2018 Polymetal consolidated 100% interest in Nezhdaninskoye gold deposit ("Nezhda") in Yakutia, Russia, by acquiring 7% for US$ 8 million in cash as part of the shareholder agreement signed in July 2017 and by exercising a call option to acquire the remaining 75.3% stake for consideration of US$ 146 million, payable in cash and Polymetal shares. The completion of the sale, including the exercise of the call option were subject to approval by the Russian Federal Government's Commission on Foreign Investments into Companies of Strategic Importance.

The initial 17.7% interest in Nezhda was previously accounted for as a joint venture under IFRS 11 *Joint Arrangements.* In November 2018, Polymetal received all necessary regulatory approvals and completed the acquisition of the remaining 82.3% stake in Nezhda from entities owned by Ivan Kulakov.

The Group determined that it obtained control over the Nezhda gold property on 26 November 2018.

As Nezhda operations represent an integrated set of activities with a focus on exploration, it was determined that it meets the definition of a business pursuant to IFRS 3 and that it should be fair value accounted for using the acquisition method.

Consideration transferred

The fair value of the 13,486,579 ordinary shares issued as part of the consideration paid was determined based on the spot price at the acquisition date, being US$ 10.07, and it was valued at US$ 136 million. The fair value of the Call Option described above represents part of the consideration transferred and comprised US$ 11 million as of acquisition date.

As the Group obtained control over the Nezhda gold property, which was previously considered a joint venture operation that constituted a business, the Group's previously recognised share of the business subject to joint control was remeasured in accordance with IFRS 3. The remeasurement resulted in a fair value gain of US$ 20 million as of the acquisition date, and was recognised in the income statement.

Tarutin asset swap

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 received 85% of Tarutinskoye LLP, the licence holder for the copper-gold East Tarutin deposit located in Kazakhstan. In return, Polymetal transferred 100% of Vostochny Basis LLC, the licence holder for the copper-gold Tarutin deposit located in the Russian Federation. The transaction represents an asset swap and does not entail any additional payments or deferred considerations.

East Tarutin did a copper-gold deposit located in proximity to the Varvara processing plant and is expected to source the ore for further processing at the Varvara hub.

The acquired company does not meet the definition of a business pursuant to IFRS 3 and the transaction represents the acquisition of mineral rights through a non-operating corporate entity and does not give rise to goodwill or a gain. Based on IFRS 3 guidance the carrying amount of the assets given up represent the cost of the investment in East Tarutin (Kazakhstan). As a result the Group purchased mineral rights of US$ 3 million.

Khakanja disposal

In December 2018 the Group disposed of its Khakanja operations (Okhotskaya Mining and Exploration Company LLC), which comprise the 600 Ktpa processing plant, related infrastructure at the Khakanja mine, and old stockpiles at Khakanja, Avlayakan and Ozernoye deposits with current ore reserves of approximately 0.1 Moz of GE, as well as exploration properties of Kundumi and Mevachan. The total consideration for Khakanja comprised US$ 30 million of which US$ 5 million was received in cash and US$ 25 million represented relinquished bank debt. Simultaneously the Group disposed of its Okhotskiy port assets, which were previously accounted for as a part of Khakanja operations, for a consideration of US$ 2 million paid in cash. The disposal of Khakanja operations was effected as part a strategy of selling smaller short-lived assets.

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

	US$m
Property, plant and equipment	19
Inventories	40
Other current assets (net)	21
Environmental obligations	(4)
Borrowings	(25)
Fair value of the net assets disposed	**51**
Cash consideration received	7
Loss on disposal	**(44)**
Cumulative exchange differences in foreign operation recycled from translation reserve	(19)
Total loss on disposal	**(63)**

The results of Khakanja operations are shown as discontinued operations in the consolidated income statement and statement of consolidated statement of cash flows (Note 3).

During 2018 the Group disposed of its minor subsidiaries Svetlobor platinum exploration project and Kirankan gold deposit, as well as its interest in the joint venture Aktogai Mys LLC (Dolinnoye exploration licence in Kazakhstan).

3. ASSETS HELD FOR SALE AND DISCONTINED OPERATIONS

Irbychan Gold

In November 2019 the Group carved out a group of assets with an aggregate carrying value of US$ 41 million, including the Omolon low grade ore stock pile and related mining and exploration licenses, into a separate legal entity. The group plans to dispose of this group of assets through a the sale to a third party in the next 3-6 months, as a part of the Group strategy to dispose of smaller and low-margin assets. A non-binding agreement for the sale was reached with the third party in December 2019, but has not yet been formalised.

The group of assets meets the a definition of the disposal group as per IFRS *5 Assets held for sale and discontinued operations*, so it is presented separated in the balance sheet as of 31 December 2019. Irbychan Gold does not represent a separate major line of business or geographical area of operations or a part of a single co-ordinated plan to dispose of such, thus it was concluded that it doesn't meet the definition of discontinued operation. The expected sale price approximates to US$ 13 million. The disposal group as a whole is subject to the measurement requirements of IFRS 5, so as of 31 December 2019 was measured at the lower of its carrying amount and fair value less costs to sell and the Group recognised a loss of US$ 28 million as detailed below:

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

Kapan and Khakanja operations disposal

Kapan (see also Note 2) was identified as the major part of the Armenia cash generating unit and the Armenia operating segment, and therefore at 31 December 2018 it met the definition of a discontinued operation and an asset held for sale in accordance with IFRS 5 *Assets held for sale and discontinued operations*.

In December 2018 the Group disposed of its Khakanja operations, which was identified as a separate cash generating unit and a separate major line of business, included in the Khabarovsk segment, and therefore at 31

December 2018 it also met the definition of a discontinued operation in accordance with IFRS 5 *Assets held for sale and discontinued operations*.

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

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

As of 31 December 2018 Kapan was classified as held for sale and discontinued operation in accordance with IFRS 5 *Assets held for sales and discontinued operations*. The major classes of assets and liabilities held by Kapan and their carrying values as of 31 December 2018 approximate to the carrying values as of disposal date.

The major classes of assets and liabilities held by Kapan which comprise operations classified as held for sale as of 31 December 2018 are as follows:

	US$m
Property, plant and equipment	40
Deferred tax assets	7
Inventories	16
Cash and cash equivalents	3
Other current assets	8
Total assets classified as held for sale	**74**
Accounts payable and accrued liabilities	(8)
Total liabilities associated with assets classified as held for sale	**(8)**

4. SEGMENT INFORMATION

The Group has identified five reportable segments:

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

As the Group disposed of its Kapan operations in 2019 the entire Armenia segment is disclosed as discontinued operations.

Reportable segments are determined based on the Group's internal management reports, which 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 and Kazakhstan.

From 1 January 2019 management identified the Yakutia segment, comprising the Nezhda development and the Prognoz exploration operations, acquired during the year ended 31 December 2018, which were previously reported within Corporate and other. From 1 January 2019 management presents GRK Amikan LLC, which was previously reported within Corporate and other, within the Khabarovsk segment, as the Veduga ore is processed at Amur Hydrometallurgical Plant LLC. The comparative information has been restated on a consistent basis.

The measure which management and the Chief Operating Decision Maker (the CODM) use to evaluate the performance of the Group is segment Adjusted EBITDA, which is an Alternative Performance Measure (APM). For more information on the APMs used by the Group, including definitions, please refer to page 67.

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. From 1 January 2019 the Group reports revenue and cost of sales, pertaining to its productions entities, net of any intersegmental revenue and cost of sales, related to the intercompany sales of ore and concentrates, as well as intercompany smelting services, as this presentation is more meaningful from management and forecasting perspective. The comparative information has been restated on a consistent basis.

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

4. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019 (US$m)	KAZAKHSTAN	KHABAROVSK	MAGADAN	URAL	YAKUTIA	Total continuing segments	Total discontinued operations	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	681	569	842	149	-	2,241	5	-	-	2,246
Intersegment revenue	-	-	-	-	-	-	-	249	(249)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	207	228	476	37	-	948	4	155	(164)	943
Cost of sales	295	278	582	51	-	1,206	4	155	(164)	1,201
Depreciation included in Cost of sales	(87)	(49)	(92)	(7)	-	(235)	-	-	-	(235)
Write-down of metal inventory to net realisable value	-	-	(12)	(7)	-	(19)	-	-	-	(19)
Write-down of non-metal inventory to net realisable value	-	-	1	-	-	1	-	-	-	1
Rehabilitation expenses	(1)	(1)	(3)	-	-	(5)	-	-	-	(5)
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	14	17	31	4	8	74	1	102	(15)	162
General, administrative and selling expenses	16	18	32	4	8	78	1	118	(15)	182
Depreciation included in SGA	(2)	(1)	(1)	-	-	(4)	-	(4)	-	(8)
Share-based compensation	-	-	-	-	-	-	-	(12)	-	(12)
Other operating expenses excluding additional tax charges	12	15	27	5	(1)	58	-	9	(1)	66
Other operating expenses	12	18	26	5	(1)	60	-	9	(1)	68
Bad debt and expected credit loss allowance	-	(1)	-	-	-	(1)	-	-	-	(1)
Additional tax charges/fines/penalties	-	(2)	1	-	-	(1)	-	-	-	(1)
Share of income of associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	**448**	**309**	**308**	**103**	**(7)**	**1,161**	**-**	**(17)**	**(69)**	**1,075**
Depreciation expense	89	50	93	7	-	239	-	4	-	243
Rehabilitation expenses	1	1	3	-	-	5	-	-	-	5
Write-down of non-metal inventory to net realisable value	-	-	(1)	-	-	(1)	-	-	-	(1)
Write-down of metal inventory to net realisable value	-	-	12	7	-	19	-	-	-	19
Share-based compensation	-	-	-	-	-	-	-	12	-	12
Bad debt and expected credit loss allowance	-	1	-	-	-	1	-	-	-	1
Additional tax charges/fines/penalties	-	2	(1)	-	-	1	-	-	-	1
Operating profit / (loss)	**358**	**255**	**202**	**89**	**(7)**	**897**	**-**	**(33)**	**(69)**	**795**
Net foreign exchange gains										**(36)**
Loss on disposal of subsidiaries										**(16)**
Write-down of assets held for sale										**(28)**
Change in fair value of contingent consideration liability										**(23)**
Finance income										**7**
Finance costs										**(81)**
Profit before tax										**618**
Income tax expense										**(135)**
Profit for the financial period										**483**
Current metal inventories	95	132	230	30	-	487	-	1	(45)	443
Current non-metal inventories	26	41	114	5	10	196	-	17	(12)	201
Non-current segment assets:						-				-
Property, plant and equipment, net	815	584	394	18	817	2,628	-	182	-	2,810
Goodwill	-	-	16	-	-	16	-	-	-	16
Non-current inventory	41	24	47	3	-	115	-	-	(1)	114
Investments in associates	-	-	-	-	-	-	-	2	-	2
Total segment assets	**977**	**781**	**801**	**56**	**827**	**3,442**	**-**	**202**	**(58)**	**3,586**
Additions to non-current assets:										
Property, plant and equipment	89	114	84	5	155	447	-	23	-	470
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-

4. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018 (US$m)	KAZAKHSTAN	KHABAROVSK	MAGADAN	URAL	YAKUTIA	Total reportable segments	Total discontinued operations	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	272	575	725	134	-	1,706	176	-	-	1,882
Intersegment revenue (restated)	-	-	-	-	-	-	-	235	(235)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	121	245	392	38	-	796	107	144	(158)	**889**
Cost of sales (restated)	159	298	487	47	-	991	119	144	(158)	1,096
Depreciation included in Cost of sales	(37)	(53)	(71)	(9)	-	(170)	(13)	-	-	(183)
Write-down of metal inventory to net realisable value	-	-	(21)	-	-	(21)	-	-	-	(21)
Write-down of non-metal inventory to net realisable value	(1)	-	(2)	-	-	(3)	1	-	-	(2)
Rehabilitation expenses	-	-	(1)	-	-	(1)	-	-	-	(1)
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	15	15	32	4	2	68	11	95	(14)	**160**
General, administrative and selling expenses	16	15	32	4	2	69	11	109	(14)	175
Depreciation included in SGA	(1)	-	-	-	-	(1)	-	(2)	-	(3)
Share-based compensation	-	-	-	-	-	-	-	(12)	-	(12)
Other operating expenses excluding additional tax charges	8	7	23	5	-	43	3	6	-	52
Other operating expenses	8	7	23	5	-	43	28	4	-	75
Lichkvaz exploration expenses and mineral rights write-off	-	-	-	-	-	-	(24)	-	-	(24)
Additional tax chargers/fines/penalties	-	-	-	-	-	-	(1)	2	-	1
Share of income of associates and joint ventures	-	-	-	-	-	-	-	(1)	-	(1)
Adjusted EBITDA	**128**	**308**	**278**	**87**	**(2)**	**799**	**55**	**(11)**	**(63)**	**780**
Depreciation expense	38	53	71	9	-	171	13	2	-	186
Rehabilitation expenses	-	-	1	-	-	1	-	-	-	1
Lichkvaz exploration expenses and mineral rights write-off						-	24			24
Write-down of non-metal inventory to net realisable value	1	-	2	-	-	3	(1)	-	-	2
Write-down of metal inventory to net realisable value	-	-	21	-	-	21	-	-	-	21
Share-based compensation	-	-	-	-	-	-	-	12	-	12
Additional tax chargers/fines/penalties	-	-	-	-	-	-	1	(2)	-	(1)
Operating profit / (loss)	**89**	**255**	**183**	**78**	**(2)**	**603**	**18**	**(23)**	**(63)**	**535**
Net foreign exchange gains										**(40)**
Revaluation of initial on business combination										**41**
Loss on disposal of subsidiaries										**(54)**
Change in fair value of contingent consideration liability										**7**
Finance income										**8**
Finance costs										**(71)**
Profit before tax										**426**
Income tax expense										**(71)**
Profit for the financial period										**355**
Current metal inventories	57	95	194	33	-	379	-	-	(11)	368
Current non-metal inventories	22	36	99	5	5	167	-	9	(7)	169
Non-current segment assets:	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment, net	823	486	364	20	585	2,278	3	145	-	2,426
Goodwill	-	-	15	-	-	15	-	-	-	15
Non-current inventory	22	15	65	2	-	104	-	-	(2)	102
Investments in associates	-	-	-	-	-	-	-	2	-	2
Total segment assets	**924**	**632**	**737**	**60**	**590**	**2,943**	**3**	**156**	**(20)**	**3,082**
Additions to non-current assets:										
Property, plant and equipment	134	104	74	5	21	338	15	24	-	377
Acquisition of subsidiaries	-	94	-	-	612	706	-	3	-	709

5. REVENUE

Continuing operations

	Year ended 31 December 2019				Year ended 31 December 2018			
	Volume shipped (unaudited)	Volume payable (unaudited)	Average price ($ per oz/t payable) (unaudited)	US$m	Volume shipped (unaudited)	Volume payable (unaudited)	Average price ($ per oz/t payable) (unaudited)	US$m
Gold (thousand ounces)	1,410	1,363	1,377	1,878	1,120	1,096	1,227	1,345
Silver (thousand ounces)	22,507	22,076	15.8	349	24,110	23,735	14.8	351
Copper (tonnes)	2,864	2,705	5,176	14	1,932	1,827	5,474	10
Total				**2,241**				**1,706**

Total continuing and discontinued operations

	Year ended 31 December 2019				Year ended 31 December 2018			
	Volume shipped (unaudited)	Volume payable (unaudited)	Average price ($ per oz/t payable) (unaudited)	US$m	Volume shipped (unaudited)	Volume payable (unaudited)	Average price ($ per oz/t payable) (unaudited)	US$m
Gold (thousand ounces)	1,413	1,366	1,377	1,882	1,224	1,198	1,226	1,468
Silver (thousand ounces)	22,538	22,107	15.8	349	26,118	25,675	14.8	380
Copper (tonnes)	3,016	2,842	5,278	15	3,542	3,348	5,675	19
Zinc (tonnes)	(8)	(7)	-	-	6,625	5,625	2,667	15
Total				**2,246**				**1,882**

Geographical analysis of revenue by destination is presented below:

	Continuing operations		Total continuing and discontinued operations	
	Year ended		Year ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	US$m	US$m	US$m	US$m
Sales within the Russian Federation	1,044	1,038	1,044	1,153
Sales to Kazakhstan	655	338	655	338
Sales to East Asia	472	245	472	263
Sales to Europe	70	85	75	128
Total	**2,241**	**1,706**	**2,246**	**1,882**

Included in revenues for the year ended 31 December 2019 are revenues which arose from the sales to the Group's largest customers, whose contribution to the Group's revenue exceeded 10% of the total revenue. In 2019 revenues from such customers amounted to US$ 659 million, US$ 439 million, US$ 338 million and US$ 266 million respectively (2018: US$ 490 million, US$ 228 million, US$ 203 million and US$ 173 million, respectively).

Revenue is derived principally from the sale of gold and silver bullions, copper, gold and silver concentrate and doré. The Group sells gold and silver bullions to banks through long-term agreements. The sales price, as determined in the agreement, is based on the spot London Bullion Market Association (LBMA) price. Copper, zinc, gold and silver concentrate and doré are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale.

The Group enters into prepaid bullion sales arrangements, which are settled solely through bullion shipments and are priced based on the spot London Bullion Market Association (LBMA) price, prevailing of the date of the respective shipment. The arrangements fall under IFRS 15 *Revenue from Contracts with Customers* and respective advances received represent contract liabilities, which are presented on the face of the balance sheet as prepayments received. There were no prepayments received under such arrangements as of 31 December 2019 (31 December 2018: US$ 100 million). As of 31 December 2019 contract obligations related to the concentrate sales amount to US$ 5 million and were accounted for as prepayments received (31 December 2018: nil).

Presented below is an analysis per revenue stream:

	Magadan	Khabarovsk	Urals	Kazakhstan	Discontinued operations	Total
	US$m	US$m	US$m	US$m	US$m	US$m
Year ended 31 December 2019						
Bullions	412	513	149	-	-	1,074
Concentrate	430	34	-	245	5	714
Doré	-	22	-	436	-	458
	842	**569**	**149**	**681**	**5**	**2,246**
Year ended 31 December 2018						
Bullions	362	563	134	-	115	1,174
Concentrate	363	12	-	107	61	543
Doré	-	-	-	165	-	165
	725	**575**	**134**	**272**	**176**	**1,882**

6. COST OF SALES

	Continuing operations		Total continuing and discontinued operations	
	Year ended		Year ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	US$m	US$m	US$m	US$m
Cash operating costs				
On-mine costs (Note 7)	485	417	488	482
Smelting costs (Note 8)	359	314	360	349
Purchase of ore and concentrates from third parties	59	66	59	78
Purchase of ore from related parties (Note 26)	-	22	-	22
Mining tax	115	87	115	97
Total cash operating costs	**1,018**	**906**	**1,022**	**1,028**
Depreciation and depletion of operating assets (Note 9)	250	210	250	228
Rehabilitation expenses	5	1	5	1
Total costs of production	**1,273**	**1,117**	**1,277**	**1,257**
Increase in metal inventories	(98)	(174)	(98)	(187)
Write-down of metal inventories to net realisable value (Note 18)	19	21	19	21
Write-down of non-metal inventories to net realisable value (Note 18)	(1)	4	(1)	2
Idle capacities and abnormal production costs	4	3	4	3
Total	**1,197**	**971**	**1,201**	**1,096**

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

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

7. ON-MINE COSTS

	Continuing operations		Total continuing and discontinued operations	
	Year ended		Year ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	US$m	US$m	US$m	US$m
Services	229	185	230	222
Labour	132	122	133	133
Consumables and spare parts	119	107	120	121
Other expenses	5	3	5	6
Total (Note 6)	**485**	**417**	**488**	**482**

8. SMELTING COSTS

	Continuing operations		Total continuing and discontinued operations	
	Year ended		Year ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	US$m	US$m	US$m	US$m
Consumables and spare parts	155	143	155	159
Services	139	109	140	118
Labour	63	60	63	70
Other expenses	2	2	2	2
Total (Note 6)	**359**	**314**	**360**	**349**

9. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Continuing operations		Total continuing and discontinued operations	
	Year ended		Year ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	US$m	US$m	US$m	US$m
On-mine	188	154	188	169
Smelting	62	56	62	59
Total (Note 6)	**250**	**210**	**250**	**228**

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 from the Group's calculation of Adjusted EBITDA (see Note 4), also excludes amounts absorbed into unsold metal inventory balances.

10. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	Continuing operations		Total continuing and discontinued operations	
	Year ended		Year ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	US$m	US$m	US$m	US$m
Labour	136	120	137	127
Services	8	14	8	16
Share based compensation (Note 25)	12	12	12	12
Depreciation	8	3	8	3
Other	17	15	17	17
Total	**181**	**164**	**182**	**175**
including				
Mine site expenses	78	69	79	80
Corporate head office expenses	103	95	103	95
Total	**181**	**164**	**182**	**175**

11. OTHER OPERATING EXPENSES, NET

	Continuing operations		Total continuing and discontinued operations	
	Year ended		Year ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	US$m	US$m	US$m	US$m
Lichkvaz exploration expenses and mineral rights write-off	-	-	-	24
Social payments	24	14	24	16
Exploration expenses	19	12	19	13
Provision for investment in Special Economic Zone	11	11	11	11
Taxes, other than income tax	11	13	11	13
Other expenses	3	(3)	3	(2)
Total	**68**	**47**	**68**	**75**

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

During the year ended 31 December 2019 exploration expenses include write downs of US$ 9, which were previously within exploration and development assets (2018: nil).

Operating cash flow spent on exploration activities amounts to US$ 10 million (2018: US$ 12 million).

12. EMPLOYEE COSTS

	Continuing operations		Total continuing and discontinued operations	
	Year ended		Year ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	US$m	US$m	US$m	US$m
Wages and salaries	313	278	314	303
Social security costs	71	68	71	72
Share-based compensation	12	12	12	12
Total employee costs	**396**	**358**	**397**	**387**
Reconcilation:				
Less: employee costs capitalised	(43)	(35)	(43)	(37)
Less: employee costs absorbed into unsold metal inventory balances	(15)	(30)	(15)	(32)
Employee costs included in cost of sales	**338**	**293**	**339**	**318**

The weighted average number of employees during the year ended 31 December 2019 and year ended 31 December 2018 was:

	Year ended	
	31 December 2019	31 December 2018
Magadan	4,023	4,048
Khabarovsk	2,305	2,807
Kazakhstan	2,472	2,163
Armenia	69	953
Ural	752	809
Yakutia	478	412
Corporate and other	1,712	1,528
Total	**11,811**	**12,720**
Less discontinued operations	69	1,539
Total continuing operations	**11,742**	**11,181**

Compensation of key management personnel is disclosed within Note 26.

13. FINANCE COSTS

	Year ended	
	31 December 2019	31 December 2018
	US$m	US$m
Interest expense on borrowings	72	67
Unwinding of discount on lease liabilities (Note 17)	3	-
Unwinding of discount on environmental obligations (Note 21)	4	3
Unwinding of discount on contingent consideration liability (Note 23)	2	1
Total	**81**	**71**

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

During the years ended 31 December 2019 interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US$ 9 million (2018: US$ 11 million). These amounts were calculated based on the Group's general borrowing pool and by applying an effective interest rate of 4.26% (2018: 4.19%) to cumulative expenditure on such assets.

14. INCOME TAX

The amount of income tax expense for the years ended 31 December 2019 and 31 December 2018 recognised in profit and loss is as follows:

	Continuing operations		Total continuing and discontinued operations	
	Year ended		Year ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	US$m	US$m	US$m	US$m
Current income taxes	101	101	101	108
Deferred income taxes	34	(36)	34	(37)
Total	**135**	**65**	**135**	**71**

A reconciliation between the reported amounts of income tax expense attributable to income before income tax is as follows:

	Year ended	
	31 December 2019	31 December 2018
	US$m	US$m
Profit before income tax	**618**	**426**
Theoretical income tax expense at the tax rate of 20%	124	85
Effect of Special Economic Zone and Regional Investment project decreased tax rates	(34)	(27)
Effect of different tax rates of subsidiaries operating in other jurisdictions	5	7
Revaluation of initial share on business combination	-	(8)
Change in fair value of contingent consideration liability	4	1
Current year losses not recognised and losses previously recognised written-off	6	1
Non-deductible interest expense	14	14
Non-taxable consolidation adjustments on disposal of subsidiaries	3	3
Adjustments in respect of prior periods	(1)	(5)
Other non-taxable income and non-deductible expenses	14	-
Total income tax expense	**135**	**71**

The actual tax expense differs from the amount which would have been determined by applying the statutory rate of 20% for the Russian Federation and Kazakhstan to profit before income tax as a result of the application of relevant jurisdictional tax regulations, which disallow certain deductions which are included in the determination of accounting profit. These deductions include share-based payment expenses, social related expenditures and other non-production costs, certain general and administrative expenses, financing expenses, foreign exchange related and other costs.

Omolon Gold Mining Company LLC and Magadan Silver JSC are entitled to the decreased statutory income tax rate of 17% for the operations held in the Special Economic Zone of the Russian Far East, the rate of 17% was used in calculation of income tax provision and deferred tax positions for those entities. Svetloye LLC is subject to tax relief as Regional Investment Project and is entitled to the statutory income tax rate of 0% up to 2021. Amur Hydrometallurgical Plant LLC is entitled to income tax rate of 0% up to 2023 and tax rate of 10% in 2024-2028.

Tax exposures recognised in income tax

During the year ended 31 December 2019 and the year ended 31 December 2018 no individual significant exposures were identified as probable and therefore provided for. Management has identified a total exposure in respect of contingent liabilities (Note 22) (covering taxes and related interest and penalties) of approximately US$ 99 million being uncertain tax positions (31 December 2018: US$ 46 million) which relate to income tax. Management do not believe that it is probable that material tax will be payable in respect of these items.

Income tax amounts included in other comprehensive income

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

	Year ended	
	31 December 2019	**31 December 2018**
	US$m	**US$m**
Net foreign exchange gains/(losses) on net investment in foreign operation		
Current tax expense	5	(1)
Deferred tax expense	-	(1)
Total income tax recognised in other comprehensive income	**5**	**(2)**

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

Deferred taxation

Deferred taxation is attributable to the temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the reporting period.

	Year ended	
	31 December 2019	**31 December 2018**
	US$m	**US$m**
Deferred tax liabilities	(196)	(152)
Deferred tax assets	73	73
Total	**(123)**	**(79)**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following analysis shows deferred tax balances presented for financial reporting purposes:

	Property, plant, and equipment and other non-current assets	**Trade and other payables**	**Tax losses**	**Other**	**Total**
	US$m	**US$m**	**US$m**	**US$m**	**US$m**
At 1 January 2018	**(159)**	**8**	**126**	**9**	**(16)**
Charge to income statement	(5)	(3)	46	(1)	**37**
Acquisitions (Note 2)	(124)	-	20	2	**(102)**
Disposals (Note 2)	1	-	(2)	2	**1**
Reclassified as held for sales (Note 3)	(2)	-	-	(5)	**(7)**
Recognised in other comprehensive income	-	-	-	(1)	**(1)**
Exchange differences	34	(1)	(23)	(1)	**9**
At 31 December 2018	**(255)**	**4**	**167**	**5**	**(79)**
Charge to income statement	(5)	11	(40)	-	**(34)**
Reclassified as held for sales (Note 3)	-	-	-	1	**1**
Exchange differences	(21)	1	9	-	**(11)**
At 31 December 2019	**(281)**	**16**	**136**	**6**	**(123)**

The Group believes that the recoverability of the recognised deferred tax asset (DTA) of US$ 136 million at 31 December 2019 (2018: US$ 167 million), which is related to the tax losses carried forward, is more likely than not based upon expectations of future taxable income in the Russian Federation and Kazakhstan.

From 1 January 2019 in accordance with Russian Federation tax law regarding loss carryforwards, loss carryforwards are limited to 50% of taxable profit in tax years throughout 2021. From 2022 the limitation will expire and it will be possible to fully utilise loss carryforwards against the corporate tax base in a given year and losses incurred from 2007 can be carried forward for an indefinite period until fully utilised.

Losses incurred in certain taxable entities in recent years have created a history of losses as of 31 December 2019. The Group has concluded that there is sufficient evidence to overcome the recent history of losses based on forecasts of sufficient taxable income in the carry-forward period.

Tax losses carried forward represent amounts available for offset against future taxable income generated predominantly by Mayskoye Gold Mining Company LLC, Varvarinskoye JSC, Bakyrchik Mining Venture LLC and JSC South-Verkhoyansk Mining Company. Each legal entity within the Group represents a separate tax-paying component for income tax purposes. The tax losses of one entity cannot be used to reduce taxable income of other entities of the Group.

The Group's estimate of future taxable income is based on established proven and probable reserves which can be economically developed. The related detailed mine plans and forecasts provide sufficient supporting evidence that the Group will generate taxable earnings to be able to fully realise its net DTA even under various stressed scenarios. The amount of the DTA considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced due to delays in production start dates, decreases in ore reserve estimates, increases in environmental obligations, or reductions in precious metal prices.

No deferred tax asset has been recognised in respect of US$ 112 million (2018: US$ 109 million) as it is not considered probable that there will be future taxable profits against which the losses can be utilised.

The deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group subsidiaries have not been recognised as the Group has determined that the undistributed profit of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognised, amount to US$ 3,363 million (2018: US$ 2,459 million).

15. DIVIDENDS

Dividends recognised during the years ended 31 December 2019 and 31 December 2018 are detailed in the below:

			Dividends		
	cents per share	**US$m**	**deducted from the equity during the period**	**proposed in relation to the period**	**Paid in**
Final dividend 2017	30	136	2018	2017	May 2018
Interim dividend 2018	17	77	2018	2018	September 2018
Final dividend 2018	31	146	2019	2018	May 2019
Interim dividend 2019	20	94	2019	2019	September 2019
Special dividend 2019	20	94	2020	2019	March 2020
Final dividend 2019	42	197	n/a	2019	n/a
Total dividends for the year ended 31 December 2018			**213**	**223**	**213**
Total dividends for the year ended 31 December 2019			**240**	**385**	**240**

16. PROPERTY, PLANT AND EQUIPMENT

	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
Cost						
Balance at 31 December 2017	**655**	**150**	**2,024**	**61**	**276**	**3,166**
Additions	34	45	162	6	130	377
Transfers	(453)	(54)	724	1	(218)	-
Reclassified as held for sale	-	-	(47)	(2)	(12)	(61)
Change in environmental obligations	-	-	2	-	(3)	(1)
Acquisitions restated (Note 2)	297	291	102	-	19	709
Eliminated on disposal of subsidiary	(4)	(13)	(61)	(2)	(3)	(83)
Disposals and write-offs including fully depleted mines	(24)	-	(140)	(4)	-	(168)
Translation to presentation currency	(39)	(54)	(417)	(10)	(39)	(559)
Balance at 31 December 2018 (restated)	**466**	**365**	**2,349**	**50**	**150**	**3,380**
Additions	84	43	174	5	164	470
Transfers	(12)	(50)	111	10	(59)	-
Reclassified as held for sale	-	(9)	-	(6)	-	(15)
Change in environmental obligations	-	-	15	-	1	16
Acquisitions (Note 2)	-					-
Disposals and write-offs including fully depleted PPE	(5)	(4)	(177)	(2)	(2)	(190)
Translation to presentation currency	56	42	181	7	20	306
Balance at 31 December 2019	**589**	**387**	**2,653**	**64**	**274**	**3,967**

	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
Accumulated depreciation, amortisation						
Balance at 31 December 2017	-	**-**	**(1,081)**	**(31)**	**-**	**(1,112)**
Charge for the period	-	-	(254)	(5)	-	(259)
Reclassified as held for sale	-	-	20	1	-	21
Eliminated on disposal of subsidiary	-	-	56	2	-	58
Disposals and write-offs including fully depleted mines	-	-	135	1	-	136
Translation to presentation currency	-	-	190	5	-	195
Balance at 31 December 2018	**-**	**-**	**(934)**	**(27)**	**-**	**(961)**
Charge for the period	-	-	(270)	(9)	-	(279)
Reclassified as held for sale	-	-	-	4	-	4
Disposals and write-offs including fully depleted mines	-	-	175	1	-	176
Translation to presentation currency	-	-	(95)	(2)	-	(97)
Balance at 31 December 2019	**-**	**-**	**(1,124)**	**(33)**	**-**	**(1,157)**
Net book value						
31 December 2018 (restated)	**466**	**365**	**1,415**	**23**	**150**	**2,419**
31 December 2019	**589**	**387**	**1,529**	**31**	**274**	**2,810**

The balance of as 31 December 2018 was restated as a result of finalisation of the Amikan acquisition accounting (Note 2).

Mining assets, exploration and development assets at 31 December 2019 included mineral rights with net book value which amounted to US$ 1,258 million (31 December 2018: US$ 1,216 million) and capitalised stripping costs with net book value of US$ 109 million (31 December 2018: US$ 76 million). Mineral rights of the Group comprise assets acquired upon acquisition of subsidiaries.

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

17. LEASES

Movements of the right-of-use assets for the year ended 31 December 2019 are as follow:

Right-of-use assets	**31 December 2019**
	US$m
Balance at 1 January 2019	**31**
Additions	8
Depreciation charge for the period	(4)
Disposals	(9)
Accumulated depreciation of assets disposed	1
Translation to presentation currency	4
Balance at 31 December 2019	**31**

The most significant leases of the Group are office leases.

Movements of the lease liabilities for the year ended 31 December 2019 are as follow:

Lease liabilities	**31 December 2019**
	US$m
Balance at 1 January 2019	**(31)**
New lease contracts	(8)
Unwinding of discount on lease liabilities	(3)
Repayments of lease liability	6
Termination of lease contracts	8
Translation to presentation currency	(4)
Total lease liabilities	**(32)**
Less current portion of lease liabilities	(3)
Total non-current lease liabilities	**(29)**

The Group excluded the following lease agreements from the right-of-use assets and lease liabilities and continues to account those lease agreements as lease expenses:

- Lease agreements with variable payments;
- Lease agreements of land plots to explore for or use minerals and similar non-generative resources;
- Short-term lease agreements that expire within 12 months from the date of initial application;
- Lease agreements of low value assets (of US$ 5,000 or less).

Amounts recognised in profit and loss for the year ended 31 December 2019 are as follow:

	Year ended 31 December 2019
	US$m
Expenses relating to lease exemptions	(2)
Unwinding of discount on lease liabilities	(3)
Depreciation of right-of-use assets	(4)
Total lease expenses	**(9)**

18. INVENTORIES

	Year ended	
	31 December 2019	**31 December 2018 restated**
	US$m	**US$m**
Inventories expected to be recovered after twelve months		
Ore stock piles	78	75
Consumables and spare parts	36	27
Total non-current inventories	**114**	**102**
Inventories expected to be recovered in the next twelve months		
Ore stock piles	214	174
Copper, gold and silver concentrate	131	116
Work in-process	75	55
Doré	10	14
Metal for refining	12	9
Refined metals	1	1
Total metal inventories	**443**	**369**
Consumables and spare parts	201	168
Total current inventories	**644**	**537**

Write-downs of metal inventories to net realisable value

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

	Year ended 31 December 2019			Year ended 31 December 2018
	Ural	Magadan	Total operating segments	Total operating segments
	US$m	US$m	US$m	US$m
Ore stock piles	-	(12)	(12)	(9)
Ore in heap leach piles	(7)	(3)	(10)	(9)
Copper, gold and silver concentrate	-	3	3	(3)
Total	**(7)**	**(12)**	**(19)**	**(21)**

The key assumptions used as at 31 December 2019 in determining net realisable value of inventories (including the commodity price assumptions for long-term stockpiles) were consistent with those used in the goodwill impairment review. For short-term metal inventories applicable quoted forward prices as of 31 December 2019 were used: gold and silver price of US$ 1,540 per ounce (2018: US$ 1,300) and US$ 18 per ounce (2018: US$ 16), respectively.

The write-downs presented above exclude the Irbychan Gold ore impairment, which is recognised as part of the write down of assets held for sale to their fair value (Note 3).

During the year ended 31 December 2019 the Group recognised a reversal of previous write-down consumables and spare parts inventory of US$ 1 million (year ended 31 December 2018: write-down of US$ 2 million).

The amount of inventories held at net realisable value at 31 December 2019 is US$ 44 million (31 December 2018: US$ 99 million).

19. CASH AND CASH EQUIVALENTS

		Year ended	
		31 December 2019	31 December 2018
		US$m	US$m
Bank deposits	-USD	179	361
	- other currencies	16	7
Current bank accounts	- USD	55	1
	- other currencies	3	10
Total		**253**	**379**

Bank deposits as at 31 December 2019 are mainly presented by the USD deposits, bearing an average interest rate of 1.31% per annum and KZT demand deposits bearing an interest rate of 7.52% (2018: USD deposits, bearing an average interest rate of 3% per annum and KZT demand deposits, bearing an interest rate of 5%).

20. BORROWINGS

Borrowings at amortised cost:

		Actual interest rate at		31 December 2019			31 December 2018		
	Type of rate	31 Dec 2019	31 Dec 2018	Current	Non-current	Total	Current	Non-current	Total
				US$m	US$m	US$m	US$m	US$m	US$m
Secured loans from third parties									
U.S. Dollar denominated	floating	3.61%	n/a	-	75	75	-	-	-
U.S. Dollar denominated	fixed	4.00%	4.00%	136	236	372	64	372	436
Total				**136**	**311**	**447**	**64**	**372**	**436**
Unsecured loans from third parties									
U.S. Dollar denominated	floating	3.48%	4.35%	26	350	376	11	940	951
U.S. Dollar denominated	fixed	4.25%	4.56%	52	849	901	34	470	504
Euro denominated	fixed	2.85%	2.85%	-	8	8	8	-	8
Total				**78**	**1,207**	**1,285**	**53**	**1,410**	**1,463**
				214	**1,518**	**1,732**	**117**	**1,782**	**1,899**

Bank loans

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

Movements in borrowings are reconciled as follows:

	Year ended	
	31 December 2019	**31 December 2018**
	US$m	**US$m**
At 1 January	**1,899**	**1,456**
Borrowings obtained	1,244	1,697
Acquisition of subsidiaries	-	26
Subsidiaries disposed	-	(25)
Repayments of borrowings	(1,410)	(1,254)
Net foreign exchange losses	(61)	(110)
Exchange differences on translating foreign operations	61	110
Arrangement fee amortisation	(1)	(1)
At 31 December	**1,732**	**1,899**

At 31 December 2019, the Group had undrawn borrowing facilities of US$ 1,904 million (31 December 2018: US$ 1,119 million), of which US$ 1,079 million are considered committed (31 December 2018: US$1,069). The Group complied with its debt covenants throughout 2019 and 2018.

The table below summarises maturities of borrowings:

	Year ended	
	31 December 2019	**31 December 2018**
	US$m	**US$m**
Year ended, 31 December 2019	-	117
31 December 2020	214	263
31 December 2021	241	500
31 December 2022	241	446
31 December 2023	257	469
31 December 2024	279	104
31 December 2025	-	-
31 December 2026	125	-
31 December 2027	125	-
31 December 2028	125	-
31 December 2029	125	-
Total	**1,732**	**1,899**

21. ENVIRONMENTAL OBLIGATIONS

Environmental obligations include decommissioning and land restoration costs and are recognised on the basis of existing project business plans as follows:

	Year ended	
	31 December 2019	**31 December 2018**
	US$m	**US$m**
Opening balance	**32**	**39**
Change in estimate of environmental obligations (Note 11)	(2)	(1)
Decommissioning liabilities recognised as increase in Property plant and equipment (Note 16)	16	(1)
Rehabilitation expenses	5	1
Effect of unwinding of discount	4	3
Reclassified to discontinued operations	(1)	(1)
Acquired in business combinations (Note 2)	-	2
Disposal of subsidiary (Note 2)	-	(4)
Translation effect	3	(6)
Closing balance	**57**	**32**

The principal assumptions are related to Russian Rouble and Kazakh Tenge projected cash flows. The assumptions used for the estimation of environmental obligations were as follows:

	Year ended	
	31 December 2019	**31 December 2018**
Discount rates	5.21%-8.1%	7.23%-10.68%
Inflation rates	2%-6%	2%-4.6%
Expected mine closure dates	1-30 years	1-34 years

The Group does not hold any assets that are legally restricted for purposes of settling environmental obligations.

The discount rates applied are based on the applicable government bond rates in Russia and Kazakhastan. The expected mine closure dates are consistent with life of mine models and applicable mining licence requirements.

22. COMMITMENTS AND CONTINGENCIES

Commitments

Capital commitments

The Group's budgeted capital expenditure commitments as at 31 December 2019 amounted to US$ 152 million (2018: US$ 87 million).

Social and infrastructure commitments

In accordance with a memorandum with East-Kazakhstan Oblast Administration (local Kazakhstan government) the Group participates in financing of certain social and infrastructure development project of the region. During the year ended 31 December 2019 the Group paid US$ 5 million (2018: US$ 2 million) under this programme and the total social expense commitment as at 31 December 2019 amounts to US$ 18 million (2018: US$ 26 million), payable in the future periods as follows:

	31 December 2019	31 December 2018
	US$m	US$m
Within one year	5	2
From one to five years	13	20
Thereafter	-	4
Total	**18**	**26**

Forward sale commitments

The Group has certain physical gold and silver forward sale commitments which are priced at the prevailing market price, calculated with reference to the LBMA or LME gold price, which are accounted for as executed as the Group expects to, and has historically, physically delivered into these contracts.

Contingencies

Taxation

Russian 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.

During 2019 and 2018 the Group has been involved in certain litigation in Russia. Management has identified a total exposure (covering taxes and related interest and penalties) of US$ 100 million in respect of contingent liabilities (2018: US$ 47 million), including US$ 99 million related to income tax (2018: US$ 46 million).

23. FAIR VALUE ACCOUNTING

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

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

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

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

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

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

	31 December 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$m	**US$m**	**US$m**	**US$m**
Receivables from provisional copper, gold and silver concentrate sales	-	60	-	**60**
Contingent consideration liability	-	-	(54)	**(54)**
	-	**60**	**(54)**	**6**

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 31 December 2019, is US$ 1,482 million (2018: US$ 1,660 million), and the carrying value as at 31 December 2019 is US$ 1,732 million (2018: US$ 1,899 million) (see Note 20).

Receivables from provisional copper, gold and silver concentrate sales

The fair value of receivables arising from copper, gold and silver concentrate sales contracts that contain provisional pricing mechanisms is determined using the appropriate quoted forward price from the exchange that is the principal active market for the particular metal. As such, these receivables are classified within Level 2 of the fair value hierarchy.

Contingent consideration liabilities

The table below sets out a summary of changes in the fair value of the Group's Level 3 financial liabilities for the year ended 31 December 2019:

	31 December 2019					31 December 2018
	Omolon	**Kapan**	**Komar**	**Prognoz**	**Total**	**Total**
	US$m	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**
Opening balance	11	8	21	14	54	62
Additions (Note 2)	-	-	-	-	-	14
Change in fair value, included in profit or loss	2	(2)	22	1	23	(7)
Unwinding of discount (Note 13)	1	-	-	1	2	1
Settlement though issue of shares (Note 24)	-	-	-	-	-	(10)
Cash settlement	(3)	(6)	(4)	-	(13)	(6)
Total contigent consideration	**11**	**-**	**39**	**16**	**66**	**54**
Less current portion of contingent consideration liability	(5)	-	(2)	-	(7)	(5)
Total non-current contingent consideration	**6**	**-**	**37**	**16**	**59**	**49**

Omolon

In 2008, the Group recorded a contingent consideration liability related to the acquisition of 98.1% of the shares in Omolon Gold Mining Company LLC (Omolon). The fair value of the contingent consideration liability was determined using a valuation model which simulates expected production of gold and silver at the Kubaka mine and future gold and silver prices to estimate future revenues of Omolon. This liability is revalued at each reporting date based on 2% of the life-of-mine revenues with the resulting gain or loss recognised in the condensed consolidated income statement. The liability recognised as at 31 December 2019 is US$ 11 million, including the current portion of US$ 5 million.

Kapan

In 2016 the Group completed the acquisition of DPMK, the company owning the Kapan mine and processing plant in Armenia. The seller was entitled to receive a 2% NSR (Net Smelter Return) royalty on future production from the Kapan

Gold Mine capped at US$ 25 million. At the 31 December 2018, the fair value of the contingent consideration was estimated at US$ 8 million, including current portion of US$ 1 million. In January 2019, following the sale of Kapan (Note 2), the Group agreed with DPMK, to terminate the royalty owed to DPM via a buyout for a cash consideration of US$ 6 million.

Komar

In 2016 the Group completed the acquisition of Orion Minerals LLP, the holding company for the Komarovskoye Gold Deposit ("Komar") in the Republic of Kazakhstan. The seller is entitled to the contingent consideration that was determined based on the LOM model of the Komarovskoye mine and calculated using Monte Carlo modelling (see below). At the 31 December 2019, the fair value of the contingent consideration was estimated at US$ 39 million.

Prognoz

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

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

As of 31 December 2019, the fair value of the total contingent consideration for Prognoz was estimated at US$ 16 million.

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

Monte-Carlo assumptions

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

- Gold price volatility: 16.30%
- Silver price volatility: 30.63%
- Average gold price for the last quarter prior to valuation date/ounce: US$ 1,482
- Average silver price for the last quarter prior to valuation date/ounce: US$ 17.32

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.

24. STATED CAPITAL ACCOUNT AND RETAINED EARNINGS

As at 31 December 2019, the Company's issued share capital consisted of 470,188,201 ordinary shares (2018: 469,368,309 ordinary shares) of no par value, each carrying one vote. The Company does not hold any shares in treasury (2018: none). The ordinary shares reflect 100% of the total issued share capital of the Company.

The movements in the Stated Capital account in the year were as follows:

	Stated capital account no. of shares	Stated capital account US$m
Balance at 31 December 2017	**430,115,480**	**2,031**
Share issue for Prognoz	20,459,668	200
Share issue for Kyzyl deferred consideration	1,015,113	10
Share issue for Amikan	2,456,049	22
Share issue for Nezhda	13,486,579	136
Share issue for Saum	834,055	6
Issue of shares in accordance with DSA and LTIP plans	1,001,365	9
Balance at 31 December 2018	**469,368,309**	**2,414**
Issue of shares in accordance with DSA and LTIP plans	819,892	10
Balance at 31 December 2019	**470,188,201**	**2,424**

Reserves available for distribution to shareholders are based on the available cash in the Company under Jersey law. The Group has unremitted accumulated retained earnings based on local accounting standards of approximately US$ 3.4 billion (2018: US$ 2.5 billion), which if remitted without restrictions would fund the Group's anticipated dividends for a number of years, after allowing for related tax payments. The directors believe that the Company therefore has access to cash to fund the Group's anticipated dividends for a number of years.

Weighted average number of shares: Diluted earnings per share

Both basic and diluted earnings per share were calculated by dividing profit for the year 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:

	Year ended	
	31 December 2019	**31 December 2018**
Weighted average number of outstanding common shares	469,926,157	449,016,966
Dilutive effect of share appreciation plan	6,475,641	1,497,087
Weighted average number of outstanding common shares after dilution	**476,401,798**	**450,514,053**

There were no adjustments required to earnings for the purposes of calculating the diluted earnings per share during the year ended 31 December 2019 (year ended 31 December 2018: nil).

At 31 December 2019 the outstanding LTIP awards issued under all outstanding tranches represent dilutive potential ordinary shares with respect to earnings per share from continuing operations as these are in the money as of reporting date (31 December 2018: the outstanding LTIP awards issued under 2014-2016 tranches represent dilutive potential ordinary shares).

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

25. SHARE-BASED PAYMENTS

For the year ended 31 December 2019, share-based compensation in the amount of US$ 12 million including US$ 2 million of management bonus deferral award (2018: US$ 12 million and US$ 1 million, respectively) was recognised in general, administrative and selling expenses in the condensed consolidated income statement (Note 10). As of the reporting date the unrecognised share-based compensation expense related to non-vested equity-settled stock appreciated rights is detailed as follows:

	31 December 2019			31 December 2018	
	Number of option granted	**Expected amortisation period**	**Unrecognised share-based compensation expense**	**Expected amortisation period**	**Unrecognised share-based compensation expense**
	shares	**years**	**US$m**	**years**	**US$m**
Tranche 2015	2,636,366	-	-	0.3	1
Tranche 2016	2,039,787	0.3	1	1.3	3
Tranche 2017	2,070,002	1.3	4	2.3	8
Tranche 2018	2,549,754	2.3	6	3.3	9
Tranche 2019	2,831,753	3.3	10	n/a	n/a
			21		**21**

During the year ended 31 December 2019 total amount of 819,892 shares were released and issued in accordance with management bonus plan deferral award and the long-term incentive plan (2018: 1,001,365 shares in accordance with management bonus plan deferral award and the long-term incentive plan). The assumptions used in the calculation and fair value of one award, calculated based on those assumptions, are set in the table below:

	Tranche 2015	**Tranche 2016**	**Tranche 2017**	**Tranche 2018**	**Tranche 2019**
Risk free rate	1.17%	1.11%	1.60%	2.49%	2.32%
Expected volatility	43.70%	42.05%	41.65%	34.03%	33.87%
Constant correlation	30.86%	32.32%	34.49%	33.70%	39.54%
Expected life, years	4	4	4	4	4
Share price at the date of grant (USD)	8.2	10.3	13.3	10.2	11.0
Fair value of one award (USD)	3.8	4.6	6.9	4.0	4.3

Dividend yield is not incorporated into the calculation of the fair value of the awards, as Dividend equivalents will be received on vested shares, reflecting the value of dividends, which have been paid during the period from the grant date to the vesting date.

26. RELATED PARTIES

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

As of 31 December 2019 and for the year ended 31 December 2019 the Group does not have any significant balances outstanding or significant transactions with the related parties. For the year ended 31 December 2018 transactions with related parties were represented by purchases of ore from equity method investments of US$ 22 million and sales of machinery and equipment to the joint ventures of US$ 15 million.

As of 31 December 2019 and 31 December 2018 the share of non-controlling interest in Amikan GRK amounting to the US$ 7 million was held by a related party (31 December 2018: US$ 5 million).

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

	Year ended	
	31 December 2019	**31 December 2018**
	US$m	**US$m**
Share-based payments	3	3
Short-term benefits of board members	2	2
Short-term employee benefits	3	3
	8	**8**

27. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2019 US$m	Year ended 31 December 2018 US$m
Profit before tax		618	426
Adjustments for:			
Depreciation and depletion recognised in the statement of comprehensive income		243	186
Write-down of exploration assets and construction in progress	16	9	24
Write-down of metal inventories to net realisable value	18	19	21
Write-down of non-metal inventories to net realisable value	18	(1)	2
Share-based compensation	10, 25	12	12
Finance costs	13	81	71
Finance income		(7)	(8)
Rehabilitation expenses		5	1
Change in contingent consideration liability	23	23	(7)
Share of loss of associates and joint ventures		-	1
Foreign exchange gain		36	40
Revaluation of initial share on business combination		-	(41)
Loss on disposal of subsidiaries, net		16	54
Write-down of assets held for sale		28	-
Other non-cash expenses		5	6
		1,086	**785**
Movements in working capital			
Increase in inventories		(81)	(150)
Increase in VAT receivable		(45)	(19)
Increase in trade and other receivables		(54)	(24)
Increase in prepayments to suppliers		(12)	(34)
(Decrease)/Increase in trade and other payables		(16)	134
Increase in other taxes payable		-	3
Cash generated from operations		**878**	**695**
Interest paid		(81)	(74)
Interest received		6	4
Income tax paid		(107)	(112)
Net cash generated by operating activities		**696**	**513**

There were no significant non-cash transactions during the year ended 31 December 2019, other than in respect of share based payments (2018: the issuance of 38,251,464 shares for several business combinations and other transactions).

Cash outflows related to exploration amounted to US$ 39 million for the year ended 31 December 2019 (2018: US$ 43 million). During the year ended 31 December 2019, the capital expenditure related to the new projects, increasing the operating capacity amounts to US$ 246 million (2018: US$ 146 million).

28. SUBSEQUENT EVENTS

There were 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) • Write-down of development and exploration assets (post-tax) • Foreign exchange (gain)/loss (post-tax) • Change in fair value of contingent consideration liability (post-tax) • Gains/losses on acquisition, revaluation and disposals of interests in subsidiaries, associates and joint ventures (post-tax)	• Exclude the impact of key significant one-off non-recurring items and significant non-cash items (other than depreciation) that can mask underlying changes in core performance.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Underlying earnings per share	• No equivalent	• Underlying net earnings (as defined above) • Weighted average number of outstanding common shares	• Exclude the impact of key significant one-off non-recurring items and significant non-cash items (other than depreciation) that can mask underlying changes in core performance.
Underlying return on equity	• No equivalent	• Underlying net earnings (as defined above) • Average equity at the beginning and the end of reporting year, adjusted for translation reserve	• The most important metric for evaluating a company's profitability • Measures the efficiency with which a company generates income using the funds that shareholders have invested.
Return on assets	• No equivalent	• Underlying net earnings (as defined above) before interest and tax • Average total assets at the beginning and the end of reporting year	• A financial ratio that shows the percentage of profit a company earns in relation to its overall resources.
Adjusted EBITDA	• Profit/(loss) before income tax	• Finance cost (net) • Depreciation and depletion • Write-down of metal and non-metal inventory to net realisable value • Write-down of development and exploration assets • Share based compensation • Bad debt allowance • Net foreign exchange gain/losses • Change in fair value of contingent consideration liability • Rehabilitation costs • Additional mining taxes, VAT, penalties and accrued interest • Gains/losses on acquisition, revaluation and disposals of interests in subsidiaries, associates and joint ventures	• Exclude the impact of certain non-cash element, either recurring or non-recurring, that can mask underlying changes in core operating performance, to be a proxy for operating cash flow generation.
Net debt	• Net total of current and non-current borrowings[1] • cash and cash equivalents	• NA	• 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	• NA	• Used by creditors, credit rating agencies and other stakeholders.

[1] Excluding lease liabilities.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Free cash flow	• Cash flows from operating activity less cash flow from investing activities	• Acquisition costs in business combinations and investments in associates and joint ventures • Proceeds from disposal of subsidiaries	• Reflect cash generating from operations after meeting existing capital expenditure commitments. • Measures the success of the Company in turning profit into cash through the strong management of working capital and capital expenditure.
Free cash flow post M&A	• Cash flows from operating activity less cash flow from investing activities	• NA	• Reflect cash generation to finance returns to shareholders after meeting existing capital expenditure commitments and financing growth opportunities.
Total cash costs (TCC)	• Total cash operating costs • General, administrative & selling expenses	• Depreciation expense • Rehabilitation expenses • Write-down of inventory to net realisable value • Intersegment 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 such as other operating expenses, corporate level SG&A, and capital expenditures and exploration at existing operations (excluding growth capital). After-tax all in cash costs includes additional adjustments for net finance cost, capitalised interest and income tax expense. All-in costs includes additional adjustments on that for development capital.	• Include the components identified in World Gold Council's Guidance Note on Non-GAAP Metrics – All-In Sustaining Costs and All-In Costs (June 2013), which is a non-IFRS financial measure. • Provide investors with better visibility into the true cost of production.