

# Regulatory Story

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**Headline**

## HALF YEARLY REPORT

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## Polymetal International plc

### Half-yearly report for the six months ended 30 June 2014

**Polymetal International plc (LSE, MICEX: POLY; ADR: AUCOY) (together with its subsidiaries - "Polymetal", the "Company", or the "Group") is pleased to announce the Group's financial results for the six months ended 30 June 2014.**

#### FINANCIAL HIGHLIGHTS

- Revenue in 1H 2014 increased by 1% to US\$ 727 million compared to 1H 2013 ("year-on-year") despite the average realised gold and silver prices decreasing 10% and 21% respectively year-on-year. The price decline was offset by 12% growth in the volume of gold equivalent sold.
- Group Total Cash Cost<sup>1</sup> was US\$ 627 per gold equivalent ounce ("GE oz"), down 13% compared to 2H 2013 ("half-on-half") and down 20% year-on-year due to a robust operational performance, resulting in higher average grades processed and increased throughput across the portfolio, coupled with significant Russian Rouble and Kazakh Tenge depreciation against the US Dollar. All-in cash costs<sup>1</sup> amounted to US\$ 938/GE oz and decreased 22% year-on-year, driven mostly by a reduction in total cash costs during the period, combined with increased production levels and associated reduction in per ounce sustaining capital and exploration expenditure at operating mines.
- Adjusted EBITDA was US\$ 310 million, an increase of 30% compared to 1H 2013, driven mostly by strong cost performance and production growth which offset the decline in commodity prices. Adjusted EBITDA margin was 43% compared to 33% in H1 2013;
- Net earnings<sup>2</sup> were US\$ 100 million compared to a net loss of US\$ 255 million in 1H 2013 recorded as a result of non-cash foreign exchange losses and impairment charges in the prior period. Underlying net earnings (adjusted for the after-tax amount of impairment charges/reversals) were US\$ 101 million (1H 2013: US\$ 17 million).
- For 2013, a regular dividend of US\$ 0.08 per share (total of US\$ 31 million) was paid in May 2014, in accordance with Polymetal's dividend policy. Based on Net Debt<sup>1</sup> / Adjusted EBITDA as at 30 June 2014<sup>3</sup> being 1.55 (31 December 2013: 1.75), the Board has declared an interim dividend of US\$ 0.08 per share, representing 30% of the Group's underlying net earnings for 1H 2014.
- Net debt at 30 June 2014 decreased by US\$ 7 million to US\$ 1,038 million (31 December 2013: US\$ 1,045 million), while the Company paid dividends of US\$ 31 million during the period. Free cash flow was US\$ 29 million and is expected to be significantly stronger in the second half of the year due to the planned de-stockpiling at Mayskoye and the seasonal reduction of the timing gap between production and sales.
- The Company is reducing its full-year Total Cash Cost guidance to US\$650-700 per gold equivalent ounce and All-in cash costs to US\$950-1000 per gold equivalent ounce on the back of continued weakness of the Russian Rouble and expectation of a continued strong operating performance. This guidance could be further revised downwards should the weakness in the Rouble persist during the rest of the year.
- On 14 August 2014, the General Meeting of Shareholders approved the definitive agreement to purchase the KyzyI Project, a large gold deposit in Kazakhstan with JORC-compliant reserves of 7 Moz of gold at 7.5 g/t. Completion is conditional on receiving regulatory approvals from the Kazakh authorities which is expected in September 2014. The cash element of the transaction will be financed with available undrawn committed facilities which currently amount to US\$ 1,115 million.

[1] The definition and calculation of non-IFRS measures used in this report, including Adjusted EBITDA, Total cash costs, All-in cash costs, Underlying net earnings, Net debt, and the related ratios, is explained in the "Financial Review" section below.

[1] Profit/(loss) for the financial period

[1] On a last twelve months ("LTM") basis

FINANCIAL HIGHLIGHTS	1H 2014	1H 2013	Change, % <sup>(1)</sup>
Revenue, US\$m	727	721	+1%
Total cash cost, US\$/GE oz	627	787	-20%
All-in cash cost, US\$/GE oz	938	1,210	-22%
Adjusted EBITDA, US\$m	310	239	+30%
Adjusted EBITDA margin, %	43%	33%	+10 pp.
Average realized gold price, US\$/ oz	1,297	1,441	-10%
Average LBMA gold price, US\$/ oz	1,290	1,524	-15%
Average realized silver price, US\$/ oz	19.1	24.3	-21%
Average LBMA silver price, US\$/ oz	20.1	26.6	-25%
Net earnings, US\$m	100	(255)	NM
Underlying net earnings, US\$m	101	17	NM
Return on Equity, %	11%	2%	+9 pp.
Basic EPS, US\$/share	0.26	(0.66)	NM
Underlying EPS, US\$/share	0.26	0.04	NM
Dividend declared during the period, US\$/share	0.08 <sup>(2)</sup>	0.31	-74%
Dividend declared for the period, US\$/share	0.08	0.01	NM
Net debt, US\$m	1,038	1,045 <sup>(3)</sup>	-1%
Net debt/Adjusted EBITDA	1.55	1.75 <sup>(3)</sup>	-11%
Net operating cash flow, US\$m	141	59	+139%
Capital expenditure, US\$m	105	171	-38%
Free cash flow <sup>(4)</sup> , US\$m	29	(125)	NM <sup>(5)</sup>

## Notes:

(1) % 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 the tables in this release

(2) Final dividend for FY 2013 paid in May 2014

(3) As at 31 Dec 2013

(4) Free cash flow is defined as net cash flows from operating activities less cash flows used in investing activities

(5) NM - hereinafter, not meaningful

"I am delighted to report Polymetal's solid financial results for the period", said Vitaly Nesis, CEO of Polymetal, commenting on the results. "Delivering robust cost performance, free cash flow and dividends in the current market environment reaffirms the resilience and strength of our strategy focused on capital discipline."

## CONFERENCE CALL AND WEBCAST

Polymetal will hold a conference call and webcast on Wednesday 27 August 17:30 Moscow time (14:30 London time).

To participate in the call, please dial:

8 10 8002 041 4011 access code 229312# (free from Russia), or

+44 (0) 20 3043 2439 (free from the UK), or

+1 866 907 5925 (free from the US), or

any of the above numbers (from outside the UK, the US and Russia) or follow the link:

<http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=2354>

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

Webcast replay will be available on Polymetal's website ([www.polymetalinternational.com](http://www.polymetalinternational.com)) and at <http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=2354>. A recording of the call will be available immediately after the call at +44 (0) 20 3367 9460 (from within the UK), +1 87 7642 3018 (from within the US) and +7 495 745 7948 (from within Russia), access code 289062#, from 6:30 pm Moscow time Wednesday, August 27, till 6:30 pm Moscow time Wednesday, September 3, 2014.

Click on, or paste the following link into your web browser, to view the associated PDF document.

[http://www.ms-pdf.londonstockexchange.com/ms/0873Q\\_-2014-8-27.pdf](http://www.ms-pdf.londonstockexchange.com/ms/0873Q_-2014-8-27.pdf)

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