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Polymetal International plc

Half-yearly report for the six months ended 30 June 2015

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 2015.

FINANCIAL HIGHLIGHTS

- Revenue in 1H 2015 decreased by 11% to US$ 648 million compared to 1H 2014 ("year-on-year") driven by gold and silver prices decreasing 7% and 18% respectively year-on-year. The volume of both gold and silver sold was largely unchanged from 1H 2014, with gold equivalent sold lower by 4% to 537 Koz year-on-year driven by an adverse movement in the gold/silver price ratio.
- Group Total cash cost ("TCC")[1] were US$ 552 per gold equivalent ounce ("GE oz"), down 14% compared to 2H 2014 ("half-on-half") and down 12% year-on-year on the back of robust operating performance across the portfolio and significant Russian Rouble depreciation against the US Dollar, which more than offset the combined negative impact of domestic inflation and change in gold/silver price ratio.
- All-in sustaining cash costs ("AISC")[1] amounted to US$ 786/GE oz, a decrease of 16% year-on-year, mainly driven by a reduction in TCC during the period, combined with the reduction in per ounce sustaining capital and exploration expenditure at the operating mines.
- Adjusted EBITDA[1] was US$ 297 million, a decrease of 4% compared to 1H 2014, driven mainly by a decline in commodity prices largely offset by strong cost performance. Adjusted EBITDA margin was 46% compared to 43% in 1H 2014;
- Net earnings[2] were US$ 98 million. Underlying net earnings (adjusted for the after-tax amount of impairment charges/reversals and forex exchange loss) were US$ 118 million (1H 2014: US$ 124 million), down 5% year-on-year.
- Special and regular dividends for 2014 in the amount of US$ 0.20 and US$ 0.13 per share (total of US$ 139 million) were paid in January and May 2015 respectively, in accordance with Polymetal's dividend policy. An interim dividend of US$ 0.08 per share representing 30% of the Group's underlying net earnings for 1H 2015 is proposed by the Board. In accordance with the current dividend policy, the Board has the discretion to declare a regular dividend at the Net debt/Adjusted EBITDA ratio above 1.75.
- Net debt at 30 June 2015 decreased by US$ 18 million to US$ 1,231 million (31 December 2014: US$ 1,249 million), while the Company paid dividends of US$ 139 million during the period[3]. Free cash flow was US$ 77 million, compared to US$ 29 million a year earlier, and is expected to be even 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 reaffirms its annual production guidance of 1.35 Moz of gold equivalent in 2015 and reduces its full-year Total cash cost guidance from US$ 575-625/GE oz to US$ 525-575/GE oz and its All-in sustaining cash costs guidance from US$ 750-800/GE oz to US$ 700-750/GE oz on the back of continued weakness of the Russian Rouble and expectation of a continued strong operating performance.

"I am pleased to report robust cost performance and cash flow generation in these challenging market conditions", said Vitaly Nesis, Group CEO. "With strong operational delivery and financial strength in the current environment, we remain focused on free cash flow generation and providing dividends while progressing steadily on the development of the next generation of assets, including the Kyzyl project."

[1] The definition and calculation of non-IFRS measures used in this report, including Adjusted EBITDA, Total cash costs, All-in sustaining cash costs, Underlying net earnings, Net debt, Free cash flow and the related ratios, is explained in the "Financial Review" section below.
[2] Profit /(loss) for the financial period
[3] Including US$ 84 million already included in net debt as at 31 December 2014.

FINANCIAL HIGHLIGHTS[1]	1H 2015	1H 2014	Change, %
Revenue, US$m	648	727	-11%
Total cash cost, US$/GE oz	552	627	-12%
All-in sustaining cash cost, US$/GE oz	786	938	-16%
Adjusted EBITDA, US$m	297	310	-4%
Adjusted EBITDA margin, %	46%	43%	+3 pp.
Average realised gold price, US$/ oz	1,207	1,297	-7%
Average LBMA gold price, US$/ oz	1,206	1,290	-7%
Average realised silver price, US$/ oz	15.7	19.1	-18%
Average LBMA silver price, US$/ oz	16.6	20.1	-17%
Net earnings, US$m	98	100	-2%
Underlying net earnings, US$m	118	124	-5%
Return on Equity, %	13%	11%	+2%
Dividend payout ratio, %[2]	34%	31%	+3 pp.
Basic EPS, US$/share	0.23	0.26	-10%
Underlying EPS, US$/share	0.28	0.26	+8%
Dividend declared during the period, US$/share[3]	0.13	0.08	+63%
Dividend declared for the period, US$/share	0.08	0.08	-
Net debt, US$m	1,231	1,249[4]	-1%
Net debt/Adjusted EBITDA	1.83	1.82[4]	+1%
Net operating cash flow, US$m	175	141	+24%
Capital expenditure, US$m	86	105	-17%
Free cash flow[5], US$m	77	29	+166%

Notes:

(1) Totals may not correspond with 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 the tables in this release

(2) Dividend payout ratio is calculated as percentage of dividend declared for the period to underlying EPS.

(3) 1H 2015: Final dividend for FY 2014 paid in May 2015.
1H 2014: Final dividend for FY 2013 paid in May 2014.

(4) As at 31 Dec 2014

(5) Free cash flow is defined as net cash flows from operating activities less cash flows used in investing activities (not including acquisition costs)

CONFERENCE CALL AND WEBCAST

Polymetal will hold a conference call and webcast on Tuesday 25 August 17:30 Moscow time (15:30 London time).

To participate in the call, please dial:

8 10 8002 041 4011 access code 440356# (free from Russia), or

+44 (0) 20 3367 9456 (free from the UK), or

+1 855 402 7761 (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=3031

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

Webcast replay will be available on Polymetal's website (www.polymetalinternational.com) and at http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=3031. 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 295942#, from 6:30 pm Moscow time Tuesday, August 25, till 6:30 pm Moscow time Tuesday, September 1, 2015.

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MARKET SUMMARY

Precious metals

Despite economic uncertainty in some regions, the gold price declined in 1H 2015. This is consistent with market expectations that the inflation risks in the US can be contained. The continued recovery in the US economy, the resulting strength of the US dollar, and an expected rise in interest rates represent major headwinds for gold. Other factors included a slowdown in China's gold demand and the easing of political and macroeconomic tensions illustrated by the tentative resolution of a Greek bailout. As a result, the LBMA gold price decreased by 3% from US$ 1,202/oz as at 31 December 2014 to US$ 1,171/oz as at 30 June 2015. The average LBMA gold price for the period was US$ 1,206/oz, down 7% year-on-year. Silver price dynamics tracked gold but with an increased level of volatility, dropping from an average US$ 20.1/oz for 1H 2014 to US$ 16.6/oz for 1H 2015. Due to weaker investment demand, the average gold/silver price ratio continued to increase from 64/1 in 1H 2014 to 73/1 in 1H 2015, while as at 30 June 2015 it was 75/1.

In the first half of July gold fell to below US$ 1,100 per ounce, its lowest level since 2010, amid fears of rising US interest rates and evidence of heavy selling in Asia, while silver followed gold to the levels of below US$ 15/oz. In August, gold rebounded to above $1,100 level following the devaluation of RMB.

Foreign exchange

The Group's revenues and the majority of its borrowings are denominated in US Dollars, while the majority of the Group's costs are denominated in Russian Roubles. Therefore changes in exchange rates affect the Group's financial results and performance. During 1H 2015 the Russian Rouble remained weak against the US Dollar persisted on the back of lower oil price and higher Central Bank benchmark rate. From 1 January to 30 June 2015, the Russian Rouble slightly strengthened against the US Dollar by 1.3% from 56.3 RUB/USD to 55.5 RUB/USD, while the average rate was up 64.7% year-on-year from 35.0 RUB/USD in 1H 2014 to 57.7 RUB/USD in 1H 2015. The devaluation of the Rouble had a positive effect on the dollar value of the Group's Rouble-denominated operating costs and Adjusted EBITDA, which was partially offset by the negative effect on the Group's net earnings in 1H 2015 due to the effect of the retranslating of its US Dollar debt. Shortly after the end of the reporting period, and following the continued oil price decline, Russian Rouble further depreciated to reach 68.1 RUB/USD on 22 August 2015.

OPERATING RESULTS

	1H 2015	**1H 2014**	**Change, %**
Waste mined, Mt	32.9	40.3	-18%
Underground development, km	35.9	29.6	+21%
Ore mined, Kt	**6,008**	**6,431**	-7%
Open-pit	4,495	5,155	-13%
Underground	1,514	1,276	+19%
Ore processed, Kt	**5,437**	**5,473**	-1%
Average grade processed, GE g/t	**4.7**	**4.9**	-5%
Production			
Gold, Koz	371	386	-4%
Silver, Moz	16	15.5	+1%
Copper, tonnes	0.138	1,527	-100%
Gold equivalent, Koz[1]	**633**	**652**	-3%
Sales			
Gold, Koz	354	352	+0%
Silver, Moz	14	13.9	+1%
Copper, tonnes	0.398	0.300	+33%
Gold equivalent, Koz[2]	**537**	**560**	-4%
Headcount[3]	9,208	8,768	+5%
Safety			
LTIFR	0.21	0.14	+50%
FIFR	0.07	0.05	+40%

Notes: (1) Based on 1:60 Ag/Au and 5:1 Cu/Au conversion ratios
(2) Based on actual realised prices
(3) Average for the period

- Production for 1H 2015 was 633 Koz of gold equivalent, down 3% year-on-year. Traditionally, higher production is expected in the second half of the year driven by seasonal de-stockpiling of Mayskoye concentrate accumulated during the first half of the year.
- At Kyzyl, the final statutory certification of open-pit reserves has been successfully received which represents a major milestone on the path toward full permission for the project. Site preparation works have commenced with all major engineering contracts for external infrastructure in place. The feasibility study release is scheduled for October 2015 with construction targeted to commence in Q2 2016.
- The Company remains on track to deliver on its annual production guidance of 1.35 Moz of gold equivalent in 2015 with further production growth in the second half of the year thanks to strong performance at Dukat, Omolon and Albazino.

FINANCIAL REVIEW

REVENUE

		1H 2015	1H 2014	Change, %
Sales volumes				
Gold	Koz	354	352	+0%
Silver	Moz	14.0	13.9	+1%
Copper	Kt	0.398	0.300	+33%
Gold equivalent sold[1]	**Koz**	**537**	**560**	**-4%**

[1] *Based on actual realised prices*

Sales by metal *(US$ mln unless otherwise stated)*		1H 2015	1H 2014	Change, %	Volume variance, US$ mln	Price variance, US$ mln
Gold		**427**	**456**	**-7%**	**2**	**(32)**
Average realised price	*US$/oz*	1,207	1,297	-7%		
Average LMBA closing price	*US$/oz*	1,206	1,290	-7%		
Share of revenues	*%*	66%	63%			
Silver		**220**	**266**	**-17%**	**1**	**(48)**
Average realised price	*US$/oz*	15.7	19.1	-18%		
Average LBMA closing price	*US$/oz*	16.6	20.1	-17%		
Share of revenues	*%*	34%	37%			
Copper		**2**	**3**	-47%		
Share of revenues	*%*	0%	0%			
Total metal sales		**648**	**726**	**-11%**	**-30**	**-48**
Other revenue		0	1	-91%		
Total revenue		**648**	**727**	**-11%**		

In 1H 2015, revenue declined by 11% year-on-year to US$ 648 million driven mainly by a 7% decline in average realised gold price and an 18% decline in average realised silver price. Gold equivalent volume sold decreased by 4%, while gold and silver sales remained flat year-on-year following largely unchanged production compared to 1H 2014.

The average realised price for gold was US$ 1,207/oz in 1H 2015, down 7% from US$ 1,297/oz in 1H 2014, in line with the average market price. The average realised silver price was US$ 15.7/oz, down 18% year-on-year, and 5% below the average market price of US$ 16.6/oz due to a larger volume of Polymetal's sales being recorded in the second quarter when the market prices were lower.

The share of gold sales as a percentage of total revenue increased from 63% in 1H 2014 to 66% in 1H 2015, driven by sales volume movements and the relative decline in silver price.

Copper sales resumed but were limited due to the continuing weakness in the copper concentrate market, which resulted in a temporary shutdown of the flotation circuit at Varvara in 2014. The copper circuit was restarted in June 2015, after positive feedback was received from a European copper concentrate off-taker based on trial product shipped in Q1. Currently the circuit processes low-grade stockpiled copper-gold ore. Mining will be re-directed towards the float feed on a stable basis once a long-term off-take contract has been secured.

Analysis by segment	**Revenue,** *US$ mln*			**Gold equivalent sold,** *Koz (silver for Dukat)*		
	1H 2015	**1H 2014**	**Change, %**	**1H 2015**	**1H 2014**	**Change, %**
Dukat operations	214	260	-17%	13,753	13,665	+1%
Voro	79	89	-11%	66	69	-5%
Okhotsk operations	58	64	-10%	47	49	-4%
Varvara	54	50	+7%	45	38	+18%
Omolon operations	102	115	-12%	84	89	-5%
Albazino/Amursk	120	145	-17%	99	112	-12%
Mayskoye	21	2	NM	18	2	NM
Other	0	1	n/a	n/a	n/a	n/a
Total revenue	**648**	**727**	**-11%**	**537**	**560**	**-4%**

The decline in gold and, notably, silver prices during the period affected revenues at all operating mines. Although at two of our mines, Varvara and Mayskoye, the revenue grew in 1H 2015 as a result of the increase in volume sold. Varvara experienced a physical sales volumes increase of 18% despite a production volume decline in 1H 2015 as a result of the de-stockpiling of excess copper concentrate accumulated in the previous period. Among all other operating mines, including Mayskoye, physical sales volumes generally followed production dynamics.

At Mayskoye, gold production was fully generated by in-house POX processing of the material delivered in the 2014 navigation season. Concentrate was stockpiled in the port of Pevek and currently, as the 2015 navigation period started in July, is being shipped to off-takers and to the POX plant.

COST OF SALES

Cost of sales *(US$ mln)*	**1H 2015**	**1H 2014**	**Change, %**
On-mine costs	144	217	-33%
Smelting costs	133	183	-27%
Purchase of ore from third and related parties	0	1	-100%
Mining tax	52	56	-7%
Total cash operating costs	**329**	**456**	**-28%**
Depreciation and depletion of operating assets	85	155	-45%
Rehabilitation expenses	0	4	-102%
Total costs of production	**414**	**614**	**-33%**
Increase in metal inventories	(80)	(190)	-58%
Write-down of non-metal inventories to net realisable value	0	5	-95%
Total change in metal inventories	**(79)**	**(185)**	**-57%**
Cost of other sales	0	0	-22%
Total cost of sales	**335**	**430**	**-22%**

Cash operating cost structure	**1H 2015, US$ mln**	**1H 2015, % of total**	**1H 2014, US$ mln**	**1H 2014, % of total**
Services	109	33%	166	37%
Consumables and spare parts	94	29%	140	31%
Labour	71	22%	91	20%
Mining tax	52	16%	56	12%
Purchase of ore from third and related parties	0	0%	1	0%
Other expenses	2	1%	2	0%
Total cash operating costs	**329**	100%	**456**	**100%**

Total cost of sales decreased by 22% in 1H 2015 to US$ 335 million, mainly on the back of the Russian Rouble depreciation during 1H 2015 more than offsetting domestic inflation in Russia (15.1% year-on-year). Another significant cost reduction driver was the decrease in depreciation charges at Omolon and Albazino (see below).

The cost of consumables and spare parts and the cost of services decreased by 33% and 34%, respectively, compared to 1H 2014 caused mostly by the Rouble devaluation combined with slight decrease in GE production volume.

The total cost of labour within cash operating costs in 1H 2015 was US$ 71 million, a 22% decrease, mainly stemming from Rouble devaluation and the decline in the average number of employees at Okhotsk operations, Omolon and Mayskoye, which collectively offset the annual salary increase (tracking Russian CPI inflation) and additional labour cost at the new Kyzyl asset.

Mining tax decreased by 7% year-on-year to US$ 52 million, compared to a production volume decrease of 3%, mainly due to the decrease of average realised prices.

Depreciation and depletion was US$ 85 million, down 45% year-on-year. The decrease was mainly attributable to Omolon, where mineral rights attributable to Sopka and Dalneye were fully depreciated in 2014, and to Albazino due to an increase of JORC reserves which serve as the depreciation basis. An amount of US$ 17 million of depreciation and depletion expenses in 1H 2015, related to ore and concentrate stockpiles, was included in metal inventories as at 30 June 2015.

In 1H 2015 a net metal inventory increase of US$ 80 million was recorded (excluding write-downs to net realisable value). The increase was mainly represented by concentrate produced at Mayskoye (awaiting further sales to off-takers and shipment to the POX plant during the summer navigation period). The Company expects the majority of this increase to be reversed by the end of 2015.

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US$ mln)	**1H 2015**	**1H 2014**	**Change, %**
Labour	49	49	-0%
Services	6	7	-11%
Depreciation	2	2	-3%
Share based compensation	1	1	+101%
Other	7	6	+17%
Total	**66**	**65**	**+1%**

General, administrative and selling expenses were stable at US$ 66 million as compared to 1H 2014. Despite the meaningful impact of the Russian Rouble devaluation, the labour costs within general, administrative and selling expenses remained flat, mainly due to the increased headcount due to acquisition of the Kyzyl project in September 2014, and salary increases in line with Russian and Kazakh inflation.

OTHER OPERATING EXPENSES

(US$ mln)	**1H 2015**	**1H 2014**	**Change, %**
Taxes, other than income tax	6	15	-57%
Additional mining tax and VAT exposures, penalties and accrued interest	(3)	10	-132%
Exploration expenses	6	6	-0%
Social payments	4	4	+3%
Housing and communal services	2	3	-40%
Loss on disposal of property, plant and equipment	1	3	-70%
Bad debt allowance	2	(0)	NM
Other expenses	3	10	-73%
Total	**20**	**51**	**-60%**

Other operating expenses decreased by 60% to US$ 20 million in 1H 2015. Taxes, other than income tax, and additional mining tax charges and VAT exposures recognised in 1H 2014 were recorded by the Company in relation to the tax exposure at Varvara with respect to commercial discovery bonus; Omolon and Dukat with respect to the calculation of technical loss exempt from the mineral extraction tax; as well as tax penalties related to previously identified tax exposure at Magadan Silver. In 1H 2015 the Group released several mining tax provisions at Magadan Silver following the completion of the tax audits. For more information refer to Note 9 of the condensed consolidated financial statements.

TOTAL CASH COSTS BY MINE

Total cash costs per gold equivalent ounce [4]	Cash cost per GE ounce, US$/oz				
	1H 2015	**1H 2014**	**Change, %**	**2H 2014**	**Change, %**
Dukat operations (SE oz) [5]	6.9	9.1	-24%	8.2	-15%
Voro	340	421	-19%	343	-1%
Okhotsk operations	545	792	-31%	648	-16%
Varvara	867	648	+34%	744	+17%
Omolon operations	600	622	-3%	533	+13%
Albazino	502	668	-25%	585	-14%
Mayskoye	775	NM	NM	957	-19%
Total	**552**	**627**	**-12%**	**641**	**-14%**

In 1H 2015 the Total cash costs per gold equivalent ounce sold (“TCC”) were US$ 552/GE oz, down 12% year-on-year and 14% compared to 2H 2014. The recent depreciation of the Russian Rouble had a meaningful positive impact on cost levels reported in US dollars, which was supported by the robust operating performance across most mines.

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

Reconciliation of TCC movements	**US$ / oz**	**Change, %**
Total cash cost per gold equivalent ounce – 1H 2014	**627**	
Domestic inflation	83	13%
USD rate change	(217)	-35%
Mining tax change - Au&Ag price	(5)	-1%
Au/Ag ratio change	26	4%
Change in average grade processed by mine	39	6%
Total cash cost per gold equivalent ounce – 1H 2015	**552**	**-12%**

Total cash cost by mine:

- Dukat’s total cash cost per silver equivalent ounce sold (“SE oz”) decreased by 24% year-on-year and 15% half-on-half to US$ 6.9/SE oz. Beyond the effect of Russian Rouble depreciation, this performance was achieved as a result of sustainably stronger grades and a solid improvement in throughput at both the Omsukchan and Lunnoye plants.
- Voro continues to be our lowest cost operation. TCC in 1H 2015 was US$ 340/GE oz and decreased by 19% year-on-year and 1% half-on-half. The key driver of cost dynamics was significant devaluation of Russian Rouble offsetting the impact of scheduled decline in the average grades processed and a related decline in CIP recoveries.
- At Okhotsk operations, TCC was US$ 545/GE oz, a 31% decrease year-on-year and 16% half-on-half. This cost performance was driven by a 5% improvement in average grades and 10% increase in gold recoveries due to the change in the mix of ores processed (with higher share of Ozerny in the feedstock).
- At Varvara, TCC was US$ 867/GE oz, growing by 34% year-on-year and 17% half-on-half. The increase mainly stemmed from lower average grades as the plant was processing lower grade stockpiles. Costs were also negatively impacted by the lower throughput after temporary shut-down of the copper circuit. In the 2H of the year costs are expected to improve as a result of significant devalution of the Kazakh tenge.
- At Omolon, TCC amounted to US$ 600/GE oz, a 3% decrease year-on-year and 13% increase half-on-half. Cost inflation compared to 2H 2014 was driven by processing ore from Sopka stockpiles, which has a lower gold grade, as well as commencement of underground mining at Tsokol following the cessation of open-pit activity.

[4] Total cash costs comprise cost of sales of the operating assets (adjusted for depreciation expense, rehabilitation expenses and write-down of inventory to net realisable value and certain other adjustments) and general, administrative and selling expenses of the operating assets. Gold equivalent sales volume is calculated based on average realised metal prices in the relevant period. Total cash cost per gold equivalent ounce sold is calculated as Total cash costs divided by total gold equivalent unit ounces sold.
[5] Dukat’s Total cash cost per gold equivalent was US$ 529/GE oz (1H 2014: US$ 625/GE oz) and was included in the Group TCC calculation.

- At Albazino/Amursk, TCC was US$ 502/GE oz, down 25% compared to 1H 2014 and 14% to 2H 2014. This improvement was achieved on the back of steady mine performance and increased capacity at Albazino, supported by the Rouble devaluation.
- Total cash costs at Mayskoye were US$ 775/GE oz, an 19% decrease half-on-half as the majority of sales during 2H 2014 was generated from concentrate offtake which is more expensive than processing concentrate at the POX plant. There were no meaningful sales during 1H 2014. For the first six months of 2015, gold production at Mayskoye was fully generated by in-house POX processing.

ALL-IN CASH COSTS[6]

	US$ mln			US$ / GE oz		
	1H 2015	**1H 2014**	**Change, %**	**1H 2015**	**1H 2014**	**Change, %**
Total cash costs	**297**	**351**	**-15%**	**552**	**627**	**-12%**
SG&A and other operating expenses not included in TCC	49	70	-30%	92	126	-27%
Capital expenditure excluding new projects	54	78	-31%	101	140	-28%
Exploration expenditure (capital and current)	22	25	-14%	41	45	-10%
All-in sustaining cash costs	**422**	**525**	**-20%**	**786**	**938**	**-16%**
Finance cost	47	19	+152%	87	33	+163%
Income tax charge	60	41	+45%	111	74	+49%
After-tax All-in cash costs	**528**	**585**	**-10%**	**984**	**1,045**	**-6%**
Development capital	21	11	+86%	39	20	+94%
SG&A and other expenses for development assets	13	6	+109%	25	11	+118%
All-in costs	**563**	**602**	**-7%**	**1,048**	**1,077**	**-3%**

All-in sustaining cash costs amounted to US$ 786/GE oz in 1H 2015 and decreased by 16% year-on-year, with the decrease in total cash costs and reduction of per ounce capex and exploration expenditure on the back of Rouble devaluation and stable operating performance.

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

Total all-in sustaining cash costs per gold equivalent ounce	**All-in sustaining cash cost per GE ounce, US$/oz**				
	1H 2015	**1H 2014**	**Change, %**	**2H 2014**	**Change, %**
Dukat operations (SE oz)	8.4	11.0	-24%	11.2	-25%
Voro	396	653	-39%	464	-15%
Okhotsk operations	598	1,153	-48%	774	-23%
Varvara	1,167	1,166	+0%	1,121	+4%
Omolon operations	851	765	+11%	723	+18%
Albazino	698	916	-24%	585	+19%
Mayskoye	1,403	NM	NM	957	+47%
Total	**786**	**938**	**-16%**	**939**	**-16%**

All-in sustaining cash costs decreased year-on-year across all mines except for Omolon, mostly due to the increase of per ounce exploration expenditure. At Mayskoye, all-in sustaining cash costs were US$ 1,403/oz. This is not representative of the expected full-year performance as the vast majority of sales is scheduled for the second half of the year due to seasonal navigation, while most of the general and administrative costs and sustaining capital expenditure are spread evenly over the year.

[6] 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, but including all exploration expenditure (both expensed and capitalised in the period) and minor brownfield expansions).

IMPAIRMENT CHARGES/REVERSALS

	1H 2015	1H 2014	FY2014
Metal inventories	(20)	3	39
Total impairment (charges)/reversals	**(20)**	**3**	**39**

The net write-down of metal inventories of US$ 20 million recognised in 1H 2015 is related to the low-grade material at Varvara mined before re-starting the copper circuit and the low grade ore stacked for the heap leaching at Birkachan.

ADJUSTED EBITDA AND EBITDA MARGIN[7]

Reconciliation of Adjusted EBITDA *(US$ mln)*	1H 2015	1H 2014	Change, %
Profit for the financial period	98	100	-2%
Finance cost (net)	41	15	+175%
Income tax expense	60	41	+46%
Depreciation expense	72	106	-33%
EBITDA	**271**	**262**	**+3%**
Write-down/(reversal) of metal inventory to net realisable value	20	(3)	NM
Impairment of investment in associate	-	3	-100%
Share based compensation	1	1	+35%
Net foreign exchange losses	9	26	-66%
Change in fair value of contingent consideration liability	(1)	1	NM
Rehabilitation expenses	(0)	4	-101%
Write-down of non-metal inventory to net realisable value	0	5	-95%
Additional mining tax and VAT exposures, penalties and accrued interest	(3)	10	-130%
Adjusted EBITDA	**297**	**310**	**-4%**

Adjusted EBITDA by segment *(US$ mln)*	1H 2015	1H 2014	Change, %
Dukat operations	115	129	-11%
Voro	57	59	-4%
Okhotsk operations	26	23	+12%
Varvara	13	17	-22%
Omolon operations	46	56	-17%
Albazino/Amursk	71	67	+6%
Mayskoye	2	(8)	-125%
Kyzyl	(4)	-	n/a
Corporate and other and intersegment operations	(29)	(32)	-9%
Total	**297**	**310**	**-4%**

In 1H 2015, Adjusted EBITDA was US$ 297 million, 4% lower year-on-year, with an Adjusted EBITDA margin of 46%. The decrease was mainly driven by a 7% reduction in the average realised gold price and 18% reduction in the average realised silver price, which was meaningfully offset by an 12% decrease in Total cash costs. Adjusted EBITDA increased at Okhotsk operations and Albazino, while at other operating segments it declined year-on-year on the back of a price-driven revenue decrease.

[7] The Company defines Adjusted EBITDA (a non-IFRS measure) as profit for the period adjusted for depreciation and amortisation, impairment of non-current assets, write-downs and reversals of inventory to net realisable value, share-based compensation expenses, rehabilitation expenses, gains and losses on acquisitions and disposals of subsidiaries, 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. The figures presented above have been rounded and accordingly may not sum to the total shown.

OTHER INCOME STATEMENT ITEMS

Polymetal recorded a net foreign exchange loss in 1H 2015 of US$ 9 million compared to a loss of US$ 26 million in 1H 2014. These unrealised non-cash losses in both periods represent the appreciation of the Group's mostly US Dollar denominated borrowings against the Russian Rouble, the functional currency of all Group operating companies other than Varvara and Kyzyl. The Group's average gross debt during 1H 2015 was US$ 1,352 million, fully denominated in US Dollars, while the RUB/USD exchange rate fluctuated significantly during the period, with the lowest rate of 49.1 RUB/USD in May and the highest rate of 69.7 RUB/USD in February.

The Company does not use any hedging instruments for managing foreign exchange risk, other than a natural hedge arising from the fact that the majority of the Group's revenue is denominated or calculated in US Dollars. Though income statement volatility may arise in the financial reporting, Polymetal believes that the underlying matching of revenue cash flows against debt repayments and related interest represents an economically effective hedging strategy.

NET EARNINGS, EARNINGS PER SHARE AND DIVIDENDS

The Group recorded a net income of US$ 98 million in 1H 2015 versus US$ 100 million in 1H 2014. The underlying net earnings (excluding after-tax impact of impairment charges/reversals and foreign exchange losses) were US$ 118 million compared to US$ 124 million in 1H 2014, mostly driven by the decrease in the Adjusted EBITDA.

Basic earnings per share were US$ 0.23 per share compared to US$ 0.26 per share in 1H 2014.

In accordance with the Company's dividend policy, the Board is proposing to pay an interim dividend of US$ 0.08 per share (giving a total expected dividend of US$ 34 million) representing approximately 30% of the Group's underlying net earnings for the period. During 1H 2015, Polymetal paid a total of US$ 139 million in dividends, representing the final and special dividends for FY 2014.

CAPITAL EXPENDITURE

(US$ mln)	**1H 2015**	**1H 2014**	**Change, %**
Mayskoye	9	9	-1%
Dukat operations	14	13	+5%
Amursk/Albazino	5	9	-43%
Omolon operations	5	5	-3%
Varvara	8	5	+59%
Okhotsk operations	11	3	+319%
Voro	1	3	-55%
Kyzyl	3	-	n/a
Exploration	29	35	-18%
Corporate and other	2	6	-71%
Capitalised stripping	9	25	-65%
Capitalised interest	2	2	-18%
Total capital expenditure[1]	**97**	**115**	**-16%**

[1] Total capital expenditure includes amounts payable at the end of the period. On a cash basis, capital expenditure was US$ 86 million in 1H 2015 (1H 2014: US$ 105 million).

In 1H 2015, total capital expenditure was US$ 97 million, down 16% year-on-year. Capital expenditure excluding stripping costs would have been US$ 88 million in 1H 2015 (1H 2014: US$ 90 million).

The major capital expenditure items in 1H 2015 were as follows:

- Across all mines, except for Okhotsk operations, capital expenditures declined or remained almost unchanged year-on-year and was mainly represented by mining fleet upgrades/replacements and maintenance expenditure at the processing facilities, with the Rouble devaluation mainly driving the decrease;
- Capital expenditure at Okhotsk operations was US$ 11 million, a three-fold increase year-on-year, and was mostly represented by the construction of the Svetloye mine. In 1H 2015, the Company obtained a full set of construction permits for the Svetloye project. Summer navigation started on time, and the construction is progressing on schedule. Mining at Svetloye is on track to start in Q4 2015.
- At Kyzyl, capital expenditure in 1H 2015 comprised US$ 3 million mainly representing project design costs and minor infrastructure. Site preparation works have commenced and all major engineering contracts for external infrastructure (water pipeline, power grid, heat supply, road diversion) have been awarded. Polymetal is on track to start full-scale construction in Q2 2016.

- The Company continues to invest in standalone exploration projects (included in the Corporate segment). Capital expenditure on exploration in 1H 2015 was US$ 29 million compared to US$ 35 million in 1H 2014, and focused mostly on Kyzyl, Svetloye, and PGM assets;
- Capitalised stripping costs totalled US$ 9 million in 1H 2015 (1H 2014: US$ 25 million) and are attributable to operations with stripping ratios exceeding their life of mine ("LOM") averages during the period, including most importantly Varvara, Voro and Albazino. The decline is mainly related to the completion of major stripping campaigns at Omolon and Varvara last year.
- Total capital expenditure in 1H 2015 includes US$ 2 million of capitalised interest (1H 2014: US$ 2 million).
- The Group maintains its annual guidance of capital expenditures of US$ 240 million including exploration and capitalised stripping.

CASH FLOWS

(US$ mln)	**1H 2015**	**1H 2014**	**Change, %**
Operating cash flows before changes in working capital	238	259	-8%
Changes in working capital	(63)	(118)	-47%
Total operating cash flows	**175**	**141**	**+24%**
Capital expenditure	(86)	(105)	-17%
Other	(16)	(7)	+128%
Investing cash flows	**(103)**	**(112)**	**-8%**
Financing cash flows			
Net increase/(decrease) in borrowings	60	(48)	NM
Dividends paid	(139)	(31)	NM
Total financing cash flows	**(79)**	**(79)**	**+0%**
Net decrease in cash and cash equivalents	**(7)**	**(50)**	-86%
Cash and cash equivalents at the beginning of the year	157	66	+140%
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	0	NM
Cash and cash equivalents at the end of the period	**151**	**16**	**NM**

Operating cash flows in 1H 2015 strengthened compared to the prior period. Operating cash flows before changes in working capital decreased by 8% year-on-year to US$ 238 million as a result of the Adjusted EBITDA decrease. However, net operating cash flows were US$ 175 million, compared to US$ 141 million in 1H 2014 driven by a lower seasonal increase in working capital in 1H 2015 of US$ 63 million compared to US$ 118 million in 1H 2014. The increase is mainly represented by concentrate stockpiles at Mayskoye (net increase of US$ 40 million).

Total cash and cash equivalents increased significantly compared to 1H 2014 and comprised US$ 151 million, with the following items affecting the cash position of the Group:

- Operating cash flows of US$ 175 million;
- Investment cash outflows totalled US$ 103 million, down 8% year-on-year and are mainly represented by capital expenditure (down 17% year-on-year to US$ 86 million);
- Payment of regular and special dividends for 2014 amounting to US$ 139 million; and
- The increase in borrowings of US$ 60 million.

BALANCE SHEET, LIQUIDITY AND FUNDING

Net debt	30-Jun-15	31-Dec-14	Change, %
Short-term debt and current portion of long-term debt	624	509	+23%
Long-term debt	758	814	-7%
Dividends payable	-	84	-100%
Gross debt	**1,382**	**1,407**	**-2%**
Less: cash and cash equivalents	151	157	-4%
Net debt	**1,231**	**1,249**	**-1%**
Adjusted EBITDA	**297**	**310**	**-4%**
Net debt / Adjusted EBITDA	**1.83**	**1.82**	**+1%**

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

The Group's net debt decreased to US$ 1,231 million as of 30 June 2015, representing a Net debt / Adjusted EBITDA (over the last 12 months) ratio of 1.83.

The proportion of long-term borrowings comprised 55% as at 30 June 2015 (58% as at 31 December 2014). In addition, as at 30 June 2015 the Group had US$ 1.0 billion (31 December 2014: US$ 1.0 billion) of available undrawn facilities, of which US$ 0.8 billion is committed, from a wide range of lenders, which maintain its operational flexibility in the current environment.

The average cost of debt remained low at 4.11% in 1H 2015 (1H 2014: 2.77%), supported by low base interest rates and the ability to negotiate competitive premiums given the solid financial position of the Company and Polymetal's excellent credit history. The increase in absolute finance costs (including capitalised interest) from US$ 17 million to US$ 43 million is mainly related to the notional accrual of interest on the put option liability on the Kyzyl transaction expiring in October 2015. Despite ongoing tightening of the credit markets in Russia, the Group is confident in its ability to repay its existing borrowings as they fall due. As of the date of this report, the proportion of long-term borrowings increased to 70% as the outsanding amount due to Alfa bank in September decreased from US$ 318.5 million to US$ 50 million. The Alfa Bank loan was pairtially repaid from a new US$ 170 million 4-year facility with VTB Bank and accumulated cash reserves.The remaning US$ 50 million will be paid from available free cash flows before end of August.

2015 YEAR-END OUTLOOK

Polymetal maintains a positive outlook for the second half of the year, both in terms of earnings and free cash flow, with the following factors driving the operating and financial performance towards the year-end:

- The Company is fully on track to deliver its annual production guidance of 1.35 Moz of gold equivalent;
- The Company reduces its full-year Total cash cost guidance from US$ 575-625/GE oz to US$ 525-575/GE oz and its All-in sustaining cash costs guidance from US$ 750-800/GE oz to US$ 700-750/GE oz on the back of continued weakness of the Russian Rouble and expectation of a continued strong operating performance.
- A planned decrease in working capital balances and related positive cash flows to be generated in 2H 2015, following seasonal shipments and sales of Mayskoye concentrate.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The directors do not consider that the principal risks and uncertainties have changed materially since the publication of the Annual report for the year ended 31 December 2014. As such, these risks continue to apply to the Group for the remaining six months of the financial year.

The principal risks and uncertainties disclosed in the 2014 Annual report were categorised as:

- Market risk;
- Production risks, including:
  a) mining plans;
  b) production process supply by resources required
  c) production process staffing; and
  d) reliance on contractors;
- Tax risk;
- Exploration risks;
- Construction and development risk;
- Logistics and supply chain risk;
- Health and safety risk;
- Environmental risks;
- Mergers and acquisitions;
- Legal risk;
- Political risk;
- Financial risks, including:
  a) liquidity risk;
  b) currency risk;
  c) interest rate risk;
  d) Inflation rate risk

A detailed explanation of these risks and uncertainties can be found on pages 62 to 65 of the 2014 Annual report which is available at www.polymetalinternational.com.

GOING CONCERN

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities and compliance with covenants on those facilities and its capital expenditure commitments and plans, including the potential exercise of the put option in respect of the Kyzyl transaction (see Note 19). As at 30 June 2015, the Group held US$ 151 million of cash and had net debt of US$1,231 million, with US$ 1,019 million of undrawn facilities of which US$ 790 million are considered committed. Debt of US$ 624 million is due for payment within one year and certain committed but undrawn facilities expire within that period, but the Group's cash generation and liquidity remains strong and the Group believes it will be able to operate within existing facilities, but could secure additional financing if and when needed. As of date of this report, the gross debt decreased further to US$ 1,291 million as compared to US$ 1,383 million as of 30 June, 2015.

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

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

By order of the Board,

Bobby Godsell

Chairman of the Board of Directors

24 August 2015

Vitaly Nesis

Group Chief Executive Officer

24 August 2015

INDEPENDENT REVIEW REPORT TO POLYMETAL INTERNATIONAL PLC

We have been engaged by Polymetal International Plc ("the company") to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and related notes 1 to 24. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Recognized Auditor
London, United Kingdom
24 August 2015

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June 2015 (unaudited) US$'000	Six months ended 30 June 2014 (unaudited) US$'000	Year ended 31 December 2014 (audited) US$'000
Revenue	3	648,015	726,868	1,690,391
Cost of sales excluding (write-downs)/reversals of metal inventories to net realisable value	4	(334,771)	(429,866)	(1,023,219)
(Write-downs)/Reversals of metal inventories to net realisable value	17	(19,504)	2,624	39,174
Gross profit		**293,740**	**299,626**	**706,346**
General, administrative and selling expenses	8	(66,144)	(65,301)	(131,293)
Other operating expenses, net	9	(20,321)	(50,557)	(131,901)
Share of profit/(loss) of associates and joint ventures		281	(377)	(7,139)
Operating profit		**207,556**	**183,391**	**436,013**
Net foreign exchange losses		(9,005)	(26,348)	(559,266)
Change in fair value of contingent consideration liability		512	(756)	22,788
Finance income		3,549	1,318	3,216
Finance costs	11	(44,951)	(16,209)	(40,626)
Profit/(loss) before income tax		**157,661**	**141,396**	**(137,875)**
Income tax expense	12	(59,638)	(41,122)	(71,965)
Profit /(loss) for the financial period		**98,023**	**100,274**	**(209,840)**
Profit /(loss) for the financial period attributable to:				
Equity shareholders of the Parent		98,023	100,274	(209,840)
		98,023	**100,274**	**(209,840)**
Earnings /(loss) per share (US$)				
Basic	13	0.23	0.26	(0.53)
Diluted	13	0.23	0.26	(0.53)

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2015 (unaudited) US$'000	Six months ended 30 June 2014 (unaudited) US$'000	Year ended 31 December 2014 (audited) US$'000
Profit /(loss) for the period	98,023	100,274	(209,840)
Other comprehensive income/(loss)			
Effect of translation to presentation currency	17,418	(68,227)	(617,758)
Total comprehensive income/(loss) for the period	**115,441**	**32,047**	**(827,598)**
Total comprehensive income/(loss) for the financial period attributable to:			
Equity shareholders of the Parent	115,441	32,047	(827,598)
	115,441	**32,047**	**(827,598)**

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED BALANCE SHEET

Assets	Note	30 June 2015 (unaudited) US$'000	31 December 2014 (audited) US$'000	30 June 2014 (unaudited) US$'000
Property, plant and equipment	15	2,008,472	2,020,924	1,954,468
Goodwill		18,208	17,970	30,061
Investments in associates and joint ventures	16	8,122	2,107	14,839
Non-current loans and receivables		20,693	12,890	22,648
Deferred tax asset		62,680	61,787	82,703
Non-current inventories	17	128,775	114,227	57,970
Total non-current assets		**2,246,950**	**2,229,905**	**2,162,689**
Current inventories	17	524,766	468,731	871,087
VAT receivable		60,404	55,367	77,223
Trade and other receivables		52,195	54,823	52,841
Prepayments to suppliers		35,979	21,718	29,123
Income tax prepaid		11,380	9,410	3,527
Cash and cash equivalents		151,283	157,224	15,927
Total current assets		**836,007**	**767,273**	**1,049,728**
Total assets		**3,082,957**	**2,997,178**	**3,212,417**
Liabilities and shareholders' equity				
Accounts payable and accrued liabilities		(83,856)	(160,735)	(124,404)
Share repurchase obligation	19	(291,395)	(275,838)	-
Current borrowings	18	(624,078)	(508,811)	(149,151)
Income tax payable		(45,171)	(38,306)	(31,228)
Other taxes payable		(47,271)	(44,139)	(65,609)
Environmental obligations		(1,940)	(2,991)	(4,677)
Current portion of contingent consideration liability		(765)	(1,783)	(335)
Total current liabilities		**(1,094,476)**	**(1,032,603)**	**(375,404)**
Non-current borrowings	18	(758,455)	(813,824)	(905,405)
Contingent consideration liability		(16,815)	(17,506)	(15,042)
Deferred tax liability		(213,442)	(205,506)	(61,900)
Environmental obligations		(57,790)	(51,301)	(63,223)
Other non-current liabilities		(6,937)	(6,954)	(2,323)
Total non-current liabilities		**(1,053,439)**	**(1,095,091)**	**(1,047,893)**
Total liabilities		**(2,147,915)**	**(2,127,694)**	**(1,423,297)**
NET ASSETS		**935,042**	**869,484**	**1,789,120**
Stated capital account	21	1,955,886	1,939,084	1,664,170
Share-based compensation reserve		3,674	2,387	741
Translation reserve		(807,176)	(824,594)	(275,063)
Repurchase obligation for shares issued for business acquisition		(218,722)	(218,722)	-
Retained earnings/ (Accumulated deficit)		1,380	(28,671)	399,272
Total equity		**935,042**	**869,484**	**1,789,120**
Total liabilities and shareholders' equity		**(3,082,957)**	**(2,997,178)**	**(3,212,417)**

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

These condensed consolidated financial statements are approved and authorised for issue by the Board of Directors on 24 August 2015 and signed on its behalf by

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2015 (unaudited) US$'000	Six months ended 30 June 2014 (unaudited) US$'000	Year ended 31 December 2014 (audited) US$'000
Net cash generated by operating activities	23	**175,020**	**140,933**	**518,156**
Cash flows from investing activities				
Purchases of property, plant and equipment	15	(86,467)	(104,659)	(209,751)
Consideration for joint venture acquisition	16	(5,152)	(1,346)	(314,344)
Other investing activities		(9,910)	(4,276)	(1,612)
Contingent consideration payment		(1,168)	(1,492)	(1,722)
Net cash used in investing activities		**(102,697)**	**(111,773)**	**(527,429)**
Cash flows from financing activities				
Borrowings obtained	18	174,330	56,328	453,991
Repayments of borrowings	18	(114,432)	(104,076)	(252,455)
Dividends paid	14	(139,158)	(31,158)	(64,824)
Net cash (used in)/ generated by financing activities		**(79,260)**	**(78,906)**	**136,712**
Net (decrease)/ increase in cash and cash equivalents		(6,937)	(49,746)	127,439
Cash and cash equivalents at the beginning of the period		157,224	65,567	65,567
Effect of foreign exchange rate changes on cash and cash equivalents		996	106	(35,782)
Cash and cash equivalents at the end of the period		**151,283**	**15,927**	**157,224**

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Number of Polymetal International shares outstanding	Stated capital account	Share based compensation reserve	Translation reserve	Share purchase obligation	Retained earnings	Total equity
			US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 31 December 2013 (audited)		**389,472,865**	**1,664,170**	**143,524**	**(206,836)**	**-**	**186,632**	**1,787,490**
Total comprehensive income		-	-	-	(68,227)	-	100,274	32,047
Share based compensation		-	-	741	-	-	-	741
Transfer to retained earnings		-	-	(143,524)	-	-	143,524	-
Issue of shares in exchange for assets		-	-	-	-	-	-	-
Dividends	14	-	-	-	-	-	(31,158)	(31,158)
Balance at 30 June 2014 (unaudited)		**389,472,865**	**1,664,170**	**741**	**(275,063)**	**-**	**399,272**	**1,789,120**
Total comprehensive loss		-	-	-	(549,531)	-	(310,114)	(859,645)
Share based compensation		-	-	1,646	-	-	-	1,646
Issue of shares for business acquisitions		31,347,078	274,914	-	-	-	-	274,914
Put option issued for business acquision recognised in equity	19	-	-	-	-	(218,722)	-	(218,722)
Dividends	14	-	-	-	-	-	(117,829)	(117,829)
Balance at 31 December 2014 (audited)		**420,819,943**	**1,939,084**	**2,387**	**(824,594)**	**(218,722)**	**(28,671)**	**869,484**
Total comprehensive income		-	-	-	17,418	-	98,023	115,441
Share based compensation		-	-	1,492	-	-	-	1,492
Issue of shares to acquire non-controlling interest	21	1,746,692	12,978	-	-	-	(12,978)	-
Issue of shares to acquire share in joint venture	16	429,260	3,619	-	-	-	-	3,619
Shares allotted to employees		36,089	205	(205)	-	-	-	-
Dividends	14	-	-	-	-	-	(54,994)	(54,994)
Balance at 30 June 2015 (unaudited)		**423,031,984**	**1,955,886**	**3,674**	**(807,176)**	**(218,722)**	**1,380**	**935,042**

1. GENERAL

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

Polymetal International plc (the Company) is the ultimate parent entity of Polymetal Group. The Company was incorporated on 29 July 2010 as a public limited company under Companies (Jersey) Law 1991. Its ordinary shares are listed on the London and Moscow stock exchanges.

Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union ('EU'), and the Disclosure and Transparency Rules of the Financial Conduct Authority effective for the Company's reporting for the period ended 30 June 2015. These unaudited condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the audited 2014 Annual Report of Polymetal International plc and its subsidiaries ("2014 Annual Report") available at www.polymetalinternational.com.

The half-yearly financial report does not constitute the Group's statutory financial statements. The Group's most recent statutory financial statements, which comprise the annual report and audited financial statements for the year ended 31 December 2014, were approved by the directors on 30 March 2015 and have been filed with the Jersey Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under Article 111(2) or Article 111(5) of the Companies (Jersey) Law 1991.

Accounting policies

The unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments.

The accounting policies applied are consistent with those adopted and disclosed in the Group's financial statements for the year ended 31 December 2014.

Critical accounting judgements and uncertainties

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The significant judgements made by management in applying the Group's accounting policies and key sources of estimation were consistent with those that were applied in the Group's annual consolidated financial statements for the year ended 31 December 2014.

New accounting standards issued but not yet effective

IFRS 15 *Revenue from Contracts with Customers.* In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), which covers principles that an entity shall apply to report information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Group is in the process of determining the impact of IFRS 15 on its consolidated financial statements.

IFRS 9 *Financial instruments*. In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments" ("IFRS 9"). This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments. IFRS 9 also includes a substantially reformed approach to hedge accounting. The Group is in the process of determining the impact of IFRS 9 on its consolidated financial statements.

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 compliance with covenants on those facilities and its capital expenditure commitments and plans, including the potential exercise of the put option in respect of the Kyzyl transaction (see Note 19). As at 30 June 2015, the Group held US$ 151 million of cash and had net debt of US$1,231 million, with US$ 1,019 million of undrawn facilities of which US$ 790 million are considered committed. Debt of US$ 624 million is due for payment within one year and certain committed but undrawn facilities expire within that period, but the Group's cash generation and liquidity remains strong and the Group believes it will be able to operate within existing facilities, but could secure additional financing if and when needed. As of date of report, the gross debt decreased further to US$ 1,291 million as compared to US$ 1,383 million as of 30 June, 2015.

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

Functional and presentation currencies

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

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

Due to fluctuation of the Russian Rouble after six months ended 30 June 2014 and its significant devaluation during second half of the year ended 31 December 2014, the Group translated income and expenses occurred in these periods on monthly basis at average monthly exchange rates.

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

	30 June 2015	31 December 2014	30 June 2014
Russian Rouble/U.S. Dollar			
Period end	55.52	56.26	33.63
Average for the period	57.40	38.42	34.98
Average for:			
January	61.88		
February	64.68		
March	60.26		
April	52.93		
May	50.59		
June	54.51		
Kazakh Tenge/U.S. Dollar			
Period end	186.20	182.35	183.51
Average for the year	185.22	152.14	176.19

2. SEGMENT INFORMATION

The Group has eight reportable segments:

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

Reportable segments are determined based on the Group's internal management reports and are separated based on the Group's geographical structure. Minor subsidiaries 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 all based in the Russian Federation, except for Varvara and Kyzyl which are based in Kazakhstan.

The measure which management and the Chief Operating Decision Maker (the CODM) use to evaluate the performance of the Group is segment Adjusted EBITDA, which is defined as profit for the period adjusted for depreciation and amortization, impairment of non-current assets, write-downs and reversals of inventory to net realisable value, share-based compensation expenses, rehabilitation expenses, gains or losses arising on acquisition or disposal of subsidiaries, foreign exchange gains or losses, changes in the fair value of contingent consideration, finance income, finance costs, income tax expenses and other tax exposure accrued within other operating expenses. The accounting policies of the reportable segments are consistent with those of the Group’s accounting policies under IFRS.

Revenue shown as corporate and other comprises, principally, intersegment revenue relating to the supply of inventories, spare parts and fixed assets, and rendering management services to the Group’s production entities. Intersegment revenue is recognised based on costs incurred plus a fixed margin basis. External revenue shown within corporate and other represents revenue from services provided to third parties by the Group’s non-mining subsidiaries.

Business segment current assets and liabilities, other than current inventory, are not reviewed by the CODM and therefore are not disclosed in these consolidated financial statements.

2. Segment information (continued)

For the six months ended 30 June 2015 (US$'000)	Voro	Okhotsk operations	Dukat	Omolon	Varvara	Amursk - Albazino	Mayskoye	Kyzyl	Total reportable segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	79,446	57,666	214,455	101,911	53,723	119,575	21,153	-	647,929	86		648,015
Intersegment revenue	523	116	5	762		4,928		-	6,334	93,904	(100,238)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	19,803	23,248	91,322	47,142	36,063	45,963	13,058	-	276,599	69,402	(80,808)	**265,193**
Cost of sales	25,871	29,964	111,566	59,386	43,704	60,151	15,535	-	346,177	69,402	(80,808)	334,771
Depreciation included in cost of sales	(5,710)	(6,122)	(19,316)	(12,847)	(7,561)	(14,063)	(3,721)	-	(69,340)	-	-	(69,340)
Write-down of non-metal inventory to net realisable value	(268)	(823)	(798)	308	(80)	129	1,258	-	(274)	-	-	(274)
Rehabilitation expenses	(90)	229	(130)	295	-	(254)	(14)	-	36	-	-	36
General, administrative and selling expenses, excluding depreciation, amortization and share based compensation	2,530	8,335	4,538	3,937	2,646	3,689	3,791	4,378	33,844	32,883	(4,239)	**62,488**
General, administrative and selling expenses	5,735	10,936	7,831	5,764	3,609	6,031	5,805	4,657	50,368	36,246	(20,470)	66,144
Intercompany management services	(3,011)	(1,968)	(3,026)	(1,794)	(846)	(2,316)	(1,908)	-	(14,869)	(1,362)	16,231	-
Depreciation included in SGA	(194)	(633)	(267)	(33)	(117)	(26)	(106)	(279)	(1,655)	(509)	-	(2,164)
Share based compensation	-	-	-	-	-	-	-	-	-	(1,492)	-	(1,492)
Other operating expenses excluding additional tax charges	478	340	3,568	5,419	1,593	4,074	2,154	99	17,725	3,598	2,245	**23,568**
Other operating expenses	484	340	(661)	5,471	1,593	4,074	3,078	99	14,478	3,598	2,245	20,321
Additional mining taxes and VAT exposures, penalties and accrued interest	(6)	-	4,229	(52)	-	-	(924)	-	3,247	-	-	3,247
Share of income of associates and joint ventures	-	-	-	-	-	-	-	-	-	281	-	281
Adjusted EBITDA	**57,158**	**25,859**	**115,032**	**46,175**	**13,421**	**70,777**	**2,150**	**(4,477)**	**326,095**	**(11,612)**	**(17,436)**	**297,047**
Depreciation expense	5,904	6,755	19,583	12,880	7,678	14,089	3,827	279	70,995	509	-	**71,504**
Rehabilitation expenses	90	(229)	130	(295)	-	254	14	-	(36)	-	-	**(36)**
Write-down of non-metal inventory to net realisable value	268	823	798	(308)	80	(129)	(1,258)	-	274	-	-	**274**
Write-down of metal inventory to net realisable value	-	1,777	-	6,211	11,516			-	19,504	-	-	**19,504**
Share-based compensation	-	-	-	-	-	-	-	-	**-**	1,492	-	**1,492**
Additional mining taxes and VAT exposures, penalties and accrued interest	6	-	(4,229)	52	-	-	924	-	(3,247)	-	-	(3,247)
Operating profit / (loss)	**50,890**	**16,733**	**98,750**	**27,635**	**(5,853)**	**56,563**	**(1,357)**	**(4,756)**	**238,605**	**(13,613)**	**(17,436)**	**207,556**
Net foreign exchange losses												**(9,005)**
Change in fair value of contingent consideration liability												**512**
Finance income												**3,549**
Finance costs												**(44,951)**
Profit before tax												**157,661**
Income tax expense												**(59,638)**
Profit for the financial period												**98,023**
Current metal inventories	39,425	36,024	66,446	62,308	23,647	49,257	85,593	-	362,700	572	(7,760)	355,512
Current non-metal inventories	5,106	25,690	27,209	37,668	16,277	19,954	25,195	819	157,918	20,772	(9,436)	169,254
Non-current segment assets:												
Property, plant and equipment, net	62,748	63,967	214,692	88,568	123,762	313,688	176,592	850,110	1,894,127	135,819	(21,474)	2,008,472
Goodwill	-	-	5,233	-	-	-	12,975	-	18,208	-	-	18,208
Non-current inventory	1,512	24,447	7,231	78,284	6,708	6,470	6,583	-	131,235	-	(2,460)	128,775
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	-	8,122	-	8,122
Total segment assets	**108,791**	**150,128**	**320,811**	**266,828**	**170,394**	**389,369**	**306,938**	**850,929**	**2,564,188**	**165,285**	**(41,130)**	**2,688,343**
Additions to non-current assets:												
Property, plant and equipment	3,241	16,000	16,239	15,697	11,781	15,287	9,065	5,912	93,222	4,268	-	97,490

2. Segment information (continued)

For the six months ended 30 June 2014 ($'000)	Voro	Okhotsk operations	Dukat	Omolon	Varvara	Amursk - Albazino	Mayskoye	Total reportable segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	89,495	63,896	259,749	115,330	50,350	144,911	2,262	725,993	875	-	726,868
Intersegment revenue	425	191	72	4	-	788	-	1,480	105,920	(107,400)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	25,645	35,563	119,017	50,641	22,123	70,360	2,428	325,777	71,265	(79,825)	**317,217**
Cost of sales	32,993	42,849	148,498	81,423	26,219	101,654	4,790	438,426	71,265	(79,825)	429,866
Depreciation included in Cost of sales	(7,229)	(6,798)	(29,017)	(25,576)	(4,121)	(29,794)	(821)	(103,356)	-	-	(103,356)
Write-down of non-metal inventory to net realisable value	(62)	(6)	(213)	(2,746)	25	(948)	(1,514)	(5,464)	-	-	(5,464)
Rehabilitation expenses	(57)	(482)	(251)	(2,460)	-	(552)	(27)	(3,829)	-	-	(3,829)
General, administrative and selling expenses, excluding depreciation, amortization and share based compensation	3,505	3,421	5,818	4,774	2,467	4,483	5,683	30,151	37,864	(5,695)	**62,320**
General, administrative and selling expenses	8,792	6,598	11,179	7,686	2,877	8,423	9,095	54,650	40,581	(29,930)	65,301
Intercompany management services	(4,913)	(3,117)	(4,873)	(2,836)	(299)	(3,876)	(3,112)	(23,026)	(1,209)	24,235	-
Depreciation included in SGA	(374)	(60)	(488)	(76)	(111)	(64)	(300)	(1,473)	(767)	-	(2,240)
Share based compensation	-	-	-	-	-	-	-	-	(741)	-	(741)
Other operating expenses excluding additional tax charges	1,516	2,096	6,390	4,062	8,516	4,252	2,619	29,451	10,074	731	**40,256**
Other operating expenses	1,877	2,096	11,819	6,358	10,731	4,252	2,619	39,752	10,074	731	50,557
Additional mining taxes and VAT exposures, penalties and accrued interest	(361)	-	(5,429)	(2,296)	(2,215)			(10,301)			(10,301)
Share of loss of associates and joint ventures								-	(377)	-	(377)
Adjusted EBITDA	**59,254**	**23,007**	**128,596**	**55,857**	**17,244**	**66,604**	**(8,468)**	**342,094**	**(12,785)**	**(22,611)**	**306,698**
Depreciation expense	7,603	6,858	29,505	25,652	4,232	29,858	1,121	104,829	767	-	**105,596**
Rehabilitation expenses	57	482	251	2,460	-	552	27	3,829	-	-	**3,829**
Write-down of non-metal inventory to net realisable value	62	6	213	2,746	(25)	948	1,514	5,464	-	-	**5,464**
Reversal of metal inventory to net realisable value	479	1,086	1,628	(2,051)	1,258	-	(5,024)	(2,624)	-	-	**(2,624)**
Share-based compensation	-	-	-	-	-	-	-	-	741	-	**741**
Additional mining taxes and VAT exposures, penalties and accrued interest	361	-	5,429	2,296	2,215	-	-	**10,301**	-	-	**10,301**
Operating profit / (loss)	**50,692**	**14,575**	**91,570**	**24,754**	**9,564**	**35,246**	**(6,106)**	**220,295**	**(14,293)**	**(22,611)**	**183,391**
Foreign exchange loss											**(26,348)**
Change in fair value of contingent consideration											**(756)**
Finance income											**1,318**
Finance costs											**(16,209)**
Profit before tax											**141,396**
Income tax expense											**(41,122)**
Profit for the financial period											**100,274**
Current metal inventories	67,981	63,021	91,875	147,958	25,845	91,177	130,102	617,959	215	(11,287)	**606,887**
Current non-metal inventories	8,785	36,679	48,285	59,444	15,871	40,042	37,853	246,959	30,881	(13,640)	**264,200**
Non-current segment assets:								-			**-**
Property, plant and equipment, net	92,083	63,069	387,537	197,722	126,458	539,636	308,512	1,715,017	274,024	(34,573)	**1,954,468**
Goodwill	-	-	8,638	-	-	-	21,423	30,061	-	-	**30,061**
Non-current inventory	1,556	5,477	11,199	22,396	8,221	5,055	7,125	61,029	139	(3,198)	**57,970**
Investments in associates								-	14,839		**14,839**
Total segment assets	**170,405**	**168,246**	**547,534**	**427,520**	**176,395**	**675,910**	**505,015**	**2,671,025**	**320,098**	**(62,698)**	**2,928,425**
Additions to non-current assets:											
Property, plant and equipment	11,208	16,197	18,654	8,698	11,142	23,520	9,671	99,090	17,858	(1,844)	**115,104**
Acquired in business combinations and acquistion of group of assets	-	-	-	-	-	-	-	-	4,307	-	**4,307**

2. Segment information (continued)

For the year ended 31 December 2014 ($'000)	Voro	Okhotsk operations	Dukat	Omolon	Varvara	Amursk - Albazino	Mayskoye	Kyzyl	Total reportable segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	204,490	157,771	485,608	276,930	120,374	298,547	145,242	-	1,688,962	1,429	-	1,690,391
Intersegment revenue	1,527	554	383	168	-	3,893	-	-	6,525	237,297	(243,822)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	53,938	81,538	229,648	115,500	62,618	139,806	102,105	-	785,153	163,343	(187,113)	761,383
Cost of sales	70,104	101,808	287,022	180,442	76,051	197,038	134,524	-	1,046,989	163,343	(187,113)	1,023,219
Depreciation included in Cost of sales	(16,708)	(19,518)	(57,520)	(63,121)	(12,760)	(55,837)	(30,202)	-	(255,666)	-	-	(255,666)
Write-down of non-metal inventory to net realisable value	(106)	-	109	(619)	(375)	(966)	(2,112)	-	(4,069)	-	-	(4,069)
Rehabilitation expenses	648	(752)	37	(1,202)	(298)	(429)	(105)	-	(2,101)	-	-	(2,101)
General, administrative and selling expenses, excluding depreciation, amortization and share based compensation	6,416	10,531	10,753	9,095	4,260	7,838	11,704	1,973	62,570	74,084	(12,563)	124,091
General, administrative and selling expenses	15,915	16,492	20,322	14,299	5,951	14,785	17,793	2,199	107,756	80,789	(57,252)	131,293
Intercompany management services	(8,766)	(5,452)	(8,685)	(5,074)	(1,458)	(6,839)	(5,552)		(41,826)	(2,863)	44,689	-
Depreciation included in SGA	(733)	(509)	(884)	(130)	(233)	(108)	(537)	(226)	(3,360)	(1,455)	-	(4,815)
Share based compensation	-	-	-	-	-	-	-	-	-	(2,387)	-	(2,387)
Other operating expenses excluding additional tax charges	4,165	6,015	15,990	10,371	8,972	21,526	3,919	852	71,810	37,220	3,362	112,392
Other operating expenses	4,537	6,015	28,580	12,721	11,871	21,526	5,217	852	91,319	37,220	3,362	131,901
Additional mining taxes and VAT exposures, penalties and accrued interest	(372)	-	(12,590)	(2,350)	(2,899)	-	(1,298)	-	(19,509)	-	-	(19,509)
Share of loss of associates and joint ventures									-	(7,139)	-	(7,139)
Adjusted EBITDA	141,498	60,241	229,600	142,132	44,524	133,270	27,514	(2,825)	775,954	(43,060)	(47,508)	685,386
Depreciation expense	17,441	20,027	58,404	63,251	12,993	55,945	30,739	226	259,026	1,455	-	260,481
Rehabilitation expenses	(648)	752	(37)	1,202	298	429	105	-	2,101	-	-	2,101
Write-down of non-metal inventory to net realisable value	106	-	(109)	619	375	966	2,112	-	4,069	-	-	4,069
Reversal/(write-down) of metal inventory to net realisable value	5	(4,982)	(548)	(34,287)	5,845	-	(5,207)	-	(39,174)	-	-	(39,174)
Share-based compensation	-	-	-	-	-	-	-	-	-	2,387	-	2,387
Additional mining taxes and VAT exposures, penalties and accrued interest	372	-	12,590	2,350	2,899	-	1,298	-	19,509	-	-	19,509
Operating profit / (loss)	124,222	44,444	159,300	108,997	22,114	75,930	(1,533)	(3,051)	530,423	(46,902)	(47,508)	436,013
Foreign exchange loss												(559,266)
Loss on disposal of subsidiaries												-
Change in fair value of contingent consideration												22,788
Finance income												3,216
Finance costs												(40,626)
Loss before tax												(137,875)
Income tax expense												(71,965)
Loss for the financial period												(209,840)
Current metal inventories	35,937	26,714	54,853	79,007	24,776	39,953	43,419	-	304,659	112	(3,970)	300,801
Current non-metal inventories	4,501	33,230	26,621	30,387	16,109	22,445	28,819	975	163,087	15,055	(10,212)	167,930
Non-current segment assets:									-			-
Property, plant and equipment, net	65,362	55,459	218,414	95,106	124,093	311,005	178,142	862,649	1,910,230	132,954	(22,260)	2,020,924
Goodwill			5,164				12,806		17,970			17,970
Non-current inventory	1,394	23,380	6,364	52,263	18,678	6,846	6,555	-	115,480	-	(1,253)	114,227
Investments in associates									-	2,107		2,107
Total segment assets	107,194	138,783	311,416	256,763	183,656	380,249	269,741	863,624	2,511,426	150,228	(37,695)	2,623,959
Additions to non-current assets:												
Property, plant and equipment	17,695	34,814	32,943	20,623	21,498	43,698	18,606	3,641	193,518	30,184		223,702
Acquired in business combinations and acquisition of group of assets	20,912							859,744	880,656	4,307		884,963

3. REVENUE

Revenue analysed by geographical regions of customers is presented below:

	Six months ended		Year ended
	30 June 2015	30 June 2014	31 December 2014
	US$'000	US$'000	US$'000
Sales within the Russian Federation	501,633	518,793	1,165,729
Sales to Kazakhstan	112,551	99,309	169,242
Sales to Japan	27,520	30,658	51,864
Sales to Europe	4,461	215	9,716
Sales to South Korea	1,750	73,896	158,625
Sales to China	-	2,920	133,497
Total metal sales	**647,915**	**725,791**	**1,688,673**
Other sales	100	1,077	1,718
Total	**648,015**	**726,868**	**1,690,391**

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

	Six months ended 30 June 2015 (unaudited)				Six months ended 30 June 2014 (unaudited)			
	Thousand ounces/ tonnes shipped	Thousand ounces/ tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US$'000	Thousand ounces/ tonnes shipped	Thousand ounces/ tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US$'000
Gold (thousand ounces)	354	354	1,207	426,592	352	352	1,297	456,588
Silver (thousand ounces)	14,157	13,993	15.7	219,636	14,030	13,919	19.1	266,189
Copper (tonnes)	427	398	4,234	1,687	321	300	10,047	3,014
Total				**647,915**				**725,791**

	Year ended 31 December 2014			
	Thousand ounces/ tonnes (unaudited) shipped	Thousand ounces/ tonnes (unaudited) payable	Average price (US Dollar per troy ounce/tonne payable) (unaudited)	US$'000
Gold (thousand ounces)	958	943	1,231	1,160,984
Silver (thousand ounces)	29,661	29,342	17.7	520,469
Copper (tonnes)	1,093	1,029	7,015	7,220
Total				**1,688,673**

4. COST OF SALES

	Six months ended 30 June 2015 US$'000	Six months ended 30 June 2014 US$'000	Year ended 31 December 2014 US$'000
Cash operating costs			
On-mine costs (Note 5)	144,031	216,512	391,256
Smelting costs (Note 6)	132,819	183,051	363,382
Purchase of ore from third parties	-	816	1,506
Mining tax	51,659	55,637	110,064
Total cash operating costs	**328,509**	**456,016**	**866,208**
Depreciation and depletion of operating assets (Note 7)	85,450	154,585	291,940
Rehabilitation expenses	(90)	3,829	2,714
Total costs of production	**413,869**	**614,430**	**1,160,862**
Increase in metal inventories	(79,683)	(190,427)	(142,082)
Write-down of non-metal inventories to net realisable value (Note 17)	274	5,464	4,069
Cost of other sales	311	399	370
Total	**334,771**	**429,866**	**1,023,219**

5. ON-MINE COSTS

	Six months ended 30 June 2015 US$'000	Six months ended 30 June 2014 US$'000	Year ended 31 December 2014 US$'000
Services	65,307	105,422	184,364
Labour	43,285	54,888	103,704
Consumables and spare parts	34,318	55,392	101,252
Other expenses	554	484	921
Taxes, other than income tax	567	326	1,015
Total (Note 4)	**144,031**	**216,512**	**391,256**

6. SMELTING COSTS

	Six months ended 30 June 2015 US$'000	Six months ended 30 June 2014 US$'000	Year ended 31 December 2014 US$'000
Consumables and spare parts	59,942	84,842	156,904
Services	43,901	61,028	138,609
Labour	27,838	35,788	65,177
Taxes, other than income tax	362	449	675
Other expenses	776	944	2,017
Total (Note 4)	**132,819**	**183,051**	**363,382**

7. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Six months ended 30 June 2015 US$'000	Six months ended 30 June 2014 US$'000	Year ended 31 December 2014 US$'000
On-mine	57,419	106,565	205,856
Smelting	28,031	48,020	86,084
Total (Note 4)	**85,450**	**154,585**	**291,940**

Depreciation of operating assets excludes depreciation relating to non-operating assets (included in general, administrative and selling expenses) and depreciation related to assets employed in development projects where the charge is capitalised. Depreciation expense, which is excluded in the Group's calculation of Adjusted EBITDA (see Note 2), also excludes amounts absorbed into unsold metal inventory balances.

8. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	Six months ended		Year ended
	30 June 2015	30 June 2014	31 December 2014
	US$'000	US$'000	US$'000
Labour	49,145	49,326	93,168
Share based compensation	1,492	741	2,387
Services	6,033	6,759	16,664
Depreciation	2,163	2,240	4,815
Other	7,311	6,235	14,259
Total	**66,144**	**65,301**	**131,293**

9. OTHER OPERATING EXPENSES, NET

	Six months ended		Year ended
	30 June 2015	30 June 2014	31 December 2014
	US$'000	US$'000	US$'000
Taxes, other than income tax	6,265	14,524	22,191
Additional mining taxes and VAT explosures, penalties and accrued interest, net	(3,247)	10,301	19,509
Exploration expenses	5,845	5,867	50,525
Social payments	3,999	3,901	9,247
Housing and communal services	2,050	3,403	7,191
Loss on disposal of property, plant and equipment	754	2,540	4,473
Business acquisition related costs	-	-	4,039
Bad debt allowance	1,954	(64)	(213)
Change in estimate of environmental obligations	(193)	-	(723)
Other expenses	2,894	10,085	15,662
Total	**20,321**	**50,557**	**131,901**

Additional mining tax and VAT exposures and the related penalties and accrued interest, as well as penalties and accrued interest in respect of the income tax exposures, are recognised within other operating expenses. The total provision in respect of these exposures as of 30 June 2015 is US$ 35.1 million (31 December 2014: US$ 36.1 million).

During the six months ended 30 June 2015 the Group has released several mining tax provisions at Magadan Silver following the completion of the tax audits.

In respect of the year ended 31 December 2014 the Group identified and provided for additional mining tax exposures amounting to US$ 2.4 million at Omolon, US$ 1.3 million at Mayskoye, US$ 0.4 million at Voro and various Varvara tax exposures of US$ 2.9 million. The Group also accrued interest related to Magadan Silver tax exposures previously identified of US$ 4.1 million, and mining tax exposure for 2013 amounting to US$ 2.4 million. During the year ended 31 December 2014 the Group also identified a VAT exposure of US$ 2.4 million (including penalties and interest) and income tax penalties and interest of US$ 3.6 million at Magadan Silver, which were provided for.

Exploration expenses include write-downs of US$ 2.5 million (six months ended 30 June 2014: US$ 0.4 million; year ended 31 December 2014: US$ 35.6 million) recognised within Exploration and Development assets (Note 15). Operating cash outflow from exploration activities amounts to US$ 3.3 million (six months ended 30 June 2014: US$ 4.5 million; year ended 31 December 2014: US$ 15.8 million).

10. EMPLOYEE COSTS

	Six months ended		Year ended
	30 June 2015	30 June 2014	31 December 2014
	US$'000	US$'000	US$'000
Wages and salaries	106,795	127,313	245,494
Social security costs	29,216	36,349	59,321
Share-based compensation	1,492	741	2,387
Total payroll costs	**137,503**	**164,403**	**307,202**
Reconcilation:			
Less: employee costs capitalised	(13,478)	(21,038)	(36,954)
Less: employee costs absorbed into unsold metal inventory balances	(14,650)	(27,356)	(18,079)
Employee costs included in operating costs	**109,375**	**116,009**	**252,169**

The weighted average number of employees during the period ended 30 June 2015 was:

	Six months ended		Year ended
	30 June 2015	30 June 2014	31 December 2014
Voro	940	938	936
Okhotsk operations	828	1,052	1,049
Dukat	1,852	1,855	1,836
Omolon	739	810	805
Varvara	782	734	727
Amursk-Albazino	1,277	1,169	1,194
Mayskoye	812	899	870
Kyzyl	399	-	110
Corporate and other	1,579	1,311	1,326
Total	**9,208**	**8,768**	**8,853**

11. FINANCE COSTS

	Six months ended		Year ended
	30 June 2015	30 June 2014	31 December 2014
	US$'000	US$'000	US$'000
Interest expense on borrowings	26,267	13,897	33,793
Unwinding discount on repurchase obligation	15,558	-	2,551
Unwinding of discount on enviromental obligations	3,126	2,312	4,282
Total	**44,951**	**16,209**	**40,626**

Interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US$ 2.2 million, US$ 2.4 million and US$ 5.1 million during the six months ended 30 June 2015, the six months ended 30 June 2014, and the year ended 31 December 2014, respectively. These amounts were calculated based on the Group's general borrowing pool and by applying an effective interests rate of 4.11% (annualised), 2.77% (annualised) and 3.5%, respectively, to cumulative expenditure on such assets.

The repurchase obligation relates to the put option issued to the seller of Altynalmas Gold Ltd (AAG), giving it a right during a specified period to require Polymetal International plc to acquire or procure acquirers for the 31,347,078 of consideration shares issued by Polymetal International plc at a price of US$ 9.57027 per share (Note 19).

12. INCOME TAX

Tax for the six months ended 30 June 2015 is charged 38% (six months ended 30 June 2014: 29%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

The increase in the estimated income tax rate is attributable to the entities, located in Kazakhstan and other foreign jurisdictions, where due to non-allowable expenses the entities have taxable income despite accounting loss in accordance with IFRS. Non-allowable expenses during the period ended 30 June 2015 amount to US$ 19.3 million (30 June 2014: US$ 6.6 million, 31 December 2014: US$ 15.2 million).

	Six months ended		Year ended
	30 June 2015	**30 June 2014**	**31 December 2014**
	US$'000	**US$'000**	**US$'000**
Current income taxes	48,632	35,867	79,003
Excess profit taxes payable in Kazakhstan	-	641	-
Deferred income taxes	11,006	4,614	(7,038)
	59,638	**41,122**	**71,965**

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 compensation, social related expenditures and other non-production costs, certain general and administrative expenses, financing expenses, foreign exchange related and other costs.

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

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Weighted average number of shares: Diluted earnings/ loss per share

Both basic and diluted earnings/loss per share were calculated by dividing profit/ loss for the period attributable to equity holders of the parent by the weighted average number of outstanding common shares before/after dilution respectively. The calculation of the weighted average number of outstanding common shares after dilution is as follows:

	Six months ended		Year ended
	30 June 2015	**30 June 2014**	**31 December 2014**
Weighted average number of outstanding common shares	422,031,603	389,472,865	399,606,989
Dilutive effect of share appreciation plan	122,993	62,017	83,149
Weighted average number of outstanding common shares after dilution	**422,154,596**	**389,534,882**	**399,690,138**

There were no adjustments required to earnings for the purposes of calculating dilutive earnings per share in the current interim period (2014: nil).

The outstanding LTIP awards at 30 June 2015 represent non-dilutive potential ordinary shares with respect to earnings per share for continuing operations because they are currently out of money.

The awards issued under management bonus deferral award plan are dilutive as of 30 June 2015 being contingently issued shares and are included in the calculation of diluted earnings per share 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.

14. DIVIDENDS

Dividends recognised during the period ended 30 June 2015 are detailed in the below:

	Six months ended 30 June 2015		Six months ended 30 June 2014		Year ended 31 December 2014	
	cents per share	US$'000	cents per share	US$'000	cents per share	US$'000
Dividends proposed in relation to the period						
Final dividend proposed	-	-	-	-	13	54,994
Interim dividend proposed	8	33,843	8	33,665	8	33,665
Special dividend proposed	-	-	-	-	20	84,164
		33,843		**33,665**		**172,823**
Dividend approved and deducted from equity during the period						
Final dividend	13	54,994	8	31,158	8	31,158
Interim dividend	-	-	-	-	8	33,665
Special dividend	-	-	-	-	20	84,164
		54,994		**31,158**		**148,987**
Dividends paid during the period						
Final dividend paid	13	54,994	8	31,158	8	31,158
Interim dividend paid	-	-	-	-	8	33,665
Special dividend paid	20	84,164	-	-	-	-
		139,158		**31,158**		**64,824**

15. PROPERTY, PLANT AND EQUIPMENT

	Exploration and development assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Cost					
Balance at 31 December 2014	**1,075,876**	**1,564,325**	**58,467**	**78,792**	**2,777,460**
Additions	31,074	38,248	3,421	24,747	97,490
Transfers	(40,733)	56,967	570	(16,804)	-
Change in decommissioning liabilities	-	2,770	-	-	2,770
Disposals and write-offs	(2,449)	(18,394)	(1,013)	(447)	(22,303)
Write-off of fully depleted mines	-	(132,432)	-	-	(132,432)
Translation to presentation currency	(15,215)	13,239	(152)	(1,882)	(4,010)
Balance at 30 June 2015	**1,048,553**	**1,524,723**	**61,293**	**84,406**	**2,718,975**
Accumulated depreciation and impairment	**Exploration and development assets**	**Mining assets**	**Non-mining assets**	**Capital construction in-progress**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Balance at 31 December 2014	**(810)**	**(735,371)**	**(20,216)**	**(139)**	**(756,536)**
Charge for the period	-	(94,337)	(2,635)	-	(96,972)
Disposals and write-offs	114	14,317	531	-	14,962
Trasfers	144	351	(539)	44	-
Write-off of fully depleted mines		132,432	-	-	132,432
Translation to presentation currency	-	(3,572)	(821)	4	(4,389)
Balance at 30 June 2015	**(552)**	**(686,180)**	**(23,680)**	**(91)**	**(710,503)**
Net book value					
Balance at 31 December 2014	**1,075,066**	**828,954**	**38,251**	**78,653**	**2,020,924**
Balance at 30 June 2015	**1,048,001**	**838,543**	**37,613**	**84,315**	**2,008,472**

Mining assets at 30 June 2015 included mineral rights with net book value of US$ 1,021 million (31 December 2014: US$ 1,033 million) and capitalised stripping costs with net book value of US$ 48.6 million (31 December 2014: US$ 54.9 million). Mineral rights of the Group comprise assets acquired upon acquisition of subsidiaries and asset acquisitions.

No property, plant and equipment were pledged as collateral at 30 June 2015 and 31 December 2014.

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in associates as at 30 June 2015, 30 June 2014 and 31 December 2014 consisted of the following:

	30 June 2015		31 December 2014		30 June 2014	
	Voting power %	Carrying Value US$'000	Voting power %	Carrying Value US$'000	Voting power %	Carrying Value US$'000
Associates and joint ventures						
JSC Ural-Polymetal	NA	-	NA	-	49.9	-
LV Gold Mining CJSC	25%	3,328	NA	-	NA	-
Aktogai Mys LLC	25%	2,383	NA	-	NA	-
Polygon Gold	42.65	2,411	42.65	2,107	42.65	14,839
Total		**8,122**		**2,107**		**14,839**

During the six months ended 30 June 2015 the Group has acquired interests in the following joint ventures.

LV Gold Mining CJSC

In April 2015 the Group purchased a 25% stake in the company owning the Lichkvaz exploration licence in Armenia (including related shareholder loans). The consideration comprised 429,260 shares equal to US$ 3.6 million. Polymetal has also entered into an "earn-in" agreement for financing of exploration, technical research and a JORC feasibility study in exchange for a right to increase its share in the project up to 50% after the completion of these tasks. The arrangements constitute a joint venture and the investment is accounted for using the equity method.

Aktogai Mys LLC

In June 2015 the Group signed the agreement to purchase 25% stake in the company owning the Dolinnoye exploration licence in Kazakhstan (including related shareholder loans). Polymetal has also entered into an "earn-in" agreement for financing of exploration and technical research and may increase its share in the project up to 50% after the completion of these tasks. The consideration comprises US$ 2.4 million payable for shares and US$ 2.7 million payable for shareholders loan and related interest, which were paid in June 2015. The arrangements constitute a joint venture and the investment is accounted for using the equity method. As of 30 June 2015 the deal closing is conditional upon receipt of the required regulatory approvals.

17. INVENTORIES

	30 June 2015	31 December 2014	30 June 2014
	US$'000	US$'000	US$'000
Inventories expected to be recovered after twelve months			
Consumables and spare parts	32,861	34,706	41,359
Ore stock piles	95,914	79,521	16,611
Total non-current inventories	**128,775**	**114,227**	**57,970**
Inventories expected to be recovered in the next twelve months			
Ore stock piles	120,663	127,245	234,315
Copper, gold and silver concentrate	145,636	100,699	229,999
Work in-process	51,544	50,762	80,963
Metal for refining	19,754	10,357	28,243
Dore	17,915	11,738	33,367
Total metal inventories	**355,512**	**300,801**	**606,887**
Consumables and spare parts	169,254	167,930	264,200
Total	**524,766**	**468,731**	**871,087**

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

During the six months ended 30 June 2015, the Group recognised the following write-downs to net realisable value of its metal inventories, mainly due to low content of the precious metal in the ore stock piles:

	Six months ended 30 June 2015				Six months ended 30 June 2014	Year ended 31 December 2014
	Okhotsk operations	Omolon	Varvara	Total operating segments	Total operating segments	Total operating segments
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Ore stock piles	(1,777)	(3,833)	(11,516)	(17,126)	(2,688)	28,857
Ore in heap leach piles	-	(2,378)	-	(2,378)	-	3,326
Work in-process	-	-	-	-	-	260
Metal for refinery	-	-	-	-	-	1,418
Copper, gold and silver concentrate	-	-	-	-	5,312	5,313
Total	**(1,777)**	**(6,211)**	**(11,516)**	**(19,504)**	**2,624**	**39,174**

During the six month period ended 30 June 2015 the Group also recognised a write down of consumables and spare parts inventory of US$ 0.3 million (six months ended 30 June 2014: US$ 5.5 million; year ended 31 December 2014: US$ 4.1 million).

The amount of inventories held at net realisable value at 30 June 2015 was US$ 29.4 million (31 December 2014: US$ 32.4 million; 30 June 2014: US$ 149.9 million).

18. BORROWINGS

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

	Actual interest rate at				30 June 2015			31 December 2014			30 June 2014		
	Type of rate	30 June 2015	31 Dec 2014	30 June 2014	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
					US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Secured loans from third parties													
U.S. Dollar denominated	floating	3.67%	2.84%	2.66%	281,310	310,617	591,927	166,026	371,474	537,500	122,500	452,500	575,000
Total					**281,310**	**310,617**	**591,927**	**166,026**	**371,474**	**537,500**	**122,500**	**452,500**	**575,000**
Unsecured Loans from third parties													
U.S. Dollar denominated	floating	3.06%	3.03%	3.01%	23,692	417,769	441,461	23,692	429,615	453,307	26,077	441,462	467,539
U.S. Dollar denominated	fixed	6.90%	6.60%	4.33%	319,076	30,069	349,145	319,093	12,735	331,828	574	11,443	12,017
Total					**342,768**	**447,838**	**790,606**	**342,785**	**442,350**	**785,135**	**26,651**	**452,905**	**479,556**
					624,078	**758,455**	**1,382,533**	**508,811**	**813,824**	**1,322,635**	**149,151**	**905,405**	**1,054,556**

In the period ended 30 June 2015, the Group has drawn down a total of US$ 174 million and repaid US$ 114 million, with a net drawdown of US$ 60 million, out of which US$ 115 million related to new long term facilities, payable starting from second quarter 2017 and second quarter 2018.

The estimated fair value of the Group's long-term debt, calculated using the market rate available to the Group as at 30 June 2015, is US$ 702.8 million, and the carrying value as at 30 June 2015 is US$ 758.5 million.

	30 June 2015
	000'$
30 June 2016	624,078
31 December 2016	134,231
31 December 2017	131,999
31 December 2018	459,721
31 December 2019	25,826
31 December 2020	6,678
Total	**1,382,533**

19. SHARE REPURCHASE OBLIGATION

On 4 September 2014 the Group acquired 100 per cent of the share capital of Altynalmas Gold Ltd (AAG), the holding company for the Kyzyl gold project in Kazakhstan. The initial consideration for this acquisition comprised US$ 318.5 million in cash and 31,347,078 new ordinary shares of Polymetal International plc issued to Sumeru Gold B.V.

Sumeru Gold B.V. is entitled to a put option giving it a right to require Polymetal to acquire or procure acquirers for the consideration shares by notice to Polymetal during the one month period immediately following the first anniversary of completion at a price per consideration share equal to US$ 9.57027. On completion Polymetal recognised the repurchase obligation at the net present value of maximum repayment of US$ 300 million, with a corresponding decrease in equity. The put option has an exercise period from 4 September to 4 October 2015. When the option lapses or is exercised, both the liability and the corresponding balance in equity will be derecognised. After any cash payments to the vendor are taken into account, the balancing figure goes through retained earnings.

The repurchase obligation is held at amortised cost and amounts to US$ 291.4 million as of 30 June 2015 with the unwinding of the discount of US$ 15.6 million for the six months ended 30 June 2015 (year ended 31 December 2014: US$ 2.5 million) recognised within finance costs (Note 11).

20. COMMITMENTS AND CONTINGENCIES

Operating Environment

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

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2014. Management is unable to reliably estimate the effects of any further price fluctuations on the Company's financial position.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. International credit agencies downgraded Russia's long-term foreign currency sovereign rating with a negative outlook. In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in higher interest rates on domestic borrowings. The exchange rate of the Russian Rouble depreciated significantly. These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, further weakening of the Russian Rouble and other negative economic consequences.

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.

In addition to the various tax exposures that were provided for and are discussed in Notes 9 and 12, management has identified a total possible exposure (covering taxes and related interest and penalties) of approximately US$ 20.9 million in respect of contingent liabilities (31 December 2014: US$ 17.2 million; 30 June 2014: US$ 18.3 million) which relate to possibly incorrect calculation of technical loss exempt from mining tax and other tax exposures.

Commitments and contingencies related to Kyzyl

On the 4 September 2014 the Group acquired 100 per cent of share capital of Altynalmas Gold Ltd (AAG), the holding company for the Kyzyl gold project in Kazakhstan. AAG subsidiaries located in Kazakhstan have certain social and other obligations which were recognised as liabilities in the purchase price allocation if they could be measured reliably.

The Subsoil Use Contracts contain minimum work obligations for both Bakyrchik and Bolshevik projects. Non-compliance with these programs may, in certain circumstances, lead to the revocation of the Subsoil Use Contracts.

21. STATED CAPITAL ACCOUNT AND RETAINED EARNINGS

At 30 June 2015, the Company's issued share capital consisted of 423,031,984 ordinary shares of no par value, each carrying one vote (31 December 2014: 420,819,943 ordinary shares).

The movements in stated capital account during six months ended 30 June 2015 were as follows:

	Stated capital account, no. of shares	Stated capital account, US$'000
Balance at 31 December 2014	**420,819,943**	**1,939,084**
Issue of shares to acquire non-controlling interest in Tarutin	1,746,692	12,978
Issue of shares in accordance with Deferred Share Awards plan	36,089	205
Issue of shares for LV Gold Mining CJSC	429,260	3,619
Balance at 30 June 2015	**423,031,984**	**1,955,886**

On 18 March 2015 the Group increased its interest in LLC Vostochny Basis (holder of the licence for the Tarutinskoye copper deposit (Tarutin) from 25% to 50%. The Group has purchased an additional 25% from the unrelated party for consideration of US$ 12.9 million, payable through 1,746,692 newly issued Polymetal International plc shares. The Group has previously determined that LLC Vostochny Basis meets the definition of the subsidiary and it was consolidated from the date of 25% share acquisition. The increase in interest in Tarutin was recognised as an acquisition of the non-controlling interest and recognised within equity. As of 31 December 2014 and during six months ended 30 June 2015 Tarutin does not give rise to a significant non-controlling interest to be presented within equity, income statement and statement of comprehensive income.

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

Reserves available for distribution to shareholders are based on the available cash in the Company under Jersey law. The ability to distribute cash up to the Company from the Russian and Kazakh operating companies will be based on the statutory historical information of each stand-alone entity, which is prepared in accordance with Russian or Kazakh accounting standards and which differs from IFRS. Russian legislation identifies the basis of distribution as accumulated profit. However, current legislation and other statutory regulations dealing with distribution rights are open to legal interpretation; consequently, actual distributable reserves may differ from the amount of accumulated profit under Russian statutory accounting rules.

22. 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. In the course of its business the Group entered into various transactions with equity method investees as presented in tables below.

Bank Otkritie (former Nomos-Bank, an entity in which Alexander Nesis, a significant shareholder of the Company, also held a substantial interest) ceased to meet the definition of a related party from 27 February 2013 due to changes in shareholder structure and composition of its Board of Directors.

	Six months ended		Year ended
	30 June 2015	**30 June 2014**	**31 December 2014**
	US$'000	**US$'000**	**US$'000**
Income from transactions with related parties			
Other income from associates and joint ventures	27	2,281	3,050
Expenses from transactions with related parties			
Interest expense on loans provided by Nomos-Bank	-	174	174

Outstanding balances are presented below:

	30 June 2015	**31 December 2014**	**30 June 2014**
	US$'000	**US$'000**	**US$'000**
Long-term loans provided to associates and joint ventures	5,033	618	885
Total loans provided to related parties	5,033	618	885

Carrying values of other long-term loans provided to related parties as at 30 June 2015, 30 June 2014 and 31 December 2014 approximate their fair values.

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

23. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Six months ended 30 June 2015 US$'000	Six months ended 30 June 2014 US$'000	Year ended 31 December 2014 US$'000
Profit/(loss) before tax		157,661	141,396	(137,875)
Adjustments for:				
Depreciation and depletion, recognised in the condensed income statement		71,504	105,585	260,481
Write-down of exploration assets and construction in progress		2,896	469	38,082
Write-downs/(reversals) of metal inventories to net realisable value	17	19,504	(2,624)	(39,174)
Write-down of non-metal inventories to net realisable value	17	274	5,464	4,069
Additional mining taxes and VAT exposures, penalties and accrued interest	9	(3,247)	10,301	19,509
Share-based compensation		1,492	741	2,387
Finance costs	11	44,951	16,209	40,626
Finance income		(3,549)	(1,318)	(3,216)
Loss on disposal of property, plant and equipment	9	754	2,540	4,473
Rehabilitation expenses		(36)	3,829	2,101
Change in contingent consideration liability		(512)	756	(22,788)
Change in allowance for doubtful debts	9	1,954	(64)	(213)
Profit /(Loss) from equity method investments		(281)	377	7,139
Foreign exchange losses		9,005	26,348	559,266
Change in estimate of environmental obligations		(183)	-	(723)
Other non-cash expenses		2,123	5,375	3,600
Movements in working capital				
Increase in inventories		(62,077)	(117,175)	(58,228)
(Increase)/Decrease in VAT receivable		(4,057)	4,588	(5,593)
Decrease/ (Increase) in trade and other receivables		9,050	(5,603)	(19,779)
Increase in prepayments to suppliers		(13,330)	(11,249)	(13,122)
Increase/ (Decrease) in trade and other payables		1,574	6,969	(2,838)
Decreases in other taxes payable		6,207	4,372	525
Cash generated from operations		**241,677**	**197,286**	**638,709**
Interest paid		(26,824)	(16,173)	(37,880)
Interest received		2,937	1,003	3,317
Income tax paid		(42,770)	(41,183)	(85,990)
Net cash generated by operating activities		**175,020**	**140,933**	**518,156**

Significant non-cash transactions during the six months ended 30 June 2015 are the issuance of shares for noncontrolling interest in Tarutin amounting to US$13 million and issue of shares for stake in LV Gold Mining CJSC amounting to US$ 3.6 million (six months ended 30 June 2014: nil, 31 December 2014: issuance of shares amounting to US$ 275 million in respect of business combination).

Cash flow related to exploration costs capitalised amounts to US$ 25.2 million for six months ended 30 June 2015 and is shown within Property, Plant and equipment acquisition line (six months ended 30 June 2014: US$ 31.8 million; year ended 31 December 2014: US$ 67.4 million).

24. SUBSEQUENT EVENTS

In July 2015 Polymetal purchased a 100% interest in the company holding the licence for the Primorskoye silver-gold property located in the Magadan region of Russia from Decamor Investments Limited. The consideration for the acquisition comprised initial consideration of US$4.1 million payable by issuing 533,301 new Company shares (0.1% of Polymetal's increased ordinary share capital) and deferred conditional cash consideration, with the exact amount to be based on the audited reserves' estimate and equal to of US$ 13,333 per tonne of contained silver equivalent (translating into US$ 0.415 per silver equivalent ounce). As a result of the issuance of consideration shares, Polymetal's share capital will comprise 423,565,285 shares.

Primorskoye does not meet the definition of a business pursuant to IFRS 3 thus it will be accounted for as an acquisition of a group of assets. The Group purchased mineral rights of US$ 11.1 million and other current liabilities of US$ 0.1 million.

In August 2015 the Group has secured a new US$ 170 million 4-year borrowings facility with VTB Bank. The loan will be repaid in equal quarterly instalmets starting from first quarter 2018 to third quarter 2019.