POLYMETAL INTERNATIONAL PLC

1H 2018 Financial Results

21 August 2018

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Kyzyl

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Polymetal today

High-quality operating assets and outstanding growth pipeline

10 operations across **3** countries	**2nd** largest gold producer in Russia	**1** POX facility & **3** development projects	**FTSE 250** with **US$ 4 bn*** market cap

Notes:
*As at market close 15.08.2018

1H 2018 scorecard: Key financial and operating highlights

Polymetal continued to grow its business while delivering solid financial results:

- Gold equivalent production of **619 Koz**, **up 11%** y-o-y fully in line with guidance
- Revenues of US$ **789M**, **up 16%** y-o-y driven mainly by GE sales growth of 9%
- Adjusted EBITDA of US$ **305M, up 19%** and representing 39% EBITDA margin
- Annualised LTM EBITDA of US$ **793M** at 41% EBITDA margin
- US$ **893/oz AISC** down 1% y-o-y and within the revised guidance
- Strong net operating cash flow of US$ **93M** and negative FCF of US$ 63M due to seasonality of production at Mayskoye.
- LTIFR improved by 7% to 0.16

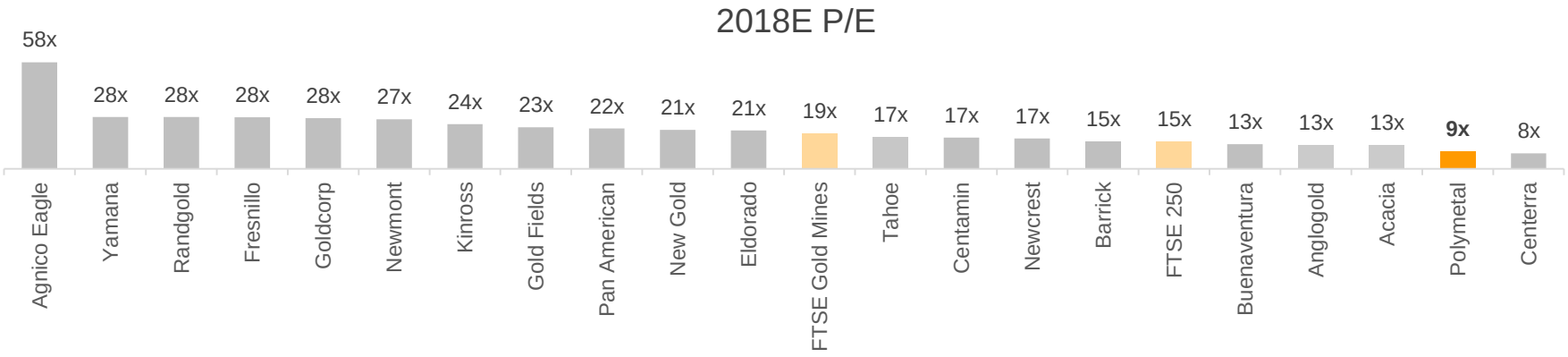
As in prior years, stronger production and a traditional seasonal working capital drawdown should drive stronger free cash flow generation in 2H 2018.

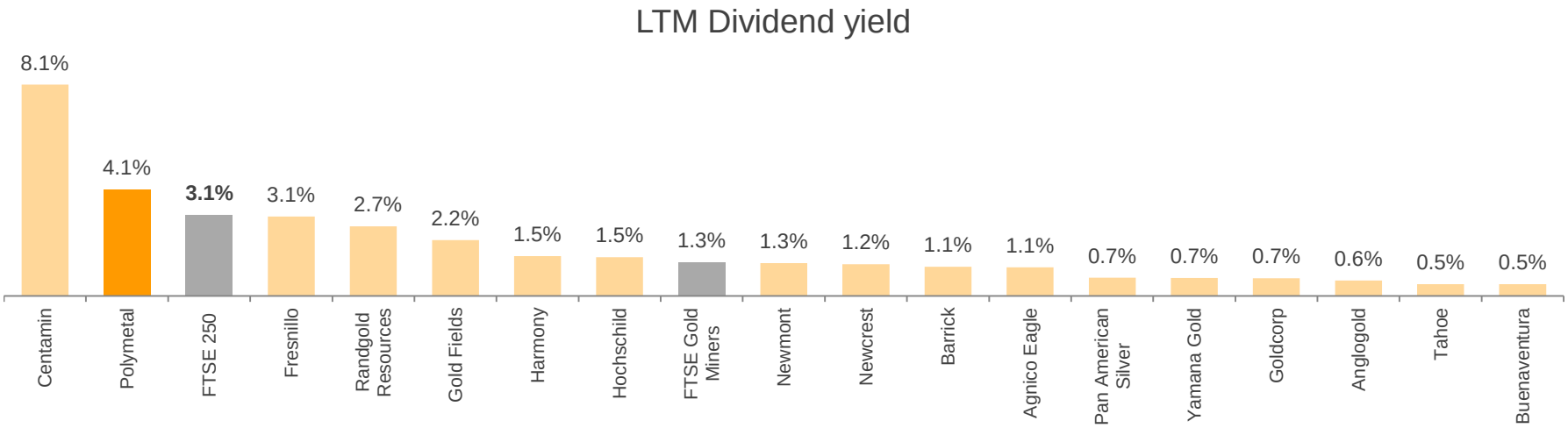
1H 2018 scorecard: Earnings and shareholder returns

Robust earnings and significant stable dividend payments that translates into 4.1% dividend yield for the LTM:

- US$ **0.35** per share underlying EPS **(+34% y-o-y**)
- Regular dividends for 2017 of US$ **0.30** per share **(+67% y-o-y**) were paid in May 2018
- Interim dividend of US$ **0.17** per share **(+21% y-o-y**) to be paid on 28 September 2018
- **12%** ROE

We continue to provide both valuation upside and meaningful current income



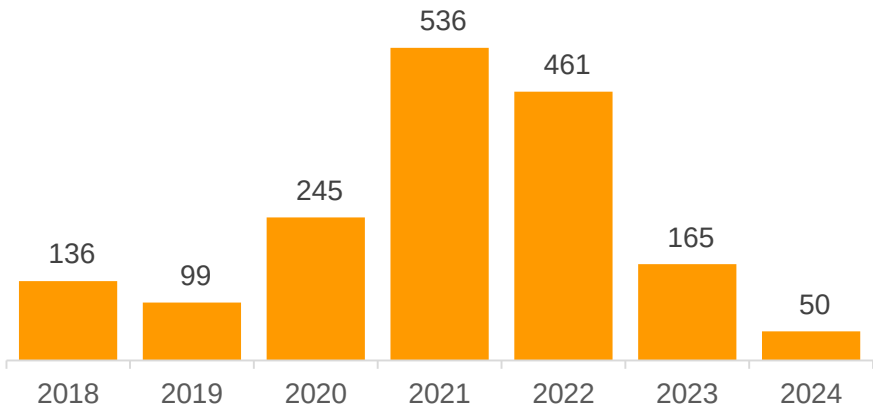


Source: Bloomberg as at market close 14.08.2018.

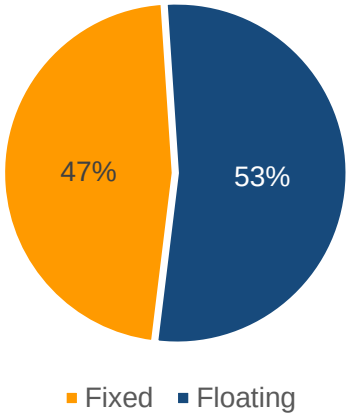
We have ample liquidity and comfortable maturity profile

- Net debt of US$ 1.65 bn as of 1 July (vs US$ 1.42 bn as of 31 Dec) – a seasonal increase during H1. 100% bilateral and denominated in US dollars
- Low cost of debt 4.1%
- Net Debt/ Adjusted EBITDA of 2.08x well below hard ceiling of 3.25x (banks) and 2.5x (regular dividends)
- Robust liquidity profile: US$ 1.2 bn of undrawn credit facilities

Maturity profile, US$M



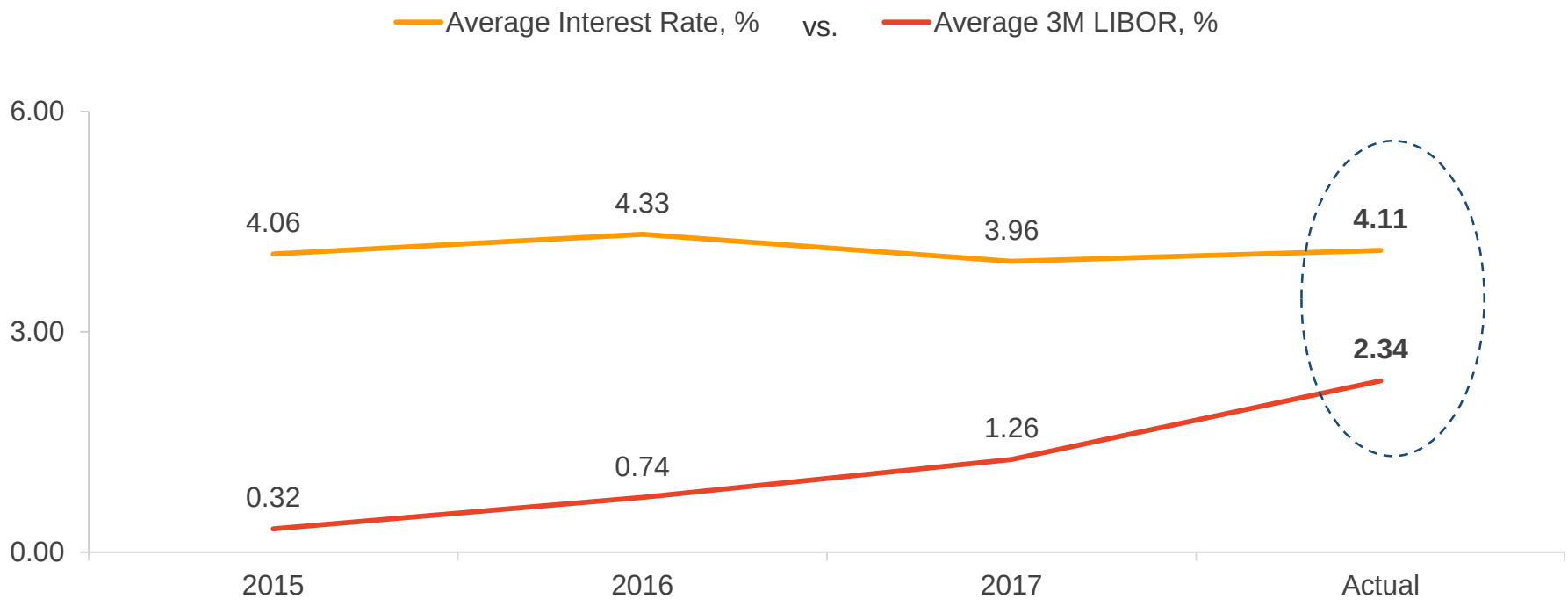
Interest rate breakdown
(long-term loans only)



Notes:
*As at 30.06.2018

We maintain cost of our debt

- We've been able to maintain low cost of debt despite an increasing LIBOR
- Loan portfolio is balanced in terms of interest rate risk, with 47% of portfolio fixed at approx. 4% average interest rate
- No negative impact from sanctions on cost of debt or our ability to attract new financing



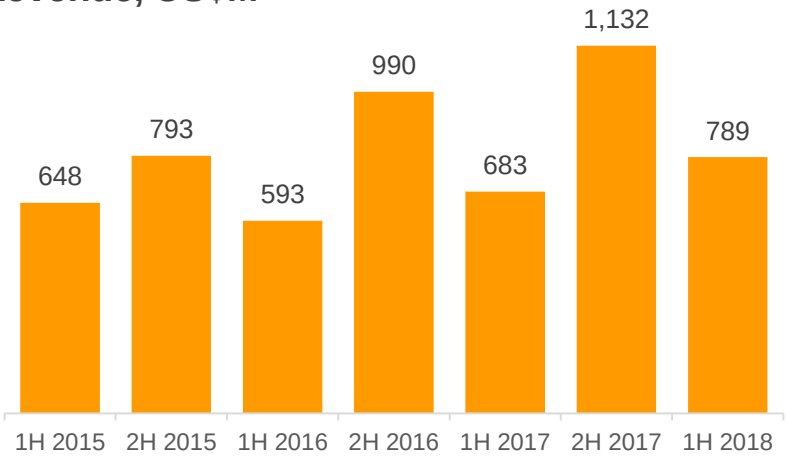
1H 2018 financial highlights

	1H 2018	1H 2017	% Change
Revenue, US$M	789	683	+16%
Adjusted EBITDA, US$M	305	257	+19%
Adjusted EBITDA margin	39%	38%	+1%
Total cash cost, US$/GE oz	683	656	+4%
All-in sustaining cash cost, US$/GE oz	893	906	-1%
Underlying net earnings, US$M	155	117	+32%
Underlying EPS, US$/share	0.35	0.27	+30%
Dividends proposed for the period, US$/share	0.17	0.14	+21%
Net operating cash flow, US$M	93	35	+166%
Capital expenditure, US$M	169	193	-12%
Free cash flow (ex M&A), US$M	(64)	(163)	-61%
Net debt/Adjusted EBITDA	2.08	1.91	+9%
Net debt, US$M	1,652	1,420	+16%

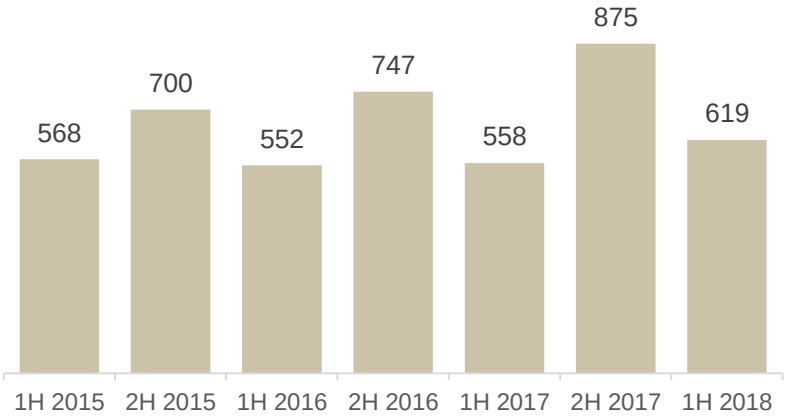
Source: Company data, IFRS accounts

Seasonality of our business

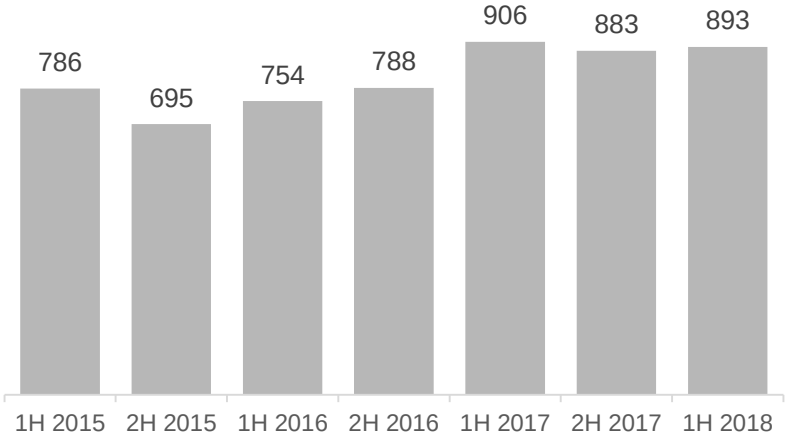
Revenue, US$M



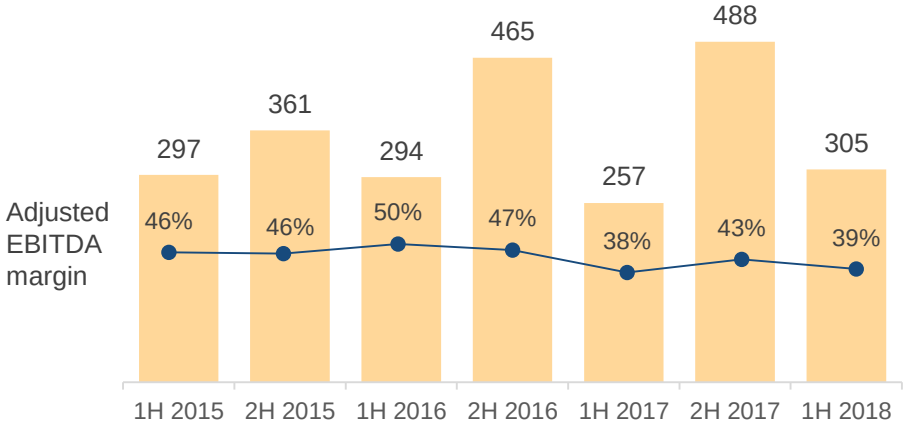
Production, GE Koz



AISC, US$/oz



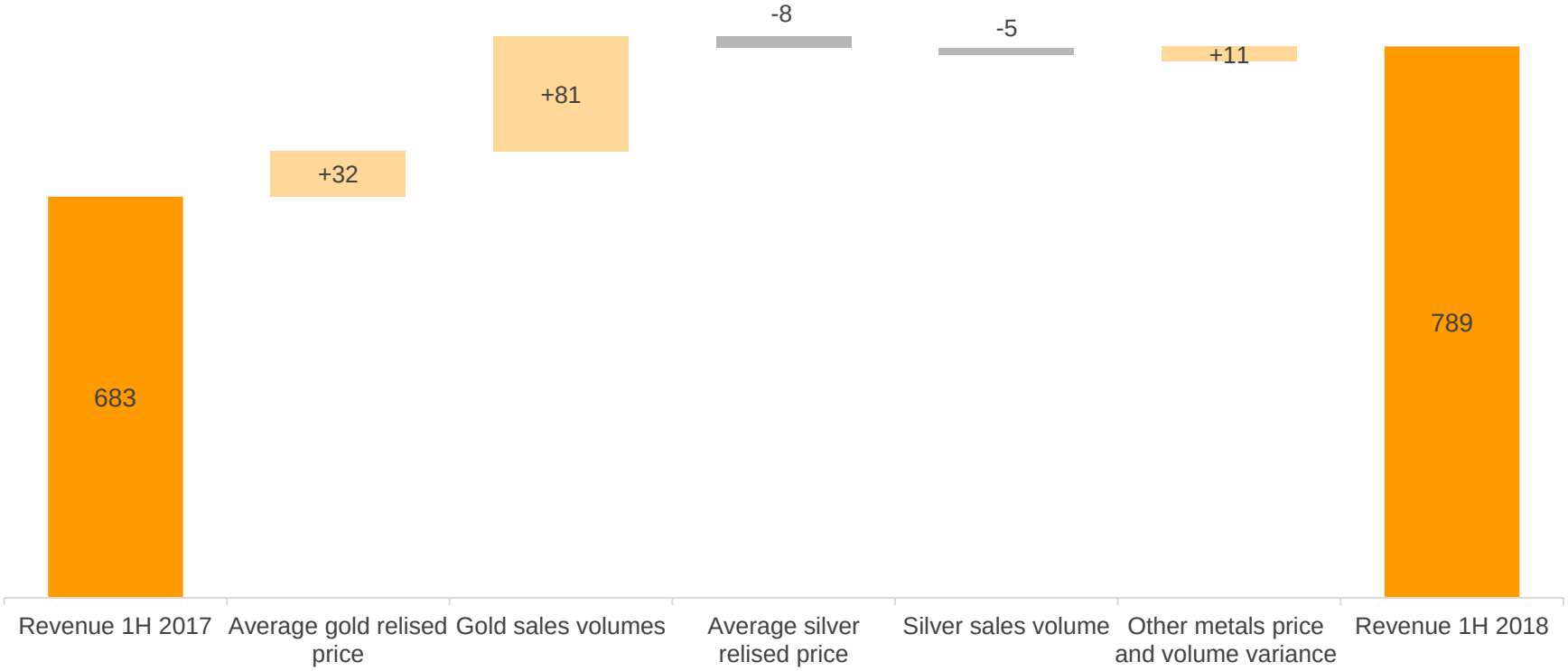
Adjusted EBITDA, US$M



Strong revenues driven by gold price increase and growing sales volumes

- Revenue in 1H 2018 increased by 16% to US$ 789 million year-on-year, primarily driven by gold equivalent production growth of 11%.
- Average realised gold price was up 6%, while silver was down 4%.

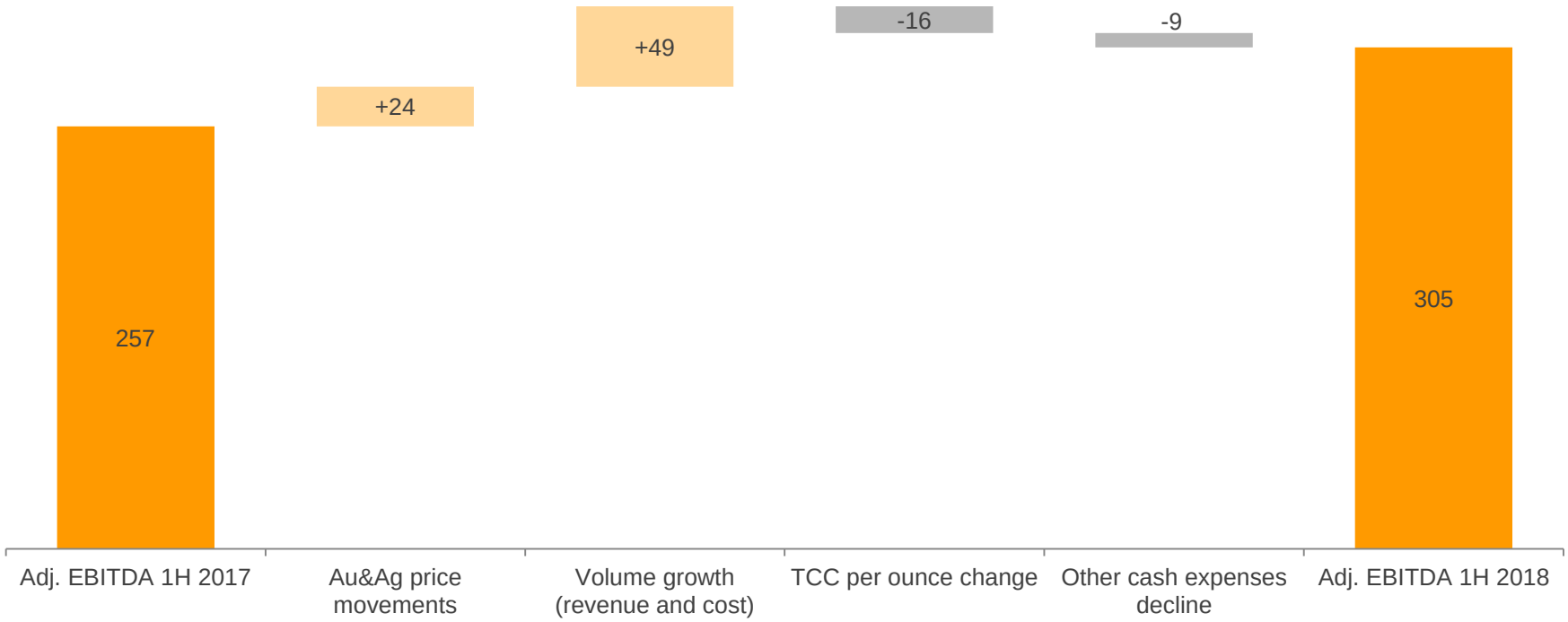
Revenue dynamics, US$M



Adjusted EBITDA up 19%

> The Adjusted EBITDA margin increased by 1% to 39% year-on-year driven by higher production volumes and higher commodity prices.

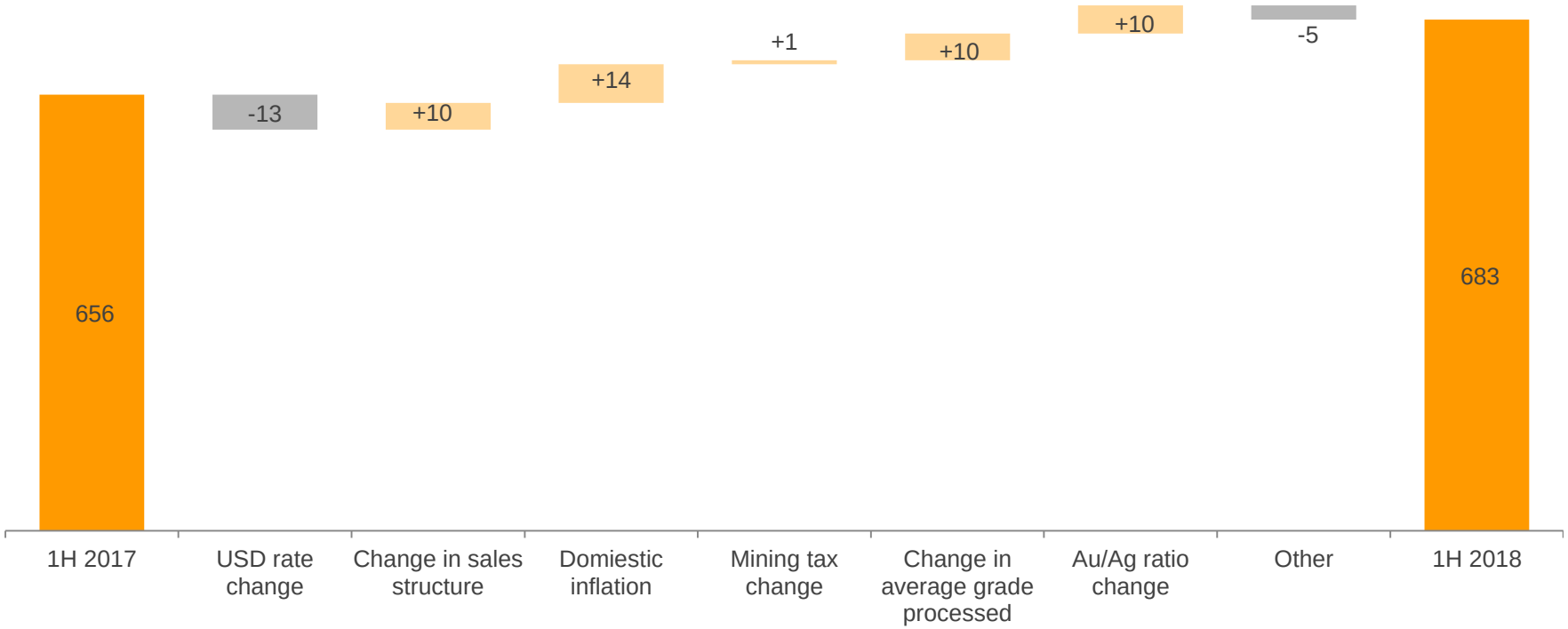
Adj. EBITDA dynamics, US$M



Total cash cost in line with the guidance

- Total cash costs were US$ 683/GE oz in 1H 2018, up 4% y-oy and well within the Company's guidance of US$ 650-700/GE oz.
- Domestic inflation was almost offset by a lower Russian Rouble exchange rate, while the increase was mainly driven by changes in average grade (at Dukat, Voro, Okhotsk, Varvara, Kapan) and changes in sales structure between mines at Omolon and Albazino.
- Svetloye was the lowest cost operation in 1H 2018, with TCC of US$ 368/GE oz, 29% lower y-o-y as it ramped up to full capacity.

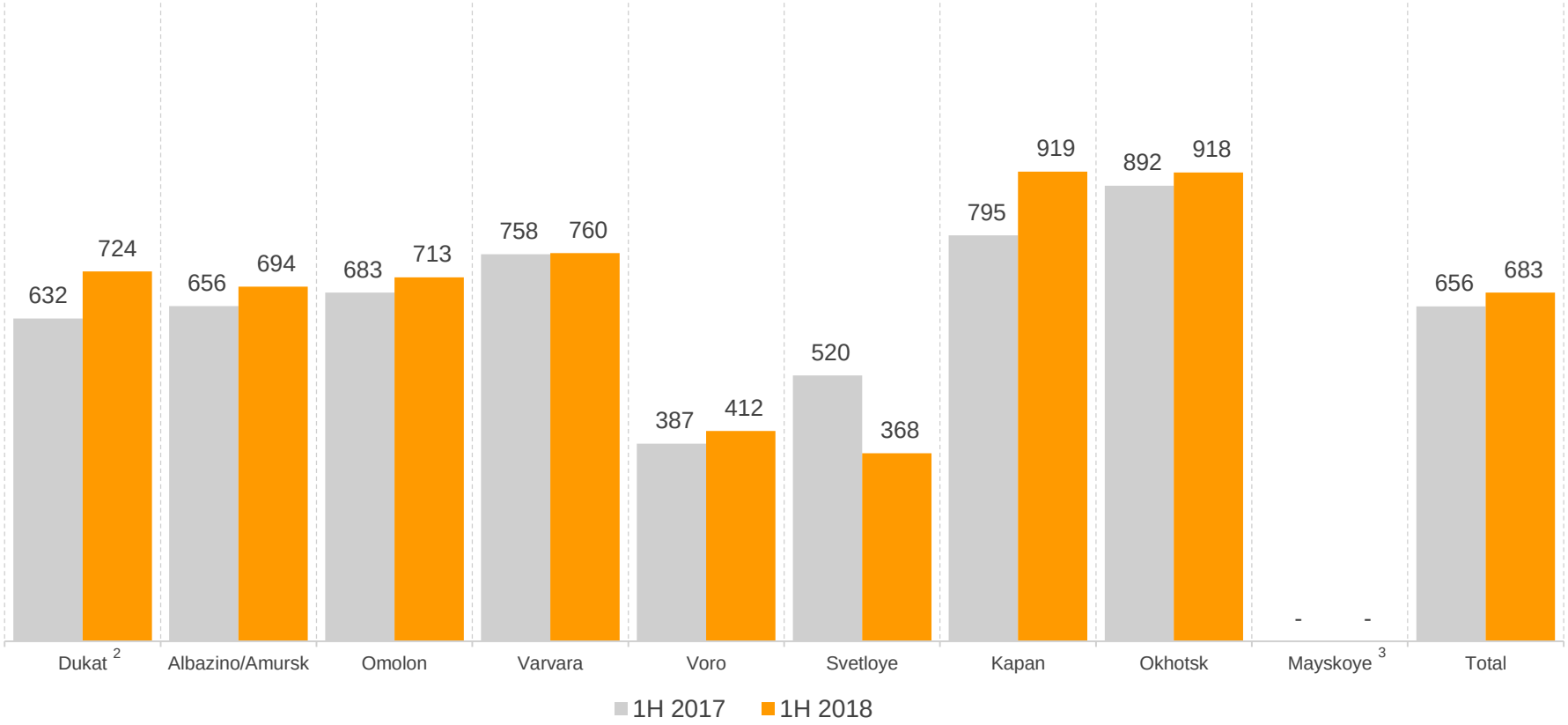
Total cash cost reconciliation, US$/oz



Total cash cost dynamics by mine

Total cash cost, US$/oz of GE[1]

US$ 1,312/oz – average realised gold price in 1H 2018

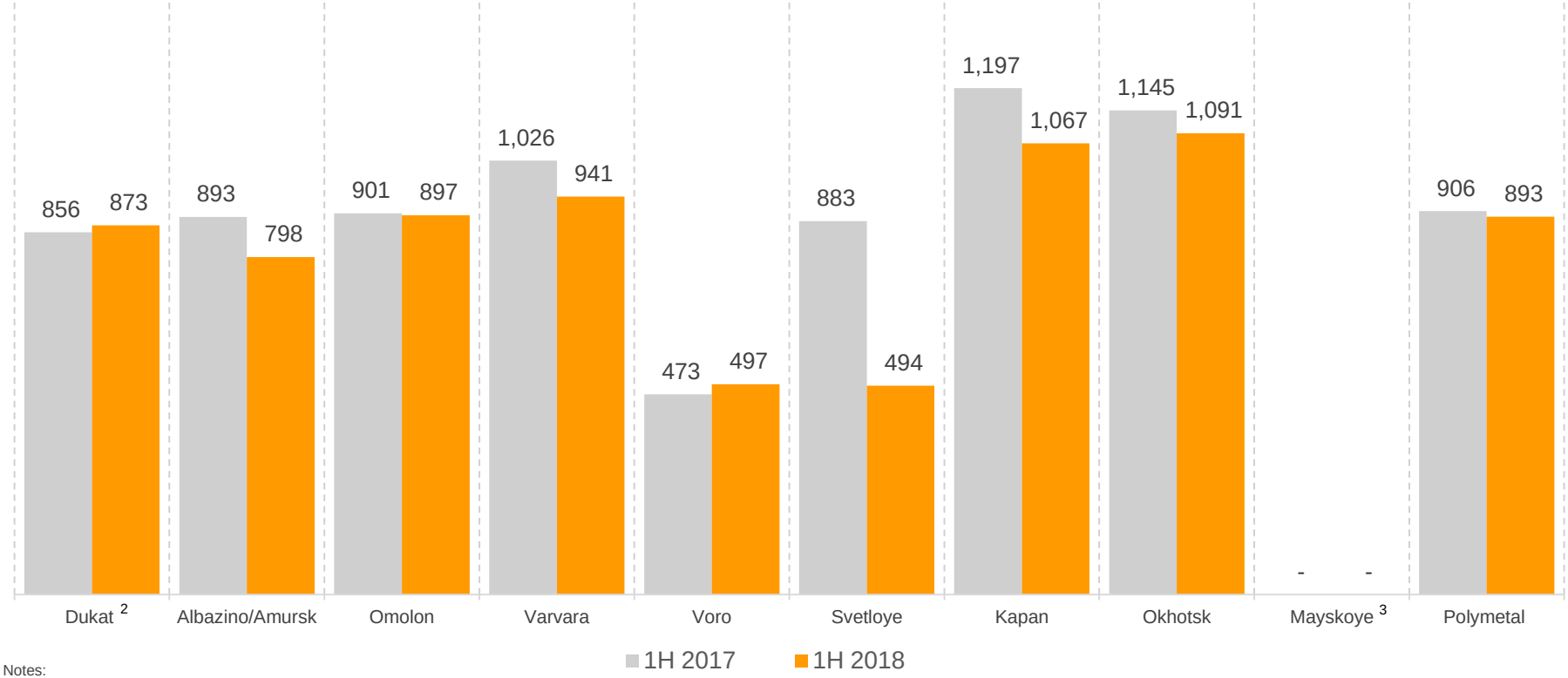


Notes:
1) Co-product total cash cost: cost of sales + on-mine part of SG&A – deprecation and amortization. GE (gold equivalent) based on actual realized gold, silver and copper prices
2) Silver equivalent based on average realised prices.
3) At Mayskoye, there were no sales during 1H 2018 hence the total cash costs for the period are considered unrepresentative of the underlying performance.

AISC dynamics by mine

All-in sustaining cash costs, US$/oz of GE[1]

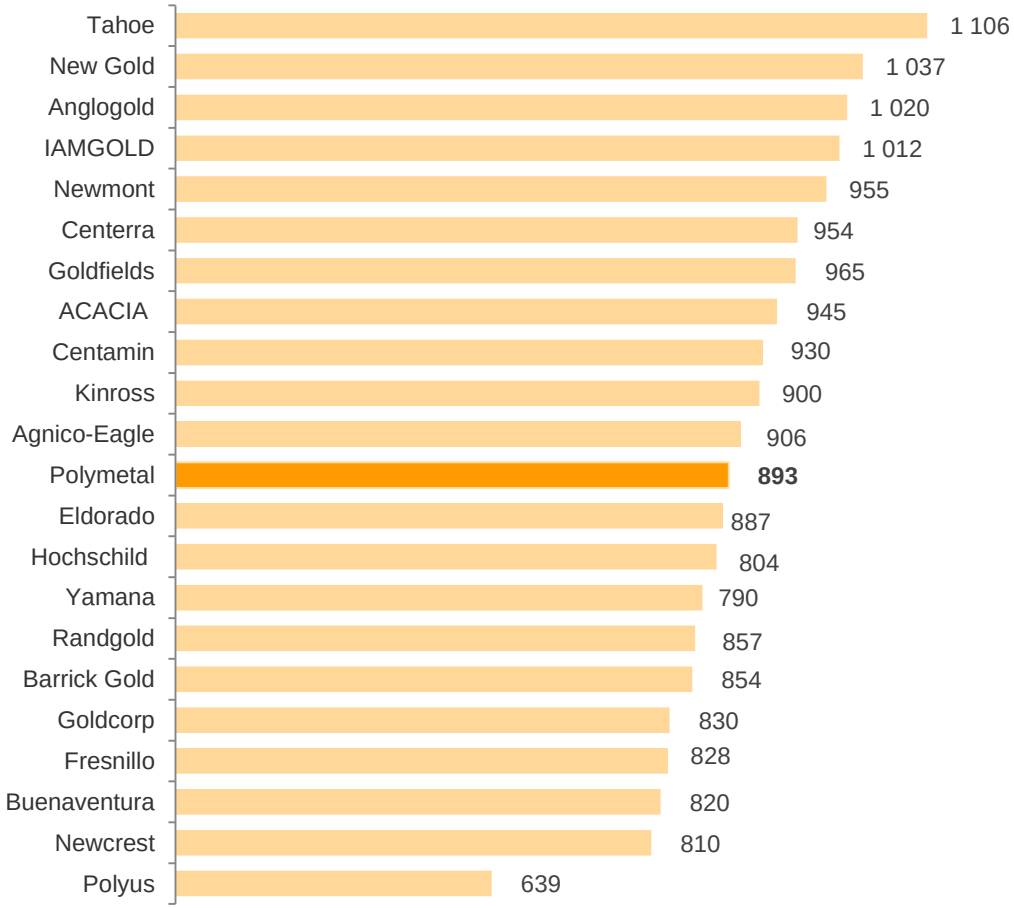
US$ 1,312/oz – average realised gold price in 1H 2018



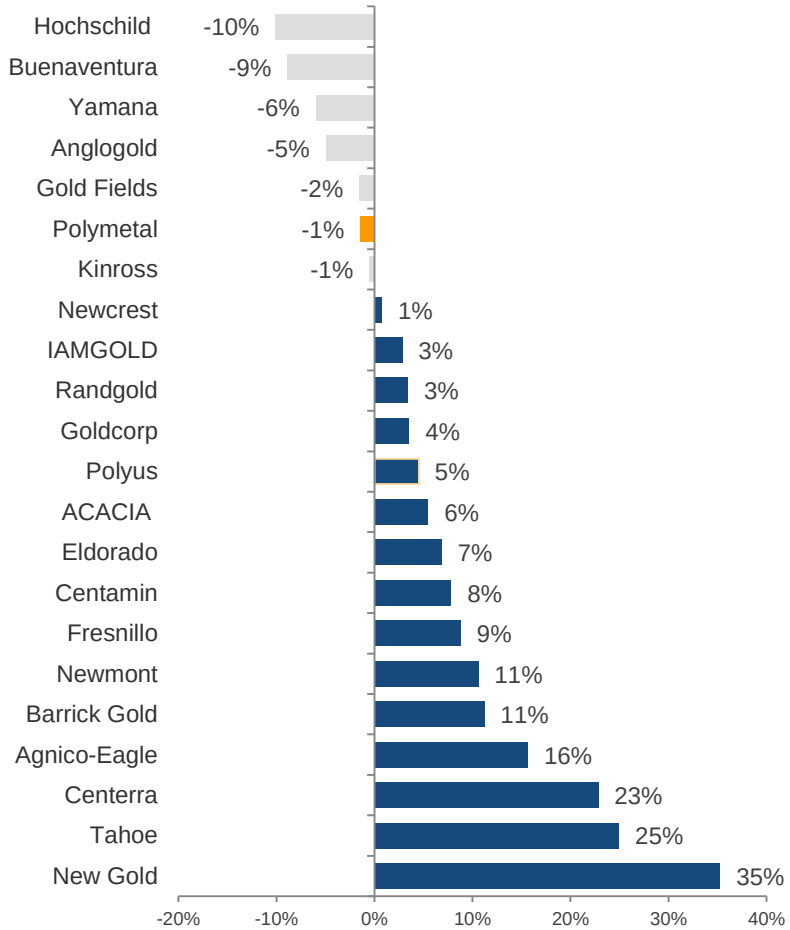
Notes:
1) All-in sustaining cash costs comprise total cash costs, all selling, general and administrative ('SG&A') expenses for operating mines and head office not included in TCC (mainly represented by head office SG&A), other expenses (excluding write-offs and non-cash items, in line with the methodology 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).
2) SE (silver equivalent) based on average realised prices
3) At Mayskoye, there were no sales during 1H 2018 hence the all-in sustaining cash costs for the period are considered unrepresentative of the underlying performance.

We stay in the middle of cash cost curve

All-in sustaining cash costs for 1H 2018, US$/oz



Year-on-year change in AISC, %

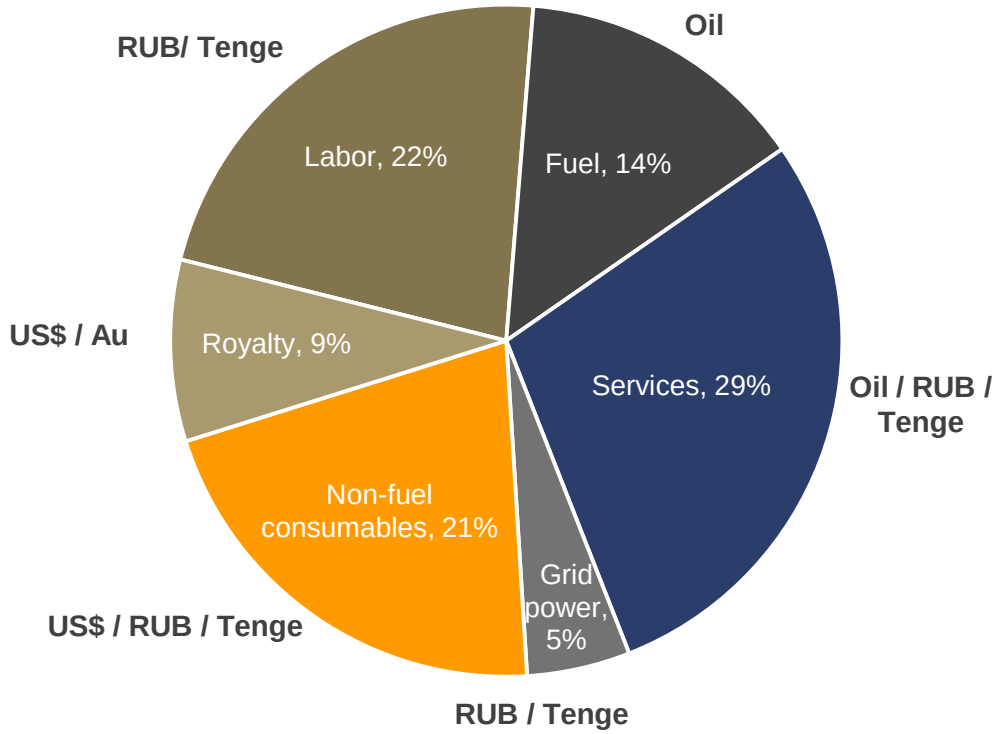


Notes:
Source: Companies' data. Centamin, Tahoe: AISC reported on by product basis. Randgold: BMO equity research data.
Hochschild: AISC based on Ag/Au ratio of 80

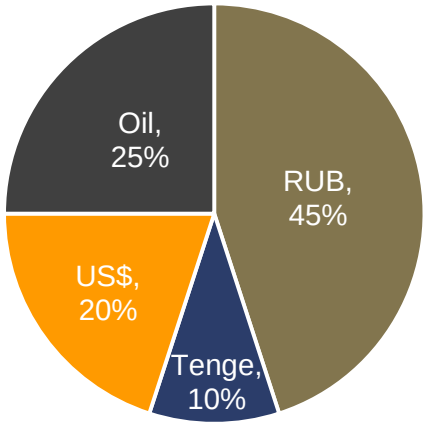
Sensitivity to RUB/USD exchange rate and oil price

- The Russian Rouble depreciated 2% y-o-y from 58.1 RUB/USD in 1H 2017 to 59.3 RUB/US$ in 1H 2018, while the spot rate as at 30 June 2018 depreciated by 9% to 62.8 RUB/USD compared to 31 December 2017.
- The economics of Kazakh gold mining operations were also impacted by slight weakening of the Kazakh Tenge (down 2% y-o-y, from 319 KZT/USD in 1H 2017 to 326 KZT/USD in 1H 2018). Current spot is 361 KZT/USD.
- As compared to 30 June 2018 both Russian Ruble depreciated further by another 6% to 66.9 RUB/USD.

OpEx structure(2018E), US$/oz



- A 1 RUB movement in domestic currency will have a US$ 9/oz effect on TCC



Reiterated FY2018 guidance

	FY2018 (Guidance)	1H 2018 (Actual)	FY2018 (Outlook)
Production, Koz of GE	1,550	619	On track
TCC, US$/oz of GE	650-700	683	On track
AISC, US$/oz of GE	875-925	893	On track
Capital expenditure, US$M	400	169	Expected slightly below guidance
Free cash flow, US$M	Positive	(64)	On track
Regular dividend, US$M	50% of underlying net income	77	On track

Assumptions	Budget	Actual
Gold, US$/oz	1,200	1,312
Silver, US$/oz	16.0	15.6
RUR/USD rate	60	58
Oil	60	71

Projects update

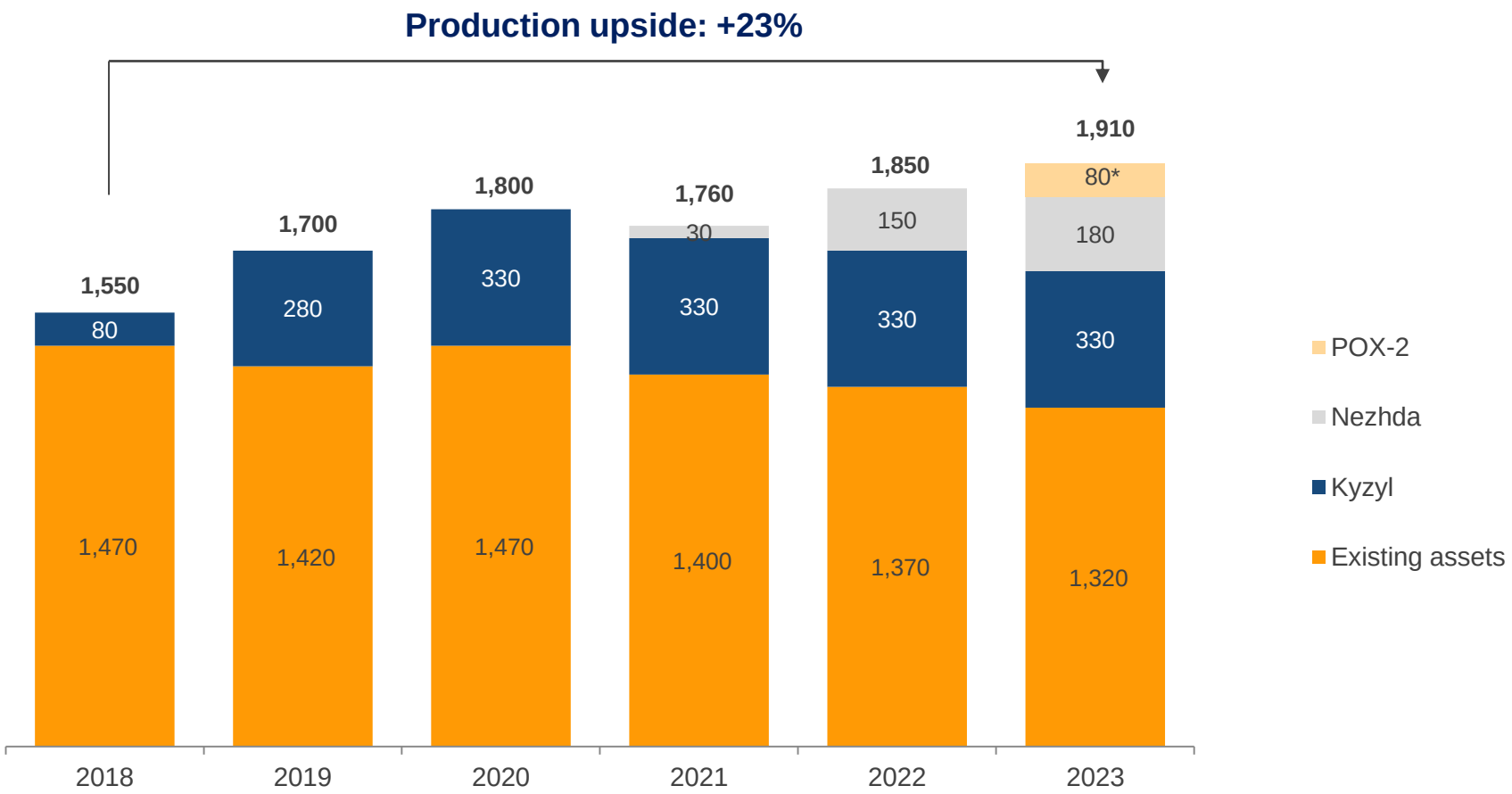
We continue to deliver on our strategic objectives

- Significant and sustainable dividend
- Significant and profitable growth

- Control costs and replace reserves at operating mines
- Ramp up Kyzyl
- Build and advance a long-term growth pipeline
- Maintain best practices in corporate governance and sustainable development

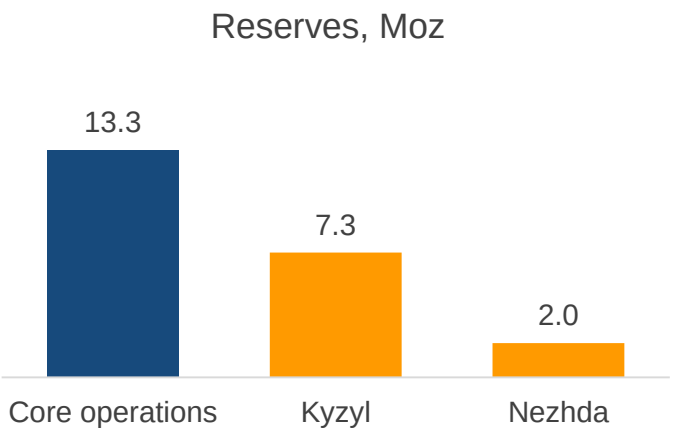
Production outlook: incorporating new projects

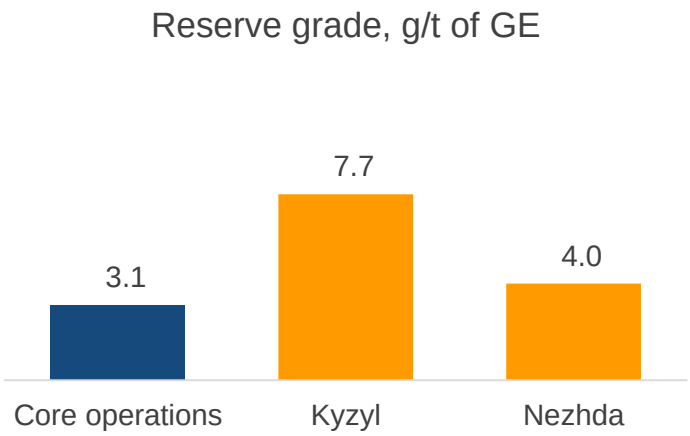
Gold production, GE Koz[1]

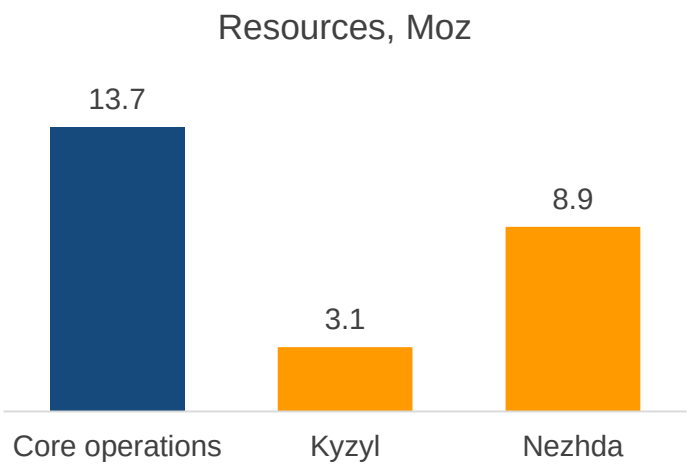


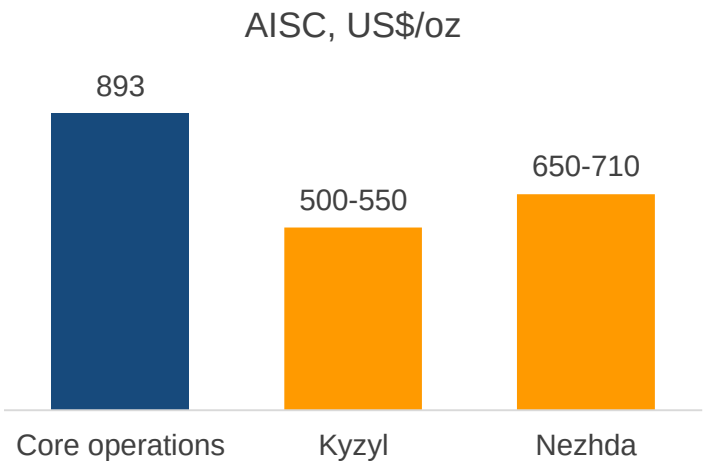
Notes:
1) Gold equivalent (GE) at 80:1 Ag oz/Au oz and 1:5 Cu mt/Au oz conversion ratios
* Includes recovery improvement and long-term 3rd party contracts

We consistently pursue high-grade and low-cost assets



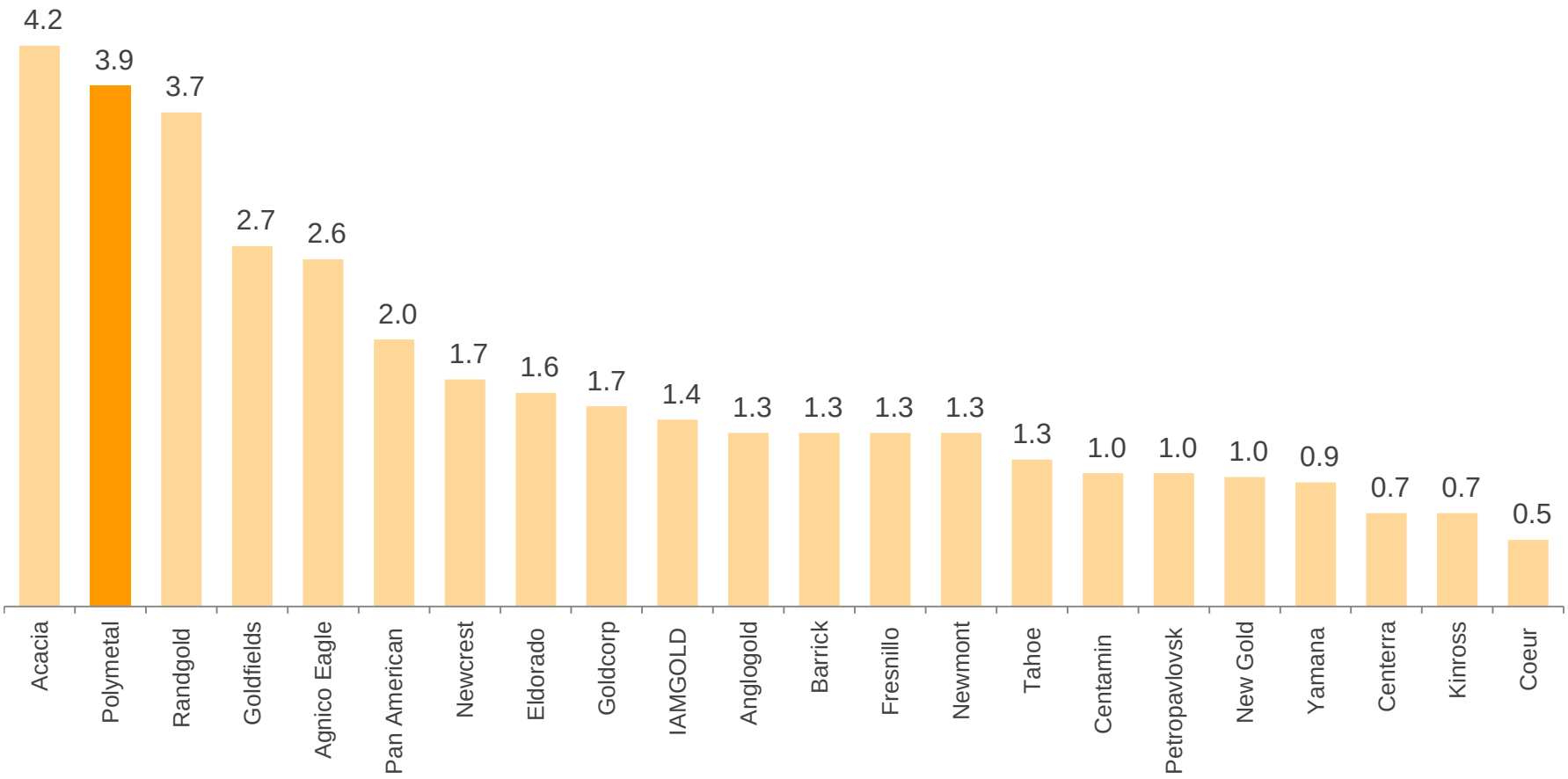






We have one of the best asset portfolio

Average reserve grade (2P reserves), g/t of GE



Source: Company data. Gold, silver, copper proved and probable reserves as at 01.01.2018.
Eldorado, Iamgold, Newgold, Randgold, Goldfields, Newcrest, Buenaventura, Fresnillo, Acacia reported as at 01.01.2017.

Kyzyl project update

> **Kyzyl** is fully on track to achieve its full throughput capacity (150 Kt per month) and reach design recoveries (86%) by October 2018.

- ✓ First concentrate produced in June, one month ahead of schedule
- ✓ First 2Kt of gold concentrate delivered to China on August 16
- 80 Koz production is projected for this year

Kyzyl

June 1st
V Start of commissioning

June 25th
V First concentrate production

August 16th
V First delivery to China

October 1st
Full capacity

2019
First year at full capacity

Amursk POX hub

Amursk POX hub is the only operating pressure oxidation facility in the FSU

- Actual capacity: 155 Kt concentrate / 13 Kt sulphur
- Expanded capacity: 200 Kt of concentrate / 30 Kt sulphur (after completion of debottlenecking project in Q4)
- Recoveries: 96-97%
- Production (2017): 269 Koz of gold

Amursk POX expansion project update

> **Amursk POX** is on track to achieve its full ramped-up capacity in Q4 2018.

- ☑ The scheduled 6-week maintenance shutdown was successfully completed in May with the installation of all new pipes and valves
- ☑ New lime and limestone section commissioned
- Installation of the new oxygen plant, Sulphur filers and the acidic thickener is 95% complete

Amursk POX expansion project
Completion scorecard

	Permitting	Engineering	Contracting	Construction
Hydrometallurgical plant	100 %	100%	100%	95%
Oxygen station 2	100%	100 %	100%	90%
Other processing objects	100 %	100%	100%	100%
Infrastructure	100 %	100%	100%	100%

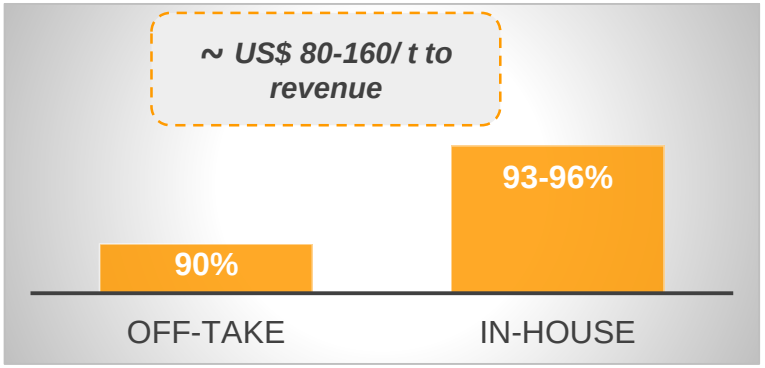
Ramp up to full expanded capacity by Q4 2018

Further growth opportunities:
New POX for high-carbon pregrobbing concentrates

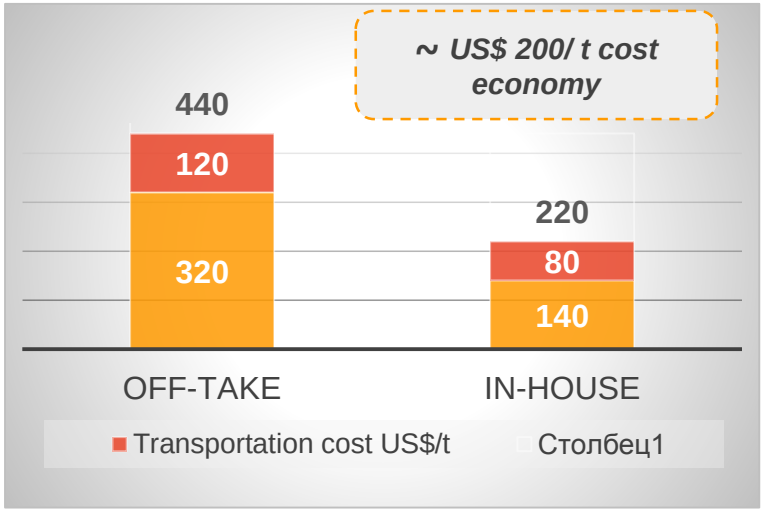
POX-2 – strategic rationale

- Demand for processing refractory ore is growing
- In mid-term perspective, China may tighten its environmental requirements
- Improved economics and development optionality for refractory gold projects in the Polymetal's portfolio
- **Technical studies are underway with the goal to announce the PFS results in November 2018 and make a "go-ahead" decision in Q2 2019**

✓ **1. Improvement in Au recovery**



✓ **2. Significant cost savings**



Notes:
Based on design productivity of 250-300 Kt of concentrate per annum

Further growth opportunities:
Prognoz - the largest undeveloped primary silver deposit in Russia

Key facts

Ownership: 100%

Mineral resources*: 292 Moz at 586 g/t silver, 3% lead

Additional mineral potential: 7.9 - 18.1 Mt of ore at 469 g/t silver for 119 – 273 Moz of silver contained*

Mining method: Open-pit (5-8 years), followed by underground

Throughput: ~1 Mtpa

Production: 20 Moz of silver per annum (100%)

Capex: ~US$ 250M (100%)

Notes:
* Estimated by Micon in 2009

Development assets: news flow

Nezhda

- Completion of feasibility study by **Q4 2018**
- Final statutory approval to consolidate 100% in **Q4 2018**
- Board “go-ahead” decision **Q4 2018**
- Start of construction **Q2 2019**

Prognoz

- Consolidation of 100% ownership **April 2018**
- JORC-compliant resources update **Q4 2018**
- JORC-compliant reserve estimate **Q3 2019**

Viksha PGMs

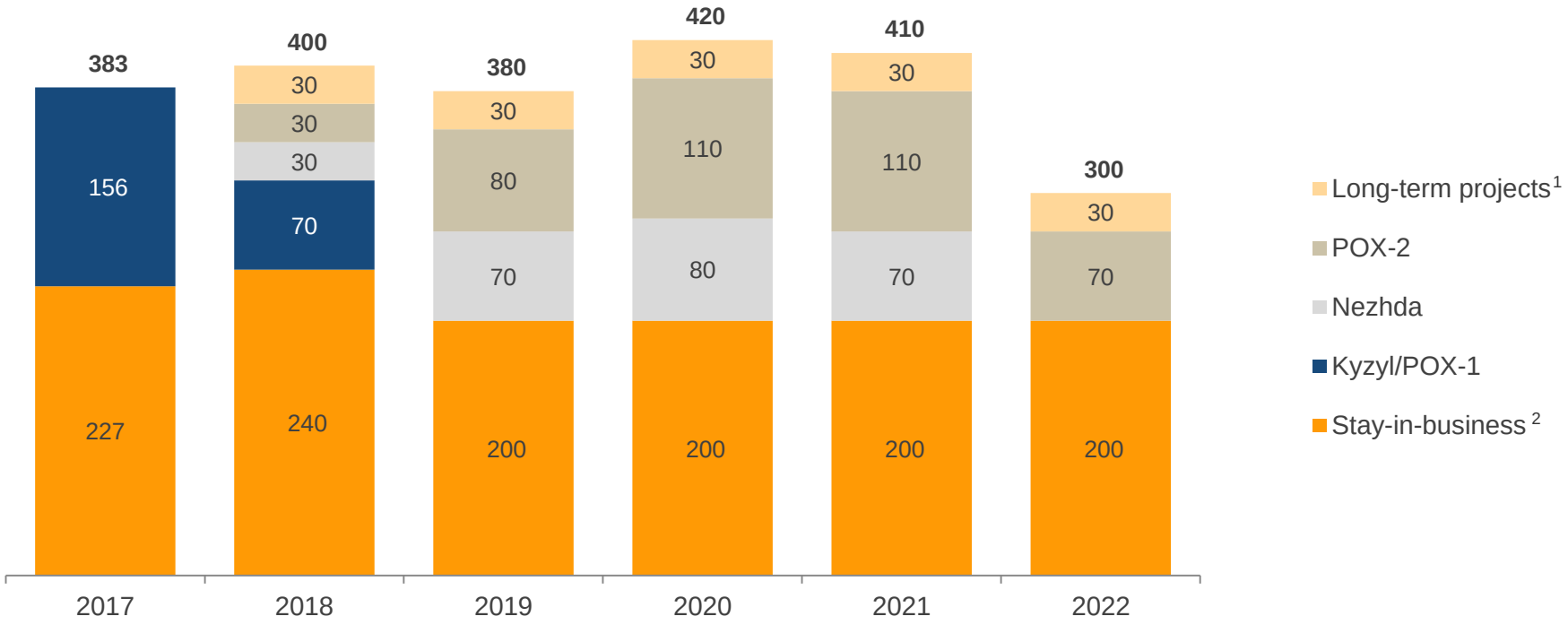
- Completion of pilot plan test-work **June 2018**
- JORC-compliant resource update **Q3 2018**
- Hydromet pilot plant **Q1 2019**
- PFS and JORC-compliant reserve estimate **Q4 2019**

POX-2

- PFS results **November 2018**
- Board “go-ahead” decision **Q2 2019**

Capital expenditures: incorporating new projects

CapEx, US$M



Notes:
1) Prognoz, Viksha, greenfield exploration
2) Including brownfield exploration