

Release time IMMEDIATE
Date 30 June 2021

LSE, MOEX, AIX: POLY / ADR: AUCOY

Polymetal International plc

Report on payments to governments for the year 2020

Polymetal issues the report on payments to government for the year ended 31 December 2020.

INTRODUCTION

This Report provides an overview of the payments to governments made by Polymetal International plc and its subsidiary undertakings (hereinafter referred to as “Polymetal”) for the year 2020 as required under the UK’s Report on Payments to Governments Regulations 2014 (as amended in December 2015). These UK Regulations enact domestic rules in line with Directive 2013/34/EU (the EU Accounting Directive (2013)) and apply to large extractive companies, whose securities are publicly listed on a UK-regulated stock market, that are involved in the exploration, prospection, discovery, development and extraction of minerals, oil, natural gas deposits or other materials. This Report is also intended to satisfy the requirements of the Disclosure and Transparency Rules of the Financial Conduct Authority in the United Kingdom.

BASIS OF PREPARATION

Legislation

This report is prepared in accordance with The Reports on Payments to Governments Regulations 2014 as enacted in the UK in December 2014 and as amended in December 2015.

Reporting entities

This Report includes payments to governments made by Polymetal. Payments made by entities over which Polymetal has joint control or significant influence are excluded from this Report.

Activities

Payments made by Polymetal to governments arising from activities involving the exploration, prospection, discovery, development and extraction of minerals are disclosed in this Report. It excludes payments related to refining activities made to the refineries owned by the government agencies and any payments which are not directly attributable to the production and exploration activities.

Government

Government includes any national, regional or local authority of a country, and includes a department, agency or entity that is a subsidiary of a government.

Project

Payments are reported at project level except that payments that are not attributable to a specific project are reported at legal entity level. Project is defined as operational activities which are governed by a single contract, or licence agreement, and form the basis for payment liabilities with a government. If such agreements are substantially interconnected, those agreements are to be treated as a single project.

“Substantially interconnected” means forming a set of operationally and geographically integrated contracts, or licence agreements that are signed with a government giving rise to payment liabilities. Indicators of integration include, but are not limited to, geographic proximity, the use of shared infrastructure and common operational management.

License agreements are aggregated for the purposes of reporting as a single project only when those legal agreements have substantially similar terms and are both geographically and operationally integrated.

Payments

The information is reported under the following payment types:

Income taxes

These are taxes paid by Polymetal on its income and/or profits in accordance with legislation enacted in the applicable jurisdiction. Payments are reported net of refunds. Value added tax, personal income taxes, social taxes, property taxes are excluded.

The maximum income tax in Russia is set at a rate of 20% and is allocated between federal budget and the budgets of the relevant constituent regions. In 2020 and 2019 the following proportion was applied: 3% allocated to the federal budget, whereas 17% allocated to the regional budgets. From 1 January 2017 Omolon Gold Mining Company LLC and Magadan Silver JSC are entitled to the decreased statutory income tax rate of 17% for the operations held in the Special Economic Zone of the Russian Far East, as well as decreased mining tax rate (paying at 60% of the standard mining tax rates). In return for obtaining this tax relief the members of the regional Special Economic Zone are obliged to invest 50% of their tax savings each year in the Special Economic Zone Development Program. From 1 January 2017 Svetloye LLC is subject to tax relief as a participant in a Regional Investment Project and is entitled to the statutory income tax rate of 0% up to 2021 and 10% from 2022 to 2026, as well as decreased mining tax rates.

In Kazakhstan income tax is set at a rate of 20% and there is no allocation for regional or local income taxes in this country.

Mining tax

Mining tax is a royalty payable in Russian Federation and Kazakhstan, which is calculated based on the value of the precious metals extracted in the period. In Russia this value is usually determined based on the realised selling price of precious metals or, in case if there were no sales during the period, cost of production of metals extracted. In Kazakhstan the value is determined based on the market price whether or not there were sales during the period.

Mining tax in Russia is levied at federal level, and then is reallocated between federal and respective regional budgets based on the following proportion: 40% of total tax collected is transferred to the federal budget, 60% to regional budgets. Mining tax and royalties in Kazakhstan are levied at republican level.

Licence fees

These are fees and other sums paid as consideration for acquiring a licence for gaining access to an area where extractive activities are performed. Administrative government fees that are not specifically related to the extractive sector, or to access to extractive resources, are excluded.

Rental fees

The land in the Russian Federation and Kazakhstan on which the Group's production facilities are located is owned by the state. The Group leases this land through operating lease agreements.

Other payments

Other payments include payments made and social commitments in accordance with subsoil contracts attributable to the Kyzyl project and investment in the Special Economic Zone Development Program of Omolon Gold Mining Company LLC and Magadan Silver JSC.

Cash and in-kind payments

Payments are reported on cash basis. No in-kind payments were made during years ended 31 December 2020 and 31 December 2019.

Materiality Level

Any payment, whether made as a single payment or as a series of related payments, below GBP 86,000 within a financial year is excluded from this Report.

Payments made to governments by joint ventures or associates of the Group in proportion to the company's interest in the respective venture or associate are insignificant to this Report based on materiality level set.

Exchange Rate

Relevant payments are made by Polymetal in Russian Rubles and Kazakh Tenge and for the purpose of this Report are translated to the US Dollar based on the foreign exchange rate at the relevant monthly average rate.

**PAYMENTS PER GOVERNMENT
FOR THE YEAR 2020**

Government 000'\$	Income tax	Mining tax	Rental fees	Licence fees	Other	Total
Russia	158,843	86,066	2,588	1,220	12,668 ¹	261,385
Kazakhstan	87,813	39,241	-	3,668	8,771 ²	139,493
Total	246,656	125,307	2,588	4,888	21,439	400,878

**PAYMENTS PER
PROJECT**

Entity 000'\$	Project	Country/ Government	Region	Income tax	Mining tax	Rental fees	Licence fees	Other	Total
Gold of Northern Urals CJSC	Voro	Russia	Sverdlovskaya oblast'	27,298	10,016	-	-	497	37,811
Svetloye LLC	Svetloye	Russia	Khabarovskiy Kray	-	2,504	354	592	-	3,450
Magadan Silver JSC	Dukat	Russia	Magadanskaya oblast'	38,962	16,995	665	628	7,176 ¹	64,426
Mayskoye Gold Mining Company LLC	Mayskoye	Russia	Chukotka Autonomous Okrug	13,975	17,288	-	-	-	31,263
Omolon Gold Mining Company LLC	Omolon	Russia	Magadanskaya oblast'	41,148	13,427	262	-	4,794 ¹	59,631
Albazino Resources Ltd	Albazino	Russia	Khabarovskiy Kray	36,239	23,980	703	-	201	61,123
GRK Amikan LLC	Veduga	Russia	Krasnoyarskiy Kray	1,221	1,856	285	-	-	3,362
South-Verkhoyansk Mining Company JSC	Nezhda	Russia	Yakutia	-	-	319	-	-	319
Varvarinskoye JSC	Varvara	Kazakhstan	n/a	28,707	-	-	-	605	29,312
Komarovskoye Mining Company LLC	Komar	Kazakhstan	n/a	3,811	9,845	-	-	1,169	14,825
Bakyrchik Mining Venture LLC	Kyzyl	Kazakhstan	n/a	55,177	29,396	-	3,668	6,997 ²	95,238
Inter Gold Capital LLC		Kazakhstan	n/a	118	-	-	-	-	118
Total				246,656	125,307	2,588	4,888	21,439	400,878

¹ Includes payments under Special Economic Zone Development Program of \$4,492 thousand for Omolon Gold Mining Company LLC and \$6,465 thousand for Magadan Silver JSC.

² In accordance with a memorandum with East-Kazakhstan Oblast Administration (local Kazakhstan government) Polymetal participates in financing of certain social and infrastructure development project of the region. During the year ended 31 December 2020 Polymetal paid \$4,576 thousand under this programme.

**PAYMENTS PER GOVERNMENT
FOR THE YEAR 2019**

Government 000'\$	Income tax	Mining tax	Rental fees	Licence fees	Other	Total
Russia	84,619	70,396	2,553	-	12,034 ¹	169,602
Kazakhstan	19,054	45,326	-	-	7,991 ²	72,371
Total	103,673	115,722	2,553	-	20,025	241,973

**PAYMENTS PER
PROJECT**

Entity 000'\$	Project	Country/ Government	Region	Income tax	Mining tax	Rental fees	Licence fees	Other	Total
Gold of Northern Urals CJSC	Voro	Russia	Sverdlovskaya oblast'	26,568	9,101	-	-	-	35,669
Svetloye LLC	Svetloye	Russia	Khabarovskiy Kray	-	2,189	348	-	-	2,537
Magadan Silver JSC	Dukat	Russia	Magadanskaya oblast'	27,962	15,881	747	-	7,970 ¹	52,560
Mayskoye Gold Mining Company LLC	Mayskoye	Russia	Chukotka Autonomous Okrug	-	12,380	-	-	-	12,380
Omolon Gold Mining Company LLC	Omolon	Russia	Magadanskaya oblast'	11,390	10,450	319	-	3,825 ¹	25,984
Albazino Resources Ltd	Albazino	Russia	Khabarovskiy Kray	16,007	18,940	608	-	239	35,794
GRK Amikan LLC	Veduga	Russia	Krasnoyarskiy Kray	2,692	1,455	265	-	-	4,412
South-Verkhoyansk Mining Company JSC	Nezhda	Russia	Yakutia	-	-	266	-	-	266
Varvarinskoye JSC	Varvara	Kazakhstan	n/a	15,528	3,791	-	-	556	19,875
Komarovskoye Mining Company LLC	Komar	Kazakhstan	n/a	3,076	7,483	-	-	-	10,559
Bakyrchik Mining Venture LLC	Kyzyl	Kazakhstan	n/a	450	34,052	-	-	7,435 ²	41,937
Total				103,673	115,722	2,553	-	20,025	241,973

¹ Includes payments under Special Economic Zone Development Program of \$3,522 thousand for Omolon Gold Mining Company LLC and \$7,945 thousand for Magadan Silver JSC.

² In accordance with a memorandum with East-Kazakhstan Oblast Administration (local Kazakhstan government) Polymetal participates in financing of certain social and infrastructure development project of the region. During the year ended 31 December 2019 Polymetal paid \$5,000 thousand under this programme.

About Polymetal

Polymetal International plc (together with its subsidiaries – “Polymetal”, the “Company”, or the “Group”) is a top-10 global gold producer and top-5 global silver producer with assets in Russia and Kazakhstan. The Company combines strong growth with a robust dividend yield.

Enquiries

Media		Investor Relations	
FTI Consulting	+44 20 3727 1000	Polymetal	ir@polymetalinternational.com
Leonid Fink		Evgeny Monakhov	+44 20 7887 1475 (UK)
Viktor Pomichal		Timofey Kulakov	
		Kirill Kuznetsov	+7 812 334 3666 (Russia)

Joint Corporate Brokers

Morgan Stanley & Co. International plc	+44 20 7425 8000	RBC Europe Limited	+44 20 7653 4000
Andrew Foster		Marcus Jackson	
Richard Brown		Jamil Miah	
Panmure Gordon	+44 20 7886 2500		
Daniel Norman			
John Prior			

Forward-looking statements

This release may include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements speak only as at the date of this release. These forward-looking statements can be identified by the use of forward-looking terminology, including the words “targets”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “would”, “could” or “should” or similar expressions or, in each case their negative or other variations or by discussion of strategies, plans, objectives, goals, future events or intentions. These forward-looking statements all include matters that are not historical facts. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the company’s control that could cause the actual results, performance or achievements of the company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the company’s present and future business strategies and the environment in which the company will operate in the future. Forward-looking statements are not guarantees of future performance. There are many factors that could cause the company’s actual results, performance or achievements to differ materially from those expressed in such forward-looking statements. The company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.