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Polymetal International plc

Half-yearly report for the six months ended 30 June 2013

Polymetal International plc (LSE, MICEX: POLY; ADR: AUCOY) (together with its subsidiaries, including JSC "Polymetal" – "Polymetal", the "Company", or the "Group") is pleased to announce the Group's financial results for the six months ended 30 June 2013.

FINANCIAL HIGHLIGHTS

- Revenue in 1H 2013 decreased by 6% to US$ 721 million compared to 1H 2012 ("year-on-year") with average realised gold and silver prices decreasing 13% and 18% respectively year-on-year. Price decline was partially offset by 8% growth in the volume of gold equivalent sold.
- Group Total Cash Cost[1] was US$ 787/ per gold equivalent ounce ("GE oz"), up 13% compared to 2H 2012 ("half-on-half") and 17% year-on-year. Costs were negatively affected by the ramp-up at the Amursk POX facility and the decision to suspend mining at Birkachan. All-in cash costs[1] comprised US$ 1,210/GE oz and increased 9% year-on-year, driven mostly by an increase in total cash costs during the period which was meaningfully offset by production growth and the resulting decline of SG&A and capex per gold equivalent ounce sold. Both cost measures are expected to decline in 2H as operating cash costs decline at both Albazino and Omolon.
- Adjusted EBITDA[1] was US$ 239 million, a decrease of 38%, driven mainly by a decline in commodity prices and Adjusted EBITDA margin was 33% compared to 51% in H1 2012;
- A non-cash pre-tax impairment charge resulting from the decline in gold and silver prices of US$ 305 million was recorded as at 30 June 2013, mainly due to the write-off of goodwill and mining assets at Varvara, Khakanja and low-grade ore stockpiles at Omolon. The post-tax amount recorded was US$ 273 million. The impairment calculations were performed using conservative price assumptions of US$ 1,200/oz for gold and US$ 18/oz for silver, which are meaningfully below current spot prices.
- As a result of non-cash foreign exchange losses and impairment charges, the Group recorded a net loss of US$ 255 million in 1H 2013, compared to a US$ 157 million net profit in 1H 2012. Underlying net earnings (adjusted for the after-tax amount of impairment charges) were US$ 17 million.
- Special and regular dividends for 2012 in the amount of US$ 0.50 and US$ 0.31 per share (total of US$ 313 million) were paid in January and in June 2013, respectively, in accordance with Polymetal's dividend policy. Based on Net Debt[1] / Adjusted EBITDA as at 30 June 2013[2] of 1.6 (31 December 2012: 1.1), an interim dividend of US$ 0.01 per share representing 30% of the Group's underlying net earnings for 1H 2013 is declared by the Board.
- The Group's liquidity profile remained comfortable. Net debt increased over the period to $1.3 billion as working capital requirements increased by US$ 94 million mostly due to increases in inventories at Albazino, Dukat, Mayskoye, and Omolon combined with reduced operating cash flows to due lower metals prices. The build-up in working capital is expected to reverse in 2H releasing substantial cash flows and leading to a decline in net debt.
- The Company maintains its full-year Total Cash Cost guidance of US$ 700-750 per ounce of gold equivalent ounce and annual production guidance of 1.2 Moz of gold equivalent.

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

FINANCIAL HIGHLIGHTS	1H 2013	1H 2012	Change, %[1]
Revenue, US$m	721	767	-6%
Total cash cost, US$/GE oz	787	675	+17%
All-in cash cost, US$/GE oz	1,210	1,113	+9%
Adjusted EBITDA, US$m	239	388	-38%
Average realized gold price, US$/ oz	1,422	1,639	-13%
Average LBMA gold price, US$/ oz	1,524	1,647	-7%
Average realized silver price, US$/ oz	24.2	29.5	-18%
Average LBMA silver price, US$/ oz	26.6	30.1	-12%
Net earnings, US$m	(255)	157	NM
Underlying net earnings, US$m	17	159	-89%
Basic EPS, US$/share	(0.66)	0.39	NM
Underlying EPS, US$/share	0.04	0.39	-89%
Dividend declared during the period, US$/share	0.31[2]	0.20	+55%
Net debt, US$m	1,295	1,037[3]	+25%
Net debt/Adjusted EBITDA	1.6	1.1[3]	+44%
Net operating cash flow, US$m	59	188	-69%
Capital expenditure, US$m	171	196	-13%

Notes:

(1) % changes can be different from zero even when absolute amounts are unchanged because of rounding. Likewise, % changes can be equal to zero when absolute amounts differ due to the same reason. This note applies to all the tables in this release
(2) Final dividend for FY 2012 paid in June 2013
(3) As at 31 Dec 2012

“The first half of the year was challenging due to tough market conditions and operational issues at the Amursk POX and Omolon”, said Vitaly Nesis, CEO of Polymetal, commenting on the results.

“The successful ramp-up of the Mayskoye concentrator and continuous improvements in throughput and recoveries at the Amursk POX will enable us to both remain profitable and retain long-term growth optionality. Notwithstanding the fluctuations in the commodity markets, we remain fully focussed on free cash flow generation and providing dividend flow to our shareholders.”

CONFERENCE CALL AND WEBCAST

Polymetal will hold a conference call and webcast on Wednesday, August 28, 2013 at 9:30 am London time (12:30 pm Moscow time).

To participate in the call, please dial:

8 10 8002 490 2044 (toll free from Russia), or

0808 109 0700 (toll free from the UK), or

+1 866 966 5335 (toll free from the US), or

+44 (0) 20 3003 2666 (from outside the UK, the US and Russia), access code "Polymetal", or follow the link:

http://webcast.irsquared.net/795-1028-13229/en

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://webcast.irsquared.net/795-1028-13229/en. A recording of the call will be available immediately after the call at +44 (0) 20 8196 1998, access code 7667648, from 11:00 am London time Wednesday, August 28, till 11:00 am London time Wednesday, September 4, 2013.

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OPERATING REVIEW

MARKET SUMMARY

Precious metals

The first six months of 2013 witnessed significant fluctuations on the precious metals markets, with a reversal of a positive trend that has dominated since 2009. In the first quarter, markets were generally stable, with the gold price fluctuating in the range of US$ 1,580 – 1,690/oz. However, in the middle of April gold witnessed one of the sharpest daily and weekly declines for the past decade, decreasing to US$ 1,378/oz, and then further dropping to US$ 1,192/oz by the end of June. This steep decline was prompted by significant reduction in ETF holdings and other investment demand sources, and the plans by the US Federal Reserve to gradually decrease the amount of monetary stimulus to the US economy. As a result, the average LBMA gold price for the period decreased 7% year-on-year. Silver price dynamics followed gold with an increased level of volatility, dropping from US$ 30.9/oz as at 1 January 2013 to US$ 18.9/oz as at 30 June 2013. This has also resulted in a further reduction in the gold/silver price ratio. The average gold/silver price ratio decreased from 1/55 in 1H 2012 to 1/57 in 1H 2013, while as at 30 June 2013 it was 1/63.

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 its financial results and performance. During the first six months 2013, the Russian Rouble has depreciated after a relatively strong 2H 2012. From 1 January to 30 June 2013 the Russian Rouble depreciated against the US Dollar by 7.4% from 30.4 RUB/USD to 32.7 RUB/USD, while the average rate was down just 1.2% year-on-year from 30.6 RUB/USD in 1H 2012 to 31.0 RUB/USD in 1H 2013 as most of the depreciation occurred during June 2013. The depreciation of the Rouble had a negative effect on the Group's net earnings in 1H 2013 due to the effect of retranslating its US Dollar debt (see more detail on page 13). However, assuming exchange rates remain stable at their current levels over the balance of the year, it is expected that the lower Rouble average rate for the year will have a positive effect on the dollar value of the Group's Rouble-denominated operating costs.

OPERATING RESULTS

	6 months ended June 30,		% change
	2013	**2012**	
Waste mined, Kt	43,124	42,451	+2%
Underground development, m	27,596	22,575	+22%
Ore mined, Kt	**5,155**	**5,778**	-11%
Open-pit	3,932	4,963	-21%
Underground	1,223	815	+50%
Ore processed, Kt	**5,212**	**4,871**	+7%
Average grade processed, GE g/t	**4.3**	**4.4**	-1%
Production			
Gold, Koz	311	256	+22%
Silver, Moz	14.0	13.8	+2%
Copper, tonnes	2.838	3.179	-11%
Gold equivalent, Koz[1]	**559**	**501**	+11%
Sales			
Gold, Koz	297	226	+31%
Silver, Moz	11.4	12.5	-9%
Copper, tonnes	3.780	3.627	+4%
Gold equivalent, Koz[2]	**507**	**467**	+8%
Headcount[3]	9,264	8,763	+6%
Safety			
LTIFR	0.12	0.60	-80%
FIFR	-	-	NA

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

Total gold equivalent production for the first half of the year was 559 Koz, up 11% compared to the first half of 2012 driven by contributions from the Amursk POX plant and the commencement of seasonal concentrate shipments to off-takers at Albazino.

As a result of the previously announced strategic review, Polymetal is implementing measures aimed at maintaining free cash flow generation and the capacity to pay dividends in the current market environment. As such, open-pit mining has been suspended at Birkachan (Omolon hub), and mining volumes have been re-allocated within the Omolon and Khakanja hubs.

Polymetal remains on track to deliver its annual gold equivalent production guidance of 1.2 Moz in 2013, with further production growth in the second half of the year being driven by the commencement of sales of Mayskoye concentrate, and continued the improvement of throughput and recoveries at the Amursk POX.

GROWTH PROJECTS

The implementation of corrective measures at the Amursk POX plant is progressing on schedule. The long maintenance shutdown was successfully completed in early July, with daily concentrate throughput later in July standing at 85-90% of design capacity while recoveries were averaging 86-88%.

The Mayskoye concentrator was started up in April and is making solid progress towards achieving full capacity by October. Concentrate shipment to off-takers commenced in early August.

OTHER DEVELOPMENTS

On 24 January 2013 the Group completed the acquisition of 100% of Olymp Ltd., a Russian legal entity holding the mining and exploration licence for the Olcha gold-silver deposit in exchange for 775,000 new ordinary shares in Polymetal.

In April 2013, the Company acquired a 100% interest and debt in ZAO “Maminskaya Gornorudnaya kompania”(“MGK”), which holds an exploration and mining licence for the Maminskoye gold mining field (“Maminskoye"). The consideration for the equity investment was US$ 3.9 million payable in cash and 5,491,661 of Polymetal's ordinary shares valued at the acquisition date at US$ 74.6 million. The debt investment in MGK was acquired for a cash consideration of US$ 8 million.

FINANCIAL REVIEW

REVENUE

		1H 2013	1H 2012	Change, %
Sales volumes				
Gold	Koz	297	226	+31%
Silver	Moz	11.4	12.5	-9%
Copper	kt	3.780	3.627	+4%
Gold equivalent sold[1]	**Koz**	**507**	**467**	**+8%**

[1] Based on actual realised prices

Sales by metal *(US$ mln unless otherwise stated)*		1H 2013	1H 2012	Change, %	Volume variance, US$ mln	Price variance, US$ mln
Gold		**422**	**371**	**+14%**	**116**	**(65)**
Average realised price	*US$/oz*	1,422	1,639	-13%		
Average LMBA closing price	*US$/oz*	1,524	1,647	-7%		
Share of revenues	*%*	59%	48%			
Silver		**276**	**369**	**-25%**	**-33**	**(60)**
Average realised price	*US$/oz*	24.2	29.5	-18%		
Average LBMA closing price	*US$/oz*	26.6	30.1	-12%		
Share of revenues	*%*	38%	48%			
Copper		**23**	**26**	-12%		
Share of revenues	*%*	3%	3%			
Total metal sales		**721**	**766**	**-6%**	**65**	**(110)**
Other revenue		0	1	-67%		
Total revenue		**721**	**767**	**-6%**		

In 1H 2013, revenue declined by 6% year-on-year to US$ 721 million driven by a 13% decline in the average realised gold price, while gold equivalent volume sold was up 8%. Gold sales increased by 31%, and silver sales declined by 9% year-on-year while production grew 22% and 2%, respectively. Silver sales lagged production mainly due to increased concentrate in transit inventories at Dukat. These increases are short-term and are expected to be reversed before year-end in Q4 2013 after debottlenecking of the Lunnoye processing plant.

The average realised price for gold was US$ 1,422/oz in 1H 2013, down 13% from US$ 1,639/oz in 1H 2012, and slightly below the average market price of US$ 1,524/oz due to a larger volume of Polymetal's sales being recorded in the second quarter when the market prices had already deteriorated. The average realised silver price was US$ 24.2/oz, down 18% year-on-year, and also reflecting market price movements in the same pattern.

The share of gold sales as a percentage of total revenue increased from 48% in 1H 2012 to 59% in 1H 2013, with a corresponding decline in the share of silver sales from 48% to 38%, driven by sales volume movements.

Analysis by segment	**Revenue,** *US$ mln*			**Gold equivalent sold,** *Koz (silver for Dukat)*		
	1H 2013	**1H 2012**	**Change, %**	**1H 2013**	**1H 2012**	**Change, %**
Dukat	253	324	-22%	10,576	10,909	-3%
Voro	110	110	-0%	73	67	+10%
Khakanja	89	128	-30%	58	77	-24%
Varvara	97	102	-5%	74	62	+18%
Omolon	78	82	-5%	52	50	+4%
Albazino/Amursk	94	21	+354%	74	13	+455%
Total revenue	**721**	**767**	**-6%**	**507**	**467**	**+8%**

Due to the decline in gold and silver prices during the period, the decline in revenue has affected all operating segments of the Group, with the exception of Albazino/Amursk where dore produced at the POX plant and commencement of off-take concentrate sales in May-June led to more than a five-fold increase in gold sales. Across the mature mines, growth in sales volume was partially offset by decline in metal prices, with the exception of Dukat where sales lagged production (see comments above) and Khakanja where silver production and sales decreased year-on-year due to previous depletion of the higher grade silver reserves.

CHANGES IN ACCOUNTING POLICIES AND BASIS OF ESTIMATES

Application of IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

IFRIC 20 provides guidance on the accounting for the costs of stripping activities during the production phase of a mine. When the benefit from the stripping activity is the improved access to a component of the ore body in future periods, the stripping costs in excess of the average ore to waste ratio for the life of mine of that component are recognised as a non-current asset. IFRIC 20 became effective for the Group from 1 January 2013.

Prior to adoption of IFRIC 20, the Group's accounting policy was not to capitalize stripping costs during the production phase. Therefore, as at 1 January 2012 there were no stripping assets on the Group's balance sheet. The adoption of IFRIC 20 has resulted in the capitalisation of certain stripping costs and a reduction in the cost of sales and inventory recorded in 2012. The stripping assets recognised as a result of the application of IFRIC 20 will also affect the level of depreciation charges in future periods. Total cash costs, all-in cash costs, adjusted EBITDA and other non-GAAP metrics have been restated accordingly. See details in Note 25 to the interim consolidated condensed financial statements.

Use of JORC reserves for depreciation calculation

From 1 January 2013, the Group began to use JORC as opposed to GKZ reserves as the basis for the unit-of-production depreciation calculations as management believes this revised basis better reflects the long-term mine plans which also being prepared based on JORC reserves estimates.

The increase in profit for the period due to the adoption of IFRIC 20 was almost entirely offset by the change in depreciation calculation basis.

COST OF SALES

Cost of sales *(US$ mln)*	**1H 2013**	**1H 2012**	**Change, %**
On-mine costs	217	194	+12%
Smelting costs	186	156	+20%
Purchase of ore from third parties	25	15	+65%
Mining tax	59	57	+5%
Total cash operating costs	**488**	**421**	**+16%**
Depreciation and depletion of operating assets	118	82	+44%
Rehabilitation expenses	0	2	-77%
Total costs of production	**606**	**505**	**+20%**
Increase in metal inventories	(169)	(171)	-1%
Write-down to net realisable value	4	(2)	NM
Total change in metal inventories	**(165)**	**(173)**	**-4%**
Cost of other sales	1	1	-17%
Total cost of sales	**441**	**333**	**+33%**

Cash operating cost structure	1H 2013, US$ mln	1H 2013, % of total	1H 2012, US$ mln	1H 2012, % of total
Consumables and spare parts	144	29%	132	31%
Services	162	33%	141	33%
Labour	95	19%	74	17%
Other expenses	3	1%	3	1%
Purchase of ore from third and related parties	25	5%	15	4%
Mining tax	59	12%	57	13%
Total cash operating costs	**488**	**100%**	**421**	**100%**

Total cost of sales grew by 33% in 1H 2013 to US$ 441 million, mainly on the back of volume-based growth in production and sales (11% and 8% year-on-year respectively in gold equivalent terms). Other cost drivers include domestic inflation in Russia (3.5% in 1H 2013), increased amounts of purchased ore from third parties at Voro and Varvara during 1H 2013 to fulfil excess capacity, and a significant increase in depreciation charges as a result of launch and ramp-up of the Mayskoye concentrator and the Amursk POX plant which are now both in commercial production.

The cost of consumables and spare parts and the cost of services grew by 9% and 15% respectively, with most of the growth being volume-based. Specific cost increases in the period are attributable to consumables and spare parts at the Amursk POX, which was fully operational during January-May and displayed elevated consumption rates due to limited throughput and recovery during the ramp-up process. Amursk POX was the main driver of increased smelting costs during the period.

The total cost of labour within cash operating costs in 1H 2013 was US$ 95 million, a 28% increase, mainly stemming from production volume growth, increase in the rates of payroll tax for highly paid employees, and growth in the average number of employees at Amursk and Mayskoye which are now fully in commercial production. In addition to that, salary levels at the Group's mines are reviewed and adjusted semi-annually in accordance with the CPI movements.

Mining tax increased by 5% year-on-year to US$ 59 million, compared to a revenue decrease of 6%, mainly due to different timing of sales recognition in tax and IFRS accounting which resulted in higher average metal prices applied in the tax calculations.

Depreciation and depletion was US$ 118 million, up 44% year-on-year, mainly as a result of the commencement of commercial production at the Amursk POX and the Mayskoye concentrator, as well as increased share of underground mining at Dukat resulting in increased depreciation of capital underground development costs. US$ 36 million of depreciation and depletion expenses in 1H 2013 related to ore and concentrate stockpiles was included in metal inventories as at 30 June 2013.

In 1H 2013 a net metal inventory increase of US$ 169 million was recorded (excluding write-downs to net realisable value). The increase was mainly represented by concentrate produced but not yet sold: concentrate produced at Albazino and Mayskoye (awaiting further sales to off-takers during the summer navigation period or processing at Amursk POX), and the Dukat hub (concentrate in transit and in third-party refineries). The Company expects the majority of this increase, with the exclusion of Mayskoye due to the seasonal nature of off-take sales, to be reversed by the end of 2013. The increase in ore stockpiles is composed mainly of seasonal increase in ore stockpiles at Avlayakan awaiting transportation by sea to Khakanja and ore stockpiles Omolon hub, represented by low-grade ore at Birkachan and Sopka.

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US$ mln)	1H 2013	1H 2012	Change, %
Labour	56	48	+17%
Share based compensation	24	27	-12%
Services	11	7	+55%
Depreciation	2	2	-3%
Other	7	5	+40%
Total	**100**	**90**	**+12%**

General, administrative and selling expenses grew by 12% year-on-year from US$ 90 million to US$ 100 million, mainly because labour costs increased by 21% to US$ 56 million due to planned increases in administrative personnel at the new mines, including Amursk POX and Mayskoye, payroll tax increases, and as a result of regular salary reviews.

The amount of US$ 24 million of share based compensation recognised during 1H 2013 represents the final accrual made in respect of the old Long-term employee incentive programme (“Old EIP”) which was adopted in 2010 and had a vesting date of 11 June 2013 (or, at the discretion of the participants, 11 June 2014). None of the options vested in June 2013, as the performance conditions (excess of price over strike price of US$ 16.74 per share) were not met. However, the expense previously recognised does not reverse as a credit to the income statement in accordance with IFRS rules as the non-vesting is related to a market-based condition. Should any options, if extended by the participants by one year, vest in June 2014 at the revised target share price (US$ 18.75 per share), no additional expense will be recognised in the income statement.

In June 2013 the Annual General Meeting approved the new Long-Term Incentive Plan (the “New LTIP”). The first grant of options under the New LTIP is expected to take place in April 2014 provided that the relevant participants do not hold any options under the Old EIP. The share-based payment expense in relation to the New LTIP will therefore be only recognised after grant in 2014.

OTHER EXPENSES

(US$ mln)	**1H 2013**	**1H 2012**	**Change, %**
Exploration expenses	24	9	+179%
Taxes, other than income tax	8	11	-31%
Social payments	4	5	-21%
Housing and communal services	3	4	-23%
Loss on disposal of property, plant and equipment	3	2	+41%
Bad debt allowance	(0)	1	NM
Additional mining taxes, penalties and accrued interest	(1)	14	NM
Other expenses	9	3	+181%
Total	**51**	**50**	**+2%**

Other expenses remained broadly stable and amounted to US$ 51 million in 1H 2013. There were no additional mining tax charges, including penalties and accrued interest recognised in 1H 2013, and there were no material changes to the provisions previously recognised. The increase in exploration expenses from US$ 9 million to US$ 24 million is mainly related to write-off of expenses related to Kirankan (part of the standalone AK project) and Prognoz (a brownfield exploration property, part of Omolon hub).

TOTAL CASH COSTS BY MINE

Total cash costs per gold equivalent ounce [1]	Cash cost per GE ounce, US$/oz				
	1H 2013	**1H 2012**	**Change, %**	**2H 2012**	**Change, %**
Dukat (SE oz)	12.6	12.2	+3%	12.1	+5%
Voro	583	472	+23%	530	+10%
Khakanja	672	600	+12%	626	+7%
Varvara	723	796	-9%	795	-9%
Omolon	1,120	885	+27%	897	+25%
Total - mature operations	***757***	***672***	***+13%***	***695***	***+9%***
Albazino	963	761	+27%	684	+41%
Total	**787**	**675**	**+17%**	**694**	**+13%**

In 1H 2013 the total cash costs per gold equivalent ounce sold ("TCC") were US$ 787/GE oz, up 17% year-on-year and 13% compared to 2H 2012, as they were negatively affected by ramp-up at the Amursk POX facility and the decision to suspend mining at Birkachan.

The table below summarises 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 2012	**675**	
Domestic inflation	23	3%
USD rate change	(10)	-2%
Mining tax change - Au&Ag price	(3)	0%
Au/Ag ratio change	27	4%
Change in average grade processed by mine	19	3%
Change in recovery rate	(6)	-1%
Change in share of sales between mines[2]	67	10%
Other	(4)	-1%
Total cash cost per gold equivalent ounce – 1H 2013	**787**	**17%**

Total cash cost by mine:

- Dukat's total cash cost per silver equivalent ounce ("SE oz") sold increased by 3% year-on-year, below domestic inflation rates, to US$ 12.6/SE oz. This has been achieved on the back of sustainably strong grades and recoveries and despite a continued increase in the share of underground mining both at Dukat and Lunnoye mines.
- At Voro, TCC in 1H 2013 was US$ 583/GE oz and increased by 10% half-on-half. The key driver of cost dynamics was the use of purchased ore with relatively low grade and higher cost. Following the commodities price decline in 2Q 2013, purchases of third-party ore at Voro were discontinued.
- Khakanja's TCC was US$ 672/GE oz, a 12% increase year-on-year and 7% half-on-half. This cost increase was driven by a scheduled decline in average grade processed (from 8.8 g/t to 6.6 g/t year-on-year), which was partially offset by completion of underground mining at Yurievskoye and introduction of higher gold grade ore from Ozerny into production.
- At Varvara, TCC was US$ 723/GE oz, declining by 9% both year-on-year and half-on-half. This superior performance was achieved on the back of stable grade profile and open-pit mine productivity improvements with the introduction of the new dragline excavator.

[1] 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.
[2] Effect of mix change between mines with different cost levels.

- At Omolon, TCC amounted to US$ 1,120/GE oz, a 27% increase year-on-year and 25% half-on-half. The key specific driver of cost inflation was a 14% decline from 8.4 g/t to 7.2 g/t in average gold equivalent grade processed at the Kubaka mill during the period. Specifically, the reduced grades and high cash costs at Birkachan, along with sufficient levels of accumulated ore stockpiled, resulted in a decision to suspend mining for 12 months starting from June 2013 and re-allocate mining volumes to Tsokol and Dalniy. As a result, additional severance costs were recorded in 1H 2013. Costs were also negatively impacted by the activities associated with suspending the operation and retrenching some of the employees.
- At Albazino/Amursk, TCC was US$ 963/ GE oz, up 27% compared to 1H 2012, due to lower throughput and recoveries at the Amursk POX which is currently undergoing a set of remedial actions. Production from the POX plant amounted to 41 Koz, or 57% of total hub sales and production in the period. This has resulted in a significant share of fixed operating costs and SG&A together with the costs of remedial actions being allocated to substantively smaller amount of gold sold during the period. In the second half of 2013, significant improvements in cost profile are expected on the back of an increase in plant throughput (already achieved in July-August) and further improvement in recoveries expected in Q4 2013.

ALL-IN CASH COSTS[1]

	1H 2013		1H 2012		Change, %
	US$ mln	US$ / GE oz	US$ mln	US$ / GE oz	For US$ / GE oz
Total cash costs	**399**	**787**	**315**	**675**	**+17%**
SG&A and other operating expenses not included in TCC	71	141	67	144	-2%
Capital expenditure excluding new projects	82	162	77	165	-2%
Exploration expenditure (capital and current)	61	121	60	129	-6%
All-in cash costs	**613**	**1,210**	**520**	**1,113**	**+9%**

All-in cash costs amounted to US$ 1,210 in 1H 2013 and increased by 9% year-on-year, with the increase in total cash costs partially offset by reduction of SG&A, capex and exploration expenditure. Following implementation of the strategic decisions made by the Board in June 2013 in response to lower commodity prices, the all-in cash costs are expected to decline in 2H 2013 driven by further reduction of capital and exploration expenditure.

[1] All-in 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

	Khakanja	Varvara	Omolon	Mayskoye	Other operating segments	Corporate and other	**Total**
Goodwill	13	63	-	-	-	-	76
Mining assets	91	17	5	-	-	-	113
Metal inventories	20	12	55	11	7	-	106
Investments in associates	-	-	-	-	-	10	10
Total impairment charges	**124**	**92**	**60**	**11**	**7**	**10**	**305**

In accordance with IFRS requirements, Polymetal conducts impairment tests for its goodwill, property, plant and equipment, other non-current assets and inventories at each reporting date.

Following a significant decline in market prices for gold and silver in Q2 2013, a total pre-tax impairment charge of US$ 305 million (equivalent to a post-tax amount of US$ 273 million) has been recorded in the interim condensed consolidated financial statements as a result of these impairment tests.

Polymetal has used conservative price assumptions in the tests performed, with the following flat forward real prices being used which are meaningfully below the current spot prices:

- Gold – US$ 1,200/oz
- Silver – US$ 18/oz
- Copper – US$ 6,500/tonne

The following major impairment losses were recognised:

- An impairment of US$ 124 million in respect of Khakanja hub assets, including US$ 104 million of goodwill and mining assets and US$ 20 million of ore stockpiles. The impairment mainly relates to the value of Avlayakan mining assets which were acquired in 2009 for stock then valued at US$ 60 million with a view to establish resources sufficient for a stand-alone mine. Currently the asset operates as a satellite mine to Khakanja, which requires a significant amount of trucking and shipping costs which are offsetting (at the prices used) the high reserve grade of the deposit. Ore impairment is also mainly represented by the existing stockpiles of Avlayakan ore and low-grade ore from Khakanja. The economics of processing ore from Avlayakan will continue to be sensitive to the gold and silver prices and will be positive should the prices remain at current spot levels. A scheduled earlier shift to underground mining will enable an increase in grade profile and improve the cost levels accordingly.
- An impairment of US$ 92 million was incurred in respect of Varvara, mainly represented by goodwill write-off. Due to its relatively low grade, Varvara operations are more sensitive to the gold and copper prices. The impairment model does not include any purchased third-party ore (due to the short-term nature of the purchase arrangements), which represented about 20% of gold equivalent production at Varvara in 2012 and continues to be an important contribution to the economics of the asset by leveraging existing processing capacity. Goodwill on the original purchase transaction arose mainly due to this additional contribution which was assessed when estimating the purchase consideration paid.
- An impairment of US$ 60 million was recorded in respect of Omolon hub assets, mainly represented by a US$ 55 million write-off of the low-grade ore stockpiles at Birkachan (written off) and Sopka (net realisable value reduced to reflect lower price assumptions). The impairment model assumes that Polymetal will not proceed with Birkachan heap leach at the prices used, and therefore assigns zero value to the low-grade ore stockpiles accumulated for heap leaching. However, the construction of the heap leach at Birkachan is already completed and even a moderate recovery of the gold and silver prices from the assumed US$ 1,200/oz and US$ 18/oz would result in positive cash flow contribution, making processing of these stockpiles economic.
- At Mayskoye, an US$ 11 million write-down of inventories is represented by relatively low-grade and high-cost concentrate produced during the first months of the concentrator operation, with higher costs inherently associated with the ramp-up of the processing facility. The source of impairment is expected to be non-recurring as Mayskoye achieves design throughput and recovery in 2H 2013 and unit costs will consequently decline.
- A total of US$ 7 million impairment of ore stockpiles was recorded at Dukat and Voro and was represented by marginal low-grade material.
- Polymetal has also written off its investment in associate, Ural-Polymetal, totalling US$ 10 million, having assessed the enterprise value using the assumptions above.

ADJUSTED EBITDA AND EBITDA MARGIN[1]

Reconciliation of Adjusted EBITDA *(US$ mln)*	**1H 2013**	**1H 2012**	**Change, %**
Net earnings	(255)	157	-263%
Finance cost (net)	17	11	+53%
Income tax expense	(10)	74	-113%
Depreciation and depletion	84	53	+60%
EBITDA	**(165)**	**294**	**-156%**
Impairment of inventories	106	3	NM
Impairment of goodwill and mining assets	189	-	NA
Impairment of investment in associate	10	-	NA
Share based compensation	24	27	-12%
Exchange gains/losses	77	60	+29%
Change in fair value of contingent liability	(7)	2	NM
Rehabilitation costs	0	2	-77%
Write-down of non-metal inventory	4	(2)	NM
Gain on disposal of subsidiary/bargain purchase gain	-	(12)	-100%
Additional tax charges according to the Supreme Arbitration Court decision	(1)	14	-105%
Adjusted EBITDA	**239**	**388**	**-38%**

Adjusted EBITDA by segment *(US$ mln)*	**1H 2013**	**1H 2012**	**Change, %**
Dukat	114	181	-37%
Voro	63	76	-17%
Khakanja	43	78	-45%
Varvara	43	45	-4%
Omolon	11	34	-68%
Albazino/Amursk	14	7	+96%
Mayskoye	(9)	(5)	+67%
Corporate and other and intersegment operations	(40)	(28)	+42%
Total	**239**	**388**	**-38%**

In 1H 2013, Adjusted EBITDA was US$ 239 million, 38% lower year-on-year, with adjusted EBITDA margin of 33%. The decrease was mainly driven by a 13% reduction in the average realised gold price and an 18% reduction in the average realised silver price, as well as a 17% increase in total cash costs. The Albazino/Amursk hub has doubled its Adjusted EBITDA year-on-year due to significant production and sales growth, and Adjusted EBITDA at other segments except Varvara has declined year-on-year.

[1] The Company defines Adjusted EBITDA (a non-IFRS measure) as profit for the period adjusted for depreciation expense, rehabilitation expenses, write-down of inventory to net realisable value, share-based compensation, listing expenses, gains and losses on acquisitions and disposals, foreign exchange gain/(loss), change in fair value of derivatives, change in fair value of contingent consideration, finance income, finance costs, and income tax expense. 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 2013 of US$ 77 million compared to a loss of US$ 60 million in 1H 2012. 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 companies other than Varvara. The Group's average gross debt during 1H 2013 was US$ 1,090 million, with more than 95% denominated in US Dollars, while the US Dollar appreciated against the Russian Rouble by 8.0% during the period, from 30.4 RUB/USD at 31 December 2012 to 32.7 RUB/USD as at 30 June 2013.

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 loss of US$ 255 million in 1H 2013 versus a net profit of US$ 157 million in 1H 2012. The loss resulted mainly from non-cash impairment charges (pre-tax amount of US$ 305 million, equal to after-tax amount of US$ 273 million), unrealised foreign exchange losses, and a decrease in Adjusted EBITDA.

Underlying net earnings (excluding after-tax impact of impairment charges) were US$ 17 million, compared to US$ 159 million in 1H 2012. The decrease in underlying net earnings was mainly a result of decrease in adjusted EBITDA by US$ 149 million year-on-year.

Basic earnings per share were a loss of US$ 0.66 per share compared to earnings of US$ 0.39 per share in 1H 2012. Underlying basic EPS was US$ 0.04 per share, compared to US$ 0.39 per share in 1H 2012.

In accordance with the Company's dividend policy, the Board is proposing to pay an interim dividend of US$ 0.01 per share representing approximately 30% of the Group's underlying net earnings for the period. During 1H 2013, Polymetal paid a total of US$ 313 million in dividends, representing special and final dividends for FY 2012.

CAPITAL EXPENDITURE

(US$ mln)	**1H 2013**	**1H 2012**	**Change, %**
Mayskoye	30	30	-1%
Amursk/Albazino	23	35	-33%
Dukat	15	24	-38%
Varvara	11	5	+125%
Omolon	10	25	-61%
Khakanja	7	12	-45%
Voro	5	5	-2%
Corporate and exploration	28	27	+5%
Capitalised stripping costs	49	33	+46%
Capitalised interest	3	7	-52%
Total capital expenditure[1]	**181**	**204**	**-11%**

[1] *Total capital expenditure includes amounts payable at the end of the period. On a cash basis, capital expenditure was US$ 171 million in 1H 2013 (1H 2012: US$ 196 million).*

In 1H 2013, total capital expenditure was US$ 181 million, down 11% year-on-year. All of the Group's major investment projects are now complete with the launch of the Mayskoye concentrator in April 2013. Consequently, starting from 2H 2013 the bulk of Group's capital expenditure is now related to stay-in-business spending and exploration. In addition, the implementation of IFRIC 20 (refer to "Changes in accounting policies" above) resulted in the partial capitalisation of production-phase stripping costs, all of which were previously expensed. Capital expenditure excluding stripping costs would have been US$ 132 million in 1H 2013 (2012: US$ 171 million).

The major capital expenditure items in 1H 2013 were:

- US$ 30 million was spent on completion of construction of the processing plant at Mayskoye. The concentrator was launched in April 2013 and is currently undergoing the ramp-up;

- US$ 23 million was invested at Albazino/Amursk, mostly related to mining fleet expansion and continued underground exploration activities at Albazino;
- Capital expenditure at Dukat was US$ 15 million, down 38% year-on-year, and is mainly represented by expansion of underground operations and maintenance capex at Lunnoye and Omsukchan plants;
- At Varvara, capital expenditure was US$ 11 million and is mainly related to the expansion of mining fleet, including electrical dragline excavator commissioned in Q1 2013;
- Across other mature mines, capital expenditures declined year-on-year and was mainly represented by mining fleet upgrades/replacements and maintenance expenditure at the processing facilities;
- The Company continues to invest in standalone exploration projects (included in the Corporate segment). Capital expenditure on exploration in 1H 2013 was US$ 19 million compared to US$ 26 million in 1H 2012, and focused mostly on Maminskoye, Svetloye, and Kutyn;
- Capitalised stripping costs totalled US$ 49 million in 1H 2013 (1H 2012: US$ 33 million) and are attributable to operations with stripping ratios during the period exceeding their life of mine (“LOM”) averages, including most importantly Albazino, Omolon, and Varvara. The capitalisation of stripping costs at Omolon and Varvara has resulted in increased impairment charges recorded in respect of those segments’ mining assets (refer to “Impairment charges” above). Capitalised stripping costs in 2H 2013 are expected to decline as mining at Birkachan is suspended and the stripping ratio at Albazino has approached its long-term average.
- Total capital expenditure in 1H 2013 includes US$ 3 million of capitalised interest (1H 2012: US$ 7 million), which has declined as the Group has already commissioned all of its major growth assets.
- The Group maintains its annual guidance of capital expenditures at US$220-240 million excluding capitalized stripping.

CASH FLOWS

(US$ mln)	1H 2013	1H 2012	Change, %
Operating cash flows before changes in working capital	153	306	-50%
Changes in working capital	(94)	(118)	-20%
Total operating cash flows	**59**	**188**	**-69%**
Capital expenditure	(171)	(196)	-13%
Other	(13)	(18)	-27%
Investing cash flows	**(184)**	**(214)**	**-14%**
Financing cash flows			
Net increase in borrowings	442	40	NM
MTO and squeeze-out obligation repayment	-	(561)	-100%
Dividends paid	(313)	(77)	+308%
Total financing cash flows	**130**	**(597)**	**-122%**
Net decrease/increase in cash and cash equivalents	**5**	**(623)**	**NM**
Cash and cash equivalents at the beginning of the year	19	659	-97%
Effect of foreign exchange rate changes on cash and cash equivalents	(2)	(10)	-76%
Cash and cash equivalents at the end of the year	**21**	**26**	**-18%**

Operating cash flows in 1H 2013 were under pressure from declining commodities prices. Operating cash flows before changes in working capital decreased by 50% year-on-year to US$ 153 million as a result of adjusted EBITDA decrease. Net operating cash flows were US$ 59 million, compared to US$ 188 million in 1H 2012, and additionally affected by increase in working capital in 1H 2013 of US$ 94 million. These increases are mainly represented by concentrates in transit at Dukat (net increase of US$ 16 million) which lead to a gap between production and sales and is expected to reverse in 2H 2013, concentrate stockpiles at Mayskoye and Albazino (net increase of US$ 20 million), and ore stockpiles at Omolon related to Sopka (net increase of US$ 18 million).

Total cash and cash equivalents were almost flat and comprised US$ 21 million, with the following items affecting the cash position of the Group:

- Operating cash flows of US$ 59 million;
- Investment cash outflows totalled US$ 184 million, down 13% year-on-year and are mainly represented by capital expenditure (down 13% year-on-year to US$ 171 million);
- Payment of special and regular dividends for 2012 amounting to US$ 313 million; and
- The increase in borrowings of US$ 442 million.

BALANCE SHEET, LIQUIDITY AND FUNDING

Net debt	**30-Jun-13**	**31-Dec-12**	**Change, %**
Short-term debt and current portion of long-term debt	685	244	+180%
Long-term debt	632	620	+2%
Dividends payable	-	191	-100%
Gross debt	**1,317**	**1,055**	**+25%**
Less: cash and cash equivalents	21	19	+14%
Net debt	**1,295**	**1,037**	**+25%**
Net debt / adjusted EBITDA	**1.6**	**1.1**	+49%

The Group aims to maintain a comfortable liquidity and funding profile.

The Group’s net debt stood at US$ 1,295 million as of 30 June 2013, representing a Net debt / adjusted EBITDA ratio of 1.6 (LTM). Net debt increased significantly as working capital expanded by US$ 92 million due mostly to increases in inventories at Albazino, Dukat, Mayskoye, and Omolon, and operating cash flows decreased following the decline in metal prices.

The Group maintains its current debt structure, which is comfortable both from the liquidity and cost standpoints. The unexpected decrease in free cash flows due to weak commodity prices was concentrated in the second quarter, and therefore was covered by short-term borrowings as at 30 June 2013. Subsequent to the end of the reporting period, the Group refinanced a total of US$ 385 million of its short-term borrowings into long-term facilities. As a result, share of long-term borrowings increased from 48% as at 30 June 2013 to 64% as at 15 August 2013. In addition to that, the Group currently has US$ 1.4 billion of available undrawn facilities from a wide range of lenders which maintains its operational flexibility in the current environment.

The average cost of debt remained low at 3.3% in 1H 2013 (2012: 2.8%), supported by low base interest rates and the ability to negotiate competitive premiums on the back of the solid financial position of the Company and Polymetal’s excellent credit history.

2013 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 1.2 Moz of gold equivalent production;
- Successful completion of remedial measures at the Amursk POX and operational improvements at the Omolon hub are expected to generate a positive impact on total cash costs level in 2H 2013, aided by Rouble costs depreciation effect across all operations;
- A further decrease in capital and exploration expenditures following implementation of the strategic decisions taken by the Board in response to commodities prices decline;
- A planned decrease in working capital balances and related positive cash flows to be generated in 2H 2013 following sales of Mayskoye concentrate, acceleration of concentrate stockpile drawdown at the Amursk POX, and reduction of concentrate in transit inventories at Dukat.

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 2012. 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 2012 Annual report were categorised as:

- Market risk;
- Production risks, including:
  a) low grade/ potential dilution of ore;
  b) ore and concentrate shipping;
  c) supply chain risks; and
  d) low recovery rate;
- Production risk – construction and renovation;
- Legal risk;
- Taxation risk;
- Mergers and acquisitions;
- Environmental risks;
- Political risk;
- Currency risk;
- Human resources;
- Liquidity risk;
- Failure to meet exploration objectives;
- Interest rate risk; and
- Inflation risk.

A detailed explanation of these risks and uncertainties can be found on pages 76 to 79 of the Annual report 2012 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 its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 30 June 2013, the Group held $21 million of cash and had net debt of $1,295 million, with $1,324 million of undrawn but committed facilities available.

The board is satisfied that the Group's forecasts and projections, having taken account of reasonably possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2013.

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,

Vitaly Nesis
Chief Executive Officer

Bobby Godsell
Chairman of the Board of Directors

28 August 2013

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 2013 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity, and related notes 1 to 26. 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 2013 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
28 August 2013

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June 2013 (unaudited) US$'000	Six months ended 30 June 2012 restated[1] (unaudited) US$'000	Year ended 31 December 2012 restated[1] (audited) US$'000
Revenue	4	721,283	767,479	1,854,065
Cost of sales excluding write-downs of metal inventories to net realisable value	5, 25	(441,480)	(332,916)	(851,839)
Write-downs of metal inventories to net realisable value	19	(106,132)	(2,901)	(4,000)
Gross profit		**173,671**	**431,662**	**998,226**
General, administrative and selling expenses	9	(100,166)	(89,607)	(181,648)
Other operating expenses	10	(50,959)	(50,204)	(153,855)
Impairment of non-current assets	18	(189,344)	-	-
Impairment of investment in associate	17, 18	(9,750)	-	-
Share of loss of associates and joint ventures		(1,823)	(478)	(1,804)
Operating (loss) / profit		**(178,371)**	**291,373**	**660,919**
Loss on disposal of subsidiaries		-	(8,784)	(10,709)
Gain on acquisition of remaining interest in joint venture		-	21,051	21,051
Net foreign exchange (losses)/gains		(76,726)	(59,652)	6,677
Change in fair value of contingent consideration liability		6,611	(2,332)	(4,717)
Finance income		1,299	3,378	4,657
Finance costs	12	(17,914)	(14,242)	(26,787)
(Loss)/profit before income tax		**(265,101)**	**230,792**	**651,091**
Income tax benefit/(expense)	13	9,751	(74,110)	(222,868)
(Loss)/profit for the financial period		**(255,350)**	**156,682**	**428,223**
(Loss)/profit for the financial period attributable to:				
Equity shareholders of the Parent		(255,350)	149,805	421,196
Non-controlling interest		-	6,877	7,027
		(255,350)	**156,682**	**428,223**
(Loss) /Earnings per share (US$)				
Basic	14	(0.66)	0.39	1.10
Diluted	14	(0.66)	0.37	1.10

[1] Restated following adopting IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine. Refer to Note 25*

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 restated[1] (unaudited)	Year ended 31 December 2012 restated[1] (audited)
	US$'000	US$'000	US$'000
(Loss)/profit for the period	(255,350)	156,682	428,223
Other comprehensive (loss)/income			
Effect of translation to presentation currency[2]	(152,520)	(45,086)	111,656
Total comprehensive (loss)/income for the period	**(407,870)**	**111,596**	**539,879**
Total comprehensive (loss)/income for the financial year attributable to:			
Equity shareholders of the Parent	(407,870)	94,798	522,730
Non-controlling interest	-	16,798	17,149
	(407,870)	**111,596**	**539,879**

[1] Restated following adopting IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine. Refer to Note 25*
[2] The Effect of translation to the presentation currency' is not expected to reclassified subsequently to the income statement.

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED BALANCE SHEET

Assets	Note	30 June 2013 (unaudited) US$'000	31 December 2012 restated[1] (audited) US$'000	30 June 2012 restated[1] (unaudited) US$'000
Property, plant and equipment	16	2,084,969	2,205,732	1,968,328
Goodwill		30,908	115,106	106,533
Investments in associates	17	16,213	29,822	29,057
Non-current loans		15,753	14,811	9,362
Deferred tax asset		80,438	58,024	66,250
Non-current inventories	19	57,424	98,864	78,013
Total non-current assets		**2,285,705**	**2,522,359**	**2,257,543**
Current inventories	19	861,189	840,621	730,893
VAT receivable		88,158	103,192	99,588
Trade and other receivables		94,391	107,596	102,202
Prepayments to suppliers		43,750	31,044	35,590
Income tax prepaid		13,314	14,481	12,885
Short-term deposit		-	-	18,075
Cash and cash equivalents		21,260	18,622	25,844
Total current assets		**1,122,062**	**1,115,556**	**1,025,077**
Total assets		**3,407,767**	**3,637,915**	**3,282,620**
Liabilities and shareholders' equity				
Accounts payable and accrued liabilities		(118,934)	(312,218)	(150,097)
Current borrowings	20	(684,832)	(244,211)	(390,431)
Share purchase obligation under MTO		-	-	(9,935)
Income tax payable		(20,594)	(63,021)	(28,250)
Other taxes payable		(67,123)	(72,119)	(30,935)
Environmental obligation		(162)	(1,565)	-
Total current liabilities		**(891,645)**	**(693,134)**	**(609,648)**
Non-current borrowings	20	(631,751)	(619,612)	(639,406)
Contingent consideration liability		(17,821)	(25,276)	(23,744)
Deferred tax liability		(73,710)	(82,760)	(72,100)
Environmental obligations		(57,107)	(65,128)	(58,585)
Other non-current liabilities		(604)	(134)	(830)
Total non-current liabilities		**(780,993)**	**(792,910)**	**(794,665)**
Total liabilities		**(1,672,638)**	**(1,486,044)**	**(1,404,313)**
NET ASSETS		**1,735,129**	**2,151,871**	**1,878,307**
Stated capital account	22	1,664,170	1,576,123	1,566,386
Share-based compensation reserve		143,524	119,291	91,922
Translation reserve		(205,781)	(53,261)	(208,976)
Share purchase obligation under MTO		-	-	(36,317)
Retained earnings		133,216	509,718	455,828
Total equity attributable to the parent		**1,735,129**	**2,151,871**	**1,868,843**
Non-controlling interest		-	-	9,464
Total equity		**1,735,129**	**2,151,871**	**1,878,307**
Total liabilities and shareholders' equity		**(3,407,767)**	**(3,637,915)**	**(3,282,620)**

[1] Restated following adopting IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine. Refer to Note 25*

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

These financial statements are approved and authorised for issue by the Board of Directors on 28 August 2013 and signed on its behalf by

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2013 (unaudited) US$'000	Six months ended 30 June 2012 restated[1] (unaudited) US$'000	Year ended 31 December 2012 restated[1] (audited) US$'000
Net cash generated by operating activities		**59,084**	**187,855**	**540,841**
Cash flows from investing activities				
Purchases of property, plant and equipment	16	(170,627)	(196,074)	(397,076)
Consideration for acquisitions	2	(11,934)	(20,000)	(20,797)
Proceeds from disposal of subsidiary		-	25,000	25,000
Short-term deposit placement		-	(18,958)	-
Convertible loan repaid by (advanced to) Polygon Gold		6,011	-	(10,000)
Other loans advanced, net		(6,597)	(3,216)	(4,559)
Interest received		530	-	5,686
Contingent consideration payment		(1,271)	(928)	(1,227)
Net cash used in investing activities		**(183,888)**	**(214,176)**	**(402,973)**
Cash flows from financing activities				
Borrowings obtained	20	1,486,454	976,172	1,236,036
Repayments of borrowings	20	(1,044,297)	(935,707)	(1,384,913)
MTO and squeeze-out obligation repayment		-	(560,644)	(568,837)
Dividends paid	15	(312,529)	(76,537)	(76,537)
Net cash used in/generated by financing activities		**129,628**	**(596,716)**	**(794,251)**
Net increase/(decrease) in cash and cash equivalents		4,824	(623,037)	(656,383)
Cash and cash equivalents at the beginning of the period		18,622	658,795	658,795
Effect of foreign exchange rate changes on cash and cash equivalents		(2,186)	(9,914)	16,210
Cash and cash equivalents at the end of the period		**21,260**	**25,844**	**18,622**

[1] Restated following adopting IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine. Refer to Note 25*

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Number of Polymetal International shares outstanding	Stated capital account	Treasury shares in JSC Polymetal	Share based compensation reserve	Translation reserve	Share purchase obligation	Retained earnings	Total equity attributable to the parent	Non-controlling interest	Total equity
Balance at 31 December 2011 (audited)		**382,685,782**	**1,566,386**	**(395)**	**59,239**	**(151,029)**	**(561,659)**	**753,572**	**1,666,114**	**148,484**	**1,814,598**
Total comprehensive income		-	-	-	-	(55,007)	-	149,805	94,798	16,798	111,596
Amortisation of bonus received from depositary		-	-	-	-	-	-	1,258	1,258	-	1,258
Share based compensation			-	-	26,651	-	-	-	26,651	741	27,392
Dividends	16	-	-	-	-	-	-	(76,537)	(76,537)	-	(76,537)
Share purchase obligation under MTO and squeeze-out		-	-	433	-	-	525,342	(525,775)	-	-	-
Acquisition of non-controlling interest		-	-	(38)	6,032	(2,940)	-	153,505	156,559	(156,559)	-
Balance at 30 June 2012 restated[1] (unaudited)		**382,685,782**	**1,566,386**	**-**	**91,922**	**(208,976)**	**(36,317)**	**455,828**	**1,868,843**	**9,464**	**1,878,307**
Total comprehensive income		0	0	-	-	156,540	-	271,392	427,932	351	428,283
Amortisation of bonus received from depositary		0	0	-	-	-	-	-	-	-	-
Share based compensation		0	0	-	26,864	-	-	-	26,864	23	26,887
Issue of shares in exchange for assets		520,422	9,737	-	-	-	-	-	9,737	-	9,737
Dividends	15	0	0	-	-	-	-	(191,343)	(191,343)	-	(191,343)
Acquisition of non-controlling interest under MTO and Squeeze-out		0	0	-	505	(825)	36,317	(26,159)	9,838	(9,838)	-
Balance at 31 December 2012 restated[1] (audited)		**383,206,204**	**1,576,123**	**-**	**119,291**	**(53,261)**	**-**	**509,718**	**2,151,871**	**-**	**2,151,871**
Total comprehensive income		-	-	-	-	(152,520)	-	(255,350)	(407,870)	-	(407,870)
Share based compensation		-	-	-	24,233	-	-	-	24,233	-	24,233
Issue of shares in exchange for assets	2	775,000	13,423	-	-	-	-	-	13,423	-	13,423
Issue of shares for business acquisitions	2	5,491,661	74,624	-	-	-	-	-	74,624	-	74,624
Dividends	15	-	-	-	-	-	-	(121,152)	(121,152)	-	(121,152)
Balance at 30 June 2013 (unaudited)		**389,472,865**	**1,664,170**	**-**	**143,524**	**(205,781)**	**-**	**133,216**	**1,735,129**	**-**	**1,735,129**

[1] Restated following adopting IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine. Refer to Note 25*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 traded 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 2013. These unaudited condensed interim consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the audited 2012 Annual Report of Polymetal International plc and its subsidiaries ("2012 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 2012, were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and were approved by the directors on 24 April 2013 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 2012, with the exception of certain amendments to accounting standards or new interpretations issued by the International Accounting Standards Board, which were applicable from 1 January 2013 and are noted for accounting policy changes below. Certain comparatives have been restated to conform to current accounting policy.

Changes in Accounting Policies

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

In October 2011, the IASB issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. IFRIC 20 provides guidance on the accounting for the costs of stripping activities during the production phase of a mine. When the benefit from the stripping activity is the improved access to a component of the ore body in future periods, the stripping costs in excess of the average ore to waste ratio for the life of mine of that component are recognised as a non-current asset. After initial recognition, the stripping activity asset is depreciated on a systematic basis (unit-of-production method) over the expected useful life of the identified component of the ore body made accessible as a result of the stripping activity.

The Group has adopted IFRIC 20 prospectively according to the transitional provisions, and the 2012 results have been restated accordingly. Prior to adoption of IFRIC 20, the Group's accounting policy was expense all the production stripping costs as incurred therefore at 1 January 2012 there were no deferred stripping assets on the Group's balance sheet, therefore in accordance with the transitional provisions of IFRIC 20 no restatement was required at that date.

The adoption of IFRIC 20 has resulted in capitalisation of certain waste stripping costs within property, plant and equipment and a reduction in cost of sales and metal inventories in the 6 months ended 30 June 2012 and the year ended 31 December 2012. For further detail of the effect on the Group financial statements for the 6 months ended 30 June 2012 and the year ended 31 December 2012 please refer to Note 25.

Changes in accounting estimates

From 1 January 2013, the Group began to use JORC as opposed to GKZ reserves as the basis for the unit-of-production depreciation calculations as management believes this revised basis better reflects the long-term mine plans which also being prepared based on JORC reserves estimates. The impact on the total depreciation charge for the 6 months ended 30 June 2013 was an increase of US$23.6 million

Going concern

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 30 June 2013, the Group held $21 million of cash and had net debt of $1,295 million, with $1,324 million of undrawn but committed facilities available.

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 interim financial statements.

2. ACQUISITIONS AND DISPOSALS

Olymp Ltd.

On 24 January 2013 the Group completed the acquisition of 100% of Olymp Ltd., a Russian legal entity holding the mining and exploration licence for the Olcha gold-silver deposit in exchange for 775,000 new ordinary shares in Polymetal.

Olymp Ltd. does not meet the definition of a business pursuant to IFRS 3 (2008) thus it is accounted for as an acquisition of a group of assets. The Group purchased mineral rights at cost of US$13.4 million and other current liabilities of $(0.01) million.

ZAO "Maminskaya Gornorudnaya kompania"

On 20 February 2013 the Group has entered into a binding memorandum of understanding with Vitalex Investments Ltd and Arrowline Investments Ltd to acquire a 100% interest in ZAO "Maminskaya Gornorudnaya kompania" ("MGK"), which holds an exploration and mining licence for the Maminskoye gold mining field ("Maminskoye").

On 9 April 2013 the Group completed the acquisition of 100% interest and debt in MGK. The consideration for the equity investment was US$3.9 million payable in cash and 5,491,661 of Polymetal's ordinary shares valued at the acquisition date at US$74.6 million. The debt investment in MGK was acquired for a consideration payable in cash and equalling to its carrying value of US$8 million.

MGK meets the definition of a business pursuant to IFRS 3 (2008) thus it was accounted for at fair value using the acquisition method.

The allocation of the purchase price has not been finalised as at the date of these financial statements and will be finalised in the second half of 2013 upon completion of mineral rights valuation and deferred taxes assessment. The preliminary allocation of the purchase price based on the consideration paid and the fair value of the assets acquired was as follows:

	US$'000
Net assets acquired	
Mineral rights	115,127
Property, plant and equipment	2,952
Non-current liabilities	(9,896)
Deferred tax liability	(23,025)
Other assets, net	1,400
Net assets acquired	**86,558**
Consideration:	
Fair value of share issued	74,624
Cash consideration for equity investment	3,900
Cash consideration for debt investment	8,034
Total consideration	**86,558**

3. SEGMENT INFORMATION

The Group has seven reportable segments:

- Voro (CJSC Gold of Northern Urals);
- Khakanja (LLC Okhotskaya Mining and Exploration Company);
- Dukat (CJSC Magadan Silver);
- Omolon (Omolon Gold Mining Company LLC);
- Varvara (JSC Varvarinskoye);
- Amursk-Albazino (Albazino Resources Ltd, Amur Hydrometallurgical Plant LLC); and
- Mayskoye (Mayskoye Gold Mining Company LLC).

Reportable segments are determined based on the Group's internal management reports and are separated based on the Group's geographical structure. Minor companies and activities (management, exploration, purchasing and other companies) which do not meet the reportable segment criteria are disclosed within corporate and other segment. Each segment is engaged in gold, silver or copper mining and related activities, including exploration, extraction, processing and reclamation. The Group's segments are all based in the Russian Federation, except for Varvara which is 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 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 as described in Note 1.

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 unaudited condensed interim consolidated financial statements.

The segment Adjusted EBITDA reconciles to the profit before income tax as follows:

3. Segment information (continued)

For the six months ended 30 June 2013 ($'000)	Voro	Khakanja	Dukat	Omolon	Varvara	Amursk - Albazino	Mayskoye	Total reportable segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	109,717	89,364	253,471	78,321	96,740	93,570	-	721,183	100		**721,283**
Intersegment revenue				990	758			1,748	171,725	(173,473)	**-**
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	38,100	33,531	123,601	55,090	50,842	66,304	14	367,482	127,959	(140,303)	**355,138**
Cost of sales	43,427	44,427	149,391	72,498	58,236	83,680	2,165	453,824	127,959	(140,303)	441,480
Depreciation included in Cost of sales	(5,073)	(10,983)	(27,321)	(13,934)	(7,394)	(17,289)	7	(81,987)	-	-	(81,987)
Write-down of non-metal inventory to net realisable value	(96)	139	1,501	(3,373)	-	-	(2,153)	(3,982)	-	-	(3,982)
Rehabilitation expenses	(158)	(52)	30	(101)	-	(87)	(5)	(373)	-	-	(373)
General, administrative and selling expenses, excluding depreciation, amortization and share based compensation	4,465	5,618	7,848	6,487	2,340	5,366	4,847	36,971	47,673	(10,600)	**74,043**
General, administrative and selling expenses	10,383	9,299	13,763	9,766	2,733	6,029	5,075	57,048	73,956	(30,838)	100,166
Intercompany management services	(5,544)	(3,487)	(5,510)	(3,208)	(304)	(575)	(122)	(18,750)	(1,488)	20,238	-
Depreciation included in SGA	(374)	(194)	(405)	(71)	(89)	(88)	(106)	(1,328)	(562)	-	(1,890)
Share based compensation	-	-	-	-	-	-	-	-	(24,233)	-	(24,233)
Other operating expenses excluding additional tax charges	4,147	7,648	8,194	6,432	1,198	8,089	4,239	39,947	10,584	1,090	**51,621**
Other operating expenses	4,147	7,648	7,532	6,432	1,198	8,089	4,239	39,285	10,584	1,090	50,959
Mining taxes, penalties and accrued interest	-	-	662		-	-	-	662	-	-	662
Share of loss of associates and joint ventures								-	1,823	-	1,823
Adjusted EBITDA	**63,005**	**42,567**	**113,828**	**10,640**	**43,118 -**	**13,811**	**(9,100)**	**277,869**	**(16,214)**	**(23,660)**	**238,658**
Depreciation expense	5,447	11,177	27,726	14,005	7,483	17,377	100	83,315	562	-	**83,877**
Rehabilitation expenses	158	52	(30)	101	-	87	5	373	-	-	**373**
Write-down of non-metal inventory to net realisable value	96	(139)	(1,501)	3,373	-	-	2,153	3,982	-	-	**3,982**
Impairment of non-current assets and goodwill	-	104,404	-	4,824	80,116	-		189,344	-	-	**189,344**
Impairment of investment in associate	-	-	-	-	-	-	-	-	9,750	-	**9,750**
Write-downs of metal inventories to net realisable value	1,501	20,023	5,988	55,442	11,751	-	11,427	106,132	-	-	**106,132**
Mining taxes, penalties and accrued interest	-	-	(662)	-	-	-	-	(662)	-	-	**(662)**
Share-based compensation	-	-	-	-	-	-	-	-	24,233	-	**24,233**
Operating profit / (loss)	**55,803**	**(92,950)**	**82,307**	**(67,105)**	**(56,232)**	**(3,653)**	**(22,785)**	**(104,615)**	**(50,759)**	**(23,660)**	**(178,371)**
Foreign exchange loss											**(76,726)**
Change in fair value of contingent consideration											**6,611**
Finance income											**1,299**
Finance costs											**(17,914)**
Loss before tax											**(265,101)**
Income tax benefit											**9,751**
Loss for the financial period											**(255,350)**
Current metal inventories	63,645	86,937	112,314	109,330	33,713	125,642	43,401	574,982	2,232	(2,430)	**574,784**
Current non-metal inventories	7,883	30,573	51,270	71,682	26,012	44,812	25,895	258,127	43,196	(14,918)	**286,405**
Non-current segment assets:											
Property, plant and equipment, net	98,762	31,706	404,811	249,273	144,067	570,335	307,940	1,806,894	305,287	(27,212)	**2,084,969**
Goodwill		-	8,113		-		22,795	30,908			**30,908**
Non-current inventory	3,201	3,913	6,950	27,653	6,268	4,078	4,294	56,357	3,929	(2,863)	**57,424**
Investments in associates									16,213		**16,213**
Total segment assets	**173,491**	**153,129**	**583,458**	**457,938**	**210,060**	**744,867**	**404,325**	**2,727,268**	**370,857**	**(47,423)**	**3,050,704**
Additions to non-current assets:											
Property, plant and equipment	11,466	17,465	15,816	26,283	22,562	41,640	30,874	166,106	16,337	(1,206)	**181,237**
Acquired in business combinations and acquisition of group of assets									131,516		**131,516**

3. Segment information (continued)

For the six months ended 30 June 2012 ($'000) restated	Voro	Khakanja	Dukat	Omolon	Varvara	Amursk - Albazino	Mayskoye	Total reportable segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	109,875	128,352	324,313	82,232	101,868	20,593	-	767,233	246	-	**767,479**
Intersegment revenue						8,574		8,574	238,016	(246,590)	**-**
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	27,693	41,621	127,384	41,514	47,579	14,624	-	300,415	174,078	(191,463)	**283,030**
Cost of sales	33,659	53,330	142,909	49,349	53,799	20,694	(3,439)	350,301	174,078	(191,463)	332,916
Depreciation included in Cost of sales	(5,840)	(12,256)	(14,087)	(7,584)	(6,123)	(4,734)	-	(50,624)	-	-	(50,624)
Write-down of inventory to net realisable value	-	583	(1,144)	20	(97)	(455)	3,439	2,346	-	-	2,346
Rehabilitation expenses	(126)	(36)	(294)	(271)	-	(881)	-	(1,608)	-	-	(1,608)
General, administrative and selling expenses, excluding depreciation, amortization and share based compensation	3,890	4,481	6,624	4,712	2,048	4,314	4,452	30,521	47,909	(18,159)	**60,271**
General, administrative and selling expenses	9,532	7,787	11,680	7,716	2,528	5,097	4,589	48,929	76,572	(35,894)	89,607
Intercompany management services	(4,890)	(3,086)	(4,815)	(2,961)	(412)	(663)	(58)	(16,885)	(850)	17,735	-
Depreciation included in SGA	(752)	(220)	(241)	(43)	(68)	(120)	(79)	(1,523)	(422)	-	(1,945)
Share based compensation	-	-	-	-	-	-	-	-	(27,391)	-	(27,391)
Other operating expenses excl additional tax charges	2,140	4,287	8,812	2,495	7,097	3,185	987	29,003	7,280	(430)	**35,853**
Other operating expenses	2,140	4,287	23,163	2,495	7,097	3,185	987	43,354	7,280	(430)	50,204
Additional tax charges according to the Supreme Arbitration Court decision			(14,351)					(14,351)			(14,351)
Share of loss of associates and joint ventures								-	478		478
Adjusted EBITDA	**76,152**	**77,963**	**181,493**	**33,511**	**45,144**	**7,044**	**(5,439)**	**415,868**	**8,517**	**(36,538)**	**387,847**
Depreciation expense	6,592	12,476	14,328	7,627	6,191	4,854	79	**52,147**	422	-	**52,569**
Rehabilitation expenses	126	36	294	271	-	881	-	**1,608**	-	-	**1,608**
Write-down of non-metal inventory to net realisable value	-	(583)	1,144	(20)	97	455	(3,439)	**(2,346)**	-	-	**(2,346)**
Write-downs of metal inventories to net realisable value						2,901		**2,901**			**2,901**
Additional tax charges according to the Supreme Arbitration Court decision			14,351					**14,351**			**14,351**
Share-based compensation	-	-	-	-	-	-	-	**-**	27,391	-	**27,391**
Operating profit / (loss)	**69,434**	**66,034**	**151,376**	**25,633**	**38,856**	**(2,047)**	**(2,079)**	**347,207**	**(19,296)**	**(36,538)**	**291,373**
Loss on disposal of subsidiaries											**21,051**
Gain on acquisition of remaining interest in joint venture											**(8,784)**
Foreign exchange (loss)											**(59,652)**
Change in fair value of contingent consideration											**(2,332)**
Finance income											**3,378**
Finance costs											**(14,242)**
Profit before tax											**230,792**
Income tax expense											**(74,110)**
Profit for the financial period											**156,682**
Current metal inventories	54,146	61,672	100,202	128,286	48,613	92,198	10,303	495,420	654	4,696	**500,770**
Current non-metal inventories	7,890	19,702	46,110	70,109	19,238	27,699	11,726	202,474	45,800	(18,232)	**230,042**
Non-current segment assets:											
Property, plant and equipment, net	102,170	141,901	418,711	269,512	150,293	515,076	217,456	1,815,119	175,539	(22,330)	**1,968,328**
Goodwill		13,177	8,086		63,316		21,954	106,533			**106,533**
Non-current inventory	2,962	7,105	8,860	31,135	3,767	14,009	6,925	74,763	3,251	-	**78,013**
Investments in associates and joint ventures									29,057		**29,057**
Total segment assets	**167,168**	**243,556**	**581,970**	**499,042**	**285,226**	**648,982**	**268,364**	**2,694,308**	**254,301**	**(35,865)**	**2,912,745**
Additions to non-current assets:											
Property, plant and equipment	14,910	15,446	27,319	50,090	4,970	43,472	45,336	201,543	3,448	(821)	**204,170**

3. Segment information (continued)

For the year ended 31 December 2012 ($'000) restated	Voro	Khakanja	Dukat	Omolon	Varvara	Amursk - Albazino	Mayskoye	Total reportable segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	268,427	302,482	672,881	295,748	215,241	99,182	-	1,853,961	104	-	**1,854,065**
Intersegment revenue	183				674	9,730		10,587	480,432	(491,019)	**-**
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	72,346	101,595	262,198	150,294	103,533	47,240	1	737,207	366,971	(399,281)	**704,897**
Cost of sales	90,417	131,963	294,120	187,494	117,147	66,370	(3,362)	884,149	366,971	(399,281)	851,839
Depreciation included in Cost of sales	(17,673)	(29,486)	(31,698)	(31,008)	(13,883)	(14,041)	-	(137,789)	-	-	(137,789)
Write-down of non-metal inventory to net realisable value	-	(4)	71	(5,836)	269	(4,206)	3,363	(6,343)	-	-	(6,343)
Rehabilitation expenses	(398)	(878)	(295)	(356)	-	(883)	-	(2,810)	-	-	(2,810)
General, administrative and selling expenses, excluding depreciation, amortization and share based compensation	7,823	8,833	12,487	9,279	4,329	10,297	8,779	61,827	99,428	(38,323)	**122,932**
General, administrative and selling expenses	20,085	15,842	23,197	15,581	5,342	11,669	9,088	100,804	157,389	(76,545)	181,648
Intercompany management services	(10,322)	(6,545)	(10,211)	(6,219)	(858)	(1,161)	(147)	(35,463)	(2,759)	38,222	-
Depreciation included in SGA	(1,940)	(464)	(499)	(83)	(155)	(211)	(162)	(3,514)	(923)	-	(4,437)
Share based compensation	-	-	-	-	-	-	-	-	(54,279)	-	(54,279)
Other operating expenses excl additional tax charges	6,358	14,535	20,038	7,335	6,471	11,946	2,868	69,551	17,659	734	**87,944**
Other operating expenses	6,358	14,535	73,645	7,335	18,775	11,946	2,868	135,462	17,659	734	153,855
Mining taxes, penalties and accrued interest			(53,607)		(12,304)			(65,911)			(65,911)
Share of loss of associates and joint ventures								-	1,804		1,804
Adjusted EBITDA	**182,083**	**177,519**	**378,158**	**128,840**	**101,582**	**39,429**	**(11,648)**	**995,963**	**(5,326)**	**(54,149)**	**936,488**
Depreciation expense	19,613	29,950	32,197	31,091	14,038	14,252	162	**141,303**	923	-	**142,226**
Rehabilitation expenses	398	878	295	356	-	883	-	**2,810**	-	-	**2,810**
Write-downs of metal inventories to net realisable value						4,000		**4,000**			**4,000**
Write-down of non-metal inventory to net realisable value	-	4	(71)	5,836	(269)	4,206	(3,363)	**6,343**	-	-	**6,343**
Additional tax charges according to the Supreme Arbitration Court decision	-	-	53,607	-	12,304	-	-	**65,911**	-	-	**65,911**
Share-based compensation	-	-	-	-	-	-	-	**-**	54,279	-	**54,279**
Operating profit / (loss)	**162,072**	**146,687**	**292,130**	**91,557**	**75,509**	**16,088**	**(8,447)**	**775,596**	**(60,528)**	**(54,149)**	**660,919**
Loss on disposal of subsidiaries											**(10,709)**
Gain on acquisition of remaining interest in joint venture											**21,051**
Foreign exchange											**6,677**
Change in fair value of contingent consideration											**(4,717)**
Finance income											**4,657**
Finance costs											**(26,787)**
Profit before tax											**651,091**
Income tax expense											**(222,868)**
Profit for the year attributable to the equity holders of the parent											**428,223**
Current metal inventories	58,652	84,983	102,062	109,105	51,998	126,924	13,515	547,241	486	(4,558)	**543,169**
Current non-metal inventories	7,953	53,215	49,432	65,786	21,293	45,022	31,200	273,901	43,116	(19,565)	**297,452**
Non-current segment assets:											
Property, plant and equipment, net	104,708	146,536	449,867	285,904	154,276	595,261	320,119	2,056,671	176,823	(27,762)	**2,205,732**
Goodwill		14,238	8,737		68,411		23,720	115,106			**115,106**
Non-current inventory	4,213	7,554	10,993	45,987	5,933	9,832	10,119	94,632	4,232	-	**98,864**
Investments in associates									29,822		**29,822**
Total segment assets	**175,526**	**306,526**	**621,091**	**506,782**	**301,912**	**777,039**	**398,674**	**3,087,551**	**254,478**	**(51,885)**	**3,290,146**
Additions to non-current assets:											
Property, plant and equipment	27,125	28,788	52,452	82,363	16,476	104,037	106,262	417,503	21,142	(5,696)	**432,949**
Acquired on acquisition of group of assets	-	-	-	-	-	-	-	-	10,270	-	**10,270**

4. REVENUE

Revenue analysed by geographical regions of customers is presented below:

	Six months ended		Year ended
	30 June 2013	30 June 2012	31 December 2012
	US$'000	US$'000	US$'000
Sales within the Russian Federation	451,618	411,419	1,055,569
Sales to Kazakhstan	87,686	213,748	396,543
Sales to Europe	86,893	120,371	219,546
Sales to China	54,335	20,593	178,059
Sales to other countries	40,303	-	2,495
Total metal sales	**720,835**	**766,131**	**1,852,212**
Other sales	448	1,348	1,853
Total	**721,283**	**767,479**	**1,854,065**

Metal sales to related parties (sales to Nomos-Bank) are disclosed in Note 23.

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

	Six months ended 30 June 2013			Six months ended 30 June 2012		
	Thousand ounces/ tonnes[1]	Average price (U.S. Dollar per troy ounce/tonne)[1]	US$'000	Thousand ounces/ tonnes	Average price (U.S. Dollar per troy ounce/tonne)[1]	US$'000
Gold (thousand ounces)	297	1,422	422,343	226	1,639	371,208
Silver (thousand ounces)	11,382	24.2	275,505	12,496	29.5	368,655
Copper (tonnes)	3,780	6,081	22,987	3,627	7,240	26,268
Total			**720,835**			**766,131**

	Year ended 31 December 2012		
	Thousand ounces/ tonnes[1]	Average price (U.S. Dollar per troy ounce/tonne)[1]	US$'000
Gold (thousand ounces)	593	1,631	966,463
Silver (thousand ounces)	27,797	30.0	832,886
Copper (tonnes)	7,011	7,540	52,863
Total			**1,852,212**

[1] Neither audited nor reviewed

5. COST OF SALES EXCLUDING WRITE-DOWNS OF METAL INVENTORIES TO NET REALISABLE VALUE

	Six months ended		Year ended
	30 June 2013	30 June 2012 restated	31 December 2012 restated
	US$'000	US$'000	US$'000
Cash operating costs			
On-mine costs (Note 6)	216,797	194,010	364,134
Smelting costs (Note 7)	186,174	155,503	335,564
Purchase of ore from third parties	10,892	15,267	29,519
Purchase of ore from related parties (note 23)	14,358	-	3,035
Mining tax	59,464	56,607	120,910
Total cash operating costs	**487,685**	**421,387**	**853,162**
Depreciation and depletion of operating assets (Note 8)	118,102	82,196	178,417
Rehabilitation expenses	373	1,608	2,810
Total costs of production	**606,160**	**505,191**	**1,034,389**
Increase in metal inventories	(169,311)	(170,716)	(186,989)
Write-down of non-metal inventories to net realisable value (Note 19)	3,982	(2,345)	2,343
Total change in metal inventories	**(165,329)**	**(173,061)**	**(184,646)**
Cost of other sales	649	786	2,096
Total	**441,480**	**332,916**	**851,839**

Due to significant decline in gold and silver prices during six months ended 30 June 2013, the Group has separately written down some of its metal inventories (refer to Note 19).

6. ON-MINE COSTS

	Six months ended		Year ended
	30 June 2013	30 June 2012 restated	31 December 2012 restated
	US$'000	US$'000	US$'000
Consumables and spare parts	62,519	60,816	121,366
Services	92,756	85,721	146,876
Labour	60,140	45,669	90,760
Taxes, other than income tax	376	521	1,115
Other expenses	1,006	1,283	4,017
Total (Note 5)	**216,797**	**194,010**	**364,134**

7. SMELTING COSTS

	Six months ended		Year ended
	30 June 2013	30 June 2012	31 December 2012
	US$'000	US$'000	US$'000
Consumables and spare parts	81,305	70,866	138,258
Services	69,091	55,183	137,339
Labour	34,587	28,066	57,063
Taxes, other than income tax	504	448	902
Other expenses	687	940	2,002
Total (Note 5)	**186,174**	**155,503**	**335,564**

8. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Six months ended		Year ended
	30 June 2013	30 June 2012 restated	31 December 2012 restated
	US$'000	US$'000	US$'000
On-mine	82,315	54,732	117,504
Smelting	35,787	27,464	60,913
Total (Note 5)	**118,102**	**82,196**	**178,417**

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 4), also excludes amounts absorbed into unsold metal inventory balances.

9. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	Six months ended		Year ended
	30 June 2013	30 June 2012	31 December 2012
	US$'000	US$'000	US$'000
Labour	56,154	47,775	92,429
Share based compensation	24,233	27,391	54,279
Services	10,869	7,032	18,430
Depreciation	1,890	1,945	4,437
Other	7,020	5,464	12,073
Total	**100,166**	**89,607**	**181,648**

10. OTHER OPERATING EXPENSES

	Six months ended		Year ended
	30 June 2013	30 June 2012	31 December 2012
	US$'000	US$'000	US$'000
Exploration expenses	23,787	8,515	32,908
Taxes, other than income tax	7,624	11,033	14,205
Social payments	4,325	5,478	10,544
Housing and communal services	3,433	4,473	7,860
Loss on disposal of property, plant and equipment	3,327	2,362	9,325
Mining taxes, penalties and accrued interest	(662)	14,351	65,911
Bad debt allowance	(28)	732	267
Other expenses	9,153	3,260	12,835
Total	**50,959**	**50,204**	**153,855**

Exploration expenses include an US$7.1 million write down of evaluation and exploration assets relating to the Omolon and Khakanja segments, where management have decided to suspend exploration activities relating to the Prognoznoye and Kirankan field.

Mining taxes, penalties and accrued interest have been accrued in respect of various disputes with the Russian and Kazakh tax authorities. The background to these cases and their impact on the results of the Group has been set out in more detail within Note 13.

11. EMPLOYEE COSTS

	Six months ended		Year ended
	30 June 2013	30 June 2012 restated	31 December 2012 restated
	US$'000	US$'000	US$'000
Wages and salaries	139,034	125,603	252,152
Social security costs	38,508	28,711	53,963
Share-based compensation	24,233	27,391	54,279
Total payroll costs	**201,769**	**181,705**	**360,394**
Reconciliation:			
Less: employee costs capitalised	(24,593)	(29,050)	(53,831)
Less: employee costs absorbed into unsold metal inventory balances	(30,544)	(20,035)	(23,176)
Employee costs included in operating costs	**146,632**	**132,620**	**283,387**

The weighted average number of employees during the period ended 30 June 2013 was:

	Six months ended		Year ended
	30 June 2013	30 June 2012	31 December 2012
Voro	908	892	901
Khakanja	1,165	1,106	1,132
Dukat	1,984	1,911	1,926
Omolon	981	1,024	1,027
Varvara	733	684	695
Amursk-Albazino	1,152	1,086	1,119
Mayskoye	886	740	759
Corporate and other	1,456	1,320	1,434
Total	**9,264**	**8,763**	**8,993**

12. FINANCE COSTS

	Six months ended		Year ended
	30 June 2013	30 June 2012	31 December 2012
	US$'000	US$'000	US$'000
Interest expense on borrowings	13,836	10,265	18,523
Unwinding discount on borrowings	2,219	2,293	4,643
Unwinding of discount on environmental obligations	1,859	1,684	3,621
Total	**17,914**	**14,242**	**26,787**

Interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US$3.3 million, US$7.3 million and US$14.7 million during the six months ended 30 June 2013, the six months ended 30 June 2012, and the year ended 31 December 2012, respectively. These amounts were calculated based on the Group's general borrowing pool and by applying an effective interests rate of 3.06% (annualised), 3.51% (annualised) and 3.06%, respectively, to cumulative expenditure on such assets.

13. INCOME TAX

Tax for the six months ended 30 June 2013 is charged at 38% (six months ended 30 June 2012: 26.4%; year ended 31 December 2012: 31%), 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.

	Six months ended		Year ended
	30 June 2013	30 June 2012 restated	31 December 2012 restated
	US$'000	US$'000	US$'000
Current income taxes	43,491	72,588	174,444
Excess profit taxes payable in Kazakhstan	1,946	-	17,111
Income tax expense arising in respect of lost litigation	-	13,712	27,475
Deferred income taxes	(55,188)	(12,190)	3,838
	(9,751)	**74,110**	**222,868**

Increased deferred income tax credit resulted from tax credits in respect of inventories impairment amounting to US$14.1 million (see Note 19), tax credit related to mining assets impairment and impairment of investments in associate amounting to US$18 million (see Note 18) and tax losses carried forward of US$10.9 million arising in a number of group subsidiaries during the period ended 30 June 2013.

The actual tax credit/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. Out of the large operating companies of the Group, tax authorities have audited CJSC Gold of Northern Urals, CJSC Magadan Silver for the period up to 2009, LLC Okhotskaya Mining and Exploration Company and 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.

Income tax and other expenses arising in respect of lost litigation

Position at 31 December 2012

During the year ended 31 December 2012, the Group provided for certain expenses and tax exposures in respect of lost litigation.

The additional income tax charges incurred in respect of litigations during the year ended 31 December 2012 total US$27.5 million and comprised US$14.5 million paid out in respect of a case concerning Magadan Silver sales to ABN AMRO in 2007 and US$13.0 million in respect of cases relating to the deductibility of transportation and processing expenses and of foreign exchange losses in Varvara. Including US$5 million of additional income tax exposures provided for and US$17.1 million excess profit tax in Kazakhstan recognised for the first time in 2012, a total additional income tax expense of US$49.6 million was recognised in the year ended 31 December 2012.

For the year ended 31 December 2012 the Group also provided for mining taxes, interest and penalties totalling US$65.9 million which are recognised within Other Operating Expenses (see Note 10). These expenses comprised US$15.0 million paid out in respect of the Magadan Silver/ABN AMRO case, US$9.2 million provided for in respect of the Magadan Silver Mineral Extraction Tax case, US$10.1 million paid out in respect of Varvara litigation and US$31.6 million in respect of other exposures.

Position at 30 June 2013

In respect of the period ended 30 June 2013, no significant additional income tax and mining tax exposures have been identified. Interest and penalties on exposures provided for at 31 December 2012 are included in Other operating expenses (Note 10). The only settlement in the period related to the $17.1 million of Excess Profits Tax provided for at 31 December 2012. The total provision at 30 June 2013 is $42.6 million (31 December 2012: $62.9 million).

Other exposures considered possible but not probable and therefore not provided for total to US$8.5 million (31 December 2012: US$3 million) and are described in Note 21, Contingent Liabilities.

14. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of outstanding common shares before/after dilution respectively.

The Group had potentially dilutive securities, namely the Group's equity-settled share appreciation plan, which was established during 2010.

The calculation of the weighted average number of outstanding common shares after dilution is as follows:

	Six months ended		Year ended
	30 June 2013	30 June 2012	31 December 2012
Weighted average number of outstanding common shares	386,366,376	382,685,785	382,705,692
Dilutive effect of share appreciation plan	-	26,572,341	-
Weighted average number of outstanding common shares after dilution	**386,366,376**	**409,258,126**	**382,705,692**

There were no adjustments required to earnings for the purposes of calculating dilutive earnings per share in the current interim period (2012: nil). The dilutive effect of equity-settled share appreciation rights has been calculated using the treasury stock method.

The Group issued certain share based payment awards in 2010, which result in the issuance of new shares in the Company to participants, should the Company's weighted average share price from December 2013 to June 2014 exceed a fixed target. Based on the Company's current share price, these awards are not dilutive for the purposes of calculating diluted EPS and accordingly, both Basic and Diluted EPS are identical for the six months ended 30 June 2013. The awards were not dilutive for the year ended 31 December 2012, however they were dilutive for the six month period ended 30 June 2012.

15. DIVIDENDS

An interim dividend of 1 cent per share is proposed by the Board for the period ended 30 June 2013.

On 17 June 2013 a final dividend for 2012 of 31 cents per share was paid to shareholders by the Company resulting in cash outflows of US$121.2 million. On 16 January 2013, a special dividend of 50 cents per share was paid to shareholders by the Company resulting in cash outflows of US$191.3 million.

On 14 June 2012 a final dividend for 2012 of 20 cents per share was paid to shareholders by the Company resulting in cash outflows of US$76.5 million.

16. 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 2012 restated	**84,924**	**2,261,825**	**98,326**	**353,622**	**2,798,697**
Additions	19,519	133,250	9,401	19,067	181,237
Transfers	78,613	68,138	(4,588)	(142,163)	-
Change in decommissioning liabilities	-	(6,215)	-	-	(6,215)
Acquired on acquisitions	128,564	6	-	2,946	131,516
Disposals	(7,138)	(24,193)	(4,271)	(268)	(35,870)
Translation to presentation currency	(15,523)	(157,610)	(6,935)	(18,909)	(198,977)
Balance at 30 June 2013	**288,959**	**2,275,201**	**91,933**	**214,295**	**2,870,388**

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 2012 restated	**-**	**(568,271)**	**(24,694)**	**-**	**(592,965)**
Charge for the period	-	(140,912)	(5,290)	-	(146,202)
Impairment losses recognised in profit and loss	-	(113,368)	-	-	(113,368)
Disposals	-	19,157	2,208	-	21,365
Translation to presentation currency	-	43,862	1,889	-	45,751
Balance at 30 June 2013	**-**	**(759,532)**	**(25,887)**	**-**	**(785,419)**
Net book value					
Balance at 31 December 2012 restated	**84,924**	**1,693,554**	**73,632**	**353,622**	**2,205,732**
Balance at 30 June 2013	**288,959**	**1,515,669**	**66,046**	**214,295**	**2,084,969**

Mining assets at 30 June 2013 included mineral rights with net book value which amounted to US$415 million (31 December 2012: US$341 million). Mineral rights of the Group comprise assets acquired upon acquisition of subsidiaries and asset acquisitions.

Following the adoption of IFRIC 20, stripping costs of US$ 94.7 million have been capitalised within Mining assets as at 30 June 2013. The comparatives have been restated to recognise stripping assets of US$30.6 million at 30 June 2012 and US$56.3 million at 31 December 2012.

Transfers from Capital construction in-progress to Mining assets during the period relates mainly to Mayskoye segment (transfers amounting to US$115 million), where assets had reached commercial production in April 2013.

No property, plant and equipment were pledged as collateral at 30 June 2013 and 31 December 2012.

Impairment losses recognised during six months ended 30 June 2013

During the period, as a result of significant gold, silver and copper market prices decline below levels used in the Group's 2012 annual impairment tests, the Group carried out a review of the recoverable amount of its property, plant and equipment. The review led to the recognition of the impairment loss of US$113.4 million, which has been recognised in the income statement. Refer to Note 18 for details.

17. INVESTMENTS IN ASSOCIATES

The Group's investments in associates as at 30 June 2013, 30 June 2012 and 31 December 20112 consisted of the following:

	30 June 2013		31 December 2012		30 June 2012	
	Voting power %	Carrying Value US$'000	Voting power %	Carrying Value US$'000	Voting power %	Carrying Value US$'000
JSC Ural-Polymetal	33.3	-	33.3	10,507	33.3	10,502
Polygon Gold	42.7	16,213	42.7	19,315	42.7	18,555
Total		**16,213**		**29,822**		**29,057**

As at 30 June 2013, the investment in JSC Ural-Polymetal was written off as a result of an impairment review (see Note 18).

18. IMPAIRMENT LOSSES

During the period, as a result of a significant decline in gold, silver and copper market prices, the Group carried out an impairment review of its mining assets, goodwill and other non-current assets.

As a result of this review, total impairment charges of US$199.1 million (6 months ended 30 June 2012 and year ended 31 December 2012: nil) were recognised at 30 June 2013:

	Khakanja	Varvara	Omolon	Total operating segments	Corporate and other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Mining assets	91,184	17,360	4,824	113,368	-	113,368
Goodwill	13,220	62,756	-	75,976	-	75,976
Investments in associates	-	-	-	-	9,750	9,750
Total	**104,404**	**80,116**	**4,824**	**189,344**	**9,750**	**199,094**

After the related tax credit of US$18 million, the post-tax impairment charge is US$181.1 million.

Impairment of Mining assets and Goodwill

Each cash generating unit is determined on the base of Group's geographical structure and equals to the Group's reporting segments (refer to Note 3). Carrying amount of cash generating units excludes certain exploration assets included within the segments assets which are currently under development and have not reached a stage where there is enough information to estimate the future cash flows that might be eventually generated by the project. The following amounts are excluded from cash generating units carrying amounts: Dukat US$ 13.1 million, Omolon US$ 8.3 million and Amursk-Albazino US$ 6.5 million. These were assessed for impairment separately.

The carrying amounts of all the cash-generating units were assessed against their recoverable amounts determined based on a fair value less costs to sell calculation. Fair value is based on the application of the

Discounted Cash Flow Method (DCF) using post-tax cash flows. The DCF method is attributable to the development of proved and probable reserves and certain resources where a relevant resource-to-reserve conversion ratio can be reasonably applied.

The Group used a post-tax real discount rate of 7.1% (2012: 7.1%) in the DCF calculations which is equal to its nominal weighted average cost of capital of 9% (2012: 9%) translated into real terms. The DCF method used is based on the following key assumptions:

Commodity prices
Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. In the impairment tests performed at 30 June 2013, the flat real long-term gold, silver and copper prices of US$1,200 per ounce, US$18 per ounce and US$6,500 per tonne, respectively, have been used to estimate future revenues.

Proved and probable reserves and mineral resources
Production volumes are derived from the detailed long-term life of mine plans which are based on JORC proven and probable reserves and certain mineral resources (using a relevant resource-to-reserve conversion ratio) at the end of the period.

Production costs
Production costs are based on management's best estimates over the life of the mine, and reflect past experience.

Goodwill has been allocated for impairment testing purposes to the following cash-generating units and the following impairment losses are recognised in the period:

- Khakanja goodwill of US$13.2 million was fully impaired at 30 June 2013;
- Varvara goodwill of US$62.8 million was fully impaired at 30 June 2013;
- Dukat goodwill of US$8.1 million was not impaired at 30 June 2013;
- Mayskoye goodwill of US$22.8 million was not impaired at 30 June 2013.

The remaining change in the carrying amount of goodwill compared to 31 December 2012 relates to the translation effect of US$10 million.

Sensitivity analysis

For the cash-generating units where the goodwill was not fully impaired at 30 June 2013, being Dukat and Mayskoye, management has performed an analysis as to whether a reasonably possible adverse change to any of the key assumptions would lead to impairment. The recoverable amounts of Dukat and Mayskoye determined during the impairment review are US$522.8 million and US$367.6 million, respectively.

The following scenarios were considered as reasonably possible and were used for this sensitivity analysis:

- 5% simultaneous decrease in gold and silver prices over the life of mine,
- 5% increase in operating expenses over the life of mine, and
- 0.5% increase in discount rate applied.

Any adverse changes in the key assumptions described above would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the Dukat cash-generating unit.

For the Mayskoye cash-generating unit, a 5% decrease in gold, silver and copper prices would lead to a pre-tax impairment of US$60 million; a 5% increase in operating expenses would lead a pre-tax impairment of US$16.4 million. The increase in discount rate would not lead to impairment.

Each of the sensitivities above has been determined by assuming that the relevant key assumption moves in isolation, and without regard to potential mine plan changes and other management decisions which would be taken to respond to adverse changes in existing management projections.

Impairment of investment in associate

The Group has fully written off its investment in JSC Ural-Polymetal as the carrying values of the exploration assets this associate holds are not considered recoverable under the Group commodity price assumptions at 30 June 2013.

19. INVENTORIES

	30 June 2013	31 December 2012 restated	30 June 2012 restated
	US$'000	US$'000	US$'000
Inventories expected to be recovered after twelve months			
Consumables and spare parts	35,970	62,267	56,555
Ore stock piles	21,454	36,597	21,458
Total non-current inventories	**57,424**	**98,864**	**78,013**
Inventories expected to be recovered in the next twelve months			
Ore stock piles	258,432	285,006	236,137
Copper, gold and silver concentrate	168,430	141,878	122,762
Work in-process	67,144	64,811	57,915
Metal for refining	51,394	21,206	39,986
Dore	29,384	30,268	43,947
Refined metals	-	-	23
Total metal inventories	**574,784**	**543,169**	**500,770**
Consumables and spare parts	286,405	297,452	230,123
Total	**861,189**	**840,621**	**730,893**

At 30 June 2013 US$21.5 million of ore stock piles at Omolon were classified as non-current inventories following management's assessment that these stock piles will be processed starting from 2016 (31 December 2012: US$36.5 million, 30 June 2012: US$21.5 million). Previously these amounts were included within current metal inventories. The comparative figures have been adjusted to be presented on a consistent basis.

Write-downs of metal inventories to net realisable value

During the six months ended 30 June 2013, the Group recognised the following write-downs to net realisable value of its metal inventories due to low content of precious metals and metal price decline (see Note 18):

	Six months ended 30 June 2013							Six months ended 30 June 2012 restated	Year ended 31 December 2012 restated
	Voro	Khakanja	Dukat	Omolon	Varvara	Mayskoye	Total operating segments	Total operating segments	Total operating segments
Ore stock piles	1,501	20,023	5,988	55,442	11,751	-	94,705	-	-
Copper, gold and silver concentrate	-	-	-	-	-	11,427	11,427	2,901	4,000
Total	**1,501**	**20,023**	**5,988**	**55,442**	**11,751**	**11,427**	**106,132**	**2,901**	**4,000**

The key assumptions used as at 30 June 2013 in determining net realisable value of inventories (including the commodity price assumptions) were consistent with the assumptions used in the impairment review of goodwill and non-current assets (see Note 18).

After the related tax credit of US$14.1 million, the post-tax impairment charge is US$92 million.

During the six month period ended 30 June 2013 the Group recognised a write down of consumables and spare parts inventory in the amount of US$3.9 million (six months ended 30 June 2012: reversal of US$2.3 million; year ended 31 December 2012: write-down of US$2.3 million).

The amount of inventories held at net realisable value at 30 June 2013 was US$77 million (31 December 2012: US$7 million; 30 June 2012: nil).

20. BORROWINGS

In the period ended 30 June 2013, the Group drew down a total of US$1,486 million and repaid US$1,044 million, a net draw down of US$442 million. It secured two new long-term facilities in the period of US$200 million with unrelated parties, which were fully drawn down in the period. The credit facilities are repayable in equal quarterly instalments over three years starting from first and third quarter 2014 respectively.

During the year ended 31 December 2012, the Group drew down a total of US$1,236 million and repaid US$1,385 million, a net repayment of US$149 million.

In the period ended 30 June 2012, the Group drew down a total of US$976 million and repaid US$936 million, a net draw down of US$40 million. It secured new facilities in the period of US$100 million with an unrelated party, which was fully drawn down in the period. The credit facility is repayable in thirteen equal semi-annual instalments starting from March 2014.

At 30 June 2013, the Group had undrawn borrowing facilities of US$1,324 million (31 December 2011: US$913 million; 30 June 2012: US$516 million).

The fair values of the Group’s borrowings approximate their carrying values.

21. COMMITMENTS AND CONTINGENCIES

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the companies of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in its interpretation of the legislation and assessments.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

During the year ended 2012 and 6 months ended 2013, the Group has been involved in a number of litigations in Russia and Kazakhstan. See Note 13 for details of these cases and their outcomes.

In addition to the cases detailed within Note 13, management has identified a total exposure (covering taxes and related interest and penalties) of approximately US$8.5 million in respect of contingent liabilities (31 December 2012: US$3 million; 30 June 2012: US$34.7 million).

Receivables from provisional copper, gold and silver concentrate sales

The fair values of receivables arising from copper, gold and silver concentrate sales contracts that contain provisional pricing mechanisms are US$42 million at 30 June 2013 (31 December 2012: US$60 million; 30 June 2012: US$ 62 million). These fair values are determined using the appropriate quoted forward price from the exchange that is the principal active market for the particular metal. As such, these receivables are classified within Level 2 of the fair value hierarchy.

Contingent consideration liabilities

In 2008, the Group recorded a contingent consideration liability related to the acquisition of 98.1% of the shares in JSC Omolon Gold Mining Company (Omolon). The fair value of the contingent consideration liability was determined using a valuation model which simulates expected production of gold and silver at the Kubaka mine and future gold and silver prices to estimate future revenues of Omolon. This liability is revalued at each reporting date based on 2% of the forecast life of mine revenues with the resulting gain or loss recognised in the consolidated income statement. The liability (classified within Level 3 of the fair value hierarchy) recognised at 30 June 2013 was $17.8 million (31 December 2012 US$25.3 million).

22. STATED CAPITAL ACCOUNT AND RETAINED EARNINGS

At 30 June 2013, the Company's issued share capital consisted of 389,472,865 ordinary shares of no par value, each carrying one vote (31 December 2012: 383,206,204 ordinary shares). The Company does not hold any ordinary shares in treasury. The ordinary shares reflect 100% of the total issued share capital of the Company.

	Stated capital account, no. of shares	**Stated capital account, US$'000**
Balance at 31 December 2012	**383,206,204**	**1,576,123**
Issue of shares in exchange for assets	775,000	13,423
Issue of shares for acquisitions	5,491,661	74,624
Balance at 30 June 2013	**389,472,865**	**1,664,170**

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.

23. 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 Nomos-Bank (an entity in which Alexander Nesis, a significant shareholder of the Company, also held a substantial interest) and equity method investees as presented in tables below.

Nomos-Bank ceased to meet the definition of a related party from 27 February 2013 due to changes in its shareholder structure and composition of its Board of Directors.

	Six months ended		Year ended
	30 June 2013	30 June 2012	31 December 2012
	US$'000	US$'000	US$'000
Income from transactions with related parties			
Revenue from sales to Nomos-Bank until 27 February 2013	81,641	240,270	466,250
Interest income on deposits placed with Nomos-Bank	35	1,628	1,500
Other income from equity method investments	650	2,205	3,680
Expenses from transactions with related parties			
Interest expense on loans provided by Nomos-Bank	516	1,159	2,016
Purchases from JSC Ural-Polymetal (Note 5)	14,358	-	3,035

Outstanding balances are presented below:

	30 June 2013	31 December 2012	30 June 2012
	US$'000	US$'000	US$'000
Short-term loans provided to equity method investments	6,996	11,792	1,600
Long-term loans provided to equity method investments	5,078	5,469	5,424
Short-term loans provided to entity under common control	-	-	1,555
Total loans provided to related parties	12,074	17,261	8,579
Short-term loans provided by Nomos-Bank	8,874	9,172	9,354
Long-term loans provided by Nomos-Bank	11,947	16,643	21,469
Long-term loans provided by equity method investments	1,830	2,152	1,954
Total loans provided by related parties	22,651	27,967	32,777
Accounts receivable from related parties	2,872	4,717	5,402

Interest receivable from related parties	1,371	836	321

Carrying values of other long-term loans provided to related parties as at 30 June 2013, 30 June 2012 and 31 December 2012 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.

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

		Six months ended		Year ended
	Notes	30 June 2013 US$'000	30 June 2012 restated US$'000	31 December 2012 restated US$'000
(Loss) / profit before tax		(265,101)	230,792	651,091
Adjustments for:				
Depreciation and depletion, recognised in statement of comprehensive income		83,877	52,569	142,226
Impairment of non-current assets	18	199,094	-	-
Write-down of exploration assets		7,138	-	7,654
Write-downs of metal inventories to net realisable value	19	106,132	2,901	4,000
Write-down of non-metal inventories to net realisable value	5	3,982	556	11,078
Mining taxes, penalties and accrued interest		(662)	14,351	39,150
Share-based compensation		24,233	27,391	54,279
Finance costs	13	17,914	14,242	26,787
Finance income		(1,299)	(3,378)	(4,657)
Loss on disposal of property, plant and equipment	11	3,327	2,362	9,325
Rehabilitation expenses		373	-	3,873
Change in contingent consideration liability		(6,611)	2,332	4,717
Change in allowance for doubtful debts	11	(28)	732	267
Loss from equity method investments		1,823	478	1,804
Foreign exchange loss/(gain)		76,726	59,652	(6,677)
Loss on disposal of subsidiaries		-	8,784	10,709
Gain on acquisition of remaining interest in joint venture		-	(21,051)	(21,051)
Other non-cash expenses		2,258	3,615	5,152
Movements in working capital				
Increase in inventories, before impairment		(124,085)	(138,969)	(198,522)
Decrease in VAT receivable		8,966	10,119	14,262
Decrease/(Increase) in trade and other receivables		15,816	(38,454)	(34,284)
(Increase)/Decrease in prepayments to suppliers		(16,230)	2,770	9,307
Increase in trade and other payables		21,038	41,836	7,305
Increase in other taxes payable		404	4,774	8,480
Cash generated from operations		**159,085**	**278,404**	**746,275**
Interest paid		(14,894)	(19,310)	(34,629)
Income tax paid		(85,107)	(71,239)	(170,805)
Net cash generated by operating activities		**59,084**	**187,855**	**540,841**

Other non-cash transactions during the six months ended 30 June 2013 include the issuance of US$88 million of shares for the business acquisitions and acquisition of assets (2012: US$1.5 million of shares for the acquisition of assets).

25. RESTATEMENT

The impact of adopting IFRIC 20 on the prior periods consolidated financial statements is presented in the tables below.

Adjustments to the condensed consolidated balance sheet

	31 December 2012 (previously stated)	Adjustment for change in accounting policy	31 December 2012 (restated)
	US$'000	US$'000	US$'000
Property, plant and equipment	2,149,400	56,332	2,205,732
Non-current inventories	100,972	(2,108)	98,864
Current inventories	859,856	(19,235)	840,621
Deferred income tax liability	(75,938)	(6,822)	(82,760)
Translation reserve	54,366	(1,105)	53,261
Increase in retained earnings		**27,062**	

At 30 June 2012 US$21.5 million of ore stock piles at Omolon were reclassified as non-current inventories following management's assessment that these stock piles will be processed starting from 2016. Previously these amounts were included within current metal inventories.

	30 June 2012 (previously stated)	Adjustment for change in accounting policy	30 June 2012 (restated)
	US$'000	US$'000	US$'000
Property, plant and equipment	1,937,691	30,637	1,968,328
Non-current inventories	56,555	21,458	78,013
Current inventories	773,562	(42,669)	730,893
Deferred income tax liability	(70,215)	(1,885)	(72,100)
Translation reserve	208,526	450	208,976
Non-controlling interests	(9,425)	(39)	(9,464)
Increase in retained earnings		**7,952**	

Adjustments to the condensed consolidated income statement

	Year ended 31 December 2012 (previously stated)	Adjustment for change in accounting policy	Year ended 31 December 2012 (restated)
	US$'000	US$'000	US$'000
Cost of sales excluding write-downs of metal inventories to net realisable value	(875,199)	23,360	(851,839)
Write-downs of metal inventories to net realisable value	(10,366)	10,366	-
Income tax expense	(216,204)	(6,664)	(222,868)
Increase in profit for the financial period		**27,062**	
Equity shareholders of the Parent	394,348	26,848	421,196
Non-controlling interest	6,813	214	7,027
Profit for the financial period	**401,161**	**27,062**	**428,223**

	Six months ended 30 June 2012 (previously stated)	Adjustment for change in accounting policy	Six months ended 30 June 2012 (restated)
	US$'000	US$'000	US$'000
Cost of sales	(342,926)	10,010	(332,916)
Income tax expense	(72,091)	(2,019)	(74,110)
Increase in profit for the financial period		**7,991**	
Equity shareholders of the Parent	142,019	7,786	149,805
Non-controlling interest	6,672	205	6,877
Profit for the financial period	**148,691**	**7,991**	**156,682**

Adjustments to the condensed consolidated statement of comprehensive income

	Year ended 31 December 2012 (previously stated)	Adjustment for change in accounting policy	Year ended 31 December 2012 (restated)
	US$'000	US$'000	US$'000
Profit for the period	401,161	27,062	428,223
Effect of translation to presentation currency	110,550	1,106	111,656
Total comprehensive income for the period	**511,711**	**28,168**	**539,879**

	Six months ended 30 June 2012 (previously stated)	Adjustment for change in accounting policy	Six months ended 30 June 2012 (restated)
Profit for the period	148,691	7,991	156,682
Effect of translation to presentation currency	(44,636)	(450)	(45,086)
Total comprehensive income for the period	**104,055**	**7,541**	**111,596**

Adjustments to the condensed consolidated statement of cash flows

	Year ended 31 December 2012 (previously stated)	Adjustment for change in accounting policy	Year ended 31 December 2012 (restated)
	US$'000	US$'000	US$'000
Profit before income tax	617,365	33,726	651,091
Adjustment for the following items:			
Depreciation	156,102	(13,876)	142,226
Increase in inventories	(219,678)	25,156	(194,522)
Cash generated from operations	**553,789**	**45,006**	**598,795**
Purchases of property, plant and equipment	(350,807)	(46,269)	(397,076)
Net cash used in investing activities	**(350,807)**	**(46,269)**	**(397,076)**
Effect of foreign exchange rate changes on cash and cash equivalents	**14,947**	**1,263**	**16,210**

	Six months ended		Six months ended
	30 June 2012 (previously stated)	Adjustment for change in accounting policy	30 June 2012 (restated)
	US$'000	US$'000	US$'000
Profit before income tax	220,782	10,010	230,792
Adjustment for the following items:			
Depreciation	54,753	(2,184)	52,569
Increase in inventories	(158,172)	22,104	(136,068)
Cash generated from operations	**117,363**	**29,930**	**147,293**
Purchases of property, plant and equipment	(166,728)	(29,346)	(196,074)
Net cash used in investing activities	**(166,728)**	**(29,346)**	**(196,074)**
Effect of foreign exchange rate changes on cash and cash equivalents	**(9,330)**	**(584)**	**(9,914)**

26. SUBSEQUENT EVENTS

In the period after 30 June 2013, the Group drew down a total of US$385 million new long-term facilities which were secured during the period ended 30 June 2013 and in August 2013 with unrelated parties. The credit facilities are repayable in equal quarterly instalments over three years starting from the fourth quarter 2014 and first quarter 2015, respectively. These new long-term facilities were used to refinance short-term borrowings outstanding as at 30 June 2013.

An interim dividend of 1 cent per share is proposed by the Board for the period ended 30 June 2013 giving the total expected dividend of US$ 3.9 million.