Polymetal: downgrade of recommendation

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Ticker	POLY LN
Recommendation	**Hold**
Current price GBp / share (21.01.2019)	844
Target price (12 months), GBp/share	860
Upside potential	**1,9%**
Ticker	**POLY RX**
Recommendation	**Hold**
Current price RUB/share (21.01.2019)	721
Target price (12 months), RUB/share	785
Upside potential	**8,9%**
Projected dividend for 2019, GBp/share	35,7
Dividend yield based on current price	**4,2%**
Number of ordinary shares, mn	469
Average daily turnover for 3M, thous USD	1 570
Free float	64%
Market capitalization, mn USD	3 961
Major shareholders:	
Mr Alexander Nesis	23,38%
BANK OTKRITIE FINANCIAL CORP	6,93%
Mr Petr Kellner	6,05%
BlackRock Inc	3,88%

Financial indicators, mn USD	2019F	2020F	2021F
Revenue	2 222	2 411	2 414
EBITDA	887	988	1 006
Net income	455	526	535
EPS	0,97	1,12	1,14
Equity	1 741	2 024	2 294
Net debt	1 294	1 192	1 035
Multiples	**2019F**	**2020F**	**2021F**
Net debt/EBITDA	1,5	1,2	1,0
Net debt/Equity	0,7	0,6	0,5
EV/Sales	3,1	2,8	2,8
EV/EBITDA	7,6	6,9	6,7
P/E	8,7	7,5	7,4
P/B	2,3	2,0	1,7
ROE	26,2%	26,0%	23,3%
Price dynamics	**POLY LN**		**FTSE 350 mining**
1M	2%		5%
3M	17%		5%
12M	-2%		-9%
Max 52 weeks	878		20 447
Min 52 weeks	592		15 608

Sources: Halyk Finance, Bloomberg

Source: Bloomberg

Since our last review of Polymetal, the Company's shares have increased by 27% due to the positive dynamics of gold prices in the second half of 2018, the volatility of the stock market, the slowdown in the rate of increase in yields of US government bonds and the aggravation of trade relations between the United States and China. Emphasizing the positive trend in gold prices, the forecast increase in gold equivalent production and attractive dividend payments, on the one hand, and growth in operating costs, on the other hand, we do not expect further rapid growth in the long term. We downgrade our recommendation from Buy to Hold Polymetal shares and raise our 12M target price from 735 GBp/share to ***860 GBp/share.***

The increase in prices for precious metals and the growth of operating indicators. According to the Bloomberg consensus forecast, the dynamics of prices for the precious metals is positive on the forecasted horizon of 2019-2024. The average annual price increase for precious metals, such as gold in (+1% y/y), copper (+2% y/y) and silver (+2% y/y), will positively affect the Company's financial performance. Polymetal confirms production data for 2019 in the amount of 1.7mln oz of gold equivalent (+10% y/y) and for 2020 in the amount of 1.8mln oz of gold equivalent (+6% y/y) due to the successful performance of the Kazakhstan's project Kyzyl and the increase in production at current deposits. The Kyzyl project is a promising growth component for Polymetal in the medium term with low production costs and capital investments. In the long term, the Company will be able to increase production due to the consolidation of the Nezhda deposit and the launch of the 2nd Amursk Pressure Oxodation (POX).

Attractive dividend payments. The dividend policy of the Company implies payments in the amount of 50% of the adjusted net profit, provided that the ratio of net debt to adjusted EBITDA is below the established hard ceiling of 2.5x. In 2019, according to our forecasts, the Company will pay a dividend of 35.7 GBp/share (0.49 USD/share). The projected dividend yield of the Company in 2019 will be 4.2% relative to the current price. According to our forecasts, net income in 2019 will be equal to USD455m (+ 28% y/y).

Increase of 12M TP from 735 GBp/share to 860 GBp/share, recommendation is Hold. The increase in production due to new deposits and projected prices for precious metals in the period from 2019-2024 will provide substantial support for Polymetal's financial performance. However, taking into account continuous operating investments in current deposits and despite the anticipated growth in production, we assume that the Company's total cash costs may approach the upper limit of the range forecasted by the Company at 925 USD/oz and adversely affect the Company's profitability. We expect EBITDA margin to be 40% in 2019 and 41% in 2020.

Fig 1. Financial results

	1H2018	1H2017	y/y
Revenue, $ mln	789	683	16%
Adjusted EBITDA, $ mln	305	257	19%
Return on adjusted EBITDA	39%	38%	3%
Total cash cost, $/oz	683	656	4%
All-in sustaining cash cost, $/oz	893	906	-1%
Net income, $ mln	**175**	**120**	**46%**
Adjusted net income, $ mln	155	117	32%
Net debt, $ mln	1 652	1 420	16%
Net debt/EBITDA	2,08	1,91	9%
Capital expenditures, $ mln	169	193	-12%
Free cash flow, $ mln	-64	-163	-

Source: Company data

Fig 2. Revenue by deposits in 1H2018, $ mln

	1H2018	1H2017	y/y
Dukat hub	191	203	-6%
Omolon hub	99	122	-19%
Mayskoye	0	11	-100%
Albazino/Amursk	216	132	64%
Svetloye	61	25	144%
Okhotsk	32	34	-6%
Varvara hub	90	60	50%
Voro	71	76	-7%
Kapan	29	20	45%
Total	**789**	**683**	**16%**

Source: Company data

Financial review

In 1H2018, the Company increased its revenue by 16% y/y to the amount USD789mln. The Company's total cash costs rose by 4% y/y to USD683 per oz of gold equivalent. The Company's total cash costs reached USD893mln per oz of gold equivalent, which is a decrease of 1% y/y. Over the reporting period, an adjusted EBITDA increased by 19% y/y to USD305mln and the profitability of this indicator was equal to 39% against 38% in 1H2017. The Company's net profit in 1H2018 amounted to USD175mln (+46% y/y), and the adjusted net income, excluding after-tax impact of write-down of metal inventory to net realizable value, foreign exchange gain and revaluation of initial share in Prognoz, amounted to USD155mln(+32% y/y). As of June 30 2018, the Company's net debt was equal to USD1,652mln versus USD1,420mln as of December 31, 2017.

Polymetal's revenue grew in 1H2018 by 16% y/y mainly due to the increase in sales in gold equivalent (+ 9% y/y) and the increase in the average selling price of gold (+6% y/y). The revenue growth at Albazino/Amursk (+64% y/y), Svetloye (+144% y/y), Kapan (+45% y/y) and Varvara (+50% y/y) compensated the decrease in the revenue at Mayskoye (-100% y/y) and Omolon hub (-19% y/y). The average selling price of the gold in 1H2018 increased by 6% y/y, while the average selling price of silver decreased by 4% y/y. In general, during the reporting period, sales increased in the gold equivalent by 9% y/y and reached 601 koz, of which 445 koz accounted for gold (+ 17% y/y) and 12.1mln oz accounted for silver (-2% y/y).

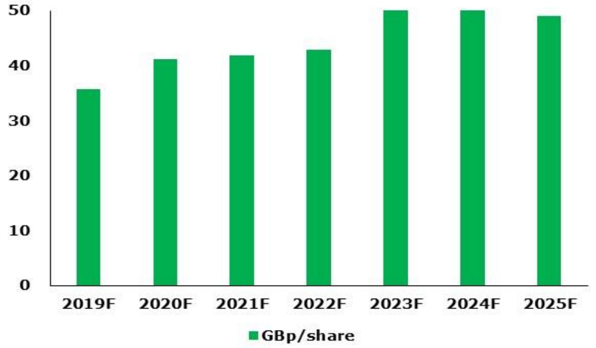
In 1H2018, the Company's total cash costs (+ 4% y/y) were USD683 per ounce of gold equivalent, which is in line with the Company's forecast of USD650-700 per oz of gold equivalent. The increase in costs was mainly due to changes in average grade and sales structure between mines. Domestic inflation was offset by the lower Russian ruble exchange rate and Kazakhstani tenge. Due to the fact that the majority of the Company’s costs is expressed in functional currencies, the weakening of currency rates has a positive effect on the Company's financial indicators. In 1H2018, the average exchange rates of USDRUB and USDKZT were 59.45 and 326.77, respectively (For 1H2018, the exchange rates of USDRUB and USDKZT increased on average by 9.61% and by 2.93%, respectively). The all-in sustaining cash costs for the reported period slightly decreased and amounted to USD893 (-1% y/y) per oz of gold equivalent, which corresponds to the Company's forecast of USD875-925 per oz of gold equivalent. It is expected that in 2019 both figures will decline due to the sale of small, high-cost deposits, such as Kapan in Armenia and Khakanja (Okhotsk hub) in Khabarovsk.

In October 2018, Polymetal enetered into a legally binded agreement for the sale of the Kapan mine in Armenia for a total consideration of USD55mln. The sale of the mine will allow the Company to focus on large scale with a long life operations. The Company strategically justifies this transaction by the fact that Kapan is the smallest mine in the Company's asset portfolio with the highest level of total cash costs with a declining grade of metals in ore mined. Polymetal plans to use cash proceeds from the sale of Kapan to reduce its debt.

In December 2018, Polymetal sold a 100% stake in Khakanja for a total consideration of USD30mln, which corresponds to the Company's strategy of selling smaller short-lived assets.

The company arguments the sale of the mine due to the depletion of ore reserves, limited exploration potential and high total cash costs, which will amount to more than USD1,000 per oz of gold equivalent in 2019.

Fig 3. Forecasted dividends of Polymetal



Source: Halyk Finance

Dividends. In accordance with the revised dividend policy, the Company pays out total dividends in the amount of 50% of the Company's adjusted net profit, while complying with the ratio of net debt to adjusted EBITDA below the established hard ceiling of 2.5x. Thus, in May 2018 the regular dividends for 2017 were paid at a rate of 22.3 GBp/share (~GBP101mln), which corresponds to 0.30 USD/share (USD136mln) at the exchange rate of GBPUSD 1.3478. The Board of Directors offered to make a payment for an interim dividend for 1H2018 in the amount of ~12.4 GBp/share, which corresponds to 0.17 USD/share (According to Bloomberg, the average exchange rate for 1H2018 equals to GBPUSD1.3759), which is 50% of the adjusted net profit. We expect Polymetal to pay its dividends according to 2019 results in the amount of 35.7 GBp/share or 0.49 USD/share (at a consensus exchange rate of GBPUSD 1.36 for 2019), which represents a dividend yield of 4.2% to the current market price (844 GBp/share as of 21.01.2019).

Fig 4. Polymetal's production for 9M2018 broken down by mine, GE koz

	9M2018	9M2017	y/y
Dukat hub	231	241	-4%
Omolon hub	241	197	22%
Mayskoye	47	90	-48%
Albazino/Amursk	136	139	-2%
Svetloye	78	89	-12%
Okhotsk	103	88	17%
Varvara hub	112	84	33%
Voro	68	63	8%
Kapan	38	37	3%
Kyzyl	10	0	-
Total	**1 066**	**1 028**	**4%**

Source: Company data

Operating results review

As of 9M2018, Polymetal's production amounted to 1.066mln oz of gold equivalent (+ 4% y/y), which corresponds to the annual production plan for 2018 in the amount of 1.550mln oz of gold equivalent. According to the results for 9M2018, the Company produced 801koz of gold (+ 6% y/y) and 19.4mln oz of silver (-4% y/y). A significant increase in the gold production was observed at the Svetloye mine (+ 33% y/y) totaling to 112 koz due to the large amount of dumping, at Albazino/Amursk (+ 22% y/y) to 241 koz due to ore mining in the new Ekaterina open pit and improved productivity and the maintenance of the mine after the transition to a new method of extraction, at the Varvara hub (+ 17% y/y) to 103mln oz due to the increase in the processing of ore from the Komarovskoye deposit. At Okhotsk mine, gold production increased by 8% y/y, as the factory processed high-grade ore from the Avlayakan gold deposit. It is expected that Mayskoye will demonstrate in the 2H2018 a significant increase in the gold production due to gold processing at the Amursk POX. The decrease in the silver production is associated with a decrease in the grade of metals in ore mined at the Dukat in the underground mine, where total silver production decreased to 15.8mln oz (-6% y/y). The company confirms its production plan at 1.7mln oz (+ 10% y/y) in gold equivalent for 2019.

In 3Q2018, Kyzyl ramped up to full throughput capacity with a recovery rate of 86%, due to its high grade and volume of ore mined. The Kyzyl mine is characterized by a large amount of reserves, low total cash costs, long life of the mine and low capital intensity. The company predicts total cash costs of production in Kyzyl at the level of USD475 per oz of gold equivalent in 2019. In addition, the expansion of Amursk POX will allow to process about 50% of Kyzyl concentrate instead of selling it to third-party buyers.

Nezhda deposit. On 29 of November 2018, Polymetal completed the acquisition of the remaining 82.3% stake in the Nezhda gold deposit, where the construction will begin in 1Q2019. The company acquired a portion of the stake for cash consideration and financed a significant portion of the transaction with additional issuance of ordinary shares. The total remuneration paid for the 100% share in Nezhda deposit was USD185mln. Polymetal acquired Nezhda as a result of two transactions: 7% for a cash consideration of USD8mln and 75.3% for USD144mln, of which USD10mln was paid in cash and USD134mln was paid in the form of 13.5mln of ordinary shares (which is 2.9% of the increased share capital). The construction will commence in 4Q2021, while a full ramp-up by 2Q2022. Initial capital expenditures prior to the start of production are estimated at USD234mln. According to the Company's forecasts, ore reserves comprise 38mln tons of ore at an average grade of 3.6 g/t of gold equivalent for 4.4mln oz of gold equivalent.

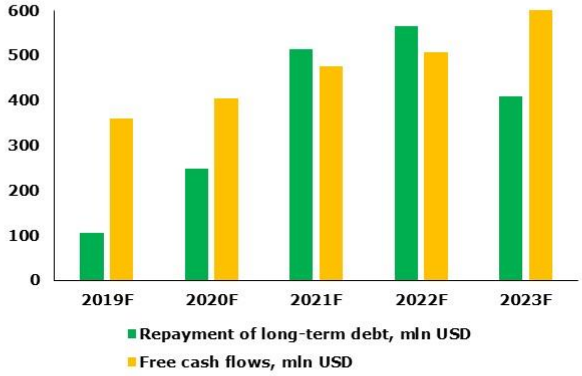
The 2nd Amursk POX. In the future, the 2nd Amursk POX will allow to process the concentrate produced at Kyzyl, Nezhda and Mayskoye, as well as purchased raw materials, without resorting to contracts for the supply to a third party, in particular to China. According to the Company, there is a potential risk of lower demand for processed ore from China due to the policies of the Chinese authorities aimed at improving the environmental situation in the country. The Company's capital expenditures for the construction of the POX will amount to USD40mln. The launch and achievement of project indicators of the POX is expected in 2023-2024. According to the forecasts of the Company, the construction of the enterprise will reduce operating costs by ~ 200 USD/ton and will increase the levels of gold extraction by ~ 3-6%.

Prognoz. In 1H2018, Polymetal completed the acquisition of a 100% stake of the silver deposit Prognoz. Prognoz is the largest undeveloped silver deposit in Eurasia. Mineral resources in accordance with the JORC code are estimated at 292mln of oz of silver with a content of 586 g/t and 3% lead. The total remuneration for a 100% stake in the Prognoz was USD21mln. The company acquired a 45% stake in Polar Acquisition Ltd (PAL) for USD72mln and a 50% stake in Golden Ring Capital for USD140mln. As a result of transactions, Polymetal paid for both transactions by issuing additional issues of ordinary shares. When paying off to Golden Ring Capital, the Company issued 14.2mln of shares at a spot price of USD9.89 at the close of the market (04.19.2018). PAL received for 45% stake in Prognoz 6.3mln of shares at the average closing price of the Company's shares on the London Stock Exchange, which equaled to USD11.42. The total amount of additional issue of shares for the acquisition of the deposit is estimated at 4.4% of the number of issued shares of Polymetal. A preliminary feasibility study (PFS) is scheduled for the 3Q2019, which will become the basis for an investment decision in 2021. With a positive investment decision, full ramp-up can be achieved in 2024. After the consolidation of the mine, Polymetal will strengthen its portfolio of long-term development projects of the Company. At this stage, due to the lack of an investment decision and a feasibility study for the mine, we do not include Prognoz in our assessment.

Viksha deposit. Viksha is the first project of the Platinum Group Metals (PGM) of the Company and one of the largest open-pit PGM deposits in the world, containing approximately 9.5mln oz of palladium equivalent. Polymetal plans to complete a feasibility study on ore reserves in 3Q2019. In the case of a positive investment decision, production can begin in 2022. At this stage, we do not include Viksha in our assessment.

Leverage and borrowings. As of June 30, 2018, the Company's total and net debt amounted to USD1.69bln and USD1.65bln, respectively. The net debt to adjusted EBITDA

Fig 5. Forecasted free cash flows and debt repayments of Polymetal



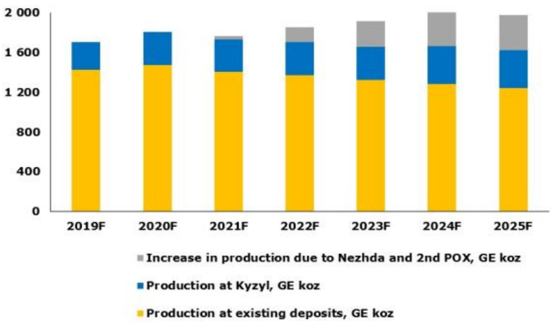
Source: Company data, Halyk Finance

Fig 6. Forecast for precious metals

	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Gold,$/oz	1 268	1 260	1 300	1 300	1 307	1 320	1 333	1 306
Silver, $/oz	16	16	17	18	18	18	18	18
Copper, $/ton	6 562	6 630	6 945	7 058	7 129	7 200	7 236	7 091

Source: Bloomberg, Halyk Finance

Fig 7. Forecast of Polymetals' production



Source: Company data, Halyk Finance

ratio was 2.08x as of June 30, 2018 (the hard ceiling set by the lenders is below 3.25x). In addition, the Company had unused credit lines in the amount of USD1.2bln denominated in US dollars and Euros at the end of 1H2018. According to the schedule of the Company's debt repayments, the principal debt repayments fall on 2021-2022, when Kyzyl project will operate in accordance with the planned indicators. Polymetal predicts significant capital expenditures in 2019-2022 in connection with the launch of Nezhda and the 2nd Amursk POX and a preliminary assessment of Prognoz and Viksha mines, which will, according to our calculations, lead to refinancing of the loans for the forecasted horizon 2020-2023. However, despite the possible increase in the debt burden, the Company maintains regular dividend payments. We expect the company to pay a dividend of 35.7 GBp/share or 0.49 USD/share (at a consensus exchange rate of GBPUSD 1.36 for 2019).

Update of forecasts

In order to calculate the fair value of the Company, we applied the cash flow discounting method (DCF). The revised components of our model are:

- increase in prices for metals (gold, silver, copper);
- forecasts of exchange rates (USDRUB and USDKZT) and oil prices;
- increase in the volume of issued shares;
- production figures at current and new enterprises;
- capital expenditures in connection with the planned commissioning of the Nezhda deposit, the 2nd Amursk POX in the long term, and in connection with the exploration works at Viksha and Prognaz deposits.

According to forecasts, the prices for gold, silver and copper will develop in a positive trend on the expected horizon of 2019-2024, which will favorably affect the Company's revenue. We also impose a price correction on sold precious metals at a rate of 2% at the end of the period (2025).

In the period from 2019-2020, a full ramp-up of Kyzyl and increase in production at current mines are expected. Since 2021, a decrease in ore processing volumes, extraction coefficients and metal grades in ore at current mines are projected. Sustaining capital expenditures will be around USD1,450mln in the period from 2019-2025. We forecast the total cash costs of production of the Company in 2019 at ~ 648 USD/oz, the all-in sustaining cash costs at ~ 883 USD/oz.

Considering the launch of long-term projects in our calculations, our 12M TP is 860 GBp/share. It is expected that the main positive effect from the expansionary projects would be visible during 2022-2024, when Nezhda and the 2nd Amursk POX would achieve the projected indicators. Capital investment in two of the Company's projects totals to approximately USD634mln in the period from 2019-2025. The costs associated with exploration (Viksha and Prognoz) will be USD120mln.

Fig 8. 12M TP estimation, mln USD

	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Revenue	2 222	2 411	2 414	2 613	2 846	2 879	2 765
EBIT	632	716	722	729	834	826	794
"+Depreciation"	256	272	284	287	287	280	271
"-Income taxes"	114	131	134	137	159	160	157
"-Capital expenditures"	380	420	394	310	290	220	190
"-Change in working capital"	33	32	2	61	45	13	- 28
Free cash flows	361	405	477	507	626	713	746
WACC	11%						
Свободные денежные потоки (PV)	325	328	349	334	372	381	359
Terminal value (PV)	4 333						
Enterprise value (EV)	6 782						
"-Net debt"	1 294						
Market value of equity	5 488						
Number of shares, mn	469						
12M TP, GBp/share	860						

Sources: Company data, Halyk Finance

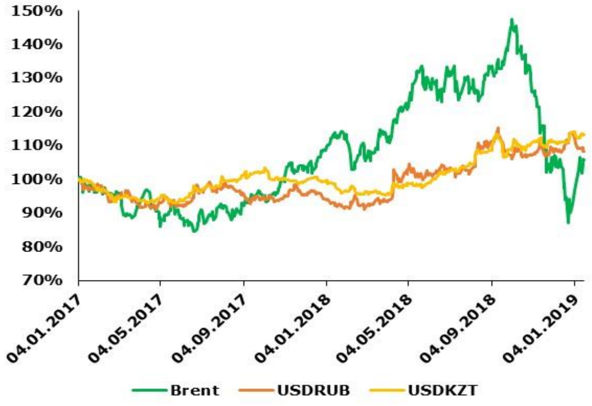
When calculating the weighted average cost of capital (WACC), we applied a risk-free interest rate in foreign denominated currency equaling to 5.63%; adjusted beta of 0.79; the market return for Russia is 18.21% and the risk premium is 9.41%. The cost of equity and after-tax cost of debt are 13.1% and 3.6%, respectively. According to our calculations, the WACC is 11%. We take into account the Company's long-term growth rate of 2.5% after 2025. We expect EBITDA of USD887mln, with an EBITDA margin of 40% in 2019 (2020: USD988mln with an EBITDA margin of 41%).

Risks and sensitivity analysis

The major risks for the Company are the decline in gold prices, the rise in oil prices, the strengthening of the RUB and KZT exchange rates, the increase in the cost of financing for the Company and the delay in launching the Nezhda and 2nd Amursk POX projects.

Rising dollar interest rates and lower volatility in the stock market can put significant pressure on the value of gold. According to our estimates, in case gold prices fall by 10% on the forecasted horizon of 2019-2025 12M TP of the Company will decrease to 551 GBp/share.

Fig 9. Dynamics of Brent, exchange rate USDRUB, USDKZT beginning 2017



Source: Bloomberg

According to the Company's data, operating expenses directly depend on RUB (45%), KZT (10%), USD (20%) and oil prices (25%). Taking into account that the Company earns its revenue in US dollars, and accounts its expenses in rubles and tenge, the strengthening of currencies (RUB and KZT) may adversely affect the expenditure side of the Company. According to the consensus forecast of Bloomberg, it is expected that oil prices will not show significant growth in the medium term (an increase of 2% on average from 2019-2023). Consequently, we hold the view that a substantial strengthening of the ruble and tenge against the dollar is unlikely.

We estimated the sensitivity of 12M TP to higher oil prices and changes in the USDRUB and USDKZT exchange rates. According to our forecasts, a 10% increase in oil prices on the forecast horizon reduces 12M TP to 809 GBp/share (-6%) and a 10% increase in USDRUB and USDKZT will reduce 12M TP to 747 GBp/share (-13%). Change in USDRUB and USDKZT exchange rates by +/- 10% in 2019 will increase/decrease free cash flows by USD57mln, the effect of the change in oil prices on free cash flows by 10% will be +/- 26mln USD. Dividend per share for 2019 in case there is 10% increase in the price of oil will be 34 GBp/share (-6%). If USDRUB and USDKZT strengthen by 10%, 12M TP will be 31 GBp/share (-13%).

Fig 10. Sensitivity of 12M TP и 2019 dividend to changes in oil prices and USDRUB, USDKZT for 2019-2025

	12M TP, GBp/Share	Dividend per share for 2019, GBp
Oil +10%	809	34
Oil -10%	911	38
FX* +10%	972	40
FX* -10%	747	31

**includes synchronous changes of USDRUB and USDKZT*
Sources: Halyk Finance

We separately emphasize the risk of an increase in the cost of debt financing for Polymetal, which will lead to an adjustment in its fair value estimation. Changes in interest rates may affect the Company's financial indicators, since a large portion of the debt portfolio (45%) denominated in US dollars is floating rate loans. In addition, the need to finance projects (Nezhda and the 2nd Amursk POX) makes the Company dependent on the availability of foreign currency denominated funding.

For comparison purposes, we estimated the company without taking into account Nezhda and the 2nd Amursk POX due to the fact that ramp-up of Nezhda is expected at a remote time horizon (2022) and the investment decision regarding the 2nd Amursk POX will be made in 2H2019. Taking into consideration the forecasted exchange rate of GBPUSD 1.36 for 2019 and excluding the launch of projects, 12M TP will equal to 648 GBp/share. The absence in the long-term the ramp-up of Nezhda and the launch of the 2nd Amursk POX will lead to Polymetal’s decrease in production at existing deposits and negatively affect the Company's fundamental value (According to the Company, ~ 1,470 GE oz in 2020 with a decrease to ~ 1,320 GE oz by 2023).

Appendix 1. Polymetal's pro forma financial statements, mn USD, except per share data.

Profit and Loss Statement	2016A	2017A	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Revenue	1 583	1 815	2 037	2 222	2 411	2 414	2 613	2 846	2 879	2 765
COGS	846	1 106	1 292	1 345	1 432	1 430	1 593	1 701	1 736	1 666
Gross profit	**737**	**709**	**745**	**878**	**979**	**985**	**1 020**	**1 146**	**1 143**	**1 099**
General and administrative expenses	120	158	185	192	205	204	228	243	248	238
Other Expenses	36	44	49	54	58	59	63	69	70	67
Share in JV	0	3	0	0	0	0	0	0	0	0
Operating income	**581**	**510**	**511**	**632**	**716**	**722**	**729**	**834**	**826**	**794**
Loss on disposal of subsidiaries	0	0	0	0	0	0	0	0	0	0
Contingent liabilities	-22	2	0	0	0	0	0	0	0	0
Exchange difference	65	10	2	0	0	0	0	0	0	0
Financial expenses	63	63	65	62	58	53	45	36	24	11
Financial income	3	4	2	0	0	0	0	0	0	0
Profit (loss) before tax	**564**	**443**	**445**	**569**	**657**	**669**	**683**	**797**	**801**	**783**
Taxes	169	89	89	114	131	134	137	159	160	157
Net profit	**395**	**354**	**356**	**455**	**526**	**535**	**547**	**638**	**641**	**627**
Number of shares, mln.	428	430	469	469	469	469	469	469	469	469
Earnings per share (EPS)	**0,92**	**0,82**	**0,76**	**0,97**	**1,12**	**1,14**	**1,16**	**1,36**	**1,37**	**1,34**

Balance sheet	2016A	2017A	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F
PP&E	1 805	2 054	2 177	2 301	2 449	2 559	2 582	2 585	2 524	2 443
Goodwill and intangible assets	17	18	18	18	18	18	18	18	18	18
Investments	25	96	96	96	96	96	96	96	96	96
Long-term loans	10	15	15	15	15	15	15	15	15	15
Long-term Inventory	113	123	123	123	123	123	123	123	123	123
Deferred tax assets	38	61	61	61	61	61	61	61	61	61
Total non-current assets	**2 008**	**2 367**	**2 490**	**2 614**	**2 762**	**2 872**	**2 895**	**2 898**	**2 837**	**2 756**
Cash	48	36	40	31	65	59	64	150	192	415
Receivables	70	71	80	87	94	94	102	111	113	108
Accounts receivable, VAT	61	96	79	87	83	85	84	85	84	84
Inventory	493	514	601	625	666	664	740	790	807	774
Advances	49	44	47	51	56	56	60	66	66	64
Total current assets	**721**	**761**	**846**	**882**	**963**	**958**	**1 051**	**1 202**	**1 262**	**1 445**
Total assets	**2 729**	**3 128**	**3 336**	**3 496**	**3 725**	**3 830**	**3 946**	**4 100**	**4 100**	**4 201**
Share capital	2 022	2 052	2 052	2 052	2 052	2 052	2 052	2 052	2 052	2 052
Shares buyback liabilities	0	0	0	0	0	0	0	0	0	0
Currency translation reserve	-1 241	-1 151	-1 151	-1 151	-1 151	-1 151	-1 151	-1 151	-1 151	-1 151
Retained earnings	200	406	585	840	1 123	1 393	1 670	2 015	2 336	2 645
Total shareholders equity	**981**	**1 307**	**1 486**	**1 741**	**2 024**	**2 294**	**2 571**	**2 916**	**3 237**	**3 546**
Long-term loans	1 280	1 430	1 325	1 077	744	528	498	322	176	106
Deferred tax liabilities	78	77	77	77	77	77	77	77	77	77
Other long-term liabilities	103	100	126	124	122	120	119	118	118	118
Total long-term liabilities	**1 461**	**1 607**	**1 528**	**1 278**	**943**	**725**	**694**	**517**	**371**	**301**
Short-term loans	98	26	105	248	513	566	410	377	196	70
Accounts payable	133	135	158	164	175	175	194	208	212	203
Shares buyback liabilities	0	0	0	0	0	0	0	0	0	0
Other current liabilities	56	53	59	65	70	71	76	83	84	81
Total current liabilities	**287**	**214**	**322**	**477**	**758**	**811**	**681**	**667**	**492**	**354**
Total liabilities	**1 748**	**1 821**	**1 850**	**1 755**	**1 701**	**1 536**	**1 375**	**1 184**	**863**	**655**
Total liabilities and shareholders equity	**2 729**	**3 128**	**3 336**	**3 496**	**3 725**	**3 830**	**3 946**	**4 100**	**4 100**	**4 201**

Statement of cash flows	2016A	2017A	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Cash flow from operating activity	530	533	573	676	764	816	771	879	908	926
Cash flow from investing activity	-401	-477	-365	-380	-420	-394	-310	-290	-220	-190
Cash flow from financing activity	-134	-67	-204	-305	-311	-428	-456	-503	-646	-513
Net change in cash	**-5**	**-11**	**4**	**-9**	**33**	**-6**	**5**	**86**	**42**	**223**
Cash at the end of the period	**48**	**36**	**40**	**31**	**65**	**59**	**64**	**150**	**192**	**415**

Sources: Company data, Halyk Finance

Appendix 2. The Company's description.

Polymetal is one of the leading gold and silver mining companies in the Russian Federation. The total production for 2019 will amount to 1,700koz of gold equivalent. A major part of producing assets located in Russian Federation. The Company's portfolio includes projects at different stages in Kazakhstan.

Polymetal International plc was established in July 2010 as the holding parent company of OJSC Polymetal, and was registered at Jersey. On November 2, 2011, the Company's shares were included in the official listing of the UK listing Authority and admitted to trading on the main market of the London Stock Exchange. As a result of the initial public offering (IPO), the Company raised 763mn USD.

According to the latest data, main shareholders of Polymetal are Mr. Alexander Nesis (23.38%), Bank Otkritie Financial Corporation (6.93%) and Mr. Petr Kellner (6.05%).

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