

Polymetal Hit by Loss, Misses Forecast

By [The Moscow Times](#)

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Miner Polymetal, Russia's largest silver producer, posted a first-half net loss after taking an impairment charge as expected, but it still underperformed expectations and its shares fell.

Many precious metals producers have had to write down billions of dollars and cut capital spending as a result of price slides of 15 percent for gold and 18 percent for silver since the start of the year.

Polymetal, part-owned by Russian billionaire Alexander Nesis, said noncash impairment charges were \$305 million on a pre-tax basis for the six months. In July, it warned that it would write down as much as \$340 million.

The miner racked
up a \$225 million
net loss in the
first six months

of the year, but expects to return to net profit in the second half of the year.

Polymetal's results missed forecasts because revenue came in lower than expected, while costs were higher than some analysts' estimates, Nomura said in a note.

"First-half results missed expectations, with EBITDA [earnings before interest, tax, depreciation and amortization] at \$239 million coming in below consensus of \$271 million and our estimate of \$274 million on weaker realized pricing," Liberum Capital said.

Polymetal aims to return to net profit in the second half of 2013 and may pay higher dividends, said Maxim Nazimok, its chief financial controller.

"Impairment charges which we recorded in the first half were a non-recurrent write-off," he said.

Polymetal swung to a net loss of \$255 million in the first half, compared with a net profit of \$157 million for the same period a year ago. Revenues fell 6 percent to \$721 million.

Nazimok expected free cash flow to turn from a decline of \$120 million in the first half to a gain in the July-December period.

"Should free cash flow be higher as we currently expect, it will allow us to pay higher dividends," he added.

Polymetal's board declared an interim dividend of \$0.01 per share, equal to one third of the underlying net earnings of \$17 million before the write down.

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