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Polymetal International plc

Business update

Polymetal provides an update on its business, including the current impact of sanctions against Russia.

At the time of writing, the Group states that:

Sale of bullion/concentrate

- Sales of gold bullion and concentrates from Kazakhstan continue as usual.
- Sales of gold bullion and concentrates from Russian mines to diverse Asian markets returned to regular schedule after significant COVID-related slowdown in April and May. The sales terms remain broadly consistent with those received earlier. Polymetal currently does not sell any of its products to Russian Central Bank or its affiliates, directly or indirectly.
- Silver bullion inventory continues to accumulate absent reliable export channels and non-existent domestic market. Discussions are under way with a variety of commercial and industrial international buyers. Silver bullion accounts for less than 5% of Company's expected sales in 2022.
- Sales logistics continue to experience significant challenges due to the COVID restrictions in China and impact of the sanctions, leading to slower inventory turnover and higher selling costs. The gap between production and sales and the resulting finished goods inventory are expected to peak in September.

Liquidity & net debt

- Net debt increased to US\$ 2.3 billion as of 1 June (31 March 2022: US\$ 2.0 billion) driven by large working capital increase and accelerated procurement. 74% of the total debt is denominated in US\$.
- The Group has approximately US\$ 0.3 billion in cash deposited with non-sanctioned financial institutions. In addition, the Company maintains US\$ 0.4 billion of undrawn credit lines from non-sanctioned banks. This amount, combined, covers the expected debt repayments in the next 6 months.
- Lending in Russia is available in both RUB and USD. RUB interest rates decreased significantly to 11-12% following Russian Central Bank's benchmark rate decrease to 9.5%.
- Polymetal is currently financing its short-term working capital requirements with USD-denominated debt at lower interest rates. The Group has recently secured US\$ 0.2 billion in new revolving credit lines and plans to sign an additional US\$ 0.3 billion revolving credit facility in June.

Operations and development projects

- Polymetal operations in Russia and Kazakhstan continue uninterrupted. Production guidance of 1.7 Moz for 2022 is maintained.
- Medium-term development projects (POX-2, Kutyn, Urals Flotation, Prognoz) progress as previously reported. Sharp rouble appreciation and continued logistical challenges are exerting significant upward pressure on capital expenditures.
- The 110-kV line linking Nezhda mine to the regional grid, powered by the combination of hydro and gas, has been successfully commissioned. Previously operating diesel-powered gensets have been transferred to stand-by emergency mode.
- The Company will announce its Q2 2022 production results on the 21st of July 2022.

Inventories & supplies

- Since the previous update, Japan joined western countries and imposed additional sanctions against Russia prohibiting exports of industrial goods and technologies. Procurement continues to adapt to the current environment

with orderly replacement of sanctioned equipment, consumables and supplies with alternatives from Russia and other countries. The majority of existing contracts with foreign suppliers continue to be honoured and the Company maintains significant safety stock for critical consumables and spares.

Securities and dividends

- The Board and the management continuously evaluate stability, liquidity and solvency of the business in light of multiple external uncertainties. The Company will announce its full-year 2021 and interim 2022 dividend decisions at the time of 1H 2022 results publication on the 22nd of September. Significant challenges and delays in establishing new sales channels and the resulting decline in operating cash flows will be the key factor informing these decisions.
- On the 3rd of June the European Union imposed sanctions on the Russian National Settlement Depository (NSD) effectively blocking the operations between Euroclear and NSD. The Company is advised that this development makes it impossible for those shareholders who keep their shares in NSD (~22% of our share capital) to receive dividends and/or take part in any Company's corporate actions. Polymetal is consulting with its legal advisors and regulators to confirm the outcomes of these sanctions and measures that could be taken to secure shareholders' rights.
- The Board and the management strongly believe that share buy-backs are presently inappropriate given short-term liquidity challenges, grave business uncertainties, and NSD challenges outlined above.
- Following the Executive Order 14066, 14068, or 14071 and subsequent clarification of the scope of the legislation by Office of Foreign Assets Control, trading in Polymetal's ADR program (tickers AUCOY/POYYF) has been halted since 15th of June, even though Polymetal's shares have not been issued by a Russian entity. After consulting with the depository bank administering the program and our legal advisors regarding the situation the Company confirms that no shareholder rights are affected by this event, including right to receive dividends and voting rights. Shareholders holding ADRs can apply for conversion and receive underlying shares.

Auditor

- The Board has approved the appointment of MHA MacIntyre Hudson LLP (an independent member of Baker Tilly International Limited) as a group auditor jointly with AO Business Solutions and Technologies (previously AO Deloitte & Touche CIS) as a component auditor. Please see the press release on the topic at the [link](#) for more details.

Sanctions compliance

- Sanctions announced in the period between 9 March and the date of this press release did not have a direct material impact on the business of the Group. The Group complies rigorously with all relevant legislation and is implementing comprehensive measures to observe all applicable international sanctions. The scope and impact of any new potential sanctions (and any countersanctions) are yet unknown. However, they might further affect key Russian financial institutions as well as mining companies. Polymetal believes that targeted sanctions on the Company remain unlikely, but are not impossible. Contingency planning has been initiated proactively to maintain business continuity.

Capital controls

- In June, the Russian Government revoked a requirement for exporters to sell 50% of their foreign currency revenue, while transborder capital flow restrictions (including dividends) remain in place.

Further updates will be provided in due course. Previous updates can be found at the [link](#).

Enquiries

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Forward-looking statements

DUE TO THE RECENT MASSIVE DDOS ATTACKS, OUR WEBSITE MAY BE TEMPORARILY UNAVAILABLE, THOUGH WE WILL CONTINUE DISTRIBUTION AND PUBLISHING ALL OUR ANNOUNCEMENTS THERE. THEY WILL BE FULLY AVAILABLE WHEN THE SITE RETURNS TO NORMAL OPERATION.

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