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Polymetal International plc

Business update and impact of sanctions

Polymetal reports that all its operations in Russia and Kazakhstan continue uninterrupted and provides an update on the impact of economic sanctions and the most recent changes in the capital control legislation in Russia.

The unfolding tragedy in Ukraine is horrifying and heartbreaking. We mourn the loss of life, and call for a lasting peaceful resolution of the conflict. Our thoughts and prayers are with those who have been affected.

At the time of writing, the Group states that:

Operations

- Polymetal operations in Russia and Kazakhstan continue uninterrupted.
- In 2021, Kazakhstan operations generated 43% of the Group's Adjusted EBITDA and 48% of its net earnings. Kazakhstan operations represent 40% (12 Moz) of Polymetal's gold equivalent reserves.
- Group's scope of operational activities and production guidance remain stable. The Company is reviewing non-essential capital projects in order to preserve liquidity and minimize risk. The management specifically notes that POX-2, Urals Flotation, Kutyn, and Prognoz projects are not subject to review and their execution will continue as previously planned.

Sale of bullion/concentrate

- Sales of bullion and concentrate from Kazakhstan continue as usual.
- In Russia, Polymetal sells silver concentrate from Dukat (sold mainly to Kazakhstan as well as East Asia) and refractory gold concentrate from Mayskoye and Nezhda (sold to China and Kazakhstan). The Company received assurances from off-takers that all existing contracts continue in good standing.
- Sales of bullion in Russia have been impacted by sanctions imposed by the US, EU and UK. The Company fully adjusted sales to comply with all relevant sanctions.
- Domestic physical demand for gold in Russia has been supported by the decision of the Russian Central Bank to resume gold purchases in the domestic market. According to CBR statement, the purchases will be conducted at LBMA price of the day of the purchase. The Company is also working on expanding the number of counterparties for export bullion sales.

Inventories & supplies

- Polymetal routinely carries at least three months' worth of consumption in stockpiles of critical materials, consumables and spare parts. Insurance stock levels further increased since the start of the COVID-19 pandemic in 2020. This extra inventory will provide a safety buffer in case of unforeseen supply chain disruptions. The Company initiated a review of logistics and procurement with an aim to increase the supply chain resilience and potentially shift critical supplies to domestic or Chinese-manufactured consumables and equipment.

Liquidity & net debt

- Net debt increased to US\$ 1.87 billion as of 1 March (31 December 2021: US\$ 1.65 billion) mainly driven by seasonal working capital increase. 96% of the total debt is denominated in US dollars.
- Central Bank of Russia raised its key interest rate to 20% (from 9.5%) on February 28th. The average cost of debt as of March remained low at approx. 2.9%. However, the management expects a sharp increase in interest rates for new borrowings denominated in Russian roubles and in foreign currencies to affect the Company's average cost of debt for 2022. 27% of the Group's debt matures within the next 12 months.

- The Group has approx. US\$ 0.4 bn in cash and cash equivalents deposited with non-sanctioned financial institutions. With the significant free cash flows coming from the Company's Kazakhstan operations, Polymetal has enough buffer to continue to fulfill its obligations and capital commitments in the next 12 months even in the absence of new borrowings. In addition, the Company maintains US\$ 1 billion of undrawn credit lines from non-sanctioned financial institutions. We will provide further updates on the Group's liquidity position in due course.

Dividends

- The Company currently intends to pay the final dividend as proposed by the Board on March 2, 2022. At the same time, the Board retains the discretion to re-evaluate its dividend recommendation prior to the Annual General Meeting with a view to ensuring liquidity and solvency of the business.

Capital controls

- From 1 March 2022, certain foreign currency transactions involving Russian residents are restricted.
- Russian legal entities are prohibited to pay dividends to foreign persons, although formally these instructions apply only to dividends of joint-stock companies paid through professional participants of the securities market. It is currently unclear whether the Company will be able to remit dividends from its Russian subsidiaries to the holding company level.
- Russian residents are obliged to sell 80% of foreign currency received under export contracts with non-residents on the transfer of goods or services. The purchases are going to be made at the Central Bank of Russia's rate.
- These new regulations are currently not expected to have a material impact on the Company other than the impact on intragroup dividends described above.

Board

- Six independent Board members, including the Chairman and the Senior Independent Director, resigned from the Board effective 7 March. Polymetal Board commenced a search for new independent directors and intends to maintain full compliance with the UK Governance Code.

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.

Further updates will be provided in due course.

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.