

## Edited Transcript of POLYP.L event 10-May-23 9:00am GMT

Refinitiv Transcripts - May 10, 2023 05:00:00

Q1 2023 Polymetal International PLC Production Volume Call

london May 10, 2023 (Thomson StreetEvents) -- Edited Transcript of Polymetal International PLC event  
Wednesday, May 10, 2023 at 9:00:00am GMT

TEXT version of Transcript

---

### Corporate Participants

---

- \* Maxim Nazimok  
Polymetal International plc - CFO
  - \* Vitaly N. Nesis  
Polymetal International plc - Group CEO & Executive Director
- 

### Presentation

---

Operator [1]

---

Good morning, ladies and gentlemen. Welcome to an analyst and investor briefing of Polymetal International. We will be represented by CEO Vitaly Nesis today; and the CFO, Maxim Nazimok, who will update on our announced plans to change the domicile and will update us on the first quarter results that we published this morning. Vitaly over to you.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [2]

---

Thank you very much. Well, first of all, thank you very much for coming today here because we firmly believe this is an important, probably crucial occasion on which the management will update both the strategic direction of the company and on the current trading.

I'll start with the traditional disclaimer on the forward-looking statements. I also would like to stress that this is only an overview of the proposed re-domiciliation and all shareholders are strongly urged to read the circular as a whole because it contains a lot of important and pertinent details. We'll try to cover as much ground as possible today. But again, it's no full substitute for reading the document.

I'll start with the re-domiciliation. I think we have already stated multiple times what the strategic rationale behind moving to a new jurisdiction is for our company. I would like to rehash and reemphasize the key drivers. First of all, the re-domiciliation would help to mitigate political risk in Russia. Generally, that political risk related to the so-called companies from unfriendly jurisdiction has been on a steady rise in Russia. And we believe that despite the fact that we've been able to navigate the environment successfully so far, that risk is approaching the critical level and moving to a neutral jurisdiction is absolutely necessary to avoid catastrophic destruction of value.

Second, we definitely remain committed and focused on restoring the shareholder value. We understand that getting the share price to the pre-war levels is not achievable in the foreseeable future, but still, we believe that the current share price does not reflect even the value of the Kazakhstan part of the business. And as such, we believe that the re-domiciliation is a necessary and crucial step towards at least partial restoration of shareholder value.

And we also have multiple times expressed our commitment to restarting the dividends. And again, without re-domiciliation, the resumption of shareholder returns is impossible. So this is a crucial step towards starting to pay dividends again.

And last but probably not least, right now, Polymetal International is very restricted in terms of strategic flexibility. That is true for both Kazakhstan part of the business where we don't have access, more or less to any forms of Western financing. And as such, we cannot proceed with any type of large capital projects, acquisitions, et cetera, but we also are significantly restructured within Russia, where effectively we are already barred by law to either buy or sell assets. And also, it looks increasingly likely that in the nearest future, we will not be able to obtain any new licenses, which in our line of business is obviously critical limitation.

In terms of the current situation, I think the first point that I've made about the political risk in Russia is all centering around the Russian counter-sanctions impact on the company's business. As you well know, Polymetal International is incorporated in Jersey and Jersey under the current meaning of Russian law is considered to be an unfriendly jurisdiction, and that brings about significant restrictions and risks. The recent developments included the emergence of risk of temporary management. They have been first specific instances where the assets of companies domiciled in unfriendly jurisdictions have been placed by presidential decree under the state management.

Now with legal details being very scant. But obviously, such a move takes the management and the safekeeping of the shareholder value of the business totally away from the current management, and this we would consider to be a catastrophic risk.

Capital controls remain in place in Russia. And that relates to both money transfers out of Russian accounts to other jurisdictions and also our ability to grant cross-border loans from Russia to Kazakhstan is restricted due to the difficulties with such transactions in any form of accessible currency be it dollars, euro, which are not available in Russia or rubles, which are not welcomed into Kazakhstan. And obviously, our Russian business cannot pay dividends from Russian subsidiaries to the parent company.

And I already mentioned in terms of corporate actions, any transactions in respect of Company's Russian subsidiaries holding licenses require presidential approval. So in fact, those transactions are out of limits for the company. Again, I run the risk of being repetitive, but we believe that counter sanctions more recently as well as sanctions impose significant risk on the continued existence of the group in its current form, specifically on the viability of the Russian part of Polymetal International.

We have done a lot of work in terms of selection of the target jurisdiction for our re-domicile. And we have chosen Astana International Financial Centre in Kazakhstan after a very careful evaluation. Now first, neither AIFC, nor Kazakhstan is currently on the unfriendly countries list. And as such, the risk of Kazakhstan getting into that list from our perspective is effectively nil.

Now secondly, Polymetal already has a significant presence in Kazakhstan. Kazakhstan business accounts on different metrics from 35% to 50% of the combined company. So that is a jurisdiction, which is well known to the management and where Polymetal itself is very well known.

Re-domiciliation from Jersey to the AIFC is permitted under the respective laws. So we don't need to establish a new corporate structure. The re-dom would represent just the change of the address. So the company continues in its present incorporated form. AIFC is trying to develop itself into a global financial hub and targets international standards in regulation and the rule of law. For example, the basic law in the AIFC is English common law and an independent court with a bench of independent international judges has been established.

And last, but I think very important for the strategic direction of the company, both dividends and capital gains on shares are exempt from taxation in Kazakhstan for both Kazakh and international shareholders. So effectively, the parent company would serve as a flow-through vehicle for dividends from both Russian and Kazakh businesses, whether it be within one company or within separate legal entities.

And I turn to Maxim, who will walk you in detail through both the timing and the mechanics of the potential re-dom.

---

Maxim Nazimok, Polymetal International plc - CFO [3]

---

Thanks, Vitaly. So we start with the timeline. So January-May, we've been in an intensive shareholder consultations. What's important, we've also been in consultations with the new kind of home country. So we have successfully passed the so-called pre-approval stage with AIFC. So we have a welcoming new jurisdiction. And that essentially led us to the publication of the shareholder circular, which occurred today.

We were hopeful that this will be a re-domiciliation and cancellation of listing circular, but we'll talk about this bit in a few minutes.

So on the 30th of May, the general meeting will vote on the re-domiciliation, which will then be followed by a notification of the company's creditors. And then there is a 21 objection -- 21-day objection period, but we already have the support from the company's key lenders in respect of the proposed re-domiciliation. So we don't expect this particular stage to be problematic.

And then the formal start of the process is around 22nd of June. So the JFSC, the regulator in Jersey, will receive the application from the company. And then by 17th of July, we expect consent from the Jersey regulator and also the consent from the AIFC regulator, which will lead into the actual re-domiciliation. So the change of address, the company will move physically from Jersey into AIFC. And at this time, the company will have to request the suspension of the company's shares trading in London, and I will explain in a second why this unfortunately needs to happen.

So when we were talking to investors in January, we were planning to explore several options how we could keep the listing and trading in London while moving into AIFC. So the 2 options we were particularly exploring are depository interest and then the second option is GDRs. Unfortunately, so far, we haven't been able to basically locate a willing provider to support either of the 2 instruments, DIs and DRs.

And at some points, there were providers who were willing, but they made it very clear that once the company progresses with further corporate restructuring steps, i.e., the jurisdictional split, the DR program will not be maintained. So this will be only temporary, not a permanent solution and therefore, it doesn't make a lot of sense.

And therefore, we decided that we should proceed without trying to engage in an option, which will only be viable for something like 6 or 9 months and then face the same problem of withdrawal from a listing.

So just a reminder why the suspension needs to happen? AIFC is a separate jurisdiction. This is not a U.K. or [channel isles] and therefore, the foreign shares -- the current shares will become foreign shares for LSE and for the CREST system at the time of the re-domiciliation, so they cannot be settled and traded in the CREST system without an additional infrastructure such as DIs or DRs. And therefore, we will unfortunately be unable to continue trading.

Our original plan was actually to request a complete delisting at the same time as the re-domiciliation and the delisting request and delisting circular would require approval from the FCA, which so far hasn't been yet obtained. And therefore, we are pursuing the re-domiciliation now and delisting subsequently. We continue to engage with the regulator to obtain approval for the delisting circular.

So at some point in time between now and the proposed re-domiciliation date, we might be launching another general meeting with a separate item on the agenda to approve the company's delisting because the orderly cancellation is really the preferred route rather than keep the company suspended here in London because this will not really result in any benefits to the current shareholders.

Now all of this leads us to the question what's next and how the shareholders should proceed with their shares in order to maintain access to the full set of the shareholder rights. So the following few slides are setting out very detailed instructions to the various categories of shareholders we have on the register. I will start with individual shareholders. So the bulk of them is holding Poly shares through CREST on LSE from - with U.K. registered brokers.

From our view, the preferred option for those shareholders is actually to transfer their shareholdings to an AIX eligible broker. Unfortunately, we know that not a lot of brokers and none of the U.K. brokers apparently offer this service. However, we do know a number of European and Kazakh brokers who are willing to engage into the transfer. I will just list 3 names, but obviously, our shareholders are encouraged to do their own research. So there was a European broker named Wood&Co, who is registered as AIFC participants, so they are willing to basically move the shares from LSE to AIX within 1 broker.

And then there are 2 relatively large Kazakh brokers, Halyk Finance and Freedom Finance, also are both able to trade and provide custody services, both in London and in Astana, which means that you can use those brokers to basically transfer your shareholdings.

The other option is actually to certificate your holding. You will not be able to trade in a certificated form, but you will obviously retain the access to dividends and to voting. And we'll talk in a second how those certificates will convert once the company re-domiciles. So basically, this is a pre-step. And then the next step would be actually to basically transfer your shares either to the register directly, which will be more or less automatic, although you will need to pass a small KYC exercise or to transfer to AIX Central settlement depository through a dedicated app, which is available both in AppStore and Google Play market.

This will allow you to basically retain online access to your shareholding although this is basically not an on-exchange trading access. This is just the custody service. So you will still be able to receive dividends and voting with a very simplified procedure through the app. The dividends can even be awarded to your bank

card. And then you can subsequently transfer to AIX broker from this app, if you wish to trade.

And then the last and obviously the least preferred option, which unfortunately will, as we know, be offered by some of the U.K. brokers is actually to either sell in advance or there will be forced liquidation by the brokers who do not support trading on AIX or do not support the transfer to paper certificates. So we encourage you to refer to your broker as soon as possible and explore your options. There is still enough time to actually move to another U.K. broker, who would be willing to basically support the better options other than forced liquidations. And therefore, we encourage shareholders to take actions sooner rather than later.

In terms of Poly's trading on MOEX and AIX, things will essentially remain unchanged. MOEX will continue as a secondary listing. I will have to flag that MOEX still doesn't have any access to do it in voting because of the sanctions on NSD, the National Settlement Deposit in Russia. And AIX will remain pretty much the primary listing venue after London suspension, with full set of services, trading, dividends, voting. So AIX and MOEX shareholders do not need to take any action now and things will pretty much continue as they are for those shareholders.

And then there is a number of shareholders -- individual shareholders who already hold their shares as paper certificates. As I mentioned before, they can hold the shares through the app developed by AIX if they wish to have access electronically or with AIX registrar portal, again, basically, AIX does not support certificated shares. So all of the shares will be in electronic uncertificated format. So your share certificate will be essentially an extract from the register rather than any anything else.

You can still hold it, but we encourage you to either use Tabys app or register with AIX registry portal just to have full access to dividends and voting in a convenient manner. And again, those shareholders with paper certificates can actually dematerialize their shares back into an AIX registered broker.

There were also 2 instruments -- well, derivative essentially instruments on our shares. One is ADR-sponsored program under the ticker AUCOY. We have been informed by Bank of New York Mellon, who is the supporting bank of this program that the ADR program will be discontinued at the time of the listing suspension. So therefore, you will need pursue 1 of the 3 routes. One is withdraw your shares into paper certificates. Again, very similar to what the shareholders in U.K. brokers will need to do. So you will need to engage with BNY Mellon as the depository bank, you can sell.

And if you do nothing, which is always an option. The bank will terminate the program and most likely force sell those shares and transfer proceeds to you. So no action to be taken, but obviously, this will not generate a lot of value.

And then there is also a nonsponsored stock called POYYF, so-called F shares. The company doesn't have control over this program because this is unsponsored. So the shareholders will need to take actions independently. We can only provide some kind of information support. But basically, again, the options are request for share certificates, transfer to an alternative broker, but we know that the trading in this particular instrument has already been quite severely constrained or sell in advance or the brokers will do that for you.

So again, all of the depository receipt holders are encouraged to take action sooner rather than later, engage with your brokers know what your options are, consult our Investor Relations team. And please proceed because the 1.5 months -- sorry, the 2 months between now and the proposed effective date for the London listing suspension will pass very quickly.

Institutional shareholders, the scheme of action is very much similar. So the preferred option, the one we would recommend and the one where we are very willing to provide support to each and every institutional shareholder and the register is actually to transfer to an AIX-eligible broker. I will flag that the company is taking a lot of effort to actually reignite trading in AIX. We are going to establish more market-making relationships with brokers. We are going to secure more support in terms of custody services from the 3 brokers that I mentioned, Wood&Co, Halyk Finance and Freedom Finance. Specifically, Wood&Co is a natural bridge between London and AIX because they are set up very well here in London, and they are an active AIX trading participant as well, and they are European brokers. So they can provide custody services to the local institutions here.

So if you're a custodian and we know there are cases like that, already offers settlement services in AIX. You're basically -- you can do nothing. You will retain full access through a different exchange, but basically, you need to engage with your custodian to know that for sure.

And then you can withdraw shares back into share certificates. And then subsequently, basically register with AIX registered portal. Again, the company will support you there. There is a very simplified KYC procedure that you will need to pass. And this will basically offer you access to dividends and voting although not offer on exchange trading. MOEX and AIX, again, no action needed. Status quo on both exchanges will be maintained.

And then Paper certificates, as I mentioned, you will need to register with AIX registered portal to support the dividends and voting after the actual re-domiciliation. ADRs, both sponsored and unsponsored Again, the

scheme of action is very similar to what is offered to individuals, you will need to basically either withdraw or convert your ADRs into shares and then subsequently go to an AIX registered broker. And all you can withdraw into paper certificates or you can do nothing, but this will mean that eventually you are facing the liquidation of your position. So this is not the preferred option in the company's eyes.

Now just to recap how we envisage the post re-domiciliation trading to look like. AIX is becoming the company's primary listing venue. We have already signed a relevant agreement with AIX, which means that AIX upon the effective date will become the primary exchange for the company.

And as I mentioned, we are ramping up our efforts to increase liquidity in that particular market. There has been already some pickup because we know that people have been transferring their stock to AIX in anticipation of the re-dom. We expect more action to be happening now. We expect more market participants -- interested market participants to offer trading in this listing venue and the company is actually taking a lot of effort to make this happen.

MOEX will maintain its secondary listing status with a Level 1 listing up to 30th of September at the least. There was a moratorium in MOEX in respect of delistings of companies from the Western exchanges. And by that time, we hope to basically negotiate with MOEX that they recognize AIX as an eligible primary listing venue to continue with Level 1 listing rather than downgrade 1 level down.

I have to flag again that trading on MOEX is a totally isolated line of trading at the moment because of the sanctions on NSD. Shares are blocked from voting and receiving dividends. The company will need to address this issue somehow, but this is not possible before the re-dom. So this is probably our likely next step following the successful re-domiciliation.

And in the meantime, we're also progressing our efforts to seek alternative listing venues, which are better recognized in the West and more liquid. And we have made certain progress. But unfortunately, as of today, I cannot report anything else than that. So this process is ongoing. I would probably say it is unlikely this -- any additional listing will happen prior to the re-domiciliation effective date. And there is no certainty. But we remain very committed to offer that option to our shareholders once it becomes available.

Another aspect to mention is that the company by migrating to AIFC is not going to lower in any way, its corporate governance standards. We will continue to adhere both with FCA rules and procedures because suspension basically retains all of the listing rules applicable to the company. We remain committed to maintain U.K. corporate governance standards, ESG practices, so everything you have seen from the company over the course of last 10 years.

The Board composition remains the same. We still have the majority of independent directors. We will need to adopt new articles of association basically to comply with the rules of the new jurisdictions -- of the new jurisdiction. There is a detailed comparison of the new articles versus old articles in the shareholder circular. But substantially, there are not a lot of changes in terms of how the company will be governed and we have also maintained voluntary compliance with the City Code of on takeovers and mergers, despite the fact of migration.

We all need to assign a par value to the stock, \$0.03 per share. This is again, a regulatory requirement. Right now, the shares don't have any par value. As I mentioned already, the shares will need to be all in uncertificated form. So the certificated holders will be rather having an evidence of record in the register instead. The registrar of the company will change from Computershare, which is the current registrar to AIX registrar, the local company established under the laws of AISC and any dividend payments will now be made obviously through the new registrar and through the new CSD -- AIX/CSD or directly paid by the company for those shareholders who will continue to hold directly through the register.

In terms of disclosure rules and standards, we remain for now LSE listed and therefore, we will retain all of the disclosure standards. And in addition, we will continue to comply with AIX disclosure rules, which are very largely similar. So you should not expect any meaningful changes to the company disclosure.

In terms of taxation, and here I'm talking about the company's taxation and not so much about the shareholders' taxation. The new -- sorry, the company after the re-domiciliation will be subject to the Kazakh tax regime, although AIFC offers significant tax benefits versus the general tax code for Kazakhstan-registered companies. And specifically, as Vitaly has mentioned, the dividends will be exempt from the taxation in Kazakhstan. So in terms of any withholding taxes to the shareholders, there will not be any difference to the current position.

In terms of taxation indications of the re-dom and the listing suspension for individual shareholders, we strongly encourage you to consult with your brokers and your tax advisers because there your individual tax positions might be different.

This is just a summary of the 3 resolutions, which are being proposed at the general meeting One is the obvious one to approve the re-domiciliation to AIFC. Second one is to assign the par value, a regulatory

requirement in AIFC to have par value for the stock. And Resolution 3 to adopt the new articles. And as I already mentioned, these articles very much resemble the current articles of the company.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [4]

---

And in terms of the proposed resolution, the Board unanimously recommends shareholders to vote for all of the resolutions. The Board firmly considers to be -- all of the resolutions to be in the best interest of the company and its shareholders. The Board's unanimous opinion is that change of domicile from Jersey to AIFC is a necessary and critical first step to preserve the group's existence in its current form and to unblock the ability to execute further corporate actions to restore shareholder value.

The Board firmly believes that voting for the resolutions will remove the burden of as many Russian counter-sanctions and related restrictions as possible, in a manner which offers shareholders as much similarity to the status quo as achievable.

Now this is the General Meeting info.

---

Maxim Nazimok, Polymetal International plc - CFO [5]

---

The one thing I would just flag, we have been preparing quite a lot of detailed materials for the shareholders. So apart from the circular, there was a list of frequently asked questions, so we encourage you to consult those. And there will be a dedicated kind of mini site on the GM matters, which has all of the relevant links handy. So please use this information in your decision making.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [6]

---

And I think we should conclude the part about the strategic direction of the company with the discussion further possible restructuring plans. Obviously, as we have stated multiple times before, the re-dom is the first step towards the split up. And currently, in terms of the legal structure, we expect that the split up of Polymetal along jurisdictional lines will take the form of the spin-off of the Kazakhstan business into a separate new entity after the re-domiciliation has been completed, in a manner which provides shareholders with continued full exposure to the Kazakhstan and Russia assets.

Both Polymetal Kazakhstan and Polymetal Russia will remain registered in the AIFC. Currently, we expect that the Polymetal Kazakhstan will be eligible and it will be possible to list it on the LSE and obviously, on AIX and possibly other alternative exchanges. Obviously, Polymetal Russia's future currently is uncertain as that company will more or less concentrate all of the geopolitical and sanctions-related risks on itself. So both the structure and listing strategy are currently under development and will depend to a large degree on the dynamics in the sanctions against Russia and Russian companies.

In terms of the conceptual timeline, -- now we, as Maxim has pointed out, expect to fully complete the re-dom early in the third quarter. We will spend the remainder of the third quarter ironing out specific details of the split up, which there will be a lot of, including taxation, relationship agreements between the 2 parts of the current Polymetal and both kind of political approvals and the strategy of both parts going forward.

The fourth quarter of this year, we plan to hold intensive shareholder consultations and start the preparation of the documentation for the split up. We expect the general meeting to approve the split in the first quarter of the next year and to achieve the split and obtain new listings for Polymetal Kazakhstan in the second half of the next year.

Now I would like to highlight that the amount of time that will be needed to list Polymetal Kazakhstan will more or less resemble the regular IPO. So that company would be a fully new company, will need a full-blown prospectus and a set of listing documents, including such things as a company and the personal report, working capital statement, et cetera.

So this will be -- it will be a lot of work, and that's why the new listing for Polymetal Kazakhstan will take some time. And without the new listing simultaneous with the jurisdictional split, it would be hugely disadvantageous to shareholders. So maybe a bit conservative, but we believe, fully achievable.

And I would like to conclude today's presentation with first quarter results. Obviously, the macro

environment in the first quarter has improved hugely. We saw a big jump in both gold and silver prices, along with the significant weakening of the ruble.

And in terms of production results, the production fell 5% year-on-year but was actually slightly above plan, about 1.5%. So we believe the result is positive. I will go into the details about the negative dynamics a bit later on. Now the grades fell in line with the plan by 7%, but we managed to actually improve both recoveries and throughput.

Revenues increased by 20% year-on-year and we achieved very strong safety performance. No fatalities and a 10% reduction in lost time injury frequency rate year-on-year. In terms of production by mine, I would like to highlight the results posted by our Kazakhstan assets. Both Kyzyl and Varvara recorded material declines but both of those declines are mostly driven by the working capital issues.

At Kyzyl, some of the production hasn't been booked due to the railway delays. And at Varvara, the very strong last year result was due to de-stockpiling. So overall, we believe that both of these assets will end up producing roughly flat year-on-year results as the year wears on.

And in Russia, obviously, we had weak performances at Dukat and Voro driven by planned grade declines but Nezhda ramped up very strongly. And at Albazino, the contribution from the recently launched Kutyn Heap Leach also helped quite a bit. Now overall, we -- I believe first quarter was, again, quite positive because we always expected the second half of the year to be larger in terms of production than the first half. And again, the issues at Kyzyl related to the railway depressed first quarter results a bit.

I would like to conclude the presentation with the last slide. Hopefully, it will be elucidative in terms of what we expect in terms of the free cash flow for the full year. Traditionally, first quarter has been the weakest in terms of cash flow for the business. And in -- as you can see in both 2019, 2020 and 2021, a weak performance in the first quarter, sometimes significantly negative free cash flow in the first quarter was followed up by a very strong full year performance. So obviously, the closest milestone of benchmark is 2020.

The first quarter free cash flow this year was more or less equal to 2020 and we ended up with very significant free cash flow for full 2020. Obviously, this year, a lot will depend on the macro dynamics, including gold prices and particularly ruble dollar exchange rate. But the internal factors all point to very strong free cash flow generation.

We will launch Voro flotation concentrator, either late May or early June. We will launch intensive cyanidation circuit to process gravity concentrate from Nezhda at POX-2 in June. Obviously, we'll have traditional seasonal increases at Mayskoye and heap leach operations. And we are optimistic that the recent surge in concentrate stockpile at Kyzyl will be reversed, either as we managed to overcome railway difficulties or in the worst case scenario, we will incur additional costs and just truck concentrate eastward. So overall, the management believes we are set up for very significant positive free cash flow this year. And that obviously should play an important role in shareholders' decision-making because that free cash flow following hopefully, successful re-dom will pave the way for the resumption of the dividend.

And with this, I think we'll yield to the questions.

---

## Questions and Answers

---

Operator [1]

---

We'll first take questions from room and then we'll go to online for submitted questions.

---

Unidentified Analyst, [2]

---

(inaudible) Just a quick one with regards to Astana. You mentioned, obviously, dividend and capital gains benefit there. Have there been any other incentives offered to you to re-domicile to that jurisdiction?

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [3]

---

Well, I think actually, we had a pretty hard job convincing the AIFC that for them, it makes sense to accept us. Obviously, Kazakhstan is very keenly aware of the sanctions against Russia, and they have a very strong legal team, which scrutinized the applicability of those sanctions in the case of the potential re-domiciliation. So I think it was more Polymetal advocating the re-domicile, bringing additional benefits to Kazakhstan rather than the other way around.

And one of the arguments favorable the re-dom, for example, was our commitment to the POX-3 within Kazakhstan. And I think political support that we have received from the top most levels of the Kazakhstan government was at least partially due to our commitment to investment in the country. So it was not the country offering us incentives, it was more us offering the country capital commitments.

---

Unidentified Analyst, [4]

---

And just from an operational perspective, have there been any significant changes in the way that you interact with your partners with regards to the processing of material certainly in China or anything like that?

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [5]

---

No. I think China is fully back kind of under -- back to usual business following the full removal of COVID restrictions. Right now, in terms of moving concentrates, the key bottleneck is the Russian railway, which is clogged by east toward moving coal shipments. And that actually is probably the most urgent operational challenge that the management is tackling.

---

Maxim Nazimok, Polymetal International plc - CFO [6]

---

Okay. So seeing no questions from the room. We'll proceed with the questions from the webcast. Are you working with U.K. brokers to ensure that U.K. shareholders can still trade on AIX post re-dom?

So I think we have tried to cover this in the main part of the presentation. My advice to the shareholders is engage with the U.K. brokers. Some of them can support the custody services for holding shares in AIX. If not, the 3 names that we mentioned, Wood&Co, Halyk and Freedom Finance are the ones we can recommend to engage with.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [7]

---

Again, I would just like to add that realistically, AIX has been relatively unknown to U.K. brokers, and we are now trying to launch an awareness campaign among the brokers. Obviously, it will take some time, and we'll need some momentum after the re-dom has happened than the trading, as we expect, will surge on the AIX. So we understand the importance of the liquidity on the AIX, and we understand the importance of multiple market makers on the exchange, but we request patience as we work to address that issue.

---

Maxim Nazimok, Polymetal International plc - CFO [8]

---

Yes. How serious an obstacle to the proposed re-dom can be the position of Euroclear and CREST not to execute any orders, actions with the securities entities that are under sanctions?

So we have extensively analyzed the re-domiciliation from the sanctions perspective and our legal advisers - various legal advisers have confirmed that re-dom itself doesn't represent any violation of sanctions and actually does not involve any sanctions -- sanctioned entities in the chain. So therefore, we do not expect any kind of limitations here from Euroclear and CREST. We need to understand that this is the same company



just continuing in a new jurisdiction. Even the location of shares will remain the same. So there is not a lot, to be honest, to be done by Euroclear and CREST and withdrawal from CREST will happen more or less automatically as a result of inability of CREST to settle the foreign stock.

Question on brokers again. So we have made those recommendations.

Would LSE listed Polymetal shares held in a retail broker nominee ISA account be transferred automatically to AIX upon stockholders' request?

This is not automatic. So we strongly encourage you to engage with your brokers early on and evaluate your options.

Can Polymetal buy shares at LSE from the shareholders?

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [9]

---

I think this is a question we faced -- we heard a lot from shareholders, and we seriously consider this as an option. Again, we believe that the boards and the management strategic priority is to preserve the value of business, not to manage the share price. We believe we've done everything we could to enable orderly transfer of shares from the current infrastructure to the infrastructure at the AIX, and we want to, first of all, not to be seen as meddling with the market, but also we want to preserve as much financial firepower as possible for the future. And as a result, we decided that share buybacks would not be advisable at this time.

---

Maxim Nazimok, Polymetal International plc - CFO [10]

---

What do you think the stock price will be in December 2023 on the Moscow Stock Exchange? This is just a funny one.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [11]

---

I think reading it out loud is enough.

---

Maxim Nazimok, Polymetal International plc - CFO [12]

---

Yes. And what will happen with the shares listed in LSE, will the shareholder shares be converted to Astana ones?

This is not automatic. So please do engage with your brokers and take effort to do so.

Can U.K. holders request paper shares?

Yes. And this is one of the options which is viable, especially for those who hold shares and brokers who cannot move the shareholding to Astana Exchange.

If I continue to hold shares as is on LSE listing, will my shares be converted? Okay, this is a repetition.

Why are you not moving to UAE something you were exploring only just recently?

So in terms of corporate re-domiciliation, we have evaluated the UAE and came to the conclusion that this is not the optimal jurisdiction for relocation. We don't have significant presence there. Operationally, we don't have strong relationships with local government. And UAE, to be honest, is significantly more stringent in terms of sanctions compliance even compared to AIFC.

And last but not the least, UAE has a very bad tax treaty with Russia, which means that this will be also inefficient from the taxation perspective. In terms of the listings, UAE is one of the potential jurisdictions for alternative listing, although the progress there has been quite limited, to be honest.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [13]

---

It would be comforting to have understanding of any conflicts of interest that may lead to the recommendation to approve the re-domiciliation, will you be able to disclose before the vote?

We don't have any conflicts of interest in terms of Board of Directors, management, large shareholders. This is a corporate action, not even a transaction. This is a corporate action that does not involve any ensure any potential leakage of value. So there is no conflict of interest.

---

Maxim Nazimok, Polymetal International plc - CFO [14]

---

Could you please clarify regarding the risks of Polymetal potentially not being able to obtain new mining licenses in Kazakhstan and Russia in the future, that you mentioned during the first part of the presentation?

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [15]

---

Well, there is no question about Kazakhstan. Kazakhstan is business as usual. In Russia, the law is right now under consultation that would ban companies from unfriendly jurisdictions from obtaining any new licenses for minerals on the Strategic Minerals list. Gold is on that list. So again, it's only a question of time, I believe before that happens. Probably not second quarter, but given the speed with which the counter sanctions are enacted in Russia, I would say that third quarter is very likely.

---

Maxim Nazimok, Polymetal International plc - CFO [16]

---

What will happen to my shares if I do nothing upon suspension?

So this option is actually covered in the slides that I've demonstrated. We strongly encourage you not to do nothing if you value your shareholding in Polymetal. So please do engage with the broker. There's a lot of helpful materials on the website. There was a special dedicated e-mail address. So please do not hesitate to contact Investor Relations if you are in doubt.

What do ADR owners in Frankfurt have to do? So this was covered in the presentation.

Is it possible to make a free transfer from CREST to Kazakh CSD without a broker?

We are not aware of that option.

How will the issuance of the new ician happen? We understand there will be no new ician. So shares will keep the existing ician despite re-domiciling to AIFC.

Which market maker will ensure which volume on AIX? We are in progress of ramping up the market making arrangements. So this is still in progress.

ADRs and do nothing, liquidation value will [build vast] trading share price?

Let's see, I guess the liquidation value will be at the price that BNY as an operator of the program will receive in the market, so we cannot predict it.

Suppose I move my shares to Kazakh brokers. What other things must I do to receive the new ician? What should I instruct the Kazakh broker to do?

I guess after you have moved to the Kazakh-enabled broker, then you can do nothing and comfortably continue to hold the Polymetal stock. So no further action.

In which currency will probably trade on AIX?

I have to emphasize that we've been trading in AIX, and we have a listing there since 2019. So it's already traded there. Volumes have been picking up recently because people, I guess, have realized that this re-domicile is imminent. The stock trades in U.S. dollars.

Website of Wood&Co? We'll provide that in due course.

How and when the holders of shares on MOEX could get dividends from the company?

We understand this is not possible prior to the re-domiciliation. And even after re-domiciliation this is not at all automatic. So the company, after re-domicile will evaluate options how we could offer non-sanctioned shareholders trading in MOEX to regain access to their full set of shareholder base.

Do Wood&Co, Halyk and Freedom accept transfer shares from retail investors?

Yes.

Can you confirm that any dividends will be declared and paid in U.S. dollars?

Historically, we have maintained actually 2 or even 3 currencies, but base currency is yes, U.S. dollars.

Can the delisting from LSE be delayed to give retail holders more time as it takes 6 weeks to move your shares from a U.K. brokers?

I will have to emphasize, if you initiate the process now, 6 weeks is okay because the earliest re-domiciliation can happen is 17th of July. So this is more than 6 weeks ahead. Unfortunately, we are not inclined to delay the re-domiciliation because of the risks that Vitaly has presented in this presentation.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [17]

---

Why does the Board not recommend GDRs?

The Board recommend GDRs if we could find a willing a GDR program sponsor, but we were not able to find one. So this is not an available option.

---

Maxim Nazimok, Polymetal International plc - CFO [18]

---

Does the jurisdictional split have to be completed before a dividend payment can be approved?

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [19]

---

Well, yes, definitely. We'll need to do the dividend payment, jurisdictional split would probably take a better part of the year. So our intention is to pay dividend before the split, hopefully.

Are all existing directors that are shareholders, be retaining their shareholdings during the transfer to AIX?

As far as I know, I'm the only director that is a shareholder, all of my shares are on MOEX in NSD. And for example, I won't be able to vote on the re-dom. And definitely, I'm not selling my shares.

---

Maxim Nazimok, Polymetal International plc - CFO [20]

---

I would only probably comment on the management team side. The management team does have a lot of shares. All of them intend to keep them at the time of the transfer to AIX.

Options for U.K. investors through ISAs and SIPPs?

I will probably refer you to the FAQ on the website. It has more detailed information on those specific plans.

Are you expecting to reduce net debt this year? And what would be a target you would be happy with? At the moment, it looks like you reported a \$2.4 billion net debt?

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [21]

---

Well, I would like to refer to the last slide of the presentation. We expect a significant free cash flow this year. So the net debt would go down even in the case if we declare and pay a substantial dividend. So definitely, net debt reduction is one of the objectives for this year.

Sanctions put a ban on export of gold from Russia. Does it impact your sales in any way, high discounts locally?

Well, actually, there is no blanket ban on exports of gold from Russia. The sanctions banned exports of Russian gold to EU, U.S., U.K. and some of other jurisdictions. But exports are not banned, for example, to China or to other Asian markets. We currently sell the vast majority of our bullion domestically, both to retail, to jewelers, to investor buyers. And local discounts have shrunk very significantly. They were in high single digits half a year ago, now the prevailing discount in Russia is less than 1%.

---

Maxim Nazimok, Polymetal International plc - CFO [22]

---

The transfer from CREST should be done before 17th of July?

Yes, we encourage shareholders to do any transfers before 17th of July.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [23]

---

What was the remaining gold and silver inventories at the end of Q1 2023?

I think bullion inventories were around 100,000 ounces of gold equivalent. And concentrate inventories were slightly higher, maybe 120,000, 130,000 ounces of gold equivalent.

---

Maxim Nazimok, Polymetal International plc - CFO [24]

---

Some U.K. brokers won't issue share certificates, can Polymetal not work with brokers to issue paper certificates?

So in this case, we actually would encourage you to transfer between various U.K. brokers just to choose the ones who can do this because Polymetal as a single issuer can probably not influence an individual U.K. brokers to do this just for us.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [25]

---

Once POLY-K split from the Russian business, do you envisage returning to LSE in GDR or listing format?

Well, our clear preference would be to return in the form of the full listing, but that decision will depend on the position of relevant service providers, either the register holder in the case of full listing or for GDR, the sponsoring bank. So this is actually why the path to the split up would be relatively long. A lot of chips would need to fall into the right place to ensure that the split up does not hamper the continued liquidity of at least the Kazakhstan part of the business. And that definitely would require a lot of work with third parties.

---

Maxim Nazimok, Polymetal International plc - CFO [26]

---

As a U.S. holder of ADRs, to be clear, what steps should I take after I convert my shares to paper certificates to prepare for re-dom, assuming I can work with the brokers and banks to do so?

So basically, your options are option one, just register with AIX registered portal or to -- with the AIX/CSD app and continue to hold your shares directly in the register. If you wish to trade, then your next step is actually to transfer the shares from certificates into an AIX registered broker.

Do you feel that the recent third country focus on sanction avoidance, specifically in Kazakhstan, will have any impact on the re-dom or post re-dom? Have you received assurance from Kazakhstan that they are and will remain compliant with sanctions?

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [27]

---

Well, very detailed sanctions analysis with heavy reliance on external assurance by legal advisers has been done by both AIFC and AIX as a part of the vetting procedures for the re-dom. So I think as we have always stated and as AIFC and AIX has received the confirmation, we are in full compliance right now. And as such, we are not avoiding any sanctions. So if the new sanctions packages will be focused on avoidance, they will have no impact on us. We're not avoiding anything.

As such, I think where I see the potential sanctions risk is post split up for the Russian part of the business and its ability to keep a full presence in Kazakhstan, including the listing. Right now, it's possible and now we see no immediate risk in that situation, but that may be a potentially vulnerable spot.

Are you ruling out any possibility of sale of the Russian assets post re-dom? The management currently doesn't see any point in selling assets one by one. We expect very strong financial position as the year progresses and we generate more free cash flow. And in general, selling specific assets particularly assets in production doesn't make much sense to me right now.

---

Maxim Nazimok, Polymetal International plc - CFO [28]

---

Good Day, you mentioned the risk of an interim management imposed in Russia. Is it really possible or the possibility of this is very low?

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [29]

---

I think if you're talking about the time horizon of one month, this is indeed very low. If you are talking about the time horizon of 1 year, this is definitely material. I wouldn't call it above 50%, but we are not talking about a black swan event. We are talking about a clear direction of travel. And we, as the management and the custodians of the shareholder value, cannot ignore the writing on the wall.

So that's why our efforts to re-dom has received additional urgency and additional impetus. That's why we are proceeding without safeguarding the 100% of technical details of migration from LSE to AIX. But we believe the catastrophic risk of some form of counter sanctions in Russia outweighs the inconveniences presented by a relatively speedy re-dom.

---

Maxim Nazimok, Polymetal International plc - CFO [30]

---

Yes. I would just emphasize that this interim management is already something that can be done on the existing legal framework. So the Russian government doesn't need to adopt anything new to impose this on us. It's just a question of who are they targeting at the moment.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [31]

---

How firm a commitment could you give towards the restoration of the dividend in time for H2 results? I don't think a wood commitment, particularly from the management is applicable. The restoration of the dividend is a decision reserved for the Board. I believe 2 key considerations for this decision would be the financial results for the first half and the external market dynamics at the time of the decision. Again, a lot will ride on the gold price dynamics, ruble-dollar exchange rate dynamics, obviously, geopolitical dynamics and the progress with the split up will also play a role.

---

Maxim Nazimok, Polymetal International plc - CFO [32]

---

Which steps and when the company may explore in order to enable dividend payments to holders at MOEX? So I can only answer the question when and this will be post re-dom. In its current shape when the company is registered in Jersey, there are no ways to unlock the MOEX shareholders. We have a few potential paths how we can unlock MOEX shareholders after the re-dom, but re-dom needs to happen first.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [33]

---

Is the intention that after re-domicile in the business, it will be jurisdictionally split and existing shareholders would receive a share in Poly Kazakh business and another separate share in poly Russian business?

Yes, this is the intention.

Vitaly suggested the value of POLY-K would exceed the current share price even if POLY-R no longer adds value. Which share price would the Kazakh side of the business reflect as you think?

Well, I think this is a difficult question, but I would personally expect at least doubling of the price.

Do you believe much of the value lost in shares is due to the fear of sanctions legal problems and thus believe shareholder value will rise after re-dom?

I think a lot of institutional shareholders cannot touch Polymetal in its present form due to its association with Russia. I believe that Polymetal Kazakhstan business will be more or less free from direct association with Russia. And as such, will attract a lot of institutional and retail shareholders. It will also not be under the more or less embargo from a lot of service providers. It's not only investors who shun Polymetal right now. It's also a research ecosystem around the exchange.

Even the orderly clearance of trades on the LSE right now is not possible. So we expect that Polymetal Kazakhstan will get rid of those problems and the share price will reflect the underlying value rather than the severely bottlenecked and limited trading opportunities available right now.

---

Maxim Nazimok, Polymetal International plc - CFO [34]

---

Is Wood&Co a good company?

The Phone number on the website is a bit dodgy. It is a good company. It is an EU registered broker, based in Prague. If you have any trouble contacting them, please use our Investor Relations to help you.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [35]

---

What is your expectations regarding the restoration of production at Kyzyl and Varvara? Until the year-end, the guidance of 500,000 ounces is still valid?

Yes, it is.

---

Maxim Nazimok, Polymetal International plc - CFO [36]

---

Will we still be able to transfer after the 17th of July?

Yes. The shares will not be annihilated after the 17th of July, even if you continue to hold them through a U.K. broker. It's just a question of whether your broker continues to allow you holding them after the 17th of July. So I'd rather, again, reinforce the message that we encourage everyone to engage with your broker early on.

Halyk, Freedom Finance and Wood&Co are all not eligible for U.K. retail investors?

They are. They aren't eligible probably for ISAs and SIPPs, but they can definitely work with retail investors.

Do you plan to list Poly-K -Rs at MOEX? Well, we haven't yet thought about that. I don't think it makes a lot of sense.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [37]

---

Are you seeing that Russian assets may be ceased and become worthless after the split? No, actually, we believe that the re-dom and then the split would actually address the risk of the potential nationalization in any form or shape. So they will not be worthless. We will need to deal a lot of other issues for shareholders

who will be reevaluating their sanction exposure as the Polymetal Russia company will be just holding only Russian assets. But post re-dom, I think the risk of re-domiciliation drop dramatically.

---

Maxim Nazimok, Polymetal International plc - CFO [38]

---

Can you explain how opening account with Halyk and Freedom Finance would allow U.K. LSE hold the transfer his shares on to Kazakh I would assume exchange?

So basically, you will need to initiate a depository transfer from your current broker to Halyk and Freedom Finance. This is pretty much a standard share transfer procedure which should be handled more or less seamlessly we have already quite a few shareholders have done this.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [39]

---

In case MOEX shareholders did not unlock the dividend resumptions, how can they be compensated for the hypothetical dividend that they may miss-sell?

I don't have a ready answer to that question. We don't know the exact path to rebrand MOEX shareholders. We will need to tread very careful not to break any sanctions and that is definitely our intention. On the other hand, we definitely want to do our best not to discriminate against MOEX shareholders. So it may take some time, and I can give you no assurance how much time it will take.

---

Unidentified Analyst, [40]

---

Vitaly, nice seeing you again. I am from Kazakhstan, arrived to London. I'm interested in buying the shares on AIX. I should tell you that this pretty advanced Halyk and Freedom. I haven't used Halyk -- Freedom, but Halyk is just like IBKR platform. It's very easy. So my question is that once you separate 2 companies, is Kazakh entity would be independent in terms of its finances, management and dividend payments? Or are you thinking that as a holding...

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [41]

---

Definitely -- thank you very much for the question. Definitely, there will be fully separate Boards, fully isolated balance sheets. And actually, we have already done the bulk of work to reference the balance sheets of the 2 companies already. So right now, the Kazakhstan assets and the Russian assets, they don't fund each other. They don't cross fund.

In terms of the management, we expect that there will be a transition period where there may be some shared services between the 2 companies, particularly given the extent of downstream integration with Kyzyl concentrate processed at the POX. But obviously, the end goal is to have the Kazakhstan entity standing fully on its own feet, even with the processing of concentrate moved into the new facility in Kazakhstan, be it the new POX.

---

Unidentified Analyst, [42]

---

I see. And then is there any requirements from the Kazakh government that the management should be physically located in Kazakhstan or you should own an office and...

---

Maxim Nazimok, Polymetal International plc - CFO [43]

---

No, no. We will own an office, and we already have actually retained one. There is already quite a strong local management team, which is now managing the Kazakh assets from an operational side. The central management, there is no such requirement...

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [44]

---

There is no requirement for the physical presence of specific people in specific location. Definitely, the Board meetings will take place in AIFC. We already have an office in AIFC. We already have people lined up to assume specific positions for the Kazakh business post split up. They already -- as Maxim said, they must already work for the Polymetal Eurasia, which is the management company of the Kazakhstan business. So I think the split up of the management should be relatively smooth. And definitely, we see no issues stemming from the restrictions imposed by the AIFC.

---

Unidentified Analyst, [45]

---

And one more question, if I may. In terms of growing Kazakhstan, I used to be an analyst at Troika, and I used to cover Polymetal and then I left Moscow and then in a private business now. Obviously, I'm interested in buying the Kazakh part of the business to become your shareholder. So what's your strategy? I mean, I remember when you bought Varvara, now you are growing nicely. And there are a lot of interest from Chinese investors in Kazakhstan. Are you -- so question is like can you acquire new licenses in Kazakhstan? Are you inclined to pay out dividends? Or you want to grow in Kazakhstan, if there are opportunities?

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [46]

---

Well, we definitely want to continue in the -- with the strategy that Polymetal had before the war started. We always positioned ourselves as the company with a significant and stable dividend payments. So dividends take the priority compared with growth. But we don't want to be seen, and we don't want to pursue the strategy that would say no growth. And we don't necessarily constrain ourselves to Kazakhstan. Kazakhstan is a very well-known jurisdiction. It already has attracted a lot of international investors. And the competition for assets of reasonable quality is already pretty high. So I think we will be looking not only at Kazakhstan, but at other central Asian jurisdictions, such as Uzbekistan, Kyrgyzstan, maybe even Tajikistan or Armenia. So definitely, we will be looking at the ways to grow the business. but probably not as narrow.

---

Unidentified Analyst, [47]

---

But this POX facility, which you mentioned is -- it should be built in Kazakhstan just as one of the conditions, right?

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [48]

---

Yes. Well, we already have selected the location. We have signed the land agreement. And we're actually starting the procedure of statutory permitting. The new environmental code in Kazakhstan dictates pretty multi-staged and lengthy local consultation and environmental assessment, we're already starting this year. We, together, we're at the site of the Irtysh POX in Pavlodar, 2 weeks ago. We've met with the local team. They already have presence there at the office. People have come from the -- some of them have come from the Amursk POX to kind of jump start the process. So we are being very serious about this.

Well, thank you for your attention. Thank you very much for all those who have asked questions through the



webcast. We understand that this is a difficult process with many details. So again, we all urge you to write to IR team to read the circular to read the FAQ document on the website. And again, I would reiterate at the end, the strong recommendation, unanimous recommendation of the Board to vote for all 3 resolutions proposed to the shareholders.

---

Unidentified Company Representative, [49]

---

Just a couple of concluding remarks. We have established a helpline for shareholders and investors to ask questions and get clarity on what their options are. We have put in place an inbox on e-mail where people can send their inquiries and also ask us for advice. All these sort of -- please consult our website. We've put out a frequently asked questions page there, updated one that should answer most of your questions. Please call us and e-mail us if you have any questions and look at our website at our AGM page that will also provide you with all the -- everything you need to vote on the 30th of May.

Thank you very much, and this concludes the meeting, and have a good day.

---

Vitaly N. Nesis, Polymetal International plc - Group CEO & Executive Director [50]

---

Thank you.

---

Maxim Nazimok, Polymetal International plc - CFO [51]

---

Thank you.

Webcast URL: ...