



POLYMETAL

Russian Myths

&

Realities

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## MYTH 10:

*Western companies only need Russian partners to navigate bureaucracy and cut red tape*

## **REALITY 10:**

*Long history of failed projects set up on this basis*

*Successful partnerships require concrete contributions from the Russian side*

*\*Technological know how*

*\*Logistical expertise*

*\*Ability to understand unique Russian workforce*

*An example of the above paradigm is Polymetal's JV with AngloGold Ashanti*

## MYTH 9:

*The Russian workforce is lazy and unmotivated*

## REALITY 9:

*The workforce can be challenging and this is complicated by demographic trends*

*However, the workforce is highly educated and technologically savvy ... Illustrated by the high number of ph.D.s employed at Polymetal*

*The workforce can be motivated ... A success story: our productivity-based incentive pay schemes*

## MYTH 8:

*Profitability is out of the hands of Russian mining companies ... It depends only on inflation and real ruble appreciation*

## REALITY 8:

*Inflation and appreciation are important determinants on the cost-side of the equation*

*However, "grade is king"*

*Believing in the myth leads to laziness and complacency on the part of companies*



## MYTH 7:

*Russia is politically unstable ... This instability has strong spillover effects on tax and licensing regimes*



## REALITY 7:

*There has never been a single example of a license being revoked at an operating mine ...  
NEVER!*

*The tax system has been very stable for the last few years and there is no indication of any changes in the future*



## *MYTH 6:*

*Russian companies do not care about corporate governance*

## **REALITY 6:**

*Increasing emphasis on best practice corporate governance standards ...  
Combined Code of Corporate Governance*

*Independent members of the Board who are not simply place holders*

*Value-additive Board committees*

*Independent audits ... not just of financials but also of mineral resources/reserves and HSE practices*



## MYTH 5:

*Political connections are  
the key determinant of success*

## **REALITY 5:**

*The keys are the same here as they are anywhere else in the world ... There is no unique "Russian key"*

**\* High quality mineral resource base**

**\* People**

**\* Technological know how**

*When political connections do matter, it is not on a federal level, but on a local level ... Establishing solid working relationships with local and regional authorities*

## MYTH 4:

*Oil will continue to be the engine-of-growth for the Russian economy and precious metals will remain in the backseat*

## REALITY 4:

*Precious metals will continue to grow in importance*

*Russia remains one of the most under-explored and untapped mining regions in the world*

*At the same time, Russia is one of the world's most mining friendly countries*

## **MYTH 3:**

*Russia lacks necessary basic infrastructure*



## REALITY 3:

*Infrastructure is a challenge ... but it is a challenge in almost every mining region in the world*

*Infrastructure challenge somewhat mitigated by high quality engineers and technical experts ... such as at Polymetal Engineering*

*Innovative ways to tackle this challenge through strategic partnerships*

## MYTH 2:

*The Russian “hierarchy” in mining is set in stone and there will be no movement*

## *REALITY 2:*

*Significant flexibility*

*Large scale projects ... Sukhoi Log*

*Projects that are not currently with  
their "natural" owners*

*Undeveloped deposits with challenging  
processing technology*

*Significant untapped exploration potential*

## MYTH 1:

*Russians do not need foreigners  
and foreign companies and can  
develop the country's mining  
industry on their own*

## **REALITY 1:**

*Globalization affects all industries ...  
including metals and mining*

*Specific skills that foreigners can contribute*

- \* Technological processing ... particularly of refractory ores*
- \* Grassroots exploration*
- \* Corporate culture of continuous improvement*



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