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Polyus Gold

IFRS financial statements for the 12 months ended 31 December 2009

Moscow, April 29, 2010

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Key facts of 2009 financial results

- An increase in the weighted-average **gold selling price** by 12% in 2009 from 867 USD/oz to 969 USD/oz, following the policy to stay unhedged;
- An improvement in costs: **cash operating costs decreased by 2.3%** and amounted USD 574 million, total Cash Costs calculated on ounce of metal sold decreased to USD 391;
- Consolidation of **KazakhGold financial results** for the last 5 months of 2009;
- Successful commissioning of modernized plant No1 for the purposes of **Titimukhta deposit;**
- A 27.6% RUB depreciation in 2009 (2008 average RUR/USD rate – 24.86, 2009 average rate – 31.72);
- Decreasing **commodities prices** and as a result a decrease of costs for consumables;
- The initiated expense of previously capitalized stripping costs in amount of **USD 50.7 mln.**

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Summary of performance results (related to financial statements)

USD'000	2 009	2008	2007 (restated)
Gold sales	1 199 088	1 062 331	849 023
Other sales	26 136	24 987	18 096
Cost of gold sales	(575 122)	(558 118)	(449 216)
Cost of other sales	(25 541)	(25 061)	(25 866)
Gross profit, including:	**624 561**	**504 139**	**392 037**
Gross profit on gold sales	**623 966**	**504 213**	**399 807**
Gross profit margin	**51%**	**46%**	**45%**
SGA	(155 012)	(134 960)	261 776
Profit before tax	432 020	122 471	177 107
Pretax margin	**35%**	**11%**	**20%**
Income tax expense	(108 837)	(62 110)	(85 299)
Net profit for the year	**323 183**	60 361	91 808
Net profit attributable to shareholders of the parent company	321 604	51 507	85 809
Minority interest	1 579	8 854	5 999
Net profit margin	**26%**	**6%**	**11%**
EPS	1.80	0.29	0.49

* In 2008, management of the Group changed its accounting policy for stripping costs. Under the new accounting policy, expenditure for stripping costs incurred during the production phase to remove waste ore is deferred and charged to cost of gold sales on the basis of the average life-of-mine stripping ratio. The cost of excess stripping is capitalised as deferred stripping costs. Management believes that deferring stripping costs incurred during the production stage of its open-pit operations will better reflect the matching of the costs against the related economic benefits.

Summary of performance results (related to non-GAAP measures)

USD'000	2009	2008	2007 (restated)
Operating profit	435 329	347 164	113 715
Operating profit margin	36%	32%	13%
Adjusted net profit	322 094	316 204	208 459
Adjusted net profit margin	26%	29%	24%
EBITDA	548 624	436 470	331 154
EBITDA margin	45%	40%	38%

* Operating profit is calculated as Gross profit, less Selling, general and administrative expenses, research and exploration expenses and other expenses, net

** Refer to Management report for calculation of EBITDA and adjusted net profit

Profitability analysis

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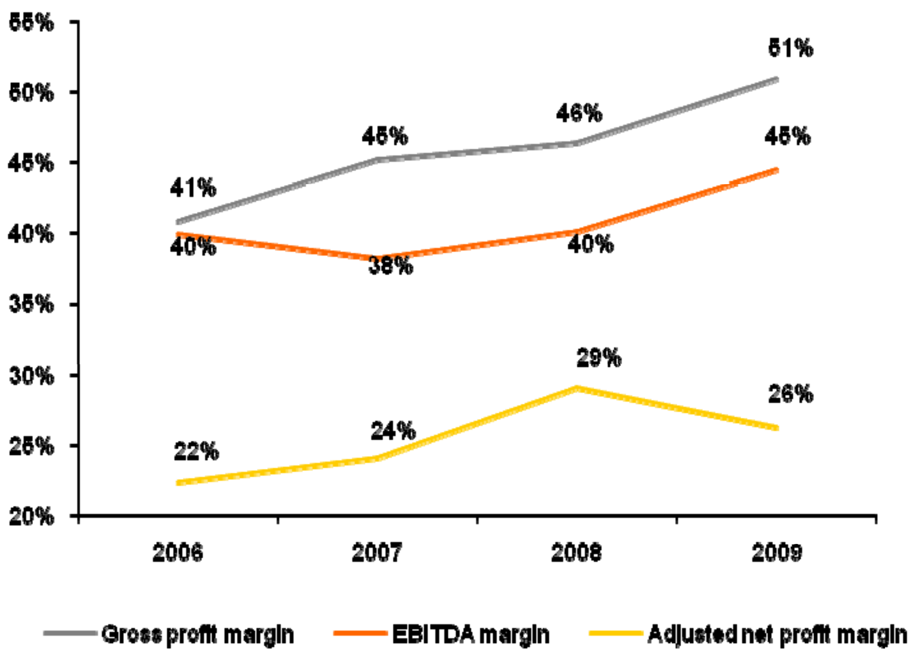
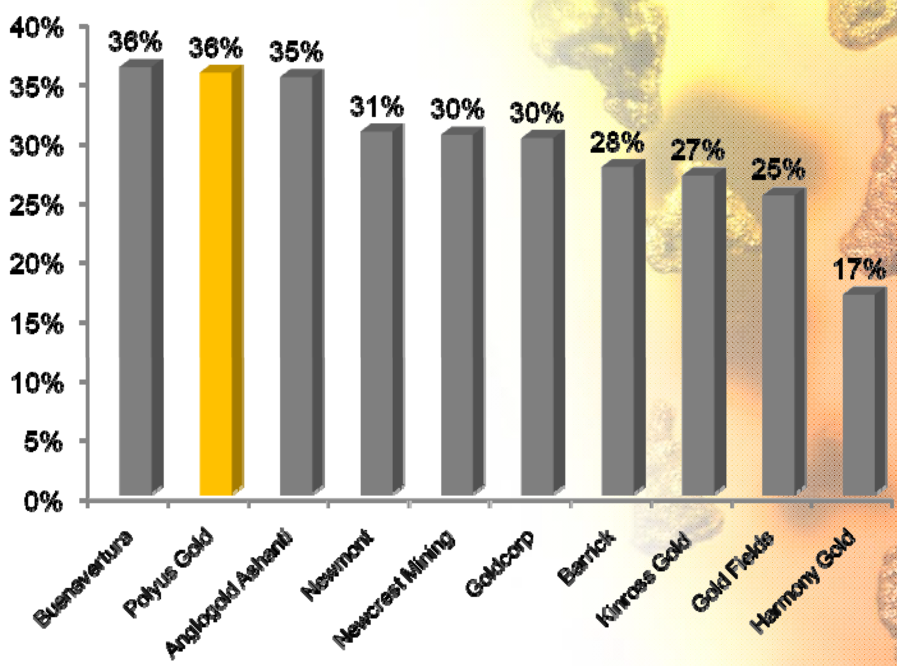
Polyus Gold key margins*, %



Peer comparison, operating margin**, %



- Positive dynamics in gold selling prices on the one hand, and relatively low level of production costs on the other, lead to gradual improvement in profitability indicators.

- The leader in terms of operating margin.

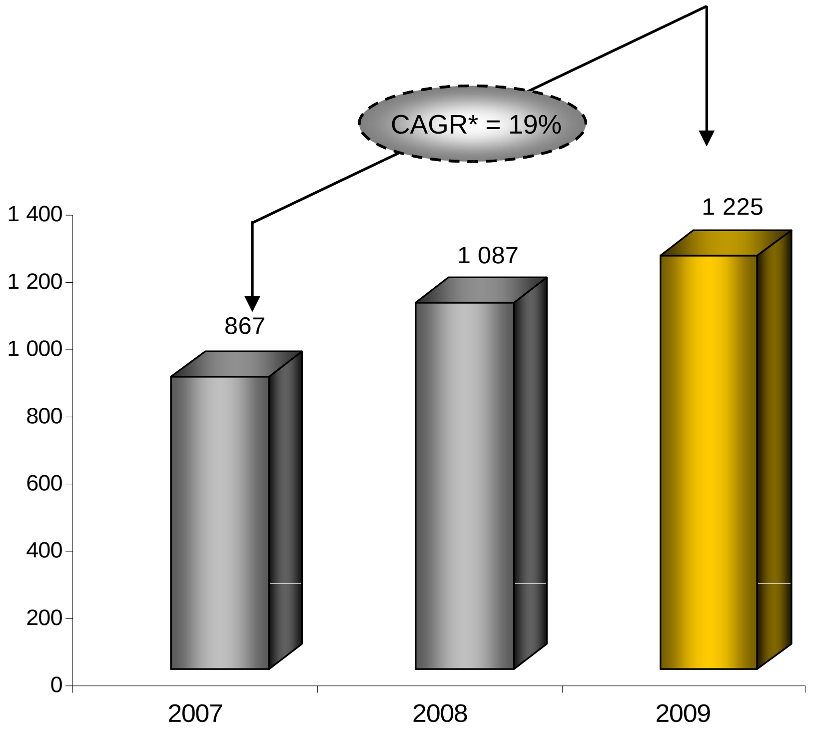
* For calculation of adjusted net profit refer to Management report.

** Source: companies' annual reports.

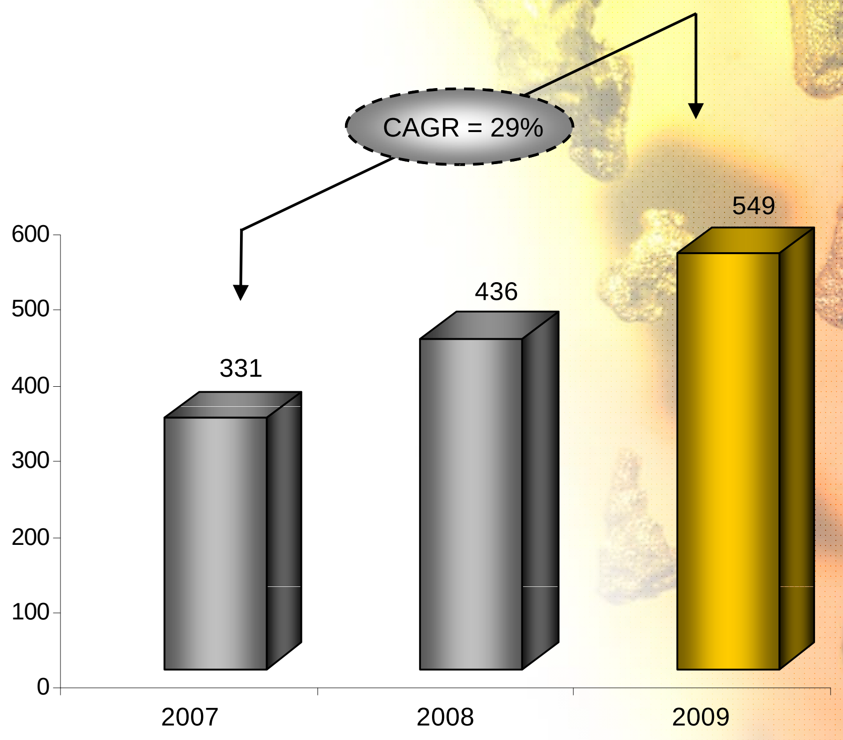
*** Barrick and Anglogold operating profit adjusted for spendings on elimination of gold sales contracts.

Revenue and EBITDA are on historical high levels

Sales revenue, USD million



EBITDA, USD million



- Thanks to non-hedging sales policy, the gold price growth was fully reflected in Group's revenues, that showed a 13% YoY increase;
- 2-year CAGR amounted to 19%

- EBITDA showed a 26% YoY growth, with a 2-year CAGR of 29%

* CAGR – Compound annual growth rate

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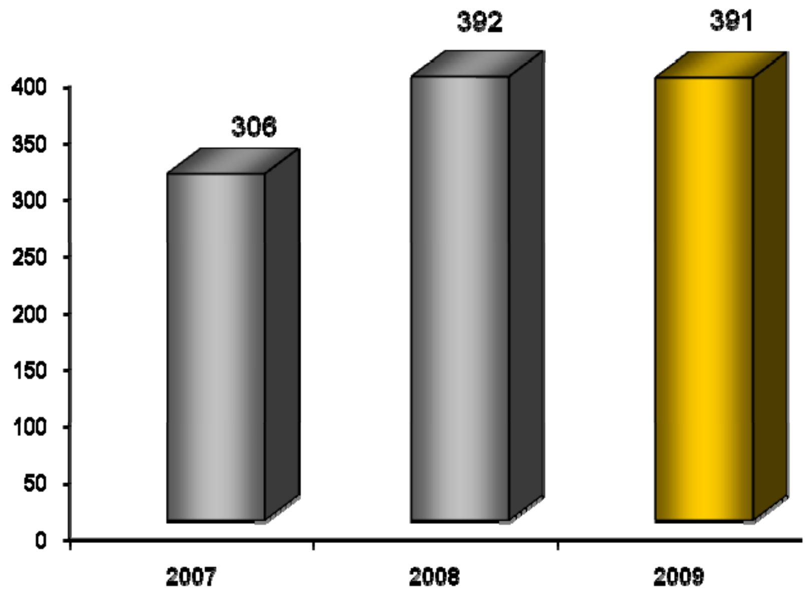
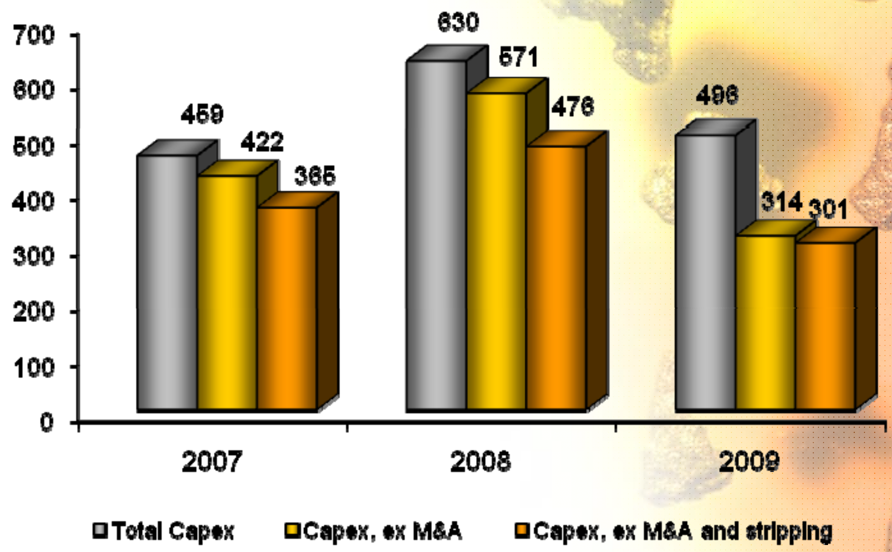
Successful cost control

TCC, USD/oz



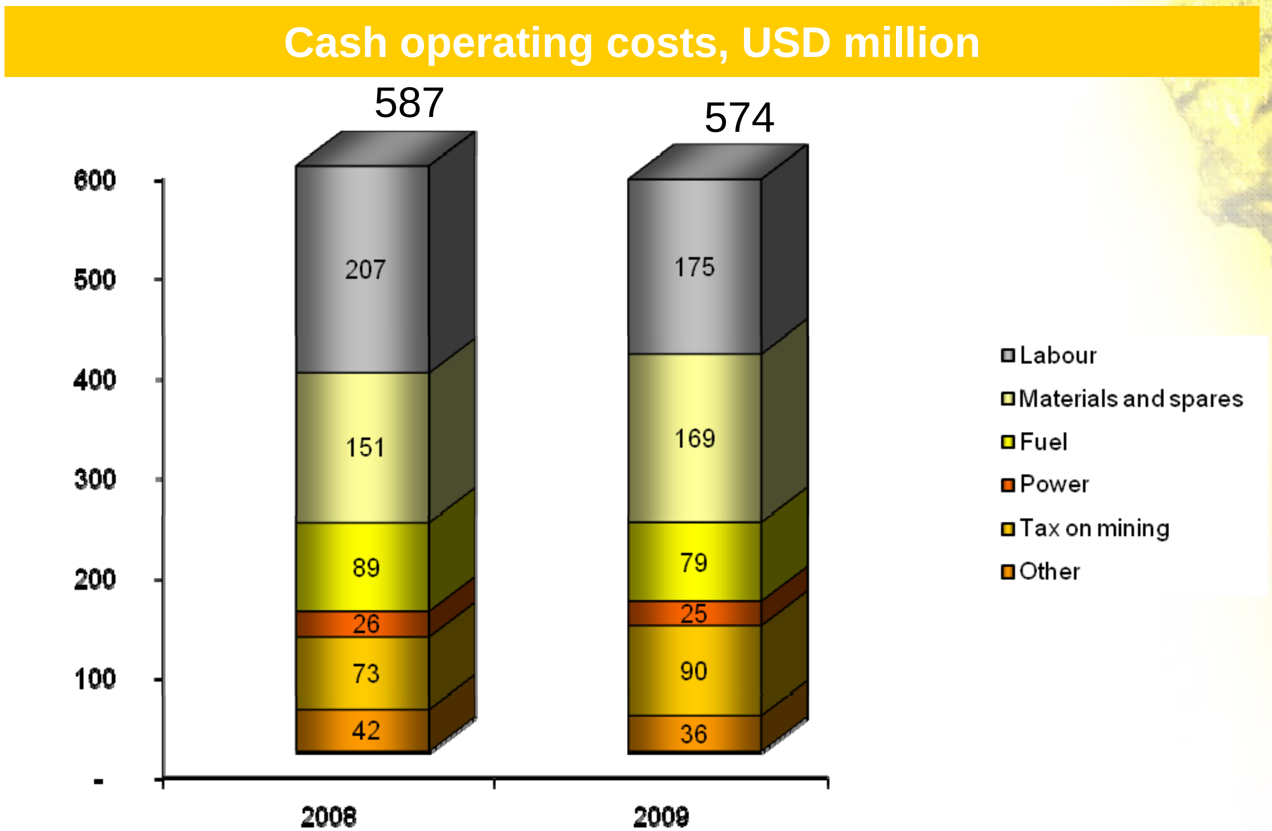
CapEx, USD million



- TCC decreased to 391 USD/oz:
  - Due to effective cost control
  - Improved macroeconomics
  - Despite of increase in consumables purchases due to almost tripled volumes of mining
- One of the best positioned company in the sector

- Significant capital expenditure to support extensive capacity enhancement: in 2009 USD 301 million for organic growth and USD 182 million for KazakhGold acquisition

Cash operating costs breakdown



Main changes in cash operating costs structure:

- **Labour expenses.** The 14.5% decrease mainly comes from RUB depreciation as Polyus Group managed to restrain growth of payroll costs denominated in the RUB and KZT even despite an increase in the average number of operating personnel by 3,190 employees following integration of Kazakhstan business unit ;
- **Materials and spares.** The increase in ore processing at Olimpiada and Titimukhta coupled with the consolidation of KazakhGold purchases, and graded, however, by the decline in the purchase prices per unit;
- **Fuel.** The cost of fuel decreased by 11% following the decline in global prices for oil products;
- **Tax on mining.** The 24% increase is related to the gold selling price growth.

2009 Production and TCC breakdown by production units

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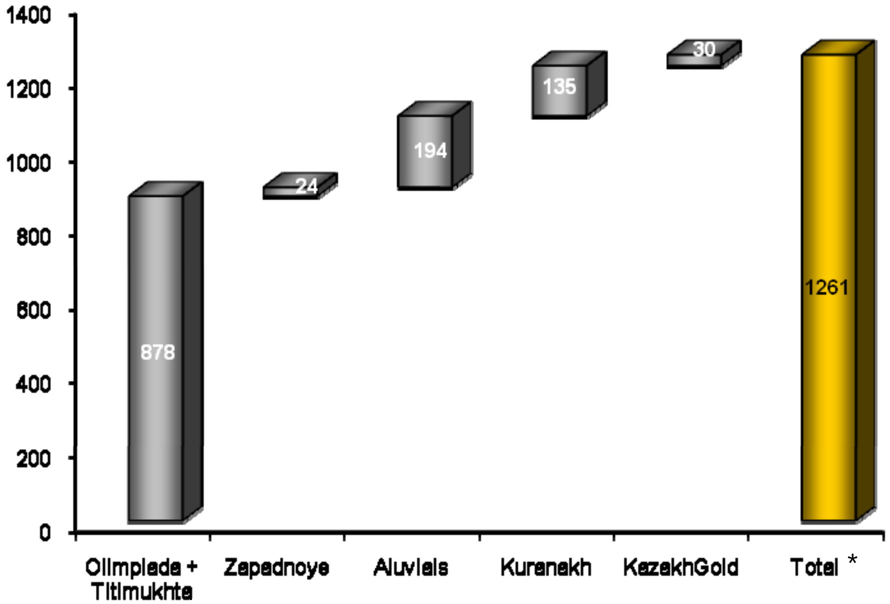
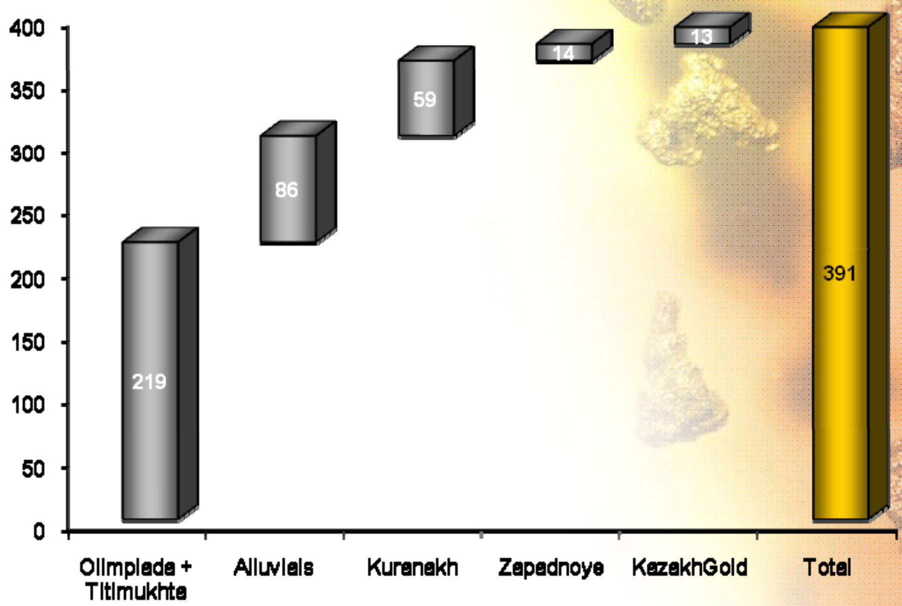
2009 Production, m oz



Production units contribution** into Group's TCC per 1 oz, USD



- Despite the conversion to the processing of sulfide ores only, TCC at Olimpiada mine were kept at the lower end in the global industry, resulting in the competitive group average of USD 391 per oz.

* Totals may not add due to independent rounding.

** Weighted on sales

Expanding Cash Margin

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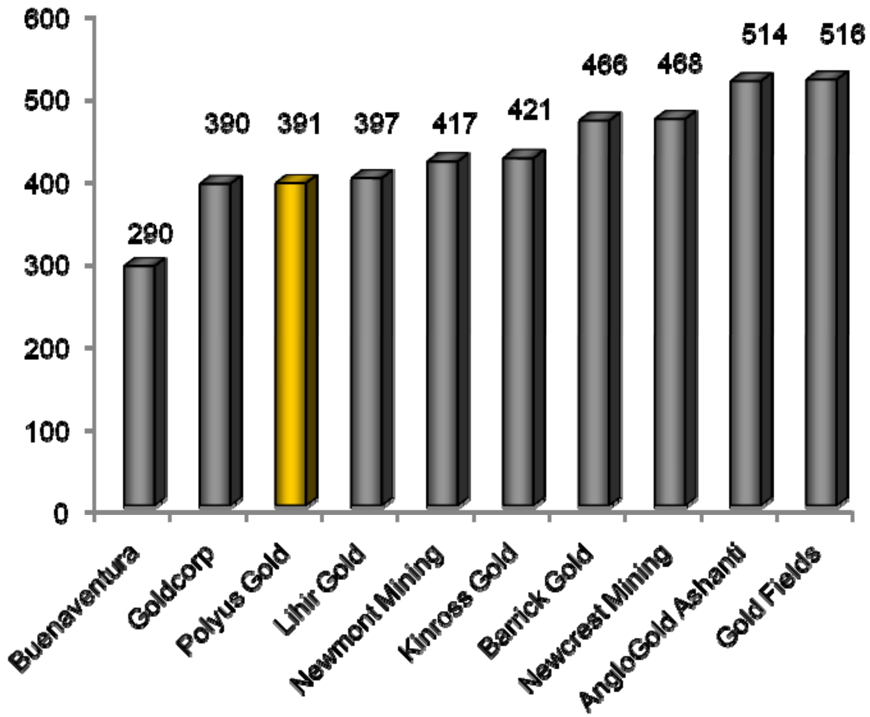
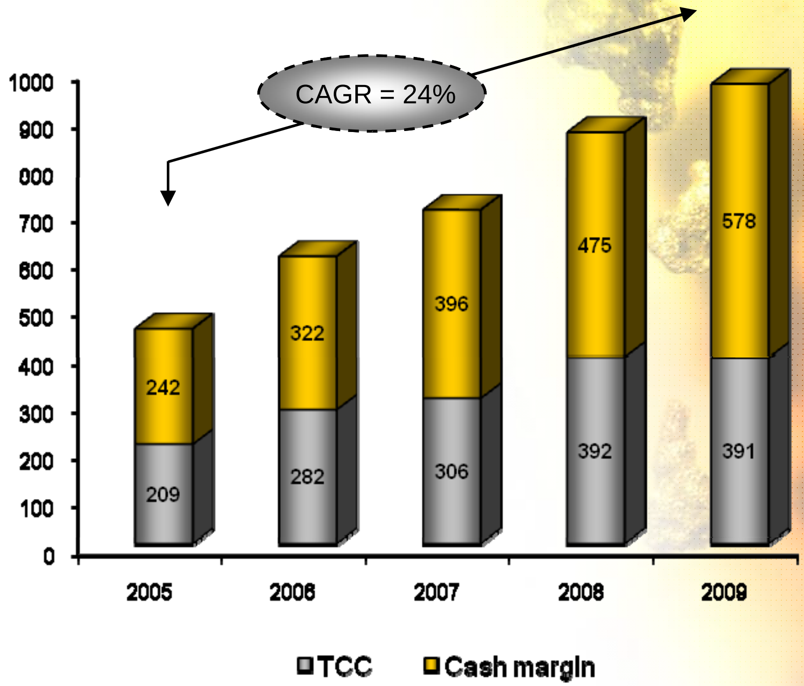
TCC* of world's leading producers in 2009, USD/oz



Polyus Gold TCC and cash margin in 2004-2009, USD/oz



- Remaining a low-cost producer globally and one of the leaders in terms of cash margin.

- Growing gold price coupled with efficient cost control resulted in a 24% 4-year CAGR of the cash margin.

* Includes by-products for Buenaventura and Goldcorp
** Source: companies' data

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Conclusion

- Sales increased by 13% to USD 1,225 million due to enhanced production (1.3 m oz) and improved gold price;
- EBITDA increased by 26% to USD 549 million;
- Gross profit margin and EBITDA margin reached historically high levels of 51% and 45% respectively;
- 6 times increase in EPS, no shareholders diluted during the reporting period;
- TCC decreased to 391 USD/oz, following the reduction of cash operating costs by USD 13.5 million:
  - Labor costs dropped by 16%, contrary to the increase in the average number of employees by 4,000;
  - The cost of fuel decreased by 11% following the decline in global prices for oil products;
  - Power costs also decreased by almost 5%;
- Fully unhedged;
- Dividend policy strictly followed;
- Cash positive with USD 486 million of cash, cash equivalents and ST investments.