# Polyus Gold

## IFRS financial statements for the 12 months ended 31 December 2008

Moscow, April 30, 2009

# Cautionary Statements

The information contained herein has been prepared using information available to Polyus Gold Group at the time of preparation of the presentation. External or other factors may have impacted on the business of the Polyus Gold Group and the content of this presentation, since its preparation. In addition all relevant information about Polyus Gold Group may not be included in this presentation. No representation or warranty, expressed or implied, is made as to the accuracy, completeness or reliability of the information.

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# The major factors influencing 2008 financial results

- Increase in the weighted-average **gold selling price** by 23.6% in 2008;

- Deterioration of **global macroeconomic and financial conditions**;

- Considerable **RUB/USD exchange rate** movements and significant RUB depreciation in the second half of the year (2007 closing rate – 24.55, 2008 closing rate – 29.38);

- Growing **commodities prices** and as a result an increase of materials, units and fuel expenses. Average prices for oil increased 36.1% and steel – 43.3%;

- **Impairment** of investments in securities.

# Summary of performance results (related to financial statements)

| USD'000 | 2008 | 2007 (restated*) | 2006 (restated) |
|---|---|---|---|
| **Gold sales** | **1,062,331** | **849,023** | **734,559** |
| Other sales | 24,987 | 18,096 | 18,127 |
| **Cost of gold sales** | **(558,118)** | **(449,216)** | **(426,527)** |
| Cost of other sales | (25,061) | (25,866) | (18,816) |
| **Gross profit, including:** | **504,139** | **392,037** | **307,343** |
| **Gross profit on gold sales** | **504,213** | **399,807** | **308,032** |
| **Gross profit margin** | **46%** | **45%** | **41%** |
| Selling, general and administrative expenses | (134,960) | (261,776) | (79,678) |
| **Profit before tax** | 122,471 | 177,107 | 1,228,391 |
| **Pretax margin** | **11%** | **20%** | **163%** |
| Income tax expense | (62,110) | (85,299) | (73,080) |
| **Net profit for the year** | **60,361** | **91,808** | **1,155,311** |
| Net profit attributable to shareholders of the parent company | 51,507 | 85,809 | 1,155,725 |
| Minority interest | 8,854 | 5,999 | (414) |
| **Net profit margin** | **6%** | **11%** | **154%** |
| Earnings per share | 0.29 | 0.49 | 0.75 |

* 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.

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

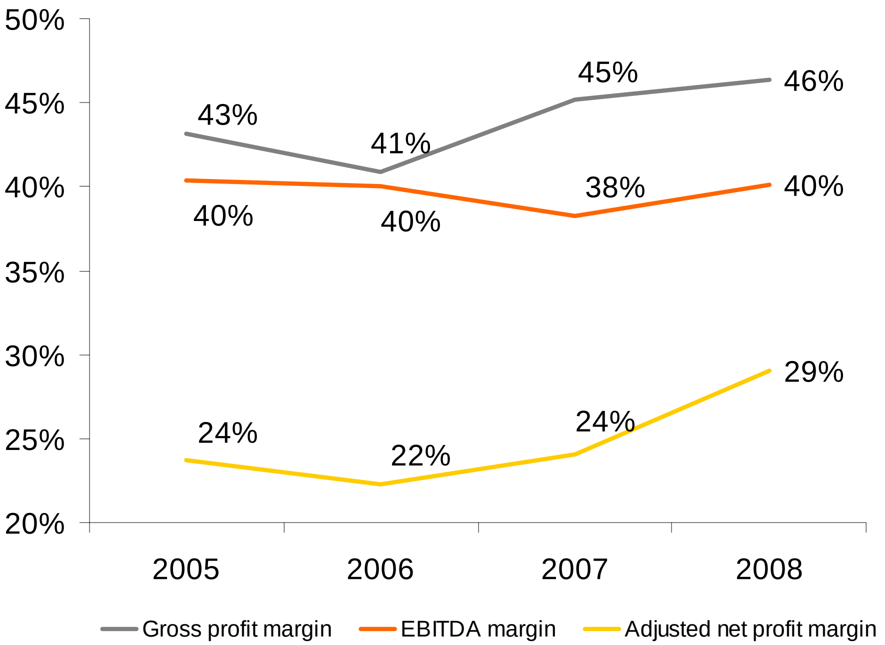
| USD'000 | 2008 | 2007 (restated) | 2006 (restated) |
|---|---|---|---|
| Operating profit * | 347,164 | 113,715 | 208,077 |
| Operating profit margin | 32% | 13% | 28% |
| Adjusted net profit** | 316,204 | 208,459 | 168,029 |
| Adjusted net profit margin | 29% | 24% | 22% |
| EBITDA** | 436,470 | 331,154 | 300,686 |
| EBITDA margin | 40% | 38% | 40% |

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

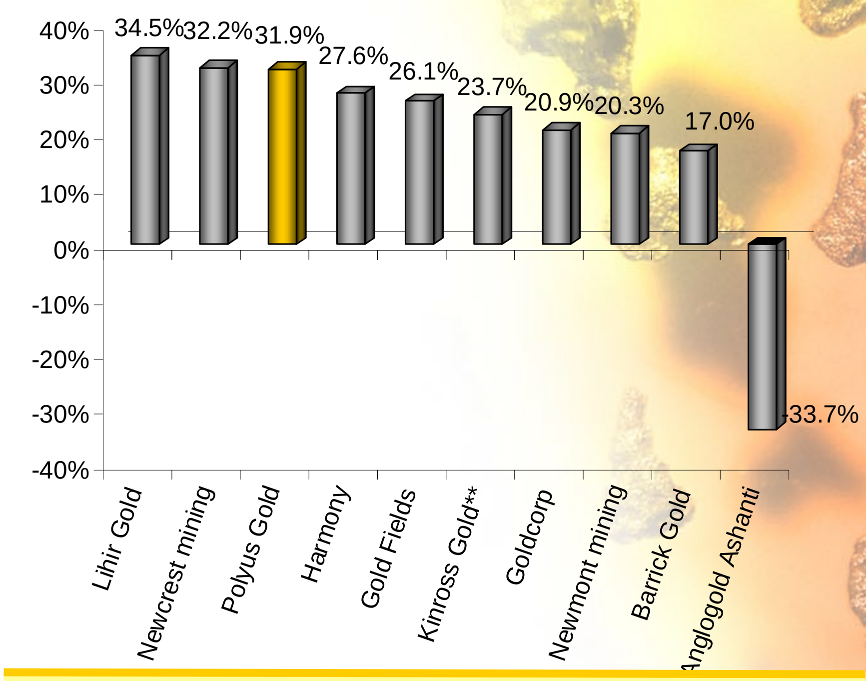
** Refer to Management report for calculation of EBITDA and adjusted net profit

# Profitability analysis

## Polyus Gold key margins*, %




## Peer comparison, operating margin, %




- Positive dynamics in gold selling prices since 2004 on the one hand, and relatively low level of production costs on the other, lead to gradual improvement in profitability indicators.

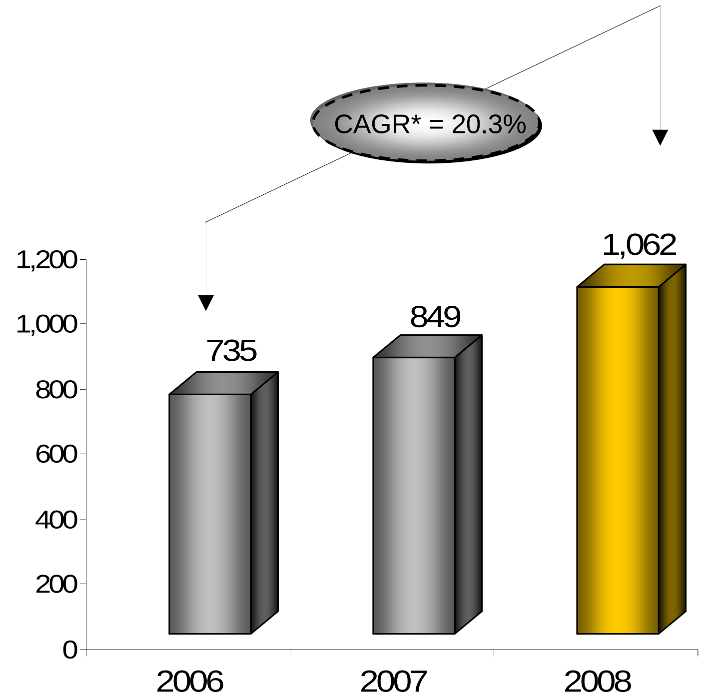
- Among global leaders in terms of operating margin.

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

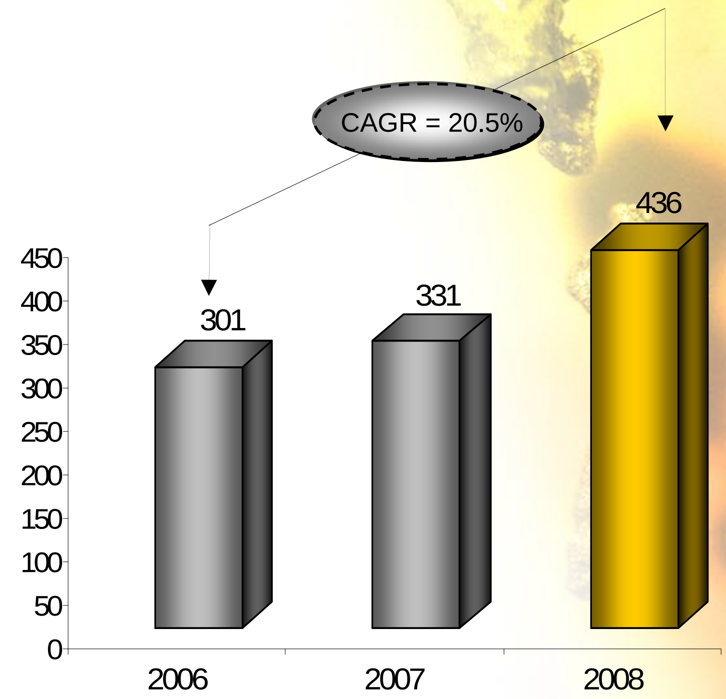
** Kinross operating profit is adjusted for goodwill impairment charges.

# Revenue and EBITDA are on historical high levels

## Sales revenue, USD million




## EBITDA, USD million



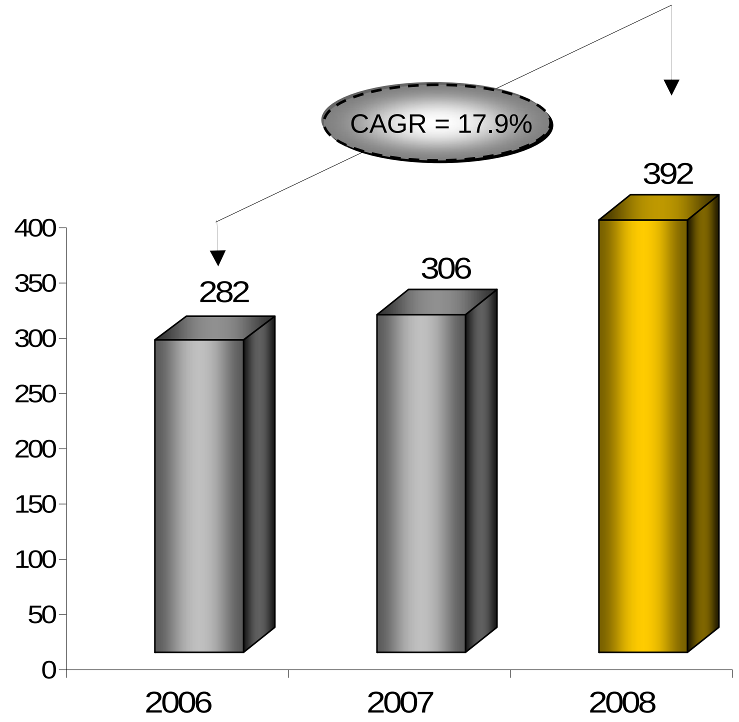

- Thanks to non-hedging sales policy, the gold price growth was fully reflected in Group's revenues, that showed a 25% YoY increase;
- 2-year CAGR amounted to 20.3%

* CAGR – Compound annual growth rate

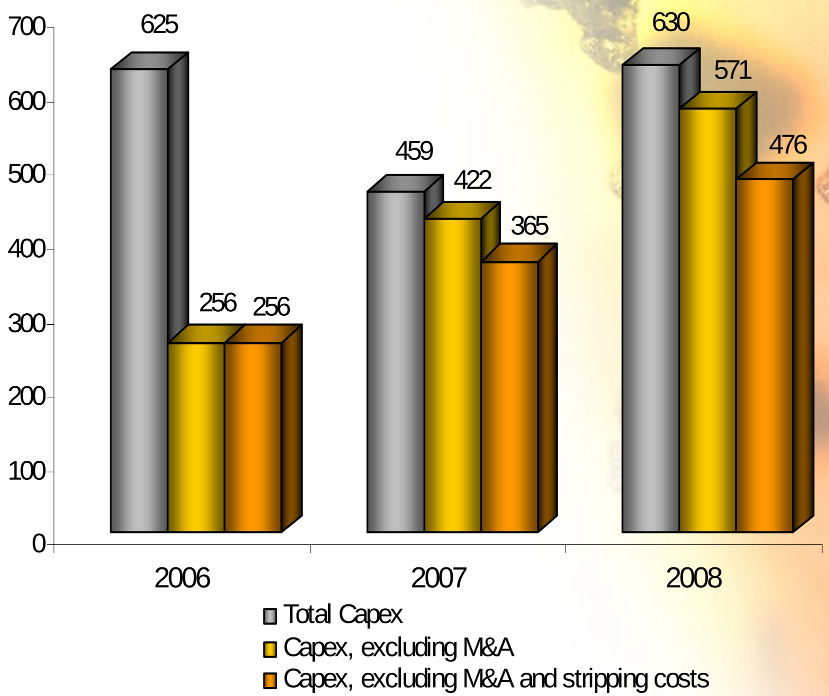
- EBITDA showed a 32% YoY growth, with a 2-year CAGR of 20.5%

# Reasonable growth of expenses

## TCC, USD/oz




## CapEx, USD million




- TCC were retained at a level of 392 USD/oz;
- A 17.9% 2-year CAGR is competitive amid the growing cost pressure in the industry

- Significant capital expenditure to support extensive capacity growth

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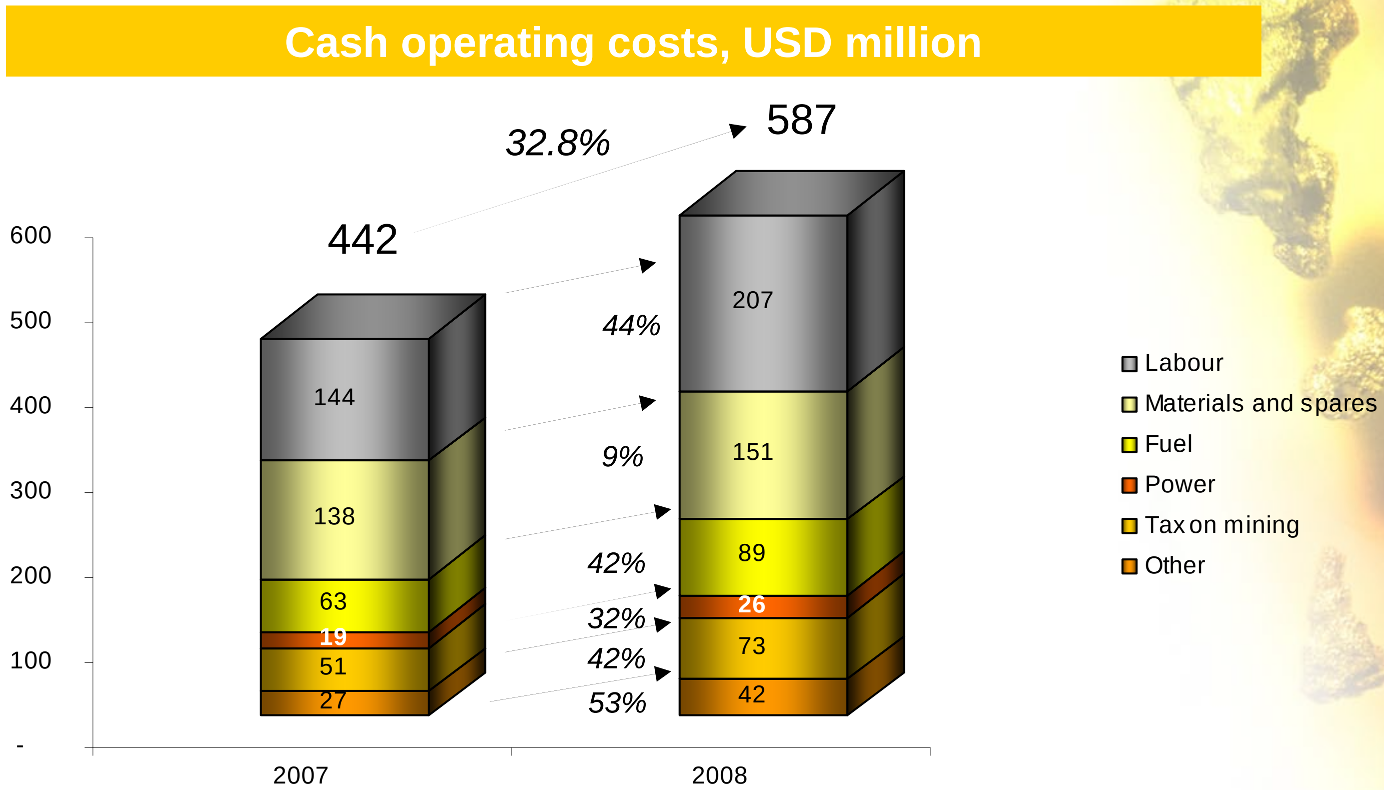
# Cash operating costs breakdown

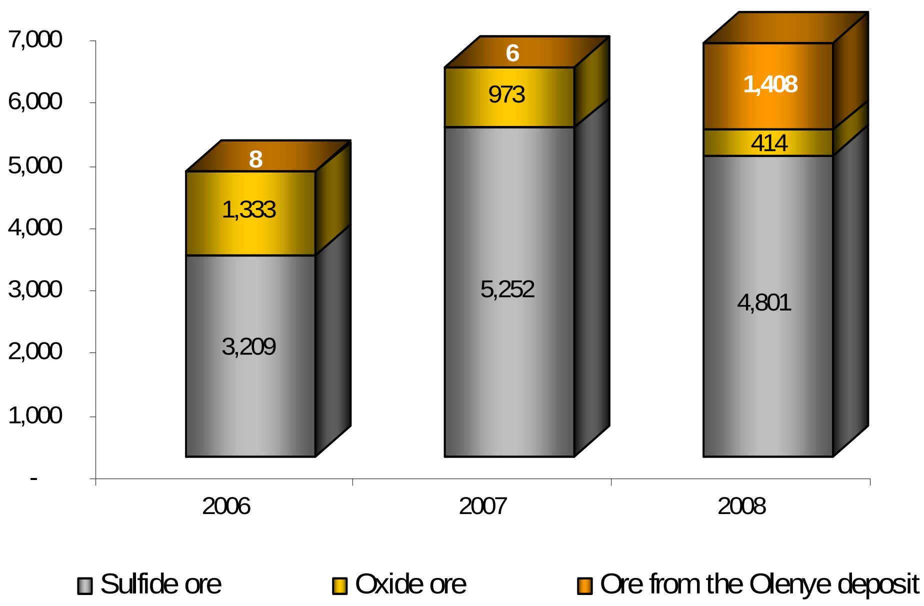



## Main contributors to the growth of costs:

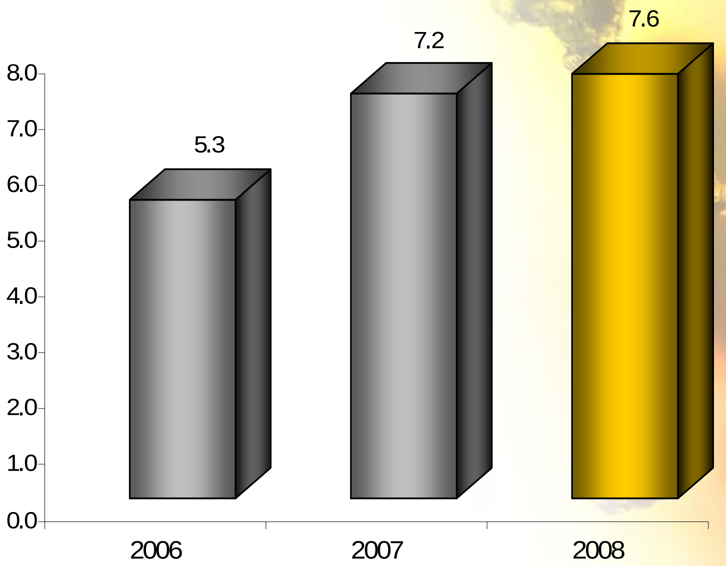
- **Labour expenses.** The 44% increase mainly comes from the Krasnoyarsk business unit, where a bonus for successful achievement of operational targets was accrued;
- **Materials and spares.** The increase in ore processing coupled with the growth of prices on materials and spares consumed, lead to a 9% increase in the costs of materials and spares;
- **Fuel.** The cost of fuel grew 42% due to increase in prices;
- **Tax on mining.** The 42% increase is related to the gold price growth.

# TCC growth analysis: example of Olimpiada mine

## Ore processed, k tonnes



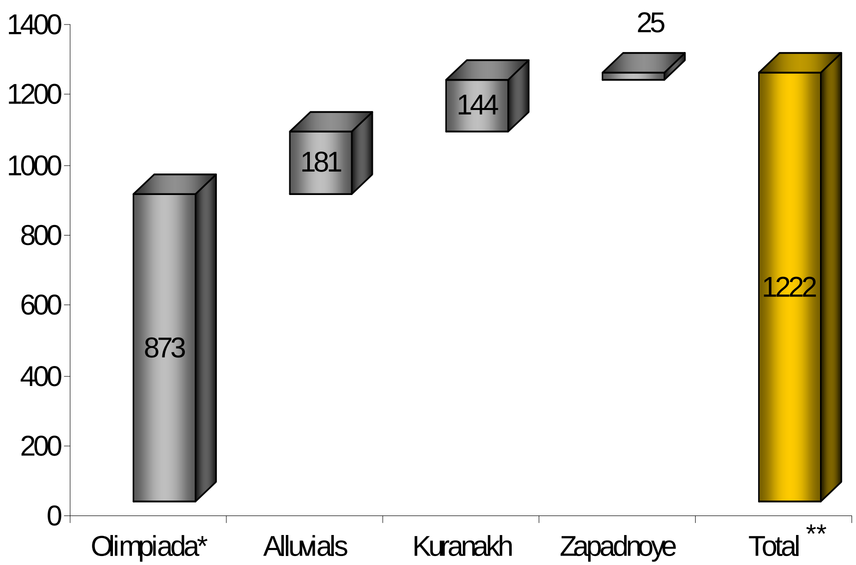

## Tonnes of ore required to produce 1 oz of gold



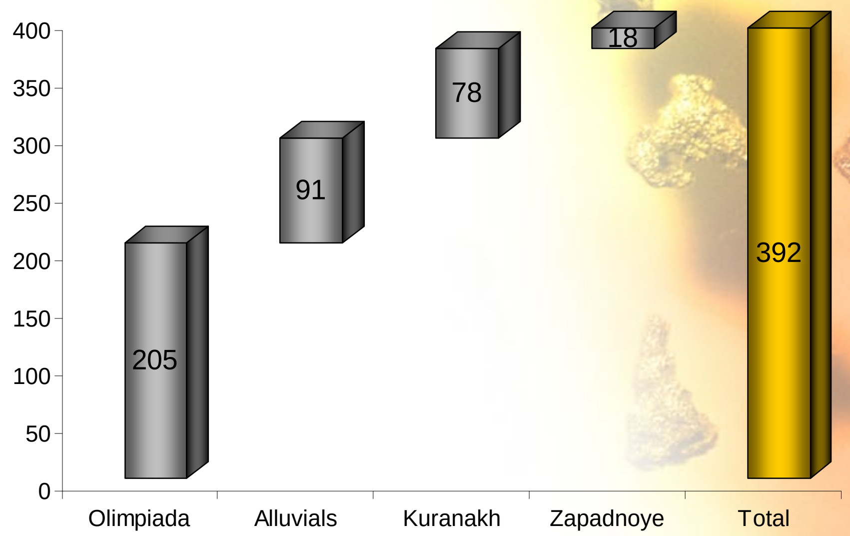

- As a result of Olimpiada mine transition to the processing of sulfide ores and ores from the Olenye deposit, the volume of ore required for production of 1 oz of gold is increasing.

# 2008 Production and TCC breakdown by production units

## 2008 Production, m oz




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



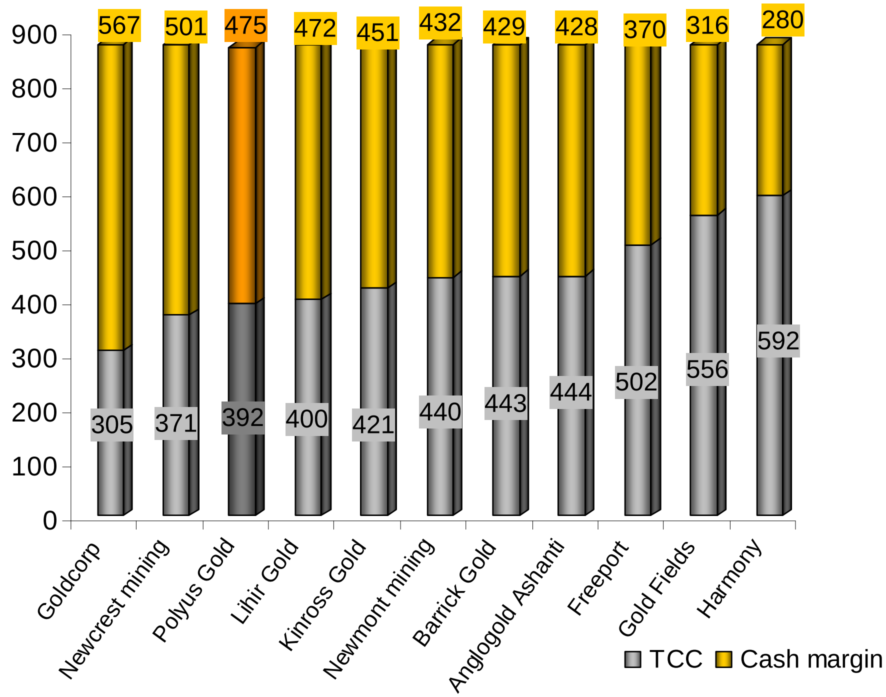

- Despite the conversion to the processing of sulfide ores, TCC at Olimpiada mine were kept at the lower end in the global industry, resulting in the competitive group average of USD 392 per oz.

* Sales of Olimpiada equaled to 877 k oz.
** Totals may not add due to independent rounding.

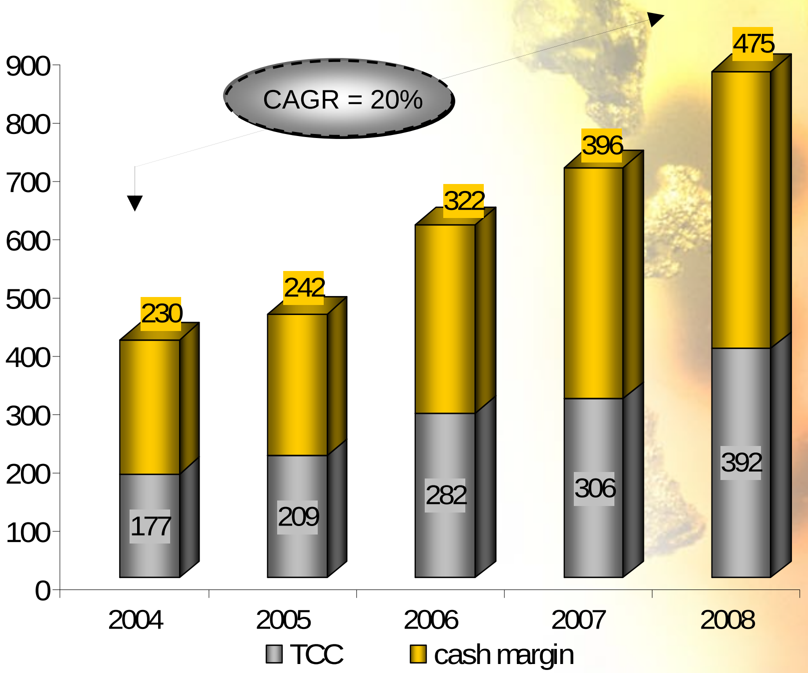
*** Weighted on sales

# Expanding Cash Margin

## TCC and cash margin* of world's leading producers in 2008, USD/oz




## Polyus Gold TCC and cash margin in 2004-2008, 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 20% 4-year CAGR of the cash margin.

* Calculated using the average London PM fixing price of 872 USD/oz

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# Cash sources and cash expenditure and impairment during the year