Polyus Gold

IFRS results for the six months ended 30 June 2010

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Key facts of 1H2010 financial results

- An increase in the weighted-average **gold selling price** by 25% in the 1H2010 from USD926/oz to USD1,160/oz, following the policy to stay unhedged;
- Pre-commissioning at the **Blagodatnoye mine**, which led to additional labour and materials costs;
- **Additional consumption** of materials due to technical issues at Olimpiada;
- Consolidation of **KazakhGold financial results** for the first 6 months of 2010;
- Material **RUB appreciation** (1H09 average RUB/USD rate – 33.07, 1H10 average rate – 30.07);
- Rapidly growing **commodities prices** and as a result an increase in costs for consumables;
- Resulting increase in **cash operating costs** by 65%, Total Cash Costs increased to USD 515/oz;
- The initiated expense of previously capitalized stripping costs in amount of **USD 30.8 mln.**

Summary of performance results (related to financial statements)

USD'000	Polyus Group 1H2010	Polyus Group 1H2009	KazakhGold 1H2010
Gold sales	**607,567**	**441,686**	**42,385**
Other sales	14,879	10,273	740
Cost of gold sales	**(345,219)**	**(209,358)**	**(36,193)**
Cost of other sales	(14,368)	(9,248)	(1,449)
Gross profit, including:	**262,859**	**233,353**	**5,483**
Gross profit on gold sales	**262,348**	**232,328**	**6,192**
Gross profit on gold sales margin	**43%**	**53%**	**15%**
SGA	(75,709)	(45,542)	(10,076)
Profit/(loss) before tax	141,247	191,297	(29,813)
Pretax margin	**23%**	**42%**	**(69%)**
Income tax expense	(36,625)	(41,284)	-
Net profit/(loss) for the year	**104,622**	**150,013**	**(29,813)**
Net profit/(loss) attributable to shareholders of the parent company	116,379	150,310	(1,341)
Minority interest	(11,757)	(297)	(28,472)
Net profit margin	**17%**	**33%**	**(69%)**
Earnings/(loss) per share	0.65	0.84	(0.54)

Note: Amounts presented in interim condensed financial statements of KazakhGold Group as a separate entity may differ from the amounts presented for the Kazakhstan business unit in the Management report of the Polyus Group due to consolidation adjustments.

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

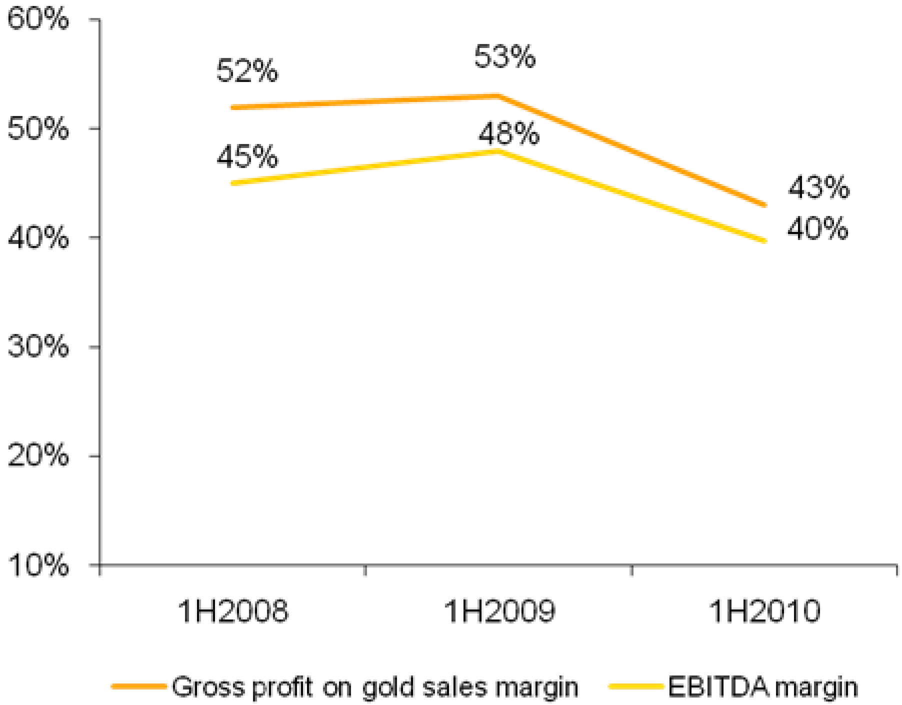
USD'000	Polyus Group		KazakhGold
	1H2010	1H2009	1H2010
Operating profit	169,230	176,178	(13,908)
Operating profit margin	27%	39%	(32%)
EBITDA	247,582	218,003	(2,555)
EBITDA margin	40%	48%	(6%)

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

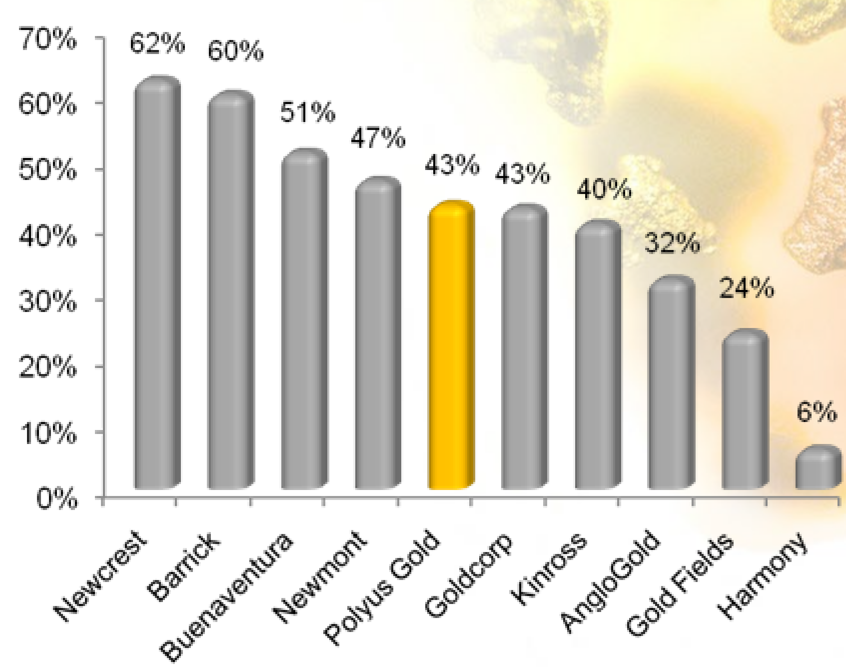
** Refer to the Management report for calculation of EBITDA

Gold sales profitability analysis

Polyus Gold key margins, %



Peer comparison, gross margin*, %



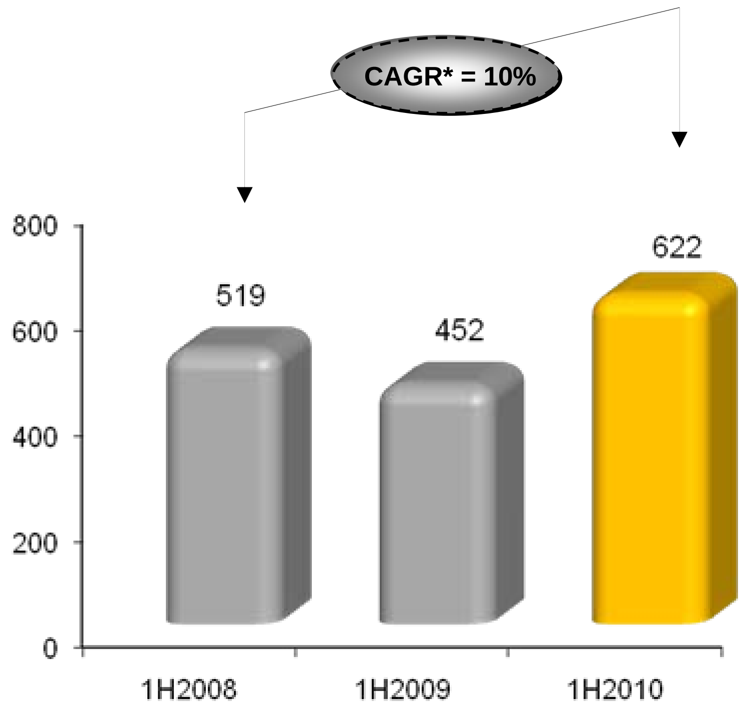
- In 1H2010 growth in revenue was strongly offset by increasing costs which resulted to weaker margins.

- Still, Polyus Group maintains a competitive level of profitability among the global gold industry peers.

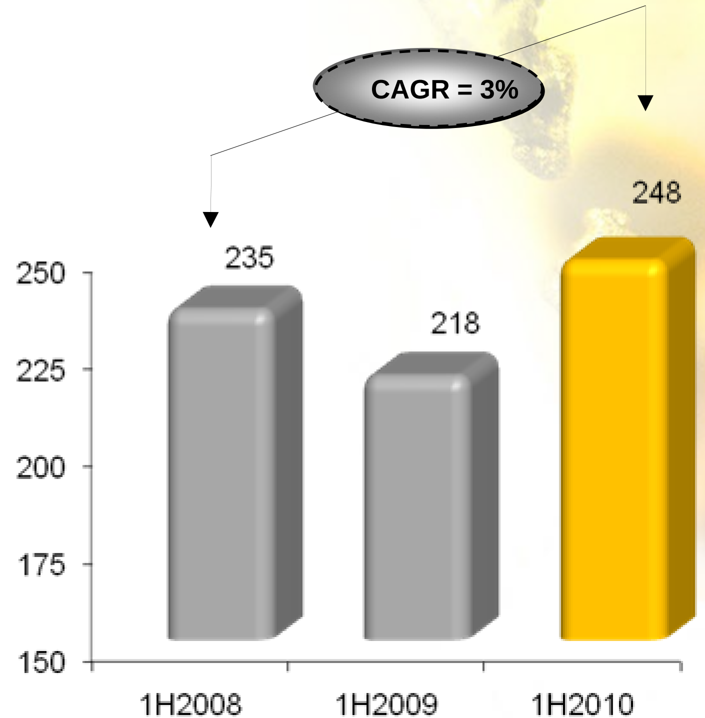
*Gross profit on gold sales margin.
Source: companies' web-sites.

Revenue and EBITDA dynamics

Sales revenue, USD million



EBITDA, USD million



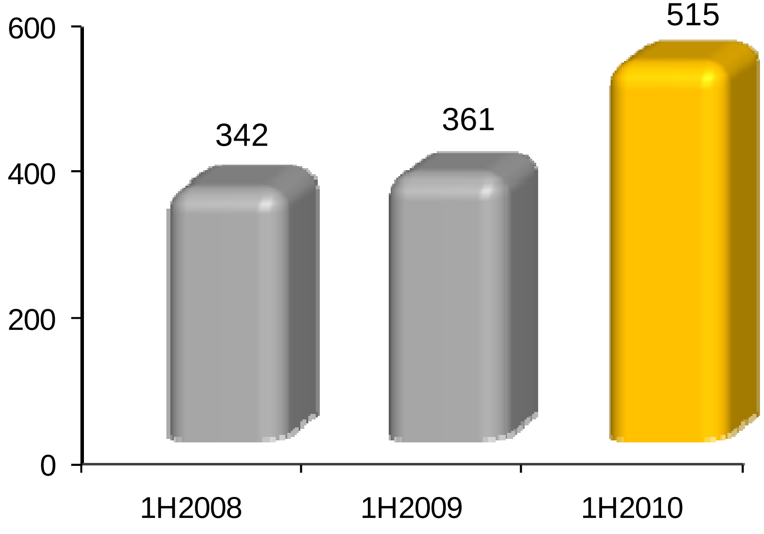
- Higher realized gold prices and increased sales volumes resulted in a 37% y-o-y growth in sales revenue;
- 2-year CAGR amounted to 10%.

- EBITDA showed a 14% YoY growth, with a 2-year CAGR of 3%.

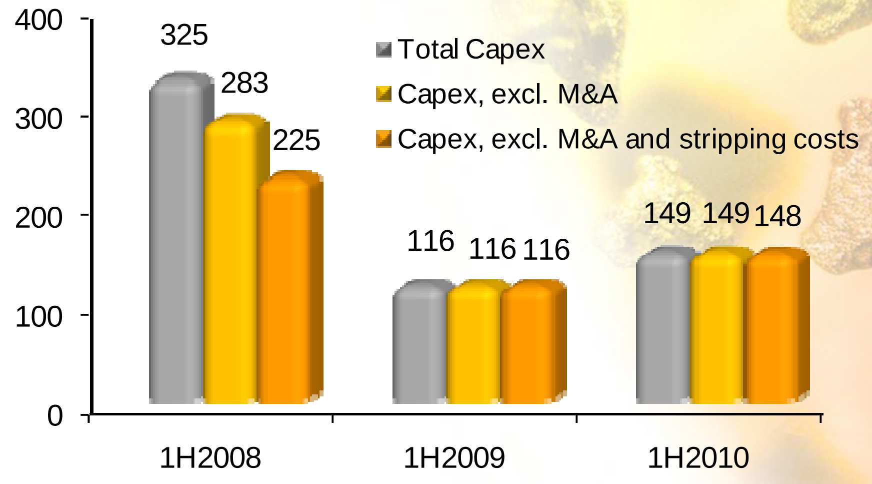
* CAGR – Compound annual growth rate, calculated based on figures in USD000's derived from the interim condensed consolidated financial statements for the six months ended 30 June 2010, and the Management report for 1H2010.

Operating and capital expenditure

TCC, USD/oz



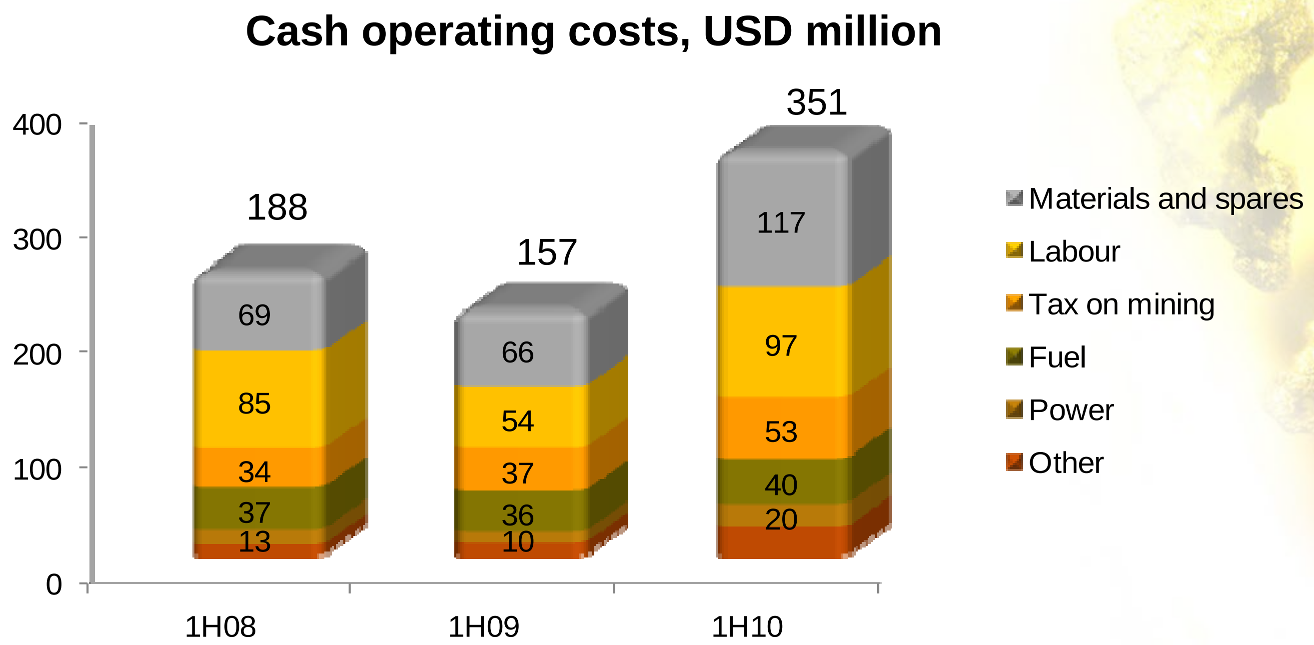
CapEx, USD million



- Increase in TCC to USD515/oz driven by:
  - Increased consumables and spares requirements at Olimpiada and Blagodatnoye,
  - Higher labour costs;
  - Consolidation of KazakhGold Group's operating expenses,
  - Enhanced mining and processing works.

- CapEx of USD 149 mln to support:
- Construction of Blagodatnoye and Verninskoye;
- Modernisation of production facilities at Olimpiada;
- Upgrading and renovation of operating assets in Kazakhstan, etc.

Cash operating costs breakdown



Labour expenses:

- A substantial increase in the number of production personnel
- Consolidation of KazakhGold for the full six months of 2010.;
- Planned 7-8% increase in salaries for operational personnel;
- Accrual of employee benefit obligation;
- Appreciation of the RUB relative to the USD.

Fuel:

- Exchange rate factor;
- Consolidation of purchases by KazakhGold.

Materials and spares.

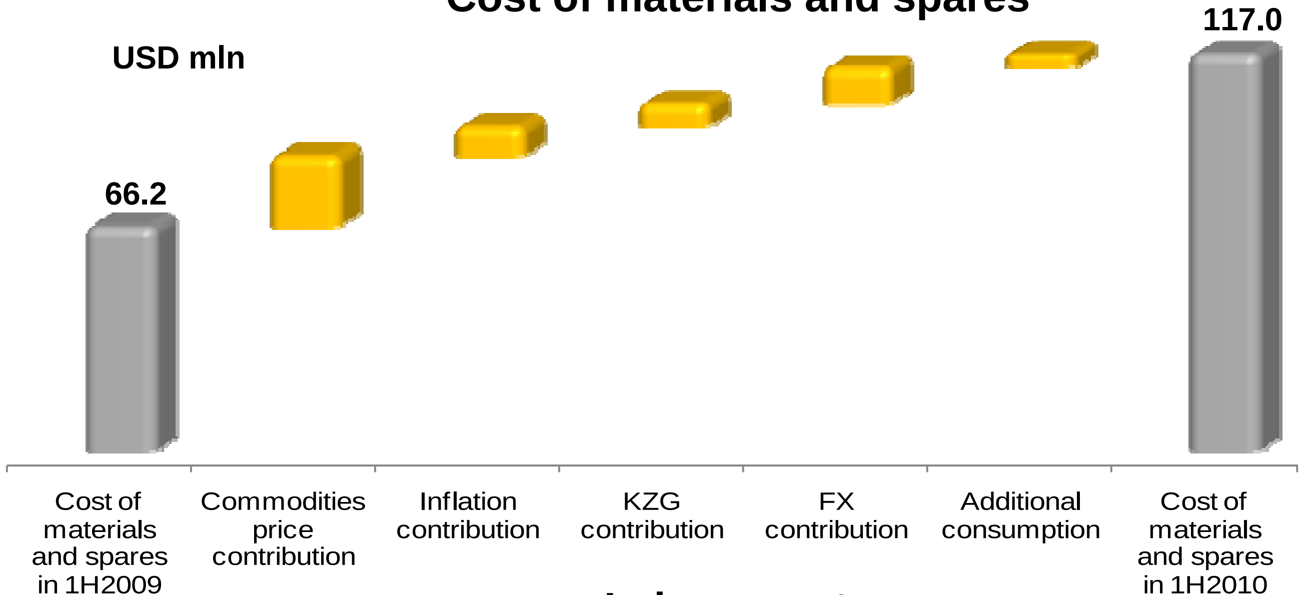
- Start-up of pre-commissioning operations at Blagodatnoye;
- Ramp-up of the Titimukhta capacities;
- Technical issues at the Olimpiada mine;
- Growth in purchase prices for materials and components and industrial inflation:
- The RUB appreciation.

Tax on mining:

- Higher average gold selling price;
- Enhanced production volumes;
- Addition of KazakhGold's tax charges;
- Exchange rate factor.

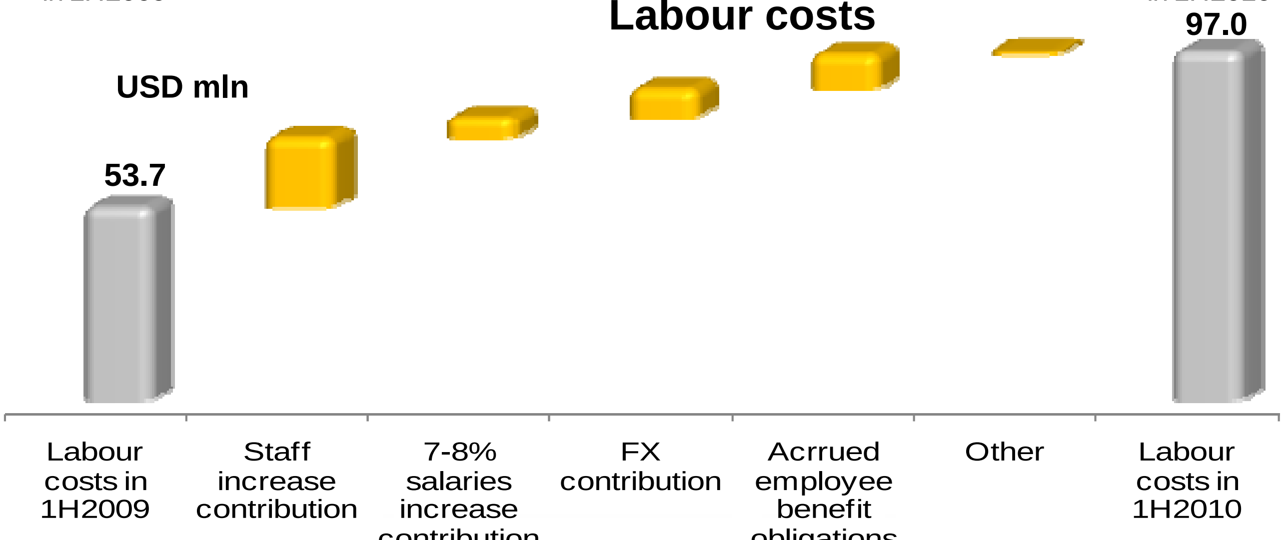
Operating costs growth analysis*

Cost of materials and spares



Based on Company's estimates more than 75% of costs for materials and spares growth relates to macroeconomic factors (commodities price increase, inflation, FOREX).

Labour costs

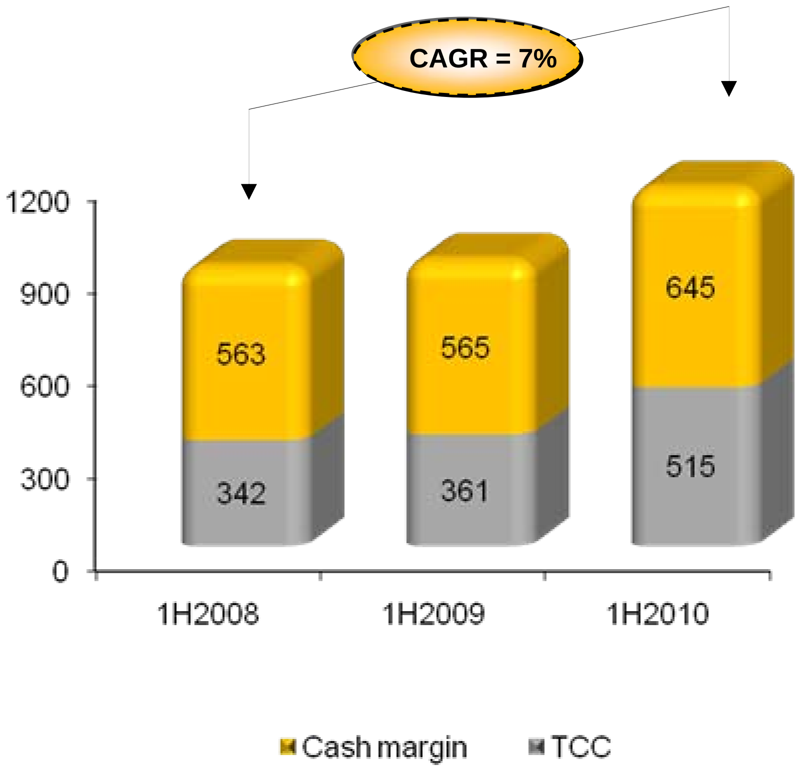


Based on Company's estimates about 40% of labour costs relates to macroeconomic factors (obvious salaries increase following inflation growth + FOREX).

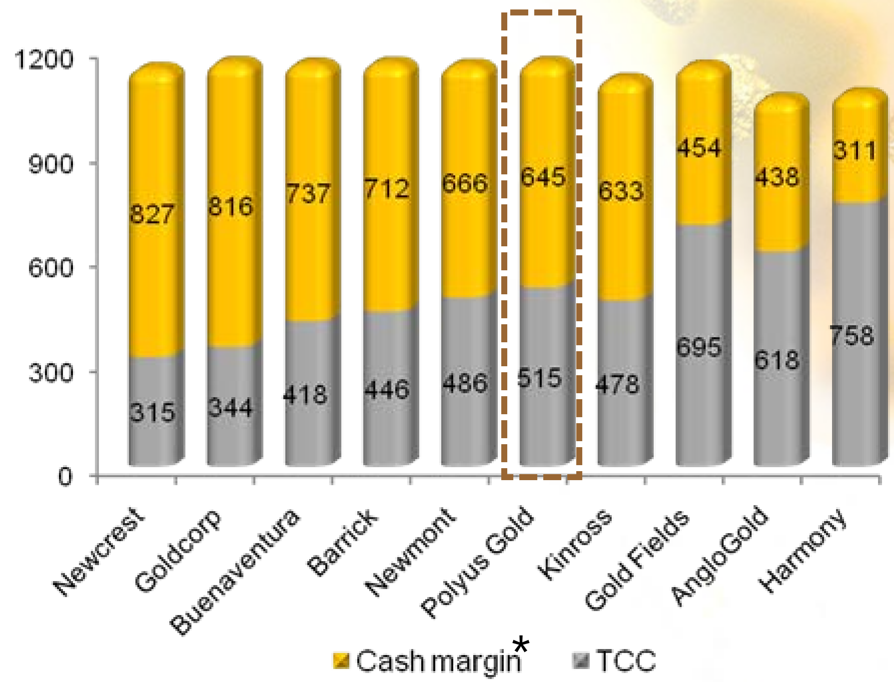
* Management accounting figures

Expanding Cash Margin

Polyus Gold TCC and cash margin in 1H08-1H10, USD/oz



Cash margins and TCCs of world's leading producers in 1H2010, USD/oz



- Expanding cash margin due to gold selling price outpacing growth in costs.

- Maintaining competitive position in the gold mining sector in terms of cash margin.

* Calculated based on the companies' reported selling prices for 1H2010.
** Source: companies' web-sites.

Conclusion

- Sales increased by 38% to USD 608 million due to growing gold selling price and enhanced sales volumes (524 k oz in 1H10 vs. 477 k oz in 1H09);
- EBITDA increased by 14% to USD 248 million;
- Competitive level of profitability maintained despite the decline in gross profit margin and EBITDA margin to 42% and 40%, respectively;
- TCC increased to USD515/oz, following the increase of cash operating costs by USD 65%:
  - Increased consumption of materials, chemicals and spares at Olimpiada;
  - Pre-commissioning at Blagodatnoye;
  - Increased labour costs;
  - Consolidation of KazakhGold Group's operating expenses;
  - Enhanced mining and processing works throughout the Polyus Group.
- Fully unhedged;
- Dividend policy strictly followed;
- Cash positive with USD 463 million of cash, cash equivalents and ST investments.