



WE KNOW THE WORTH OF GOLD

POLYUS GOLD:
IFRS results for the six months ended 30 June 2008

1H2008 financials: The major factors influencing 1H2008 financial results



Exceeding earlier provided guidelines and estimates

- Considerable growth of production by 18.9%;
- Increase in the average gold selling price for the 1H2008 by 9.9%;
- Higher mining tax and income tax burden as a result of increase in sales;
- Planned increase in overburden operations not related to the extraction of ore, namely excessive stripping, as a result of extensive development of lower grade sulfide ore Olympiada mine;
- Strengthening of Russian Rouble in relation to US Dollar by 8.3% for the period ended 30 June 2008 compared to the 1H2007 (1H2008 average – 23.94; 1H2007 average – 26.08);
- Increase of material and fuel expenses exceeded inflation. Oil prices climbed up 64.5%, steel – 42.1% compared to the 1H2007.



1H2008 financials: Operating results summary table

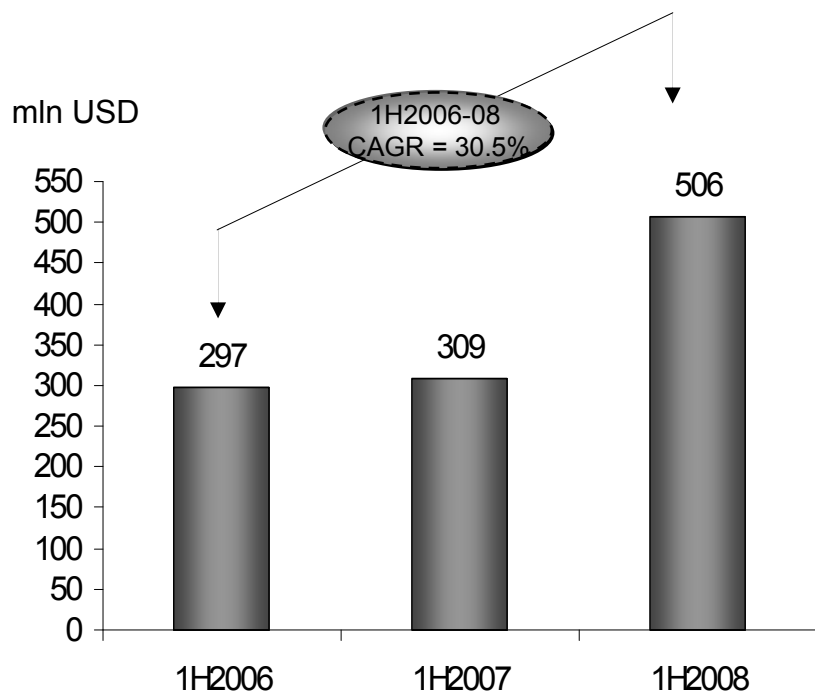


| USD thousand | 1H 2008 | 1H 2007 (restated) | 1H 2007 |
|--|----------------|--------------------|----------------|
| Revenue from gold sales | 505 730 | 309 360 | 309 360 |
| Other sales | 13 179 | 8 689 | |
| Cost of sales | 301 855 | 204 410 | 204 410 |
| Cost of other sales | 13 230 | 7 964 | |
| Gross income | 203 824 | 105 675 | 104 950 |
| Gross income from gold sales | 203 875 | 104 950 | |
| Gross margin | 40.3% | 34.2% | 33.9% |
| Gross margin from gold sales | 41.4% | 34.9% | |
| Operating expenses | 56 241 | 199 986 | 196 982 |
| Operating income | 147 583 | -94 311 | -92 032 |
| Operating margin | 29.2% | - | - |
| Gains/(losses) from financial and investing activity | 23 062 | 39 074 | 16 755 |
| Income before tax | 170 645 | -55 237 | -75 277 |
| Pre-tax margin | 33.7% | 17.9% | -24.3% |
| Income tax | 38 206 | 19 622 | 18 142 |
| Net income | 132 439 | -74 859 | -93 419 |
| Net margin | 26.2% | -24.2% | 30.2% |
| EBITDA | 240 130 | 123 775 | 117 941 |
| EBITDA margin | 47.5% | 40.0% | 38.1% |

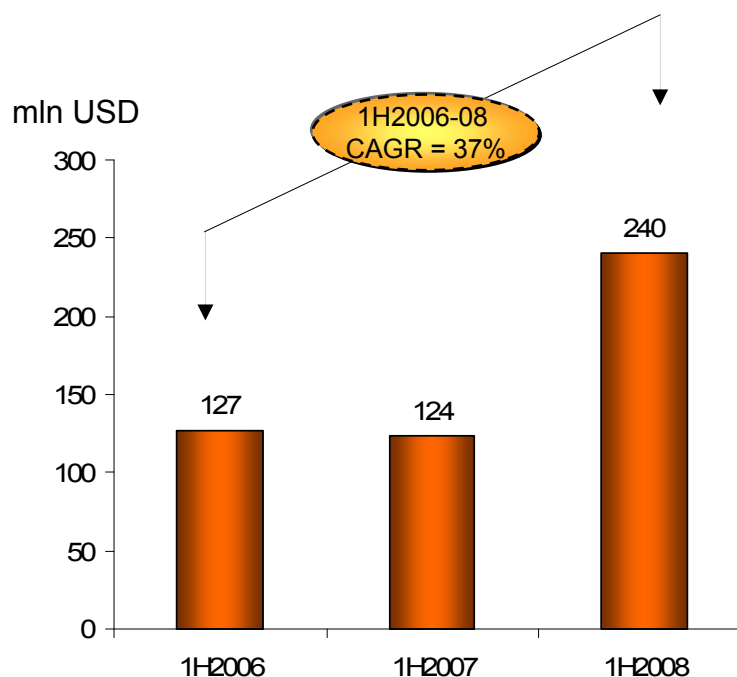
1H2008 financials: Revenue and EBITDA reached their historical maximum



- Sales increased 63.5% compared to 1H2007, showing 2-year CAGR of 30.5%.



- 1H2008 EBITDA were USD 240 million, an increase of 93.5% from 1H2007 and 37% 2-year CAGR.

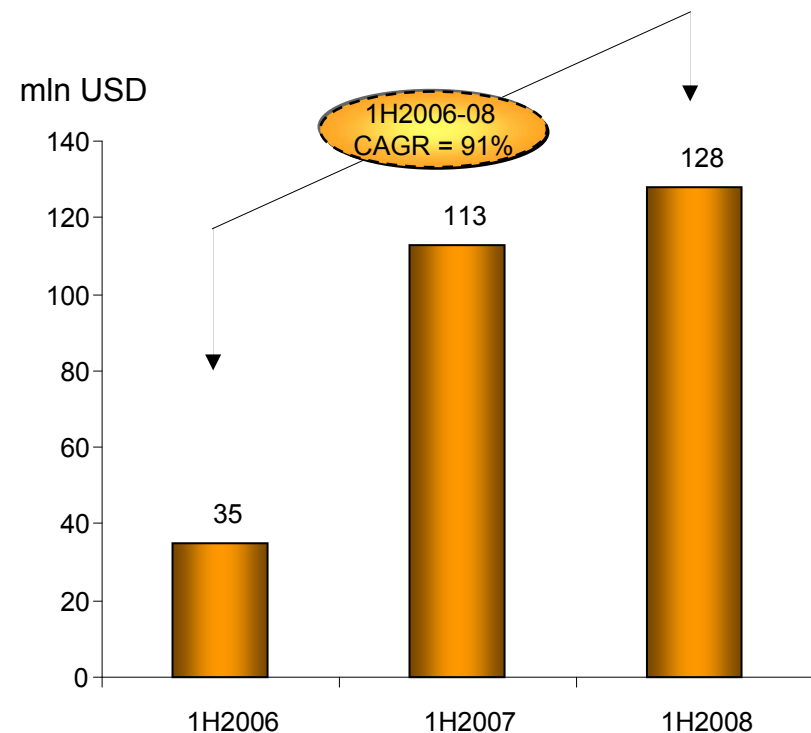
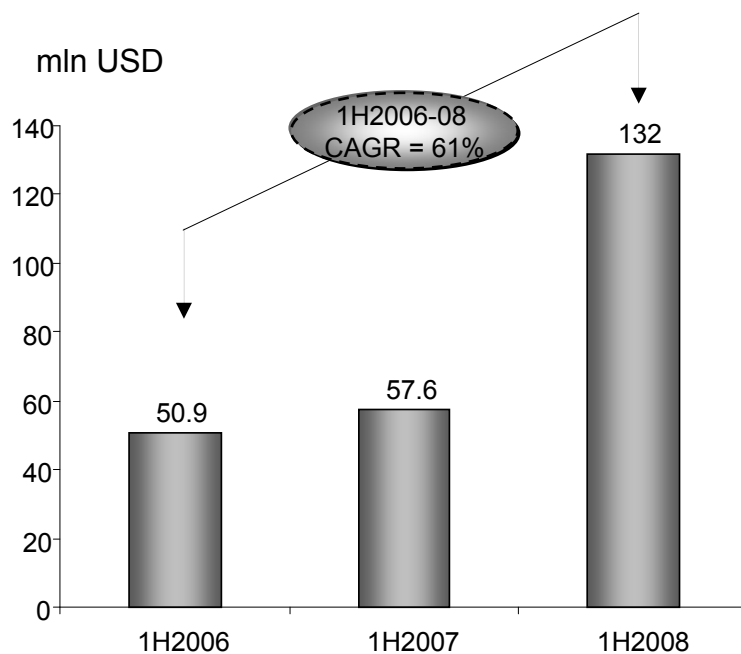


1H2008 financials: 91% 2-year CAGR in operating cash flow



- **Net income*** of the group increased by 29% compared to 1H2007 showing 2-year CAGR of 61%

- 91% 2-year CAGR in **operating cash flow**

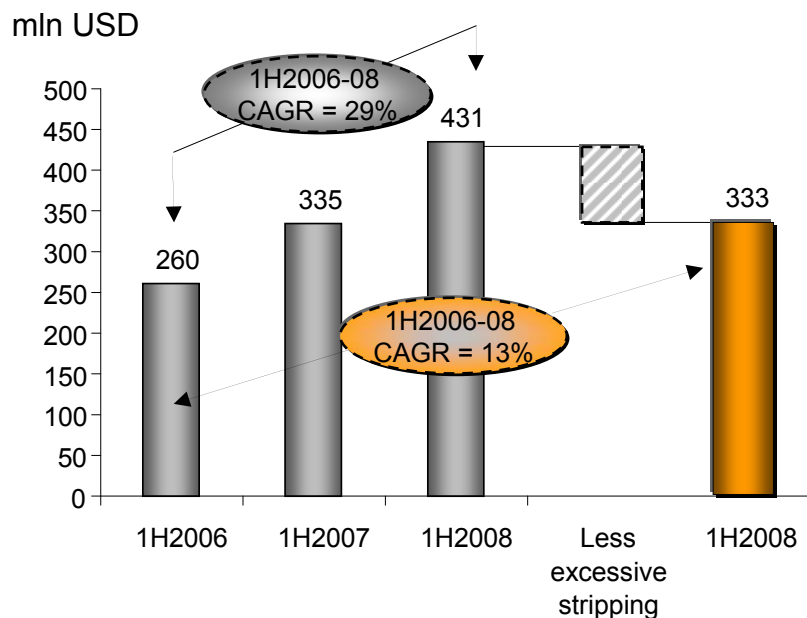


1H2008 financials: Expenses – one of the lowest TCC but extensive Capex

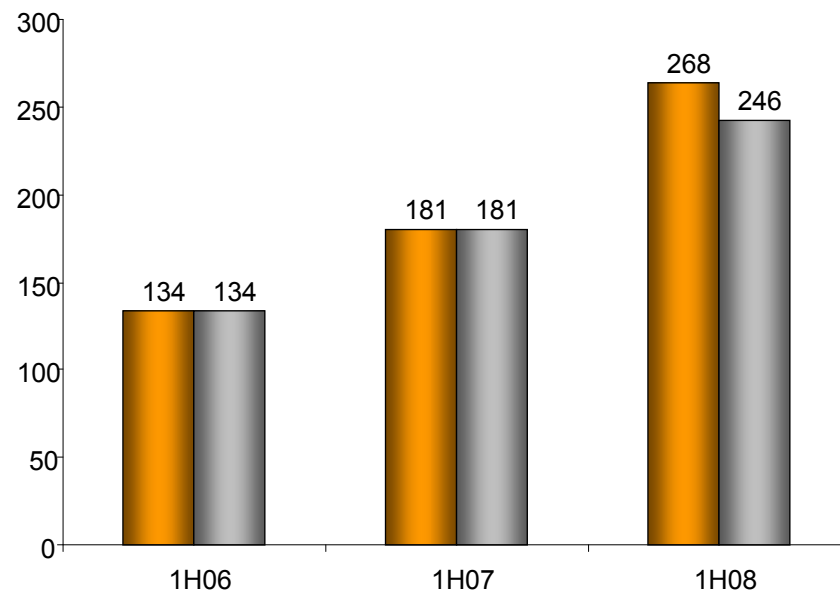


- 1H2008 IFRS based TCC equal to 431 USD/ounce. Excessive stripping-adjusted TCC =333 USD/ounce. 13-29% TCC growth lower than CAGR in Revenue and EBITDA

- Extensive Capex program brings operations closer to the date



mIn USD



Excessive stripping works of USD 54.6 million which are included in COS in 1H2008 results, but we continue to analyze the options to capitalize such costs in future. Excessive stripping gives additional 98 USD/ounce in TCC calculations.

Capex, including M&A
Capex, excluding M&A

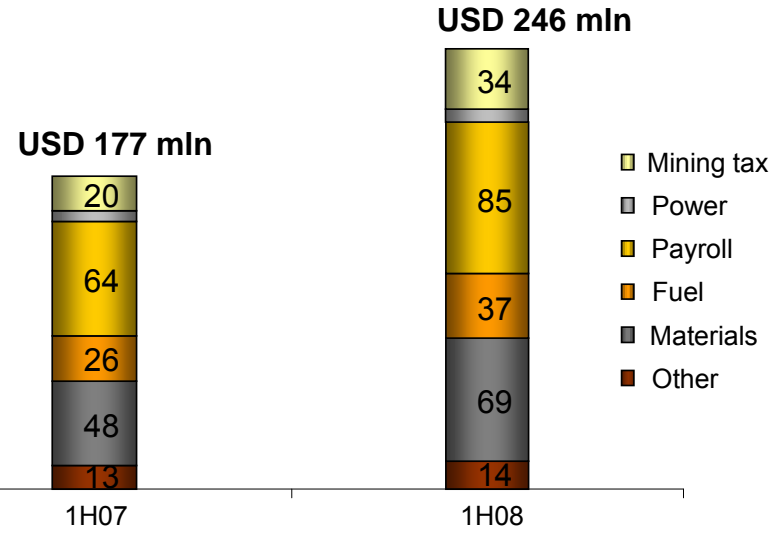
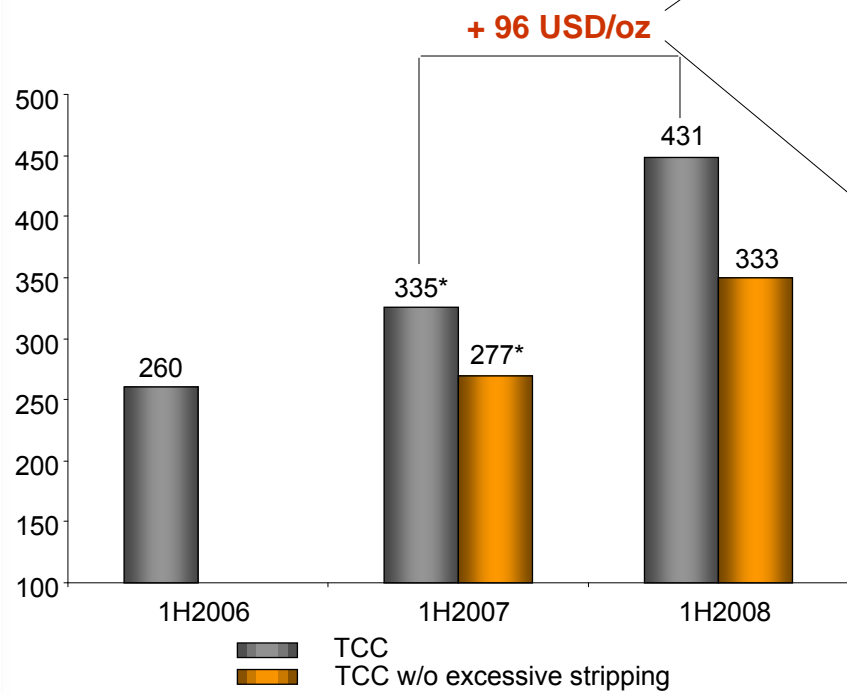


1H 2008 financials : Under costs pressure

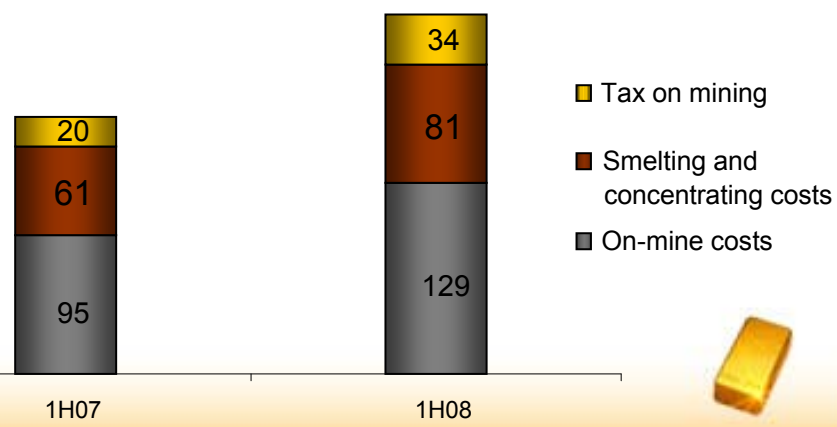


● 29% TCC YoY growth

● Costs breakdown by material components



● Costs breakdown as in notes to IFRS



7 * - The comparative information for the six months ended 30 June 2007 reflects adjustments made in connection with changes in accounting policies

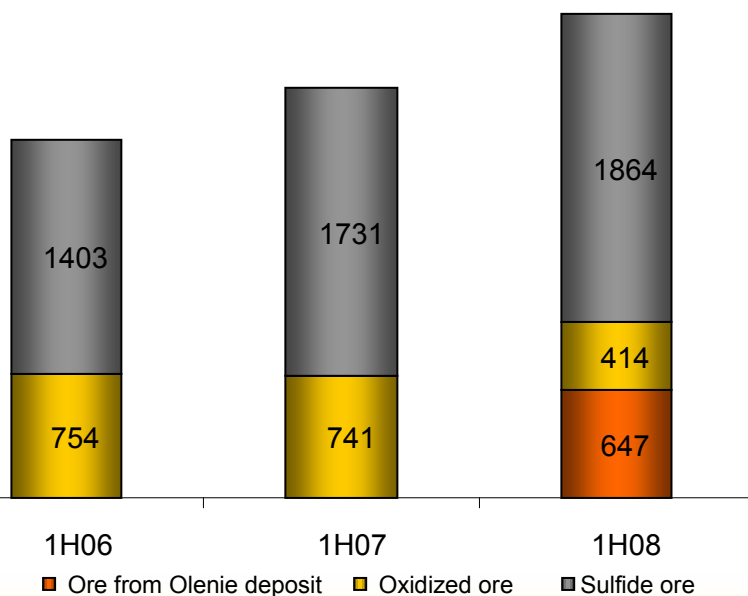
1H2008 financials: TCC growth analysis (example of Olimpiada mine)



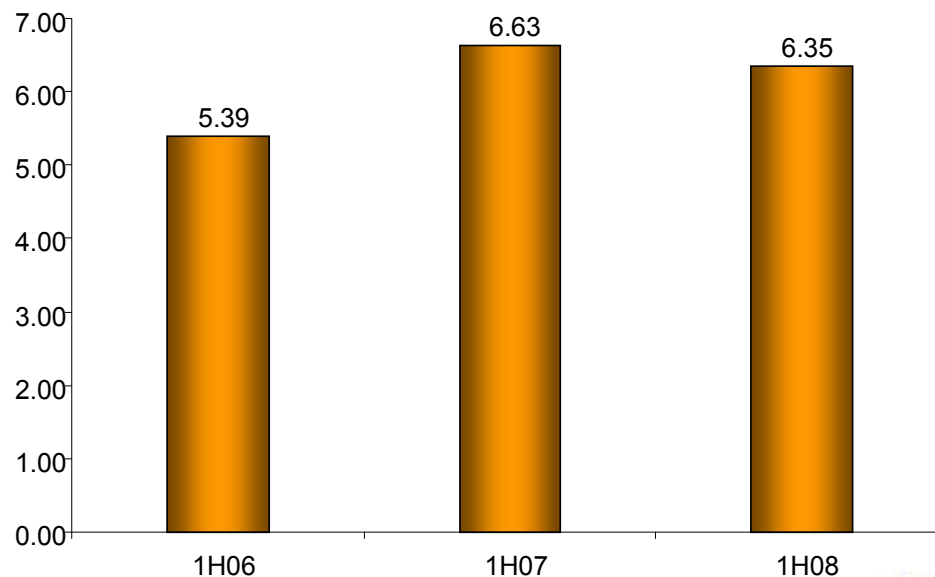
- 1H2006-1H08 Olimpiada TCC growth is a result of switching to solid sulfide ore

- 1H2006-1H2008 required ore processed for a production of 1 ounce of gold

k tonnes of ore processed



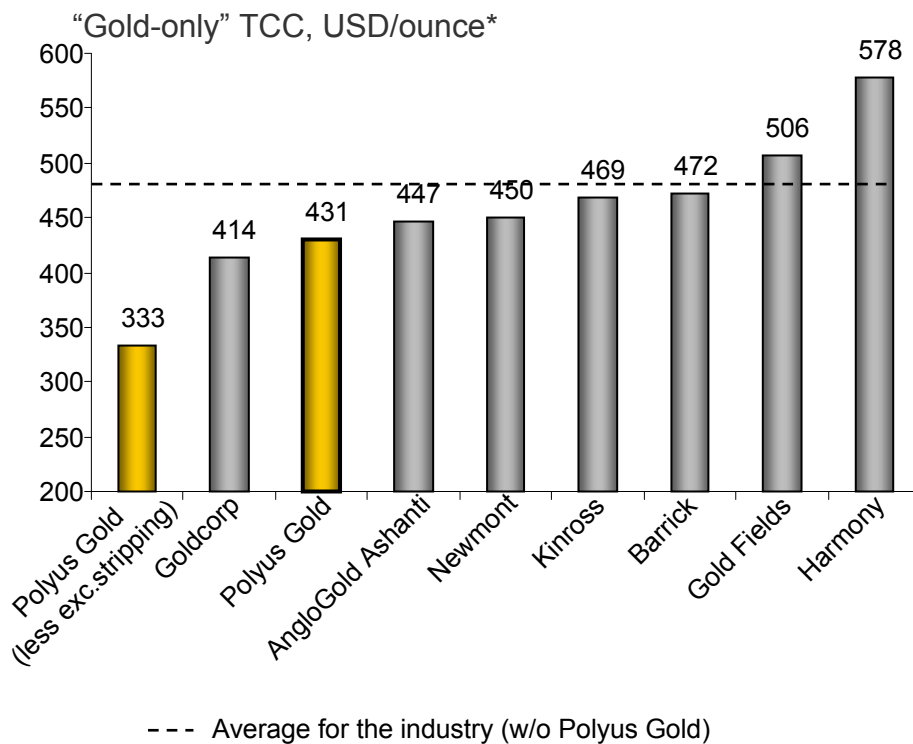
Tonnes of ore required



1H2008 financials: Comparison with peers



- Polyus Gold TCC lower than average “Gold-only” TCCs (477 USD/ounce)



- One of the best companies in the sector in terms of profitability**

