Vostok Nafta Investment Ltd

Registered office
Codan Services
Clarendon House
2 Church Street
Hamilton HM1108
Bermuda

Press Release
November 18, 2009

Vostok Nafta Investment Ltd.
Nine Months Report
Covering the Period
January 1, 2009–September 30, 2009

- Net result for the period was USD 103.61 mln (January 1, 2008–September 30, 2008: -296.16). Earnings per share was USD 1.16 (-6.44). Net result for the quarter was USD 75.17 mln (-453.64). Earnings per share for the quarter was USD 0.74 (-9.86).

- The net asset value of the company was USD 451.24 mln (December 31, 2008: 247.89) on September 30, 2009, corresponding to USD 4.47 (December 31, 2008:5.39) per share. Given a SEK/USD exchange rate of 6.9885 the corresponding values were SEK 3,153.47 mln and SEK 31.23, respectively.

- The group's net asset value per share in USD decreased by 17.05% over the period January 1, 2009–September 30, 2009. The main cause of the decrease in the NAV per share during the period is the issue of a total of 54,970,074 new shares at an average price (net of transaction costs) of USD 1.81 per share. Excluding the effects from the new share issues the development would have been +29.87%. During the same period the RTS index increased by 81.91% in USD terms. During the period July 1, 2009–September 30, 2009 the group's net asset value per share in USD increased by 19.87% (RTS index: +27.10%).

- The number of outstanding shares at the end of the period was 100,990,975.

- The reported net asset value per share of Vostok Nafta as of October 30, 2009 was USD 4.73 (SEK 33.59).

The company will host a telephone conference with an interactive presentation on Wednesday, November 18, 2009 at 16:30 Central European Time (CET). For call-in details, see separate press release issued Monday, November 16, 2009 at www.vostoknafta.com.

Vostok Nafta Investment Ltd

Background

Vostok Nafta Investment Ltd was incorporated in Bermuda on April 5, 2007 with corporate identity number 39861. Since July 4, 2007, the Swedish Depository Receipts of Vostok Nafta (SDB) are listed on the NASDAQ OMX Nordic Exchange Stockholm, Mid Cap segment, with the ticker VNIL SDB.

As at September 30, 2009 the Vostok Nafta Investment Ltd Group consists of one Bermudian parent company, one wholly owned Bermudian subsidiary, three wholly owned Cypriot subsidiaries, four wholly owned Russian subsidiaries and one wholly owned Swedish subsidiary.

The financial year is January 1–December 31.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Following a review of the internal reporting, it has been concluded that there is only one operating segment within the company. It has therefore been resolved not to proceed with the reporting of the company's operations in two segments, as has previously been announced.

Group – results for the period and net asset value

During the period, the result from financial assets at fair value through profit or loss amounted to USD 99.32 (-157.45) mln. Result from investments in associated companies was USD 1.93 (-137.52) mln. Result from loan receivables was USD 5.46 (4.95) mln. Dividend income, net of withholding tax expenses, was USD 5.02 (3.94) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD 3.69 (6.11) mln. During the period, a write-down of the value of the investment in OOO Volga Nash Dom has been recognized in the amount of USD 0.15 mln.

Net financial items were USD 4.30 (-6.23) mln.

Net result for the period was USD 103.60 (-296.16) mln.

Total shareholders' equity amounted to USD 451.24 mln on September 30, 2009 (December 31, 2008: 247.89).

Group – results for the quarter

During the quarter, the result from financial assets at fair value through profit or loss amounted to USD 60.67 (-311.91) mln. Result from investments in associated companies was USD 12.24 (-138.27) mln. Result from loan receivables was USD 3.25 (2.07) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD 1.23 (2.41) mln. During the quarter, a write-down of the value of the investment in OOO Volga Nash Dom has been recognized in the amount of USD 0.15 mln.

Net financial items were USD 0.39 (-5.10) mln.

Net result for the quarter was USD 75.17 (-453.64) mln.

Issue of options to employees

At a board meeting on June 18, 2009 it was decided to issue 290,000 options under the company's incentive Program to a group of employees. The call options may be exercised not earlier than two years and not later than three years from the time of the granting. The strike price is set as the average of the last price of the 10 trading days prior to the decision plus 20%, which for the options above results in a strike price of SEK 35.17.

For employees resident outside of Sweden the following conditions apply: No premium shall be paid for the options and the options may only be exercised if the option holder at the time of exercise is still employed within the group. During the period, 10,000 options have been granted to employees resident outside of Sweden

For employees resident in Sweden the following conditions apply: The options are offered at a purchase price corresponding to the market value of the options at the time of the offer. The options are fully transferable and will thereby be considered as securities. During the period, 280,000 options have been issued to employees resident in Sweden for a total consideration of USD 158 thousand. Settlement date for issued options was August 1, 2009.

Liquid assets

The liquid assets of the group, defined as cash and bank deposits adjusted for concluded but not yet settled share transactions, amounted to USD 0.81 mln on September 30, 2009 (December 31, 2008: 29.20).

Parent company

The parent company finances its subsidiaries' operations on market terms. During the period, a reversal of write downs on shares in subisidiaries has been made in the amount of USD 93.06 mln. The net result for the period was USD 103.22 (7.87) mln.

Management report

The third quarter and the first six weeks of the fourth quarter have seen strong markets across the world. The main drivers behind these are:

1 - A return to normality from a situation where they were worried about the financial system broken down beyond repair.

2 - The strength is also the result of a rebounding world economy in turn due to unprecedented fiscal and monetary stimulus.

3 - The low interest rate environment also drives markets in its search for some return. Stronger markets also feed on themselves. Asset managers put cash to work as they see markets going up, afraid of losing out on performance.

The first point is over, the other two have played a role but their sustainability are less certain and obviously interconnected. Will the strength of the world economy stay beyond the rebuilding of inventories and when do Governments and central banks start the “exit” process from the lax conditions of today? The result of these questions likely means that the general levels of today’s global markets (sort of fairly valued) hold but with greater volatility as investors try to interpret macro statistics and messages from central banks.

Beyond the short term the driver of the world economy is the high growth in emerging markets especially China and India. Having returned from a week in China both anecdotal evidence and meetings/presentations with macro economists, investors and markets participants speak a very clear language: Chinese (and BRIC) macro strength make up for the weakness seen in the US and European economies. The process of modernization in China (Japan post the Second World War and Korea, Taiwan in the 70´s) will not be stopped by the bursting of the credit bubble of 2008. In fact as Jim o’ Neill of Goldman Sachs put it, the bursting of the credit bubble might even prove to be beneficiary to the Chinese economy. It has forced it to accelerate the switch from being an export driven economy to one driven by domestic demand. China looks set to take over Japan as the World’s second largest economy next year and within the next 18 years become the world’s largest economy. During the past 8 years it has grown to the extent that it has created an economy the size of France or two Indias. This will continue. There will be hiccups along the way but the general trend seems very clear.

Spending time witnessing such enormous growth ignites a desire to be exposed to it. Having at a very high level sifted through the opportunities in public and private markets the conclusion is that even though the growth is strong there is no easy money on the table in terms of investments. Public equity is not cheap and private equity is very difficult (capital controls, difficult to enforce contracts, collateral etc). As always a local presence is clearly required to be successful.

In fact, being exposed to the extraordinary demand for commodities that this growth generates through Russia is one cheap and rather effective way to get exposure. Australia and Africa would be places to be with a similar rationale but Russia, despite its problems, is clearly the cheapest way.

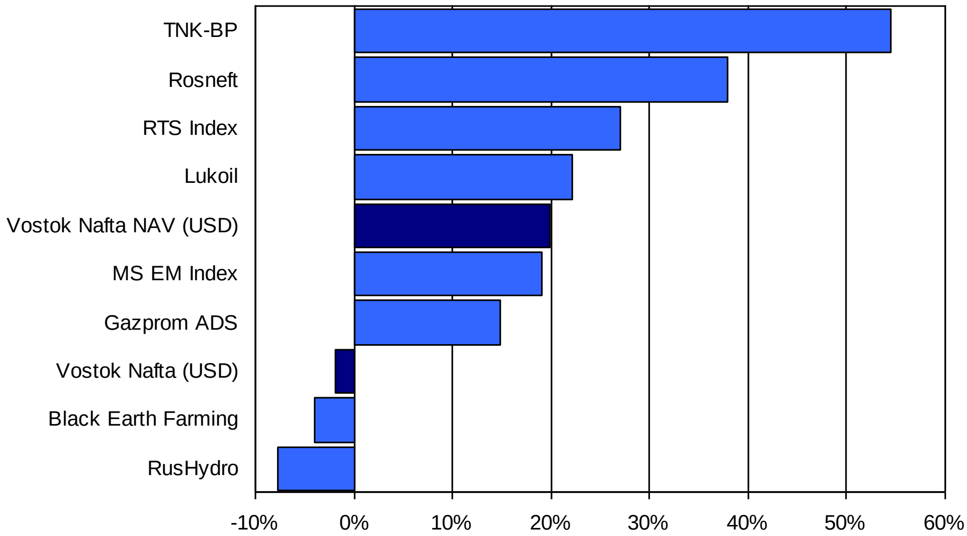
Higher oil prices have also driven Russian markets over the past quarter. Inventories have started to be built up again. The credit market has started to open up especially through the rouble bond market but also in the Eurobond space. Even though bank lending has been slow to take off, we have seen rates come down and durations increase in terms of bank credit offered to our portfolio companies. This positive development is partly a result of the higher visibility on where and when NPLs (non performing loans) peak. This visibility has been particularly weak in Russia as this is the first real credit cycle the country’s is going through (1998 was a crisis but essentially there was no credit market). At Sberbank (the country’s largest bank) the expectation is that bad loan provisions peak at 12–14 % during the first half 2010 which is a huge improvement in visibility from where we were three months, let alone six months ago.

The rouble is strong. The central bank is cutting rates. Inflation seems to be coming down (2009 is broadly expected at roughly 9%). 2009 is a negative year in terms of GDP growth but 2010 we are back at something around a positive 5%. On the back of this valuations are still low, on consensus earnings we trade at a 2010 price-earnings ratio of roughly 8 which is a hefty 30% discount to global emerging markets. This is of course on a broad index level. If you go into less liquid stocks and the private space and can have visibility into earnings a couple of years out the multiples are significantly lower. That is the space where Vostok Nafta wants to (and I believe can) add value for our shareholders.

Vostok Nafta's portfolio development

The group's net asset value per share in USD decreased by 17.05% over the period January 1, 2009–September 30, 2009. The main cause of the decrease in the NAV per share during the period is the issue of a total of 54,970,074 new shares at an average price (net of transaction costs) of USD 1.81 per share. Excluding the effects from the new share issues the development would have been +29.87%. During the same period the RTS index increased by 81.91% in USD terms. During the period July 1, 2009–September 30, 2009 the group's net asset value per share in USD increased by 19.87% (RTS index: +27.10%).

Percent development July 1–September 30, 2009 (last price paid on relevant stock exchange)



Black Earth Farming

Black Earth Farming (BEF) continues to focus on its cost structure. Management is working hard to reduce both costs of production as well as overheads with the aim of becoming a top-percentile producer in terms of efficiency. The foundation to become a company at the very low end of the cost curve is there and this will be achieved by benchmarking key metrics against leading producers in the U.S., Latin America and Australia. As the resource intensive procedure of registering land into ownership starts to near completion, administrative costs can be reduced by more than 20 percent over time.

Pricing for grains continues to be volatile as the front-month contract for wheat has moved within a range of USD 4.40 to 5.75 per bushel going into the fourth quarter. By mid November it was hovering around USD 5.10 per bushel (USD 189 per ton). News that heavy rain delayed planting in the U.S. sparked a rally in the beginning of October. The U.S. Department of Agriculture (USDA) still believes this year's wheat harvests will be the largest on record with high inventories resulting in the worst year for prices since 1990. Evidence of increased international competition was also evident as the marketing year commenced in June.

Shipments from U.S. farmers have dropped by 30 percent as recent major purchases by Iraq, Jordan and Egypt were for more competitively priced European and Black Sea wheat at around USD 170 a ton.

BEF currently sells its output in the local Russian market which is becoming more challenging as production volumes this year and henceforth will be over half a million ton of grain in each season . For 2010 the company is strengthening its sales function to be able to execute more advanced direct export deals. The move would be in line with the Russian government's aim of increasing annual grain exports to as much as 50 million tons in the next 10 to 15 years from 23 million tons in 2008. There are however bottlenecks in grain terminal capacity at Russia's ports which need to be addressed. President Dmitry Medvedev has ordered a review of the plans for additional grain terminals to bolster port capacity from the current 25 million tons as well as cheaper loans to renovate or build silos. BEF also intends to engage in forward contracts to lock in sales in order to achieve higher pricing visibility.

For more information regarding BEF please see the company's Q3 report to be released on Tuesday, November 24th 2009, at www.blackearthfarming.com.

Tinkoff Credit Systems (Egidaco)

Vostok Nafta's interest in Tinkoff Credit Systems is held through Egidaco. Despite a difficult start 2009 is turning out to be a good year for Tinkoff Credit Systems (TCS). The company showed a net profit of USD 12.3 million with a 63 percent return on equity for the first nine months of 2009, thus demonstrating the strength of the business model. TCS's low fixed cost base and cost-reduction programme enabled the company to promptly reduce operating expenditures and manage total expenses. Total interest income was robust throughout the nine month period and amounted to USD 88.0 million with a gross yield of 78 percent. Net operating cash flows amounted to a healthy USD 21 million as TCS has been in "steady state" for most of the year with very limited issuance of new cards and thus cash outflows.

Non-performing loans (NPLs) have been declining steadily since April 2009 when the unemployment rate peaked in Russia. Since then monthly provisioning for loan losses have also subsided. As a result of the improving economic situation and declining risks, TCS resumed customer acquisition (primarily through mailing campaigns) in August 2009. TCS is growing the portfolio organically by reinvesting cash received from customer repayments back into the portfolio through new issuance and credit limit increases. Gross credit card balances grew 20 percent from 31 December 2008 to 283,000 utilised cards on 30 September 2009. Card activation and utilisation remained strong, with an average monthly activation rate of 83 percent of the cards.

Vostok Nafta values its equity stake in TCS through discounted cash flows based on management's estimates of business operations up until a presumed exit date including proceeds from a final divestment. The probability of available new funding, discount rate and assumptions regarding an exit multiple are key variables affecting the value of TCS. The estimations are based on reasonable and verifiable assumptions that comprise Vostok Nafta's best assessment of the economic conditions that are expected to prevail.

RusForest

RusForest saw improved external market conditions during the third quarter as the forestry sector stabilised. The company has seen rather solid demand for its products during the downturn and currently has a strong back-log. Marginal improvements in the sawnwood market are now evident as prices have risen by around USD 20 to USD 200 per m^3 on the back of supply curtailments in Sweden and Finland.

RusForest's financial performance is still muted as efforts are under way to reach sawnwood volumes of scale. At the divisional level both PIK and Lesprom (one of the company's logging businesses) showed reasonable gross margins, but the overall margin was dragged down by operating losses at the Boguchansky sawmill which was a direct result of an unreliable internal log flow combined with significant under-deliveries by external suppliers. Harvested volumes increased by 18 percent year-on-year to 459,000 m^3 and sawmilling volumes by 37 percent to 125,000 m^3 during the first nine months of 2009.

Securing a steady reliable log flow to the sawmills remains a top priority within the forestry operations - summer harvesting is constantly disrupted by rain making the forest inaccessible. This of course affects operating costs negatively as RusForest purchases saw logs at a 60 percent higher cost than self-harvested ones. It also affects the sawmilling operations which are forced to operate on a start-stop basis during the difficult summer months. A significant "snow stock" of logs and stems will therefore be built over the coming winter period to alleviate the issue. The stock will then be used in periods when the internal harvesting capability is reduced due to weather conditions. Another major initiative in the sawmills has been to dramatically reduce the range of products being produced to ensure larger batches and longer run-times. This simplification should make the sawmilling value chain much less complex and increase operational efficiency.

The company is also working to secure funding to complete the third sawmill at Magistralny, where construction work has been suspended since late 2008. RusForest believes that funding will become available before the end of 2009, which will enable the mill to go online during 2010. The implied increase of sawmilling capacity by 100,000 m^3, to a total of around 300,000 m^3, is material and will significantly expand the company's earnings base. In spite of prices being far from ideal. RusForest can make money at current levels provided the throughput rates are reasonable. Going forward the main priority will therefore be to secure a reliable supply of logs.

Please see the RusForest website at www.rusforest.com for more information.

TNK BP Holding

TNK-BP International which is the majority shareholder of the listed subsidiary TNK-BP Holding reported Q3-numbers (TNK-BP Holding only reports on a semi-annual basis) which showed encouraging trends. Revenues increased 25 percent quarter on quarter driven by a higher oil price and production growth. TNK-BP International remains one of the leaders in terms of production growth this year which increased by 3 percent year-on-year in the first half of 2009.

In the beginning of November, TNK-BP Holding reported that its Board of Directors had recommended a payout of interim dividends for the first nine months of 2009, at RUB 7.41 per share. That implies a yield of 14 percent on common shares and 18 percent on preferred shares far exceeding market expectations and also offering a higher yield than most Russian euro bonds. TNK-BP Holding typically pays 44 to 72 percent of its IFRS net income for dividends (72 percent in 2006, 35 percent in 2007 and 44 percent in 2008). The listed company does not report quarterly IFRS results but based on the market's estimates, the dividend payout ratio is likely to amount to 100 percent. The record dividend during such a difficult year shows the company's strong financial position and the free cash flow generating ability. Rating agency Moody's also confirmed the company's strong financial position by changing its outlook from developing to stable prompted by improved shareholder relations. There is uncertainty regarding the reason for the timing of the record payout. Whether to fund the investment program of the parent TNK-BP International, cash needs at the Russian main owner Alfa Group or possibly preparations for changes to the corporate structure. The latter would likely increase the market's interest for TNK-BP holding.

As the year draws to an end the appointment process of a new CEO is expected to be concluded. Whether Maxim Barsky or Pavel Skitovich, who are the two named candidates, is appointed the announcement could be a catalyst marking the definite end to the shareholder conflict which saw former CEO Robert Dudley resign. TNK-BP Holding's shares still trades at a 30 to 40 percent discount to that of Russian peers despite a superior dividend yield, cash generation and decent prospects for production growth by Russian standards.

RusHydro

On August 17, the RusHydro-owned Sayano-Shushenskaya hydroelectric power plant, located on the Jenisei River in southern Siberia, was the scene for one of the worst accidents in Russia's post-Soviet history. One of the 10 turbines broke apart causing flooding and electrical damages as well as the ceiling of the turbine hall to collapse killing 75 people. The accident has put the political spotlight on Russia's ageing electricity capacity and exposed the urgency of the ongoing sector reforms.

Sayano-Shushenskaya was Russia's largest hydro power plant and accounted for roughly a quarter of RysHydro's installed capacity and output. The financial effects have caused negative adjustments to the EBITDA-estimates for 2009 until 2011 of 10 to 20 percent. Operations will commence in 2010 but full restoration of the plant is scheduled to take until 2013 at an estimated cost of RUB 40 billion. The Russian government released the findings of its investigation in October confirming guidance on the costs and timing of reconstruction which improves the market's visibility regarding the aftermath. Energy Minister Sergei Shmatko also noted that the actual figure could be lower than estimated. Sberbank has agreed to a RUB20 billion loan to finance the restoration and a share issuance of another RUB 20 billion is a possibility.

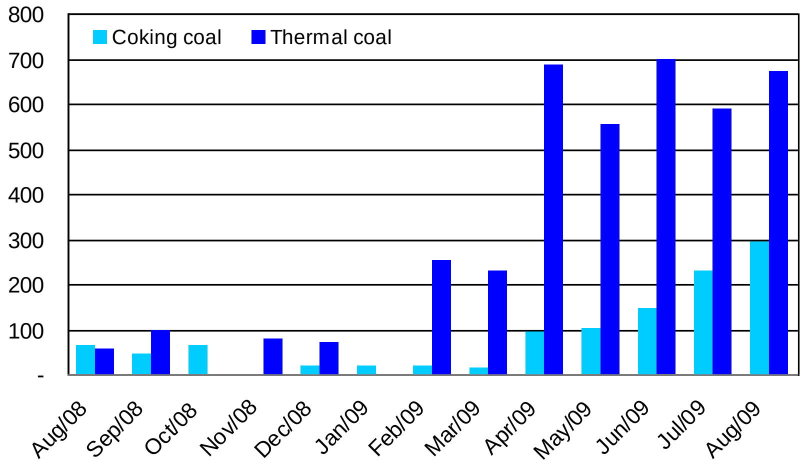
During the end of October RusHydro released third quarter financials under Russian accounting standards which beat market expectations. The CFO gave an updated full year guidance for revenues of RUB 121 billion and EBITDA of RUB 45 billion, a decrease of 8.6 percent of pre-accident forecasts. RusHydro continues to be one of the main beneficiaries of electricity market reforms in Russia as the company will sell 80 percent of its output at free market prices by year end 2010, and with its fixed low cost hydropower feeding the entire increase through to profits. RusHydro has underperformed its sector peers following the negative news flow surrounding the company and uncertainty regarding the aftermath of the accident. Nevertheless the company's valuation compared to its peers is highly favourable given higher prospects for EBITDA growth and gearing towards liberalised energy prices.

Siberian thermal coal (Kuzbassrazrezugol and Kuzbass Fuel Company)

The accident at Sayano-Shushenskaya has resulted in a material loss of generating capacity. Around 4.5 GW of hydro-power capacity in Siberia will be offline for the next several months and only be partly restored in the next three to four years. The shortage will be met by additional supplies from less efficient power plants with higher fuel costs. Suppliers include Irkutskenergo, TGK-12, TGK-13, OGK-4 and OGK-6 which all rely on thermal coal or gas as a material fuel source. Thus, electricity prices have been growing steadily in Siberia since the accident and are now more than 30 percent higher than mid-August pre-accident levels, in contrast to European Russia where prices have treaded water as a result of poor demand. It is estimated that the generating companies who are coal burners will have to increase steam coal consumption by roughly 6 to 8 million tons in both 2009 and 2010, representing about 25 percent of the region's consumption in 2008. There are however substantial coal supplies in place wherefore the resulting demand for additional production will not be as high.

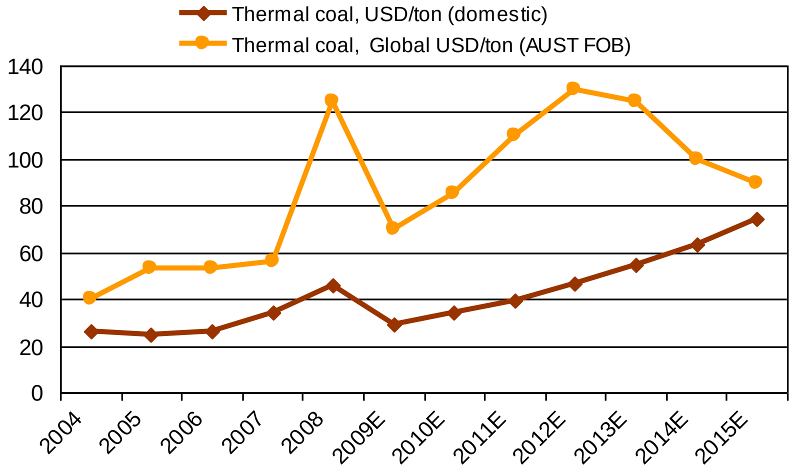
Another supporting factor for thermal coal prices internationally has been China which became a net importer during the first half of 2009 on the back of rising electricity demand. China consumes around 2.5 billion tons of thermal coal per annum and is set to add 60 to 100 GW of generating capacity each year for the next ten years at least. The forecasted Chinese net imports of 55 million tons for 2009 are immaterial for the Chinese market but a major swing factor for the internationally traded market of 600 million tons. Although China is basically self-sufficient in coal, the key question is whether the country is capable of adding 200 to 300 million tons of new mining capacity every year for the next 10 to 15 years, with the main issues being safety as well as transport infrastructure. Increased seasonal demand from European buyers also supports the gradual recovery of thermal coal prices with reports of Turkish power plants buying Russian coal at USD 78 to 80 per ton during October.

Russian coal exports to China, thousand tons



Source: Troika Dialog

International and Russian domestic coal prices, USD/ton



Source: UBS, VTB Capital

The positive pricing dynamics is beneficial for the thermal coal producing companies Kuzbassrazrezugol and Kuzbass Fuel Company, even though a direct impact on the companies' financials may lag. Domestic thermal coal prices are largely constrained by cheap domestic gas as both are key sources of fuel for electricity generation. A key development for both companies is that domestic thermal coal prices will increase over time on the back of a liberalized gas market. Gas prices in Russia have risen 8 percent per year in real terms during 2000–2008 and are expected to continue to grow by 9 percent annually until 2015.

As for international prices Kuzbass Fuel Company sells its coal over one year contracts currently fixed at around USD 30 per ton (net of transport costs of USD 29 per ton). Improved world market prices will however facilitate negotiations in the beginning of 2010. At Kuzbassrazrezugol the transfer pricing scheme used does not enable the listed company to reap benefits of a higher price, although signs of improvements are there. Longer term the emergence of China is material for Russian producers who increased their share of total Chinese thermal coal imports during the first 7 months from 1 percent in 2008 to 19 percent in 2009.

Vosvik / Kontakt East Holding

The Russian market for media advertisements continues to be weak. Small and medium sized enterprises (SMEs) which constitute Kontakt East's main client base have been especially hard hit by the economic downturn and the lack of bank financing for working capital needs. As a result advertisement spending has remained subdued with many companies fighting for survival. Financially Kontakt East is starting to reap the rewards of the actions taken during the past year following a challenging first half of 2009.

At Yellow Pages the full effects of the cost cutting program initiated in November 2008 fed through in the financials from June 2009. As a result the division has been profitable every month since July which is encouraging. Following a 50 percent drop in sales the division's cost structure was adjusted to the new reality which has also brought with it efficiency gains. An organizational reshuffle has also been implemented whereby the offline organization has been concentrated to St Petersburg and online now based in Moscow. In addition a new site has been developed to promote online products and offerings.

Consumer eCommerce is currently at a very exciting stage. Avito.ru is the fastest growing online classified site in Russia this year and well on the way to become the market leader. The platform and site has been established and the focus is now on establishing the brand in order to become consumer's natural first choice, much like Craigslist in the U.S. or Blocket in Sweden. Once this position has achieved Avito can start to charge for listings on the site.

The Russian internet ad market remains small, at USD 710 million in 2008, covering just 6.4 percent of total ad spending. However, in 2003 to 2008 it emerged as the fastest growing segment with a compound annual growth rate (CAGR) of 100 percent. Furthermore, it is expected to expand six-fold over the next five years on the back of an explosion in Russian broadband penetration among households, surging from the current 20 percent to over 60 percent by 2014. Kontakt East is in a building a good position to capitalize on these opportunities.

Vostok Nafta values its equity stake in Kontakt East through a discounted cash flow model based on management's estimates of business operations during a foreseeable forecasting period. Sales growth, discount rate and the terminal growth rate are key variables affecting the value of Kontakt East. The estimations are based on reasonable and verifiable assumptions that comprise Vostok Nafta's best assessment of the economic conditions that are expected to prevail.

Transneft

The first stage of the Eastern Siberia–Pacific Ocean (ESPO) oil pipeline, Russia's largest of the kind, is set to open by year end of 2009. The event will mark the beginning of the active phase of development of oil fields in Eastern Siberia. Rosneft's Vankor, the largest of the oil fields in the resource base for the new pipeline, went on stream in August of this year, and oil from this field has already begun to fill the ESPO pipeline. Together with Rosneft TNK-BP and Surgutneftegas are the key developers in the region which will be the main the source of production growth in Russia. A decision regarding the cost of crude transportation has yet to be made but Transneft has proposed differentiated tariffs based on location in contradiction to Rosneft who wants a unified scheme. A decision on zero export duty for East Siberian oil fields is also still pending, with particular uncertainty about the duration of the proposed tax holiday. Officials have said that the tax break, which has material impacts on project IRRs, could be introduced by Dec 2009.

The opening of the major oil pipeline is expected to ensure 10 percent revenue growth at Transneft next year. Tariffs on Transneft services have not fallen, even after the outbreak of the crisis, while its oil pumping levels have grown from year to year. Market expectations are of a tariff increase in January 2010 of around 10 percent while some reports says Transneft has requested its total tariff revenue i.e. volume and price to increase by 30 percent to cover the company's costs for completing the second stage of the ESPO pipeline. Given the company's lobbying power there is a chance of success as the company shows negative free cash flows for next year which the federal tariff agency previously has been very helpful to cover.

Another major positive signal regarding corporate governance within the company is the decision to pay an equivalent of 3.5 percent of the total dividends to preferred shares to its directors in bonuses for 2008.

Vostok
Nafta
Investment
Ltd

There are seven directors on Transneft's Board, including five independent directors. It is estimated that each director received RUB 1.8 million as a bonus on top of the fixed compensation of RUB 1.2 million. The scheme is the first sign of aligning the interests of insiders of the company with that of minority shareholders. The company also took time to meet with investors during October in another positive sign that Transneft is opening up towards minority shareholders.

Investments

During the period net investments in financial assets were USD 14.08 (11.25) mln.

Major changes of listed securities in the portfolio during the quarter were:

Purchases (shares)

+	960,000	Sibirsky Cement
+	785,000	Surgutneftegas ADR

Sales (shares)

–	328,550	Mriya Agro Holding
–	17,000	RSC Energia

Portfolio structure

The investment portfolio stated at market value as at September 30, 2009 is shown on next page. Vostok Nafta's three biggest investments are Black Earth Farming (23.66%), Tinkoff Credit Systems (TCS; 9.23%), and Kuzbassrazrezugol (8.09%).

Vostok Nafta Investment Ltd

Vostok Nafta portfolio as at September 30, 2009

Number of shares	Company	Market value, USD	Percentage weight	
5,364,850	Caspian Services	1,877,698	0.42%	1
5,789,903	Kherson Oil Ref	7,066	0.00%	1
27,096,616	TNK BP Holding Pref	34,006,253	7.62%	1
	Oil, total	**35,891,017**	**8.04%**	
1,116	Alrosa	5,022,000	1.12%	1
6,000,000	Fortress Minerals	2,680,468	0.60%	1
31,274	Gaisky Gok	7,818,500	1.75%	1
3,154,498	Poltava Gok	9,550,893	2.14%	1
95,223	Priargunsky Ind Ord	19,520,715	4.37%	1
11,709	Priargunsky Ind Pref	1,077,228	0.24%	1
1,442,400	Shakiya Zinc GDR	72,120	0.02%	1
1,444,045	Uchalinsky Gok	15,162,473	3.40%	1
	Commodities, total	**60,904,397**	**13.64%**	
3,000	Bekabadcement	450,000	0.10%	1
178	TKS Concrete	1,506,750	0.34%	1
39,000	Gornozavodsk Cement	5,070,000	1.14%	1
1,600,000	Kamkabel	174,400	0.04%	1
85,332	Podolsky Cement	104,141	0.02%	1
1,000,000	Sibirsky Cement	16,500,000	3.70%	1
10,156,113	Steppe Cement Ltd	10,709,941	2.40%	1
19,730	Transneft Pref	15,981,300	3.58%	1
1,200,000	Tuimazy Concrete Mixers	3,900,000	0.87%	1
	Infrastructure, total	**54,396,532**	**12.18%**	
4,678,734	RusHydro ADR	16,001,270	3.58%	1
50,000	Kuzbass Fuel Company	16,000,000	3.58%	1
133,752,681	Kuzbassrazrezugol	36,113,224	8.09%	1
2,618,241	Kyrgyzenergo	168,688	0.04%	1
	Energy Sector Restructuring, total	**68,283,182**	**15.29%**	

Vostok Nafta portfolio as at September 30, 2009 (continued)

Number of shares	Company	Market value, USD	Percentage weight	
30,888,704	Black Earth Farming	105,636,980	23.66%	2
1,765,000	Agrowill	0	0.00%	1
272,107	Dakor	2,992,949	0.67%	1
	Agriculture, total	**108,629,929**	**24.33%**	
390,000	Lukoil ADR	21,099,000	4.73%	1
785,000	Surgutneftegas ADR	2,826,000	0.63%	1
	Short term trades, total	**23,925,000**	**5.36%**	
42,254,295	CleanTech East Holding AB	4,837,035	1.08%	2
10,195,802	RusForest AB	25,239,799	5.65%	2
50,000	Vosvik AB/Kontakt East	15,712,525	3.52%	2
5,000,000	TCS/Egidaco 18% 2011	5,119,310	1.15%	1
	TCS/Egidaco RUB loan	20,077,948	4.50%	3
885,934	TCS/Egidaco Investment Ltd	14,031,000	3.14%	1
	TCS/Egidaco Investment Ltd, WTS	1,990,000	0.45%	1
547,000	Custos AB	2,348,156	0.53%	1
623,800	Waymore Holding Ltd	775,546	0.17%	1
	Loans to RusForest (Cyprus) Limited	978,953	0.22%	3
	Loan to CleanTech East Holding AB	3,156,870	0.71%	4
	What works in the West works in the East, total	**94,267,142**	**21.11%**	
	Other non current loan receivables	217,603	0.05%	3
	Other current loan receivables	16,903	0.00%	4
	Other loan receivables, total	**234,506**	**0.05%**	
	Grand Total	**446,531,705**	**100.00%**	

1. These investments are shown in the balance sheet as financial assets at fair value through profit or loss.
2. These investments are shown in the balance sheet as investments in associated companies.
3. These investments are shown in the balance sheet as non current loan receivables.
4. These investments are shown in the balance sheet as current loan receivables.

Vostok Nafta Investment Ltd

Income statements – Group

(Expressed in USD thousands)	**Jan 1, 2009-Sep 30, 2009**	Jan 1, 2008-Sep 30, 2008	**Jul 1, 2009-Sep 30, 2009**	Jul 1, 2008-Sep 30, 2008
Result from financial assets at fair value through profit or loss	99,321	-157,448	60,669	-311,910
Result from investments in associated companies	1,933	-137,524	12,239	-138,273
Result from loan receivables	5,464	4,946	3,251	2,074
Dividend income	5,903	4,669	-	-
Other operating income	525	76	213	44
Total operating income	**113,146**	**-285,281**	**76 372**	**-448,065**
Operating expenses	-4,213	-6,188	-1,440	-2,450
Russian dividend withholding tax expenses	-885	-733	-	-27
Write downs	-150	-	-150	-
Operating result	**107,898**	**-292,202**	**74,782**	**-450,542**
Financial income and expenses				
Interest income	99	1,705	7	380
Interest expense	-1,868	-4,936	-2	-3,482
Currency exchange gains/losses, net	-2,531	-1,452	387	-2,014
Other financial income	22	-	-	-
Other financial expenses	-19	-1,550	-	12
Net financial items	**-4,297**	**-6,233**	**392**	**-5,104**
Result before tax	**103,601**	**-298,435**	**75,174**	**-455,646**
Taxation	8	2,278	-3	2,002
Net result for the financial period	**103,609**	**-296,157**	**75,171**	**-453,644**
Earnings per share (in USD)	1.16	-6.44	0.74	-9.86
Diluted earnings per share (in USD)	1.16	-6.44	0.74	-9.86

Statement of comprehensive income

Net result for the financial period	103,609	**-296,157**	75,171	**-453,644**
Other comprehensive income for the period				
Currency translation differences	-206	-835	-588	-944
Total other comprehensive income for the period	**-206**	**-835**	**-588**	**-944**
Total comprehensive income for the period	**103,403**	**-296,992**	**74,583**	**-454,588**

Total comprehensive income for the periods above is entirely attributable to the equity holders of the parent company.

Vostok Nafta Investment Ltd

Balance sheets – Group

(Expressed in USD thousands)	Sep 30, 2009	Dec 31, 2008
NON CURRENT ASSETS		
Tangible non current assets		
Property, plant and equipment	1,861	510
Total tangible non current assets	**1,861**	**510**
Financial non current assets		
Financial assets at fair value through profit or loss	270,657	134,180
Investments in associated companies	151,426	115,296
Loan receivables	21,275	17,384
Deferred tax asset	110	14
Total financial non current assets	**443,468**	**266,874**
CURRENT ASSETS		
Cash and cash equivalents	18,814	29,198
Loan receivables	3,174	27,847
Receivables from related parties	35	60
Tax receivables	310	129
Other current receivables	2,669	2,538
Total current assets	**25,002**	**59,772**
TOTAL ASSETS	**470,331**	**327,156**
SHAREHOLDERS' EQUITY (including net result for the financial period)	**451,239**	**247,893**
NON CURRENT LIABILITIES		
Deferred tax liabilities	19	19
Total non current liabilities	**19**	**19**
CURRENT LIABILITIES		
Interest bearing current liabilities		
Borrowings	-	77,887
Non-interest bearing current liabilities		
Liabilities to related parties	200	-
Tax payable	460	498
Unsettled trades	18,000	-
Other current liabilities	65	171
Accrued expenses	348	688
Total current liabilities	**19,073**	**79,244**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**470,331**	**327,156**

Statement of Changes in Equity – Group

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
Balance at January 1, 2008	**46,021**	**146,476**	**611,457**	**803,954**
Net result for the period January 1, 2008 to September 30, 2008			-296,157	-296,157
Other comprehensive income for the period				
Currency translation differences			-835	-835
Total comprehensive income for the period January 1, 2008 to September 30, 2008			-296,992	-296,992
Employees share option scheme:	-	-		
- value of employee services	-	329	-	329
	-	329	-	329
Balance at September 30, 2008	**46,021**	**146,805**	**314,465**	**507,291**
Balance at January 1, 2009	**46,021**	**146,884**	**54,988**	**247,893**
Net result for the period January 1, 2009 to September 30, 2009			103,609	103,609
Other comprehensive income for the period:				
Currency translation differences			-206	-206
Total comprehensive income for the period January 1, 2009 to September 30, 2009			103,403	103,403
Proceeds from new share issues, net of transaction costs	54,970	44,604	-	99,574
Proceeds from issue of warrants	-	-	158	158
Employees share option scheme:				
- value of employee services	-	211	-	211
	54,970	44,815	158	99,943
Balance at September 30, 2009	**100,991**	**191,699**	**158,549**	**451,239**

Cash flow statements – Group

(Expressed in USD thousands)	**Jan 1, 2009-Sep 30, 2009**	Jan 1, 2008-Sep 30, 2008	Jan 1, 2008–Dec 31, 2008
OPERATING ACTIVITES			
Result before tax	103,601	-298,435	-557,344
Adjustment for:			
Interest income	-99	-2,871	-2,072
Interest expenses	1,868	3,458	6,823
Currency exchange losses	2,531	1,452	1,511
Depreciations and write-downs	286	107	136
Result from financial assets at fair value through profit or loss	-99,321	157,448	363,261
Result from investments in associated companies	-1,933	137,523	180,563
Result from loan receivables	-5,454	-	7,093
Dividend income	-5,903	-	-9,646
Other non-cash items	211	-755	2,509
Change in current receivables	-226	-29,452	2,214
Change in current liabilities	17,727	3,119	-2,493
Cash from/used in operating activities	**13,278**	**-28,407**	**-7,444**
Investments in financial assets	-53,248	-352,714	-350,516
Sales of financial assets	41,700	341,461	370,471
Increase in loan receivables	-2,479	-	-42,219
Investments in subsidiaries	-53	-	-
Dividend reveived	5,903	-	8,265
Interest received	724	2,871	4,942
Interest paid	-1,868	-4,112	-6,073
Tax paid	-222	3,315	-33
Net cash flow from/used in operating activities	**3,735**	**-37,586**	**-22,607**
INVESTING ACTIVITIES			
Investments in office equipment	-6	-89	-146
Sales of office equipment	31	-	-
Net cash flow from/used in investing activities	**25**	**-89**	**-146**
FINANCING ACTIVITIES			
Proceeds from borrowings	-	149,635	128,119
Repayments of borrowings	-77,214	-50,000	-102,000
Proceeds from new share issue	66,201	-	-
Proceeds from issue of warrants	158	-	-
Net cash flow used in/from financing activities	**-10,855**	**99,635**	**26,119**
Change in cash and cash equivalents	**-7,095**	**61,960**	**3,366**
Cash and cash equivalents at beginning of the period	**29,198**	**27,528**	**27,528**
Exchange gains/losses on cash and cash equivalents	-3,289	-	-1,696
Cash and cash equivalents at end of period	18,814	89,488	29,198

Vostok Nafta Investment Ltd

Key financial ratios – Group

	2009	2008
Return on capital employed, % [1]	**26.97**	-38.54
Equity ratio, % [2]	**95.94**	75.77
Shareholders' equity/share, USD [3]	**4.47**	5.39
Earnings/share, USD [4]	**1.16**	-6.44
Diluted earnings/share, USD [5]	**1.16**	-6.44
Net asset value/share, USD [6]	**4.47**	5.39
Weighted average number of shares for the financial period	**89,142,233**	46,020,901
Weighted average number of shares for the financial period (fully diluted)	**89,142,233**	46,020,901
Number of shares at balance sheet date	**100,990,975**	46,020,901

1. Return on capital employed is defined as the Group's result for the period plus interest expenses plus/less exchange differences on financial loans divided by the average capital employed (the average total assets less non-interest bearing liabilities over the period).
2. Equity ratio is defined as shareholders' equity in relation to total assets.
3. Shareholders' equity/share USD is defined as shareholders' equity divided by total number of shares.
4. Earnings/share USD is defined as result for the period divided by average weighted number of shares for the period.
5. Diluted earnings/share USD is defined as result for the period divided by average weighted number of shares for the period calculated on a fully diluted basis.
6. Net asset value/share USD is defined as shareholders' equity divided by total number of shares.

Income statement – Parent

(Expressed in USD thousands)	Jan 1, 2009- Sep 30, 2009	Jan 1, 2008- Sep 30, 2008	Jul 1, 2009- Sep 30, 2009	Jul 1, 2008- Sep 30, 2008
Operating expenses	-2,826	-2,613	-1,259	-785
Reversals of write-downs on shares in subsidiaries	93,062	-	93,062	-
Operating result	**90,236**	**-2,613**	**91,813**	**-785**
Financial income and expenses				
Interest income	15,452	10,582	5,860	3,586
Interest expenses	-1,436	-	0	-
Currency exchange gains/losses, net	-1,026	-101	15	-1
Other financial extenses	-2	-	-2	-
Net financial items	**12,988**	**10,481**	**5,875**	**3,585**
Net result for the financial period	**103,224**	**7,868**	**97,678**	**3,585**

Balance sheet – Parent

(Expressed in USD thousands)	Sep 30, 2009	Dec 31, 2008
NON CURRENT ASSETS		
Financial non current assets		
Shares in subsidiaries	195,315	102,253
Receivables from Group companies	257,473	175,550
Total financial non current assets	**452,788**	**277,803**
CURRENT ASSETS		
Cash and cash equivalents	15	3
Receivables from related parties	-	49
Other current receivables	655	280
Total current assets	**670**	**332**
TOTAL ASSETS	**453,458**	**278,135**
SHAREHOLDERS' EQUITY (including net result for the financial period)	**451,413**	**248,246**
CURRENT LIABILITIES		
Interest bearing liabilities		
Borrowings	-	27,790
Non-interest bearing current liabilities		
Liabilities to group companies	1,559	1,480
Other current liabilities	221	2
Accrued expenses	265	617
Total current liabilities	**2,045**	**29,889**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**453,458**	**278,135**

Vostok Nafta Investment Ltd

Statement of Changes in Equity – Parent

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
Balance at January 1, 2008	**46,021**	**146,476**	**335,177**	**527,674**
Profit for the period			7,868	7,868
Total recognized income for the financial period January 1, 2008 to September 30, 2008			7,868	7,868
Employees share option scheme:				
– value of employee services	-	331	-	331
	-	331	-	331
Balance at September 30, 2008	**46,021**	**146,807**	**343,045**	**535,873**
Balance at January 1, 2009	**46,021**	**146,884**	**55,341**	**248,246**
Profit for the period			103,224	103,224
Total recognized income for the financial period January 1, 2009 to September 30, 2009			103,224	103,224
Proceeds from new share issue, net of transaction costs	54,970	44,604	-	99,574
Proceeds from issue of warrants	-	-	158	158
Employees share option scheme:				
– value of employee services	-	211	-	211
	54,970	44,815	158	99,943
Balance at September 30, 2009	**100,991**	**191,699**	**158,723**	**451,413**

Note 1 Accounting principles

This consolidated interim report is prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting principles and methods of calculations have been applied for the Group as for the preparations of the consolidated accounts for Vostok Nafta Investment Ltd 2008, with the exceptions described below:

New accounting policies

The revised IAS 1 Presentation of financial statements has been applied for the Group from 1 January 2009 with additional information regarding comprehensive income specified as a separate report directly after Consolidated Income Statement and a new Report of changes in equity for the Group. This change has been applied retroactively from 31 December 2007.

Note 2 Business combinations

a) Acquisition of Premline Holdings Limited and OOO Volga Nash Dom

During the period, Vostok Nafta has acquired 100 per cent of the shares in Premline Holdings Limited and its subsidiary OOO Volga Nash Dom for a cash consideration of SEK 285 thousand. The principal assets of the acquired group of companies are a number of land plots situated by the Volga River. Vostok Nafta has previously had an outstanding loan receivable from the seller Murrayföretagen AB in the nominal amount of USD 2,930 thousand, which in the balance sheet as per December 31, 2008 has been recognized at a book value USD 1,465 thousand. Subsequent to the acquisition of Premline Holdings Limited, the book value of the receivable has, together with the consideration paid in cash, been included in the total cost of acquisition of the companies.

The assets and liabilities arising from the acquisition are as follows (USD thousand):

	Carrying value	**Fair value**
Property, plant and equipment	631	1,520
Other assets	103	103
Liabilities	-1,414	-1,414
Net assets	-471	209
Purchase consideration settled through conversion of debt		308
Purchase consideration settled in cash		51
Cash and cash equivalents in acquired subsidiaries		0
Cash outflow on acquisition		51

During the period, a write-down of the value of the investment in OOO Volga Nash Dom has been recognized in the amount of USD 150 thousand.

b) Acquisition of Dodomar Ventures Limited

During the period, Vostok Nafta has acquired 100 per cent of the shares in Dodomar Ventures Limited (resident in Cyprus) for a total consideration of EUR 2,000. As per date of acquisition the company did not hold any identifiable assets or liabilities.

Note 3 Related party transactions

During the period Vostok Nafta has recognized the following related party transactions:

USD thousand	2009				2008			
	Vostok Gas	Associated companies	Lundin family and group of companies	Key personnel	Vostok Gas	Associated companies	Lundin family and group of companies	Key personnel
Items of the income statement								
Income from loan receivables	-	685	-	-	-	1,098	-	-
Other operating income	99	192	28	-	7	32	37	-
Operating expenses	-	-	-138	-691	-	-	-	-784
Interest expenses (note 3a)	-	-	-419	-254	-	-	-	-
Balance sheet items								
Non current loan receivables	-	979	-	-	-	-	-	-
Current loan receivables	-	3,157	-	-	-	27,711	-	-
Other current receivables	-	339	44	-	-	-	-	-
Retained earnings (note 3c)	-	-	-	-158	-	-	-	-
Current borrowings (note 3a)	-	-	-	-	-	-	-8,564	-5,190
Other current liabilities (note 3b)	-200	-	-214	-	-	-	-	-

3a) Borrowings

As at December 31, 2008, the Group had a loan amounting to USD 13.75 mln (including accrued interest) outstanding to a group of lenders including Simba Investments Ltd, Zebra Holdings and Investments (Guernsey) Limited, Paul Leander-Engström, and Ture Invest AB. Simba Investments Ltd. is majority-owned by Lorito Holdings (Guernsey) Limited and Zebra Holdings and Investments (Guernsey) Limited. The latter two companies are owned on behalf of a trust, whose settler is the estate of Adolf H. Lundin, which includes Lukas H. Lundin, Chairman of the Board of Directors of the Company, and Ian H. Lundin, Board member. Paul Leander-Engström is a member of the Board of Directors of the Company and a shareholder and Chairman of the Board of Directors of Ture Invest AB. During 2009, accrued interest expense on the loan has been recognized in the income statement with an amount of USD 673 thousand. The loan was repaid in full in February 2009.

3b) Loans to employees

In July 2009, Vostok Holding Ltd acquired from Vostok Gas Ltd all rights of the lender under two interest bearing unsecured loans to employees of the Vostok Nafta Group for a total consideration of USD 200,000. As at September 30, 2009, the consideration for the acquired receivables was still outstanding.

3c) Issue of options to employees

At a board meeting on June 18, 2009 it was decided to issue 290,000 options under the Company's Incentive Program to a group of employees. The call options may be exercised not earlier than two years and not later than three years from the time of the granting. The strike price is set as the average of the last price of the 10 trading days prior to the decision plus 20%, which for the options above results in a strike price of SEK 35.17.

For employees resident outside of Sweden the following conditions shall apply: No premium shall be paid for the options and the options may only be exercised if the option holder at the time of exercise is still employed within the group. During the period, 10,000 options have been granted to employees resident outside of Sweden

For employees resident in Sweden the following conditions shall apply: The options are offered at a purchase price corresponding to the market value of the options at the time of the offer. The options are fully transferable and will thereby be considered as securities. During the period, 280,000 options have been issued for a total consideration of USD 158 thousand. Settlement date for issued options was August 1, 2009.

Note 4 Security Undertakings

In July 2009, Vostok Komi (Cyprus) Limited entered into a tri-partite agreement with Bohusman AB and CleanTech East Holding AB, under which Vostok Komi guarantees a SEK 1,368,872 debt of Bohusman AB to Eastern Bio Holdings AB, a wholly owned subsidiary of CleanTech East Holding AB. The guarantee undertaking is secured by the pledge by Bohusman AB of shares in CleanTech East Holding AB, and the value of the undertaking itself is expressly limited to the value of the pledged shares.

Operating and sector-related risks

Country-specific risks

The risks associated with Russia and other CIS states are common to all investments in these countries and are not characteristic of any specific portfolio holding. An investment in Vostok Nafta will be subject to risks associated with ownership and management of investments and in particular to risks of ownership and management in Russia and other CIS states.

As these countries are still, from an economic point of view, in a phase of development, investments are affected by unusually large fluctuations in profit and loss and other factors outside the Company's control that may have an adverse impact on the value of Vostok Nafta's adjusted equity. Investors should therefore be aware that investment activity in Russia and other CIS states entails a high level of risk and requires special consideration of factors, including those mentioned here, which are usually not associated with investment in shares in better regulated countries.

Unstable state administration, both locally and federally, could have an adverse impact on investments. None of the CIS states has a fully developed legal system comparable to that in more developed countries. Existing laws and regulations are sometimes applied inconsistently and both the independence and efficiency of the court system constitute a significant risk. Statutory changes have taken place and will probably continue to take place at a rapid pace, and it remains difficult to predict the effect of legislative changes and legislative decisions for companies. Vostok Nafta will invest in market segments that the Company is active in or will be active in. It could be more difficult to obtain redress or exercise one's rights in CIS states than in some other states governed by law.

Foreign-exchange risk

The Company's investments are primarily made in USD, SEK, EUR or RUB. The Company's accounts are prepared in USD as this is the functional currency. This means that fluctuations in exchange rates may affect the net worth of the portfolio in various ways that do not necessarily reflect real economic changes in the underlying assets.

Acquisition and disposal risk

Acquisitions and disposals are by definition a natural element in Vostok Nafta's activities. All acquisitions and disposals are subject to uncertainty. The Company's explicit exit strategy is to sell its holdings to strategic investors or via the market. There are no guarantees that the Company will succeed in selling its participations and portfolio investments at the price the shares are being traded at on the market at the time of the disposal. Vostok Nafta may therefore fail to sell its holdings in a portfolio company or be forced to do so at less than its maximum value or at a loss. If Vostok Nafta disposes of the whole or parts of an investment in a portfolio company, the Company may receive less than the potential value of the participations, and the Company may receive less than the sum invested.

Vostok Nafta operates in a market that may be subject to competition with regard to investment opportunities. Other investors may thus compete with Vostok Nafta in the future for the type of investments the Company intends to make. There is no guarantee that Vostok Nafta will not in the future be subject to competition which might have a detrimental impact on the Company's return from investments. The Company can partially counter this risk by being an active financial owner in the companies Vostok Nafta invests in and consequently supply added value in the form of expertise and networks.

Despite the Company considering that there will be opportunities for beneficial acquisitions for Vostok Nafta in the future, there is no guarantee that such opportunities for acquisition will ever arise or that the Company, in the event that such opportunities for acquisition arose, would have sufficient resources to complete such acquisitions.

Accounting practice and other information

Practice in accounting, financial reporting and auditing in Russia and other CIS states cannot be compared with the corresponding practices that exist in the Western World. This is principally due to the fact that accounting and reporting have only been a function of adaptation to tax legislation. The Soviet tradition of not publishing information unnecessarily is still evident. The formal requirements for Russian companies are less broad in terms of publishing information than in more developed markets. In addition, access to external analysis, reliable statistics and historical data is inadequate. The effects of inflation can, moreover, be difficult for external observers to analyse. Although special expanded accounts are prepared and auditing is undertaken in accordance with international standard, no guarantees can be given with regard to the completeness or dependability of the information. Inadequate information and weak accounting standards may be imagined to adversely affect Vostok Nafta in future investment decisions.

Corporate governance risk

Misuse of corporate governance remains a problem in Russia. Minority shareholders may be badly treated in various ways, for instance in the sale of assets, transfer pricing, dilution, limited access to Annual

General Meetings and restrictions on seats on boards of directors for external investors. In addition, sale of assets and transactions with related parties are common. Transfer pricing is generally applied by companies for transfer of value from subsidiaries and external investors to various types of holding companies. It happens that companies neglect to comply with the rules that govern share issues such as prior notification in sufficient time for the exercise of right of pre-emption. Prevention of registration of shares is also widespread. Despite the fact that independent authorised registrars have to keep most share registers, some are still in the hands of the company management, which may thus lead to register manipulation. A company management would be able to take extensive strategic measures without proper consent from the shareholders. The possibility of shareholders exercising their right to express views and take decisions is made considerably more difficult.

Inadequate accounting rules and standards have hindered the development of an effective system for uncovering fraud and increasing insight. Shareholders can conceal their ownership by acquiring shares through shell company structures based abroad which are not demonstrably connected to the beneficiary, which leads to self-serving transactions, insider deals and conflicts of interest. The role of the Russian financial inspectorate as the regulator of the equity market to guarantee effective insight and ensure that fraud is uncovered is complicated by the lack of judicial and administrative enforcement instruments.

Deficiencies in legislation on corporate governance, judicial enforcement and corporate legislation may lead to hostile take-overs, where the rights of minority shareholders are disregarded or abused, which could affect Vostok Nafta in a detrimental manner.

Dependence on key individuals

Vostok Nafta is dependent on its senior executives. Its Managing Director, Per Brilioth, is of particular significance to the development of the Company. It cannot be ruled out that Vostok Nafta might be seriously affected if any of the senior executives left the Company.

Investments in growth markets

Investments in growth markets such as Russia entail a number of legal, economic and political risks. Many of these risks cannot be quantified or predicted, neither are they usually associated with investments in developed economies.

International capital flows

Economic unrest in a growth market tends also to have an adverse impact on the equity market in other growth countries or the share price of companies operating in such countries, as investors opt to re-allocate their investment flows to more stable and developed markets. The Company’s share price may be adversely affected during such periods. Financial problems or an increase in perceived risk related to a growth market may inhibit foreign investments in these markets and have a negative impact on the country’s economy. The Company’s operations, turnover and profit development may also be adversely affected in the event of such an economic downturn.

Political instability

Russia has undergone deep political and social change in recent years. The value of Vostok Nafta's assets may be affected by uncertainties such as political and diplomatic developments, social or religious instability, changes in government policy, tax and interest rates, restrictions on the political and economic development of laws and regulations in Russia, major policy changes or lack of internal consensus between leaders, executive and decision-making bodies and strong economic groups. These risks entail in particular expropriation, nationalisation, confiscation of assets and legislative changes relating to the level of foreign ownership. In addition, political changes may be less predictable in a growth country such as Russia than in other more developed countries. Such instability may in some cases have an adverse impact on both the operations and share price of the Company. Since the collapse of the Soviet Union in 1991, the Russian economy has, from time to time, shown

- significant decline in GDP
- weak banking system with limited supply of liquidity to foreign companies
- growing black and grey economic markets
- high flight of capital
- high level of corruption and increased organised economic crime
- hyperinflation
- significant rise in unemployment

It is not certain that the prevailing positive macroeconomic climate in Russia, with rising GDP, relatively stable currency and relatively modest inflation will persist. In addition, the Russian economy is largely dependent on the production and export of oil and natural gas, which makes it vulnerable to fluctuations in the oil and gas market. A downturn in the oil and gas market may have a significant adverse impact on the Russian economy.

Liquidity risk

The Russia market from time to time suffers from low liquidity. This is characterized by high volatility and high spreads between the bid and ask prices. Russian asset prices can be negatively affected by lack of liquidity.

Upcoming Reporting Dates

Vostok Nafta's twelve months report for the period January 1, 2009–December 31, 2009 will be published on February 17, 2010.

November 18, 2009

Per Brilioth
Managing Director

For further information contact Per Brilioth or Robert Eriksson:
tel: +46 8 545 015 50.
www.vostoknafta.com

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying balance sheet of Vostok Nafta Investment Ltd as of September 30, 2009 and the related statements of income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34.

Gothenburg, November 18, 2009

PricewaterhouseCoopers AB

Klas Brand
Authorised Public Accountant

Bo Hjalmarsson
Authorised Public Accountant