

**Vostok  
Nafta  
Investment  
Ltd**

**Twelve Months  
Report**

**2010**



- Net result for the period was USD 138.36 mln (January 1, 2009–December 31, 2009: 139.85). Earnings per share were USD 1.37 (1.40). Net result for the quarter was USD 91.92 mln (36.24). Earnings per share for the quarter were USD 0.91 (0.36).
- The net asset value of the company was USD 625.43 mln (December 31, 2009: 487.62) on December 31, 2010, corresponding to USD 6.19 (4.83) per share. Given a SEK/USD exchange rate of 6.8025 the values were SEK 4,254.48 mln and SEK 42.12, respectively.
- The group's net asset value per share in USD increased by 28.25% over the period January 1, 2010–December 31, 2010. During the same period the RTS index increased by 20.12% in USD terms. During the quarter October 1, 2010–December 31, 2010 the group's net asset value per share in USD increased by 17.02% (RTS index: 17.42%).
- 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 January 31, 2011 was USD 6.70 (SEK 43.14).

### Management report

The Russian market has started to attract more interest over the past months. Since the lows of 2010 the market has rallied some 40% but even so, because of a series of earning upgrades for 2011, it still trades on a PE basis at a 40% discount to the global emerging markets average as well as a 20% discount to its own historical average. The main driver of the recent uptick is the strength in global commodities; oil as well as metals. In addition to this, the continuing low interest rate environment in developed markets results in investors venturing further out the risk curve again – leading to more interest for Russia.

On the local front, perceptions of Russia were certainly helped by the recent acquisition of Wimm-Bill-Dann by Pepsi for USD 5.4 bln. As we have discussed before, Russia usually does well in periods when commodities are strong or at least stable, when the Russian state seems to be getting serious about reforms, and where one can see large multinationals getting long the country through a large acquisition. At the moment we can put a check in all three boxes. We expect commodities to stay strong, although volatility should be expected. Oil price is the one that could be strong to the extent that it does not break the back of a fragile global economic recovery. This is a double-edged sword for Russia, which benefits from a strong oil price but is also dependent on a strong global economy and liquidity.

Reforms in Russia are visible through the privatization round announced during the autumn. When these privatizations actually get started, Secondary Public Offerings in the listed companies are naturally good starting points and the market will continue to draw comfort. More painful reforms are unlikely to be dealt with until after the elections. Despite the downtick for both Putin and Medvedev, as well as for the large Kremlin-friendly party United Russia in the latest opinion polls, betting on anything other than a status quo in the elections – both Duma and Presidential – seems like a tall order.

In terms of macro economics, performance in Russia is steady. GDP growth in 2011 is decelerating slightly compared to 2010 as the stimulus from the Government is slowly withdrawn. Levels are far from the other BRIC countries in 2010 (China 10.3%, India 8.5%, Brazil 7.7%, and Russia 3.8%). Inflation has nudged up during the Autumn due to the increase in grain prices and the Central Bank of Russia is expected to hike rates (although it did not do so at its last meeting).

### TNK-BP

In addition to the Pepsi deal, BP's transaction with Rosneft also adds to the improving picture of Russia. The deal has the companies becoming minority

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shareholders in each other through a share swap, as well as creating a new venture to explore the Arctic for oil. The deal has been legally challenged by BP's partner in TNK-BP, Alfa Access Renova (AAR) citing a shareholders' agreement whereby both sides' oil interests in Russia have to be made through TNK-BP. TNK-BP is likely not interested in a share swap with Rosneft and does not have the same capacity to enter the Arctic as Rosneft does, so the challenge is likely more driven by the quest for a financial penalty. There has even been speculation of a complete buy-out by Rosneft of the AAR stake in TNK-BP. AAR has been known to have negotiated its exit in TNK-BP several times in the recent five years but have been unable to agree on price. If a buy-out by Rosneft is done (Rosneft could be even more eager than BP for commercial reasons and because the deal would distance them from their historical involvement with Yukos, which has been especially vocal in the UK) it will likely also act as the trigger for the revaluation of the listed TNK-BP Holding in which Vostok Nafta has one of its largest positions.

#### Black Earth Farming

I have never felt better about Black Earth Farming. From where we stand today the outlook for 2011 is inspiring. Prices seem to be holding up well although not at the levels of early 2008 yet. Costs are in order although there is more to do to reach our targets. Finally, seeding for 2011 harvest is well underway and bar another year of drought the yield and the number of hectares in production could very well give us a record volume harvest. All in all a record year. The market is obviously fatigued by the company not having shown a profit since it IPO:ed in late 2007, but as 2011 progresses an increased visibility into the picture above will, I believe, prove very favourable for the company's share price.

#### RusForest

The company has started investing the proceeds from the rights issue completed in November. The acquisition of the sawmill and port in Arkhangelsk (LDK-3 and Infa) was completed and further harvesting rights have been acquired in Eastern Siberia. An accelerating interest to secure long term access to fibre is going to drive interest for assets like RusForest. In addition to this the official launch of the company's third sawmill in Eastern Siberia, Magistralny will provide further visibility into the management's ability to complete the turnaround of the company.

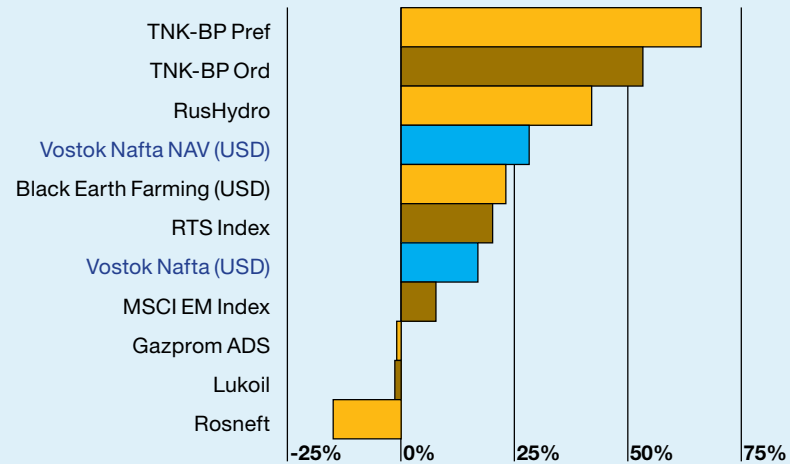
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# Twelve Months Report Covering the Period January 1, 2010–December 31, 2010

### Vostok Nafta's portfolio development

The group's net asset value per share in USD increased by 28.25% over the period January 1, 2010–December 31, 2010. During the same period the RTS index increased by 20.12% in USD terms. During the quarter October 1, 2010–December 31, 2010 the group's net asset value per share in USD increased by 17.02% (RTS index: 17.42%).

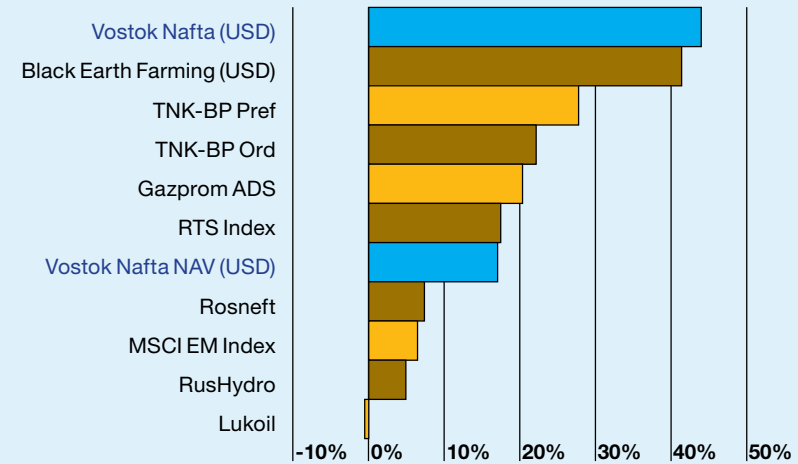
Percent development January 1–December 31, 2010  
(last price paid on relevant stock exchange)



### Portfolio structure

The investment portfolio stated at market value as at December 31, 2010 is shown on the following page. Vostok Nafta's three biggest investments are Black Earth Farming (19.57%) TNK-BP Holding (19.39%), and RusForest (8.78%).

Percent development October 1–December 31, 2010  
(last price paid on relevant stock exchange)



Number of shares	Company	Fair value, USD Dec 31, 2010	Percentage-weight	Value per share, USD Dec 31, 2010	Value per share, USD Dec 31, 2009
5,364,850	Caspian Services	643,782	0.10%	0.12	0.59 1
5,789,903	Kherson Oil Refinery	7,261	0.00%	0.001	0.001 1
16,502,237	TNK-BP Holding Ord	43,730,928	7.11%	2.65	1.73 1
30,953,600	TNK-BP Holding Pref	75,526,784	12.28%	2.44	1.47 1
1,470,000	Novoil	1,389,150	0.23%	0.95	0.88 1
10,300,000	Ufa Refinery	14,729,000	2.39%	1.43	0.90 1
1,165,000	Ufaneftekhim	5,300,750	0.86%	4.55	2.98 1
108,500	Varyaganneftegaz Pref	2,115,750	0.34%	19.50	17.00 1
	<b>Oil, Total</b>	<b>143,443,405</b>	<b>23.32%</b>		
1,261	Alrosa	18,158,400	2.95%	14,400.00	6,250.00 1
300,000	Fortress Minerals	1,277,681	0.21%	4.26	7.80 1
31,434	Gaisky GOK	12,259,260	1.99%	390.00	260.00 1
3,154,498	Poltava GOK	16,231,882	2.64%	5.23	3.24 1
106,242	Priargunsky Ind Ord	24,329,418	3.96%	229.00	195.00 1
11,709	Priargunsky Ind Pref	1,276,281	0.21%	109.00	92.00 1
1,442,400	Shakiya Zinc GDR	158,664	0.03%	0.11	0.04 1
	<b>Other commodities, Total</b>	<b>73,691,585</b>	<b>11.98%</b>		
3,654	Bekabadcement	657,720	0.11%	180.00	150.00 1
375	TKS Concrete <sup>5</sup>	1,506,750	0.24%	4,018.00	4,018.00 1
39,000	Gornozavodsk Cement	9,750,000	1.59%	250.00	140.00 1
1,600,000	Kamkabel	160,000	0.03%	0.10	0.08 1
85,332	Podolsky Cement	53,503	0.01%	0.63	1.24 1
11,804,303	Steppe Cement Ltd	9,293,340	1.51%	0.79	1.00 1
19,730	Transneft Pref	24,330,215	3.96%	1,233.16	780.00 1
1,215,000	Tuimazy Concrete Mixers	5,224,500	0.85%	4.30	6.00 1
	<b>Infrastructure, Total</b>	<b>50,976,028</b>	<b>8.29%</b>		
1,459,734	RusHydro ADR				
	(1 ADR = 100 Local shares)	7,955,550	1.29%	5.45	3.83 1
34,821,499	RusHydro Local shares	1,862,950	0.30%	0.05	0.04 1
3,500,000	Kuzbass Fuel Company	24,045,000	3.91%	6.87	8.50 1
133,752,681	Kuzbassrazrezugol	51,494,782	8.37%	0.39	0.37 1
2,618,241	Kyrgyzenergo	168,688	0.03%	0.06	0.06 1
	<b>Energy Sector Restructuring, Total</b>	<b>85,526,970</b>	<b>13.91%</b>		

Number of shares	Company	Fair value, USD Dec 31, 2010	Percentage-weight	Value per share, USD Dec 31, 2010	Value per share, USD Dec 31, 2009
1,765,000	Agrowill	607,279	0.10%	0.34	0.13 1
30,888,704	Black Earth Farming	120,330,857	19.57%	3.90	3.17 2
272,106	Dakor	2,880,704	0.47%	10.59	11.05 1
	<b>Agriculture, Total</b>	<b>123,818,840</b>	<b>20.13%</b>		
1,073,174	Egidaco Investment Limited (TCS), equity <sup>5</sup>	43,430,866	7.06%	40.47	19.98 1
	<b>Tinkoff Credit Systems Bank (TCS), loan</b>	<b>9,266,579</b>	<b>1.51%</b>		<b>4</b>
50,000	Vosvik AB/Kontakt East <sup>5</sup>	19,538,223	3.18%	390.76	358.76 2
28,165,209	RusForest AB	52,997,380	8.62%	1.88	2.61 2
	<b>RusForest, long-term loans</b>	<b>1,068,316</b>	<b>0.17%</b>		<b>3</b>
	<b>RusForest, issued call options</b>	<b>-53,627</b>	<b>-0.01%</b>		<b>2</b>
284,856,095	Clean Tech East Holding AB	6,281,281	1.02%	0.02	0.09 2
121,300,900	Clean Tech East Holding AB, warrants	178,318	0.03%		<b>2</b>
	<b>Clean Tech East Holding AB, loans</b>	<b>3,633,409</b>	<b>0.59%</b>		<b>3</b>
623,800	TKS Real Estate	990,597	0.16%	1.59	1.43 1
	<b>What Works in the West, Total</b>	<b>137,331,343</b>	<b>22.33%</b>		
	<b>Other non current loan receivables</b>	<b>200,000</b>	<b>0.03%</b>		<b>3</b>
	<b>Other current loan receivables</b>	<b>16,853</b>	<b>0.00%</b>		<b>4</b>
	<b>Other loan receivables, Total</b>	<b>216,853</b>	<b>0.04%</b>		
	<b>Grand Total</b>	<b>615,005,025</b>	<b>100.00%</b>		

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.

5. Private equity investment.

## Vostok Nafta's portfolio as at December 31, 2010

# Twelve Months Report Covering the Period January 1, 2010–December 31, 2010

## INFORMATION ON SIGNIFICANT HOLDINGS

### TNK-BP Holding

TNK-BP is a leading Russian oil company and is among the top ten privately-owned oil companies in the world in terms of crude oil production. The company was formed in 2003 as a result of the merger of BP's Russian oil and gas assets and the oil and gas assets of Alfa Access Renova group (AAR). BP and AAR consortium are the company shareholders on a parity basis. TNK-BP also owns about 50% of the Slavneft oil and gas company. TNK-BP accounts for about 16% of oil production in Russia (including TNK-BP stake in Slavneft). TNK-BP is a vertically integrated oil company with a diversified upstream and downstream portfolio in Russia and Ukraine. The company's total proved reserves amounted to 11.67 billion barrels of oil equivalents as of December 31, 2009. Vostok Nafta sees a superior production outlook due to earlier investments into promising fields. The company is highly cash generative, well managed and cost efficient thanks to a competent management team, with staff from TNK's Russian business and BP's global operations.

- One of the majority shareholders in TNK-BP, BP, has announced a deal between BP and Rosneft involving a mutual share swap (9.5% of Rosneft to be exchanged for a 5% stake in BP) and the formation of an arctic exploration joint venture (66.67% Rosneft/33.33% BP). This deal has been challenged by TNK-BP's other majority shareholder as a violation against the mutual shareholder agreement. While waiting for the arbitration to take place on Feb 25, dividends has been suspended.
- TNK-BP Holding has received approval from MICEX and RTS for its shares to be traded at these two stock exchanges. Trading of both ordinary and preferred shares commenced on December 6, 2010. The shares have previously been traded at RTS Board only (over-the-counter-market).
- TNK-BP's business plan for 2011 provides for an increase in annual hydrocarbon production by 1.3% to 715 mln barrels of oil equivalent (1.96 mln per day), including TNK-BP's share in Slavneft (1.7% to 647 mln barrels of oil equivalent, excluding TNK-BP's share in Slavneft) a rise in the organic investment programme by 15% to USD 4.6 bln and a 100% replacement of production with new reserves.

### TNK-BP Holding

Vostok Nafta's number of shares	
Ordinary	16,502,237
Preferred	30,953,600
Value Ordinary	43,730,928
Value Preferred	75,526,784
Total Value (USD)	119,257,712
Portfolio percentage weight	19.4%
Share of total shares outstanding	0.3%
Share development Oct 1–Dec 31, 2010	
Ordinary	22.1%
Preferred	27.7%

*During the fourth quarter 2010 Vostok Nafta has purchased 2,766,984 preferred shares and 400 ordinary shares and sold 2,743,163 ordinary shares in TNK-BP Holding.*

## Black Earth Farming

Black Earth Farming (BEF) is a leading farming company, publicly listed in Stockholm and operating in Russia. It acquires, develops and farms agricultural land assets primarily in the fertile Black Earth region in southwest Russia. BEF was among the first foreign financed companies to make substantial investments in Russian agricultural land assets to exploit the large untapped potential. Because of its early establishment, BEF has gained a strong market position in several Russian regions, controlling 328 thousand hectares of what perhaps is the world's most fertile soil. Land in ownership amounts to 241 thousand hectares, or 74% of total land under control, and land in long term lease has increased to 48 thousand hectares. The registration of controlled land into full ownership continues successfully with the majority of land now under fully registered free holds. At the same time operating improvements are ongoing with substantial long term potential for increased production and profitability.

- Black Earth Farming Ltd. has appointed Richard Warburton as interim Chief Operating Officer (“COO”), as of January 1st, 2011. The Company is in the process of recruiting a permanent COO and in the meantime Mr. Warburton will bring his vast knowledge and experience of the sector to the position
- Black Earth Farming has appointed Mr. Michael Shneyderman General Manager of its Russian operating entity, Agro-Invest, to become effective as of February 1, 2011. Mr. Shneyderman has served as Chief Financial Officer of Black Earth Farming for the past two and a half years. Alexei Bnatov has decided to step down as the CEO of Agro-Invest to pursue other opportunities, but will remain at the group's disposal during a transition period
- Operating loss for the first 9 months of 2010 was reduced by 56% to RUB 371,355 thousand (USD 12,214 thousand) compared to a loss of RUB 844,473 thousand (USD 27,776 thousand) 2009
- The 2010 harvest which commenced on July 8th was concluded November 12th with a total of 231 thousand tons of gross commercial harvest gathered from 180 thousand hectares (vs. 531 thousand tons from 183 thousand hectares 2009)

### Black Earth Farming

Vostok Nafta's number of shares	30,888,704
Total Value (USD)	120,330,857
Portfolio percentage weight	19.6%
Share of total shares outstanding	24.8%
Share development Oct 1–Dec 31, 2010 (in USD)	41.3%

*During the fourth quarter 2010 Vostok Nafta has purchased 0 shares and sold 0 shares in Black Earth Farming.*

## Tinkoff Credit Systems

Tinkoff Credit Systems (TCS) is Russia's first and only pure credit card lending institution. Based in Moscow, TCS Bank issues credit cards to customers in all of Russia's regions. TCS's senior management consists of a team of experienced professionals formerly employed by Visa, McKinsey and several top Russian banks. The business model is branch-less with customer recruitment and distribution handled via direct mail complemented by online services and a call centre. The advanced underwriting process and customer acquisition by invitation only limits the risk of fraud and exposure to less desirable customers, thus reducing the credit risk. The low-cost business model is flexible with a proven ability to rapidly grow and effectively service credit card portfolio. Russian consumer lending is expected to grow at 47% through 2010 driven by a strong macro-economic performance and outlook.

Vostok Nafta has valued its equity position in TCS based on assumptions that comprise Vostok Nafta's best assessment of the economic conditions that are expected to prevail. This valuation is Vostok Nafta's subjective valuation and may not reflect the real value of the business.

### Tinkoff Credit Systems (TCS)

Vostok Nafta's number of shares	1,073,174
Value shares	43,430,866
Value loan	9,266,579
Total Value (USD)	52,697,445
Portfolio percentage weight	8.6%
Share of total shares outstanding	17.08%
Value development Oct 1–Dec 31, 2010	4.1%

*During the fourth quarter 2010 Vostok Nafta has through purchase and exercise of warrants acquired an additional 187,240 shares in Tinkoff Credit Systems.*

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## Kuzbassrazrezugol

Kuzbassrazrezugol (KZRU) is Russia's second largest thermal coal producer representing over 25% of Russia's total exports of thermal coal. KZRU extracts its coal from 12 open mine pits, all located in the large coal district in south-western Siberia, making it one of the lowest cost producers of high quality thermal coal. Reserves are estimated at 2.3 billion tons of coal implying a reserve life of at least 50 years. The majority of production consists of thermal coal which is mainly used in coal-fired power plants. The key driver of the Russian thermal coal market is the power sector liberalization and the transition from gas to coal as a fuel source. Domestic thermal coal prices are at a large discount to international prices due to the regulations of natural gas and electricity prices in Russia. The gradual liberalization of these markets will close that gap.

- Kuzbassrazrezugol has in 2010 produced about 49.71 million tonnes of coal up by 7.8%YoY including about 4.7 million tonnes of coking coal up by 74.3%YoY
- Total sales 2010 amounted to 45.5 million tonnes including 24.2 million tonnes export sales
- Kuzbassrazrezugol plans to construct 13 new concentrating units, with overall annual capacity of up to 30 million tonnes. Putting the new units into operation will bring the share of processing in overall production to 98% by 2015 against 73% in 2010

Kuzbassrazrezugol	
Vostok Nafta's number of shares	133,752,681
Total Value (USD)	51,494,782
Portfolio percentage weight	8.4%
Share of total shares outstanding	2.18%
Share development Oct 1–Dec 31, 2010	10.0%

During the fourth quarter 2010 Vostok Nafta has purchased 0 shares and sold 0 shares in Kuzbassrazrezugol.

## RusForest

RusForest is active within the forestry sector in Eastern Siberia, Russia. The company was established in 2006 through the acquisitions of Tuba-Les and PIK-89 in the Irkutsk region. Since then, RusForest has reached a considerable scale, both in terms of forest resources and sawmilling capacity, through strategic acquisitions and brownfield development projects. The company currently controls approximately 860 thousand hectares of forest land with an annual allowable cut (AAC) of 1.82 m<sup>3</sup>. By increasing its sawmilling capacity as well as adding other value-adding activities RusForest will continue to develop its vast resource and unlock its potential by delivering a good return to its shareholders. RusForest's goal is to develop into a leading independent integrated forestry and sawmilling company in Russia, with an annual harvest of 1.8–2.0 million m<sup>3</sup> and an annual sawnwood production of 550,000–600,000 m<sup>3</sup> during the coming four years.

- RusForest has completed the acquisition of initially 86% of OAO "LDK-3" and 100% of OOO "Infa", a sawmilling operation, a planning mill, forestry leases and an industrial port located in the city of Arkhangelsk, in northwest Russia
- RusForest has entered into an agreement to acquire the Russian harvesting company OOO "Sibartles", a holder of a pine dominated forest lease, located approximately 80 km north of the Boguchansky LPK sawmill. Sibartles has an annual allowable cut of 165,400 m<sup>3</sup> and cover an area of 105,497 hectares
- RusForest has acquired a new forest lease in Magistralny covering 125,565 hectares with an annual allowable cut (AAC) of 201,000 m<sup>3</sup>. The additional forest lease increases RusForest's AAC in the Magistralny area to 560,000 m<sup>3</sup>, which is sufficient to cover the future raw material requirements of the sawmill under construction at RusForest Magistralny
- RusForest has carried out an early redemption, in the amount of SEK 57,312,500, of the Company's maximum SEK 50,000,000 15% Bonds 2010/2011
- Total turnover for the third quarter 2010 amounted to SEK 66.6 million (SEK 96.1 million Q3 2009). The operating result before financing costs for the period was SEK –65.4 million (SEK –35.1 million)

RusForest	
Vostok Nafta's number of shares	28,165,209
Value shares	52,997,380
Value loan	1,068,316
Total Value (USD)	54,065,696
Portfolio percentage weight	8.8%
Share of total shares outstanding	43.0%
Share development Oct 1–Dec 31, 2010 (in USD)	–1.2%

During the fourth quarter 2010 Vostok Nafta has purchased 0 shares and sold 0 shares in RusForest.

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## Investments

During the fourth quarter gross investments in financial assets were USD 38.38 (37.42) mln and proceeds from sales were USD 7.78 (43.10) mln.

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

Purchases		Sales	
+ 2,766,984	TNK-BP Pref	- 2,743,163	TNK-BP Ord
+ 6,000	Priargunsky Ord	- 1,122,705	Novoil Pref
+ 1,648,720	Steppe Cement	- 150,000	Novoil Ord
		- 3,095,952	Ruric B

## Group – results for the year and net asset value

During the year, the result from financial assets at fair value through profit or loss amounted to USD 106.67 (139.83) mln. Result from investments in associated companies was USD 20.42 (-5.30) mln. Result from loan receivables was USD 8.01 (7.04) mln. Dividend income, net of withholding tax expenses, was USD 9.06 (7.74) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD 5.32 (-4.99) mln.

Net financial items were USD 0.80 (-4.50) mln.

Net result for the year was USD 138.36 (139.85) mln.

Total shareholders' equity amounted to USD 625.43 mln on December 31, 2010 (December 31, 2009: 487.62).

## Group – results for the quarter

During the quarter, the result from financial assets at fair value through profit or loss amounted to USD 48.52 (40.51) mln. Result from investments in associated companies was USD 43.13 (-7.23) mln. Result from loan receivables was USD 0.73 (1.58) mln. Dividend income, net of withholding tax expenses, was USD 1.70 (2.73) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD 1.48 (-1.30) mln.

Net financial items were USD 0.54 (-0.20) mln.

Net result for the quarter was USD 91.92 (36.24) mln.

## 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 9.45 mln on December 31, 2010 (December 31, 2009: 8.94).

(Expressed in USD thousands)	Jan 1, 2010– Dec 31, 2010	Jan 1, 2009– Dec 31, 2009	Oct 1, 2010– Dec 31, 2010	Oct 1, 2009– Dec 31, 2009
<b>Result from financial assets at fair value through profit or loss <sup>1</sup></b>	<b>106,665</b>	<b>139,835</b>	<b>48,521</b>	<b>40,514</b>
<b>Result from investments in associated companies</b>	<b>20,422</b>	<b>-5,296</b>	<b>43,132</b>	<b>-7,229</b>
<b>Result from loan receivables <sup>1</sup></b>	<b>8,005</b>	<b>7,043</b>	<b>730</b>	<b>1,579</b>
<b>Dividend income</b>	<b>10,653</b>	<b>9,111</b>	<b>2,005</b>	<b>3,208</b>
<b>Other operating income</b>	<b>415</b>	<b>910</b>	<b>44</b>	<b>385</b>
<b>Total operating income</b>	<b>146,160</b>	<b>151,603</b>	<b>94,432</b>	<b>38,457</b>
<b>Operating expenses</b>	<b>-5,733</b>	<b>-5,897</b>	<b>-1,526</b>	<b>-1,684</b>
<b>Russian dividend withholding tax expenses</b>	<b>-1,593</b>	<b>-1,367</b>	<b>-301</b>	<b>-482</b>
<b>Write downs</b>	<b>-1,176</b>	<b>-</b>	<b>-1,176</b>	<b>150</b>
<b>Operating result</b>	<b>137,660</b>	<b>144,339</b>	<b>91,429</b>	<b>36,441</b>
<b>Financial income and expenses</b>				
<b>Interest income</b>	<b>16</b>	<b>109</b>	<b>11</b>	<b>10</b>
<b>Interest expense</b>	<b>-7</b>	<b>-1,868</b>	<b>0</b>	<b>0</b>
<b>Currency exchange gains/losses, net</b>	<b>682</b>	<b>-2,745</b>	<b>501</b>	<b>-214</b>
<b>Other financial income</b>	<b>107</b>	<b>22</b>	<b>24</b>	<b>-</b>
<b>Other financial expenses</b>	<b>-</b>	<b>-19</b>	<b>-</b>	<b>0</b>
<b>Net financial items</b>	<b>798</b>	<b>-4,501</b>	<b>535</b>	<b>-204</b>
<b>Result before tax</b>	<b>138,458</b>	<b>139,838</b>	<b>91,965</b>	<b>36,237</b>
<b>Taxation</b>	<b>-98</b>	<b>8</b>	<b>-47</b>	<b>0</b>
<b>Net result for the financial period</b>	<b>138,359</b>	<b>139,846</b>	<b>91,917</b>	<b>36,237</b>
<b>Earnings per share (in USD)</b>	<b>1.37</b>	<b>1.40</b>	<b>0.91</b>	<b>0.36</b>
<b>Diluted earnings per share (in USD)</b>	<b>1.37</b>	<b>1.40</b>	<b>0.91</b>	<b>0.36</b>

1. Interest on loan receivables which are considered parts of the investment portfolio is presented in the income statement as 'Result from loan receivables' among operating income items. Interest on other loans and receivables is presented in the income statement as 'Interest income' among financial items. Realized and unrealized exchange gains/losses on loan receivables which are considered parts of the investment portfolio are presented in the income statement as 'Result from loan receivables'. Financial assets at fair value through profit or loss (including listed bonds) are carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Result from financial assets at fair value through profit or loss' in the period in which they arise.

(Expressed in USD thousands)	Jan 1, 2010– Dec 31, 2010	Jan 1, 2009– Dec 31, 2009	Oct 1, 2010– Dec 31, 2010	Oct 1, 2009– Dec 31, 2009
<b>Net result for the financial period</b>	<b>138,359</b>	<b>139,846</b>	<b>91,917</b>	<b>36,237</b>
<b>Other comprehensive income for the period</b>				
<b>Currency translation differences</b>	<b>-882</b>	<b>-58</b>	<b>-954</b>	<b>148</b>
<b>Total other comprehensive income for the period</b>	<b>-882</b>	<b>-58</b>	<b>-954</b>	<b>148</b>
<b>Total comprehensive income for the period</b>	<b>137,477</b>	<b>139,788</b>	<b>90,963</b>	<b>36,385</b>

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

# Income statements – Group

# Statement of com- prehensive income

(Expressed in USD thousands)	Dec 31, 2010	Dec 31, 2009
<b>NON CURRENT ASSETS</b>		
<b>Tangible non current assets</b>		
Tangible non current assets	133	226
Buildings held for investment purposes	543	1,722
<b>Total tangible non current assets</b>	<b>675</b>	<b>1,948</b>
<b>Financial non current assets</b>		
Financial assets at fair value through profit or loss	401,547	301,607
Investment in associated companies	199,272	148,084
Loan receivables	4,902	22,602
Deferred tax asset	61	109
<b>Total financial non current assets</b>	<b>605,783</b>	<b>472,402</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	9,448	8,935
Loan receivables	9,283	3,180
Receivables from related parties	-	375
Tax receivables	186	155
Other current receivables	1,789	2,050
<b>Total current assets</b>	<b>20,706</b>	<b>14,695</b>
<b>TOTAL ASSETS</b>	<b>627,164</b>	<b>489,045</b>
<b>SHAREHOLDERS' EQUITY</b> (including net result for the financial period)		
	625,430	487,624
<b>CURRENT LIABILITIES</b>		
<b>Non-interest bearing current liabilities</b>		
Liabilities to related parties	200	211
Tax payables	504	516
Unsettled trades	406	-
Other current liabilities	110	61
Accrued expenses	513	633
<b>Total current liabilities</b>	<b>1,733</b>	<b>1,421</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>627,164</b>	<b>489,045</b>

## Balance sheets – Group

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
<b>Balance at January 1, 2009</b>	<b>46,021</b>	<b>146,884</b>	<b>54,988</b>	<b>247,893</b>
<b>Net result for the period</b>				
January 1, 2009 to December 31, 2009	-	-	139,846	139,846
<b>Other comprehensive income</b> <b>for the period</b>				
Currency translation differences	-	-	-58	-58
<b>Total comprehensive income</b> <b>for the period</b>				
January 1, 2009 to December 31, 2009	-	-	139,788	139,788
<b>Transactions with owners:</b>				
<b>Proceeds from new share issue,</b> <b>net of transaction costs</b>				
	54,970	44,604	-	99,574
<b>Proceeds from issue of warrants</b>				
	-	-	157	157
<b>Employees share option scheme:</b>				
<b>- value of employee services</b>				
	-	212	-	212
	54,970	44,816	157	99,943
<b>Balance at December 31, 2009</b>	<b>100,991</b>	<b>191,700</b>	<b>194,933</b>	<b>487,624</b>
<b>Balance at January 1, 2010</b>	<b>100,991</b>	<b>191,700</b>	<b>194,933</b>	<b>487,624</b>
<b>Net result for the period</b>				
January 1, 2010 to December 31, 2010	-	-	138,359	138,359
<b>Other comprehensive income</b> <b>for the period</b>				
Currency translation differences	-	-	-882	-822
<b>Total comprehensive income</b> <b>for the period</b>				
January 1, 2010 to December 31, 2010	-	-	137,477	137,477
<b>Transactions with owners:</b>				
<b>Employees share option scheme:</b>				
<b>- value of employee services</b>				
	-	329	-	329
	-	329	-	329
<b>Balance at December 31, 2010</b>	<b>100,991</b>	<b>192,029</b>	<b>332,410</b>	<b>625,430</b>

## Statement of Changes in Equity – Group

(Expressed in USD thousands)	Jan 1, 2010– Dec 31, 2010	Jan 1, 2009– Dec 31, 2009
<b>OPERATING ACTIVITIES</b>		
Result before tax	138,458	139,838
<b>Adjustment for:</b>		
Interest income	-16	-109
Interest expenses	7	1,868
Currency exchange gains/-losses	-682	2,745
Depreciations and write downs	1,292	174
Result from financial assets at fair value through profit or loss	-106,665	-139,835
Result from investments in associated companies	-20,422	5,296
Result from loan receivables	-8,005	-7,043
Dividend income	-10,653	-9,111
Other non-cash items	3	1,578
Change in current receivables	510	8
Change in current liabilities	411	-76
<b>Net cash used in operating activities</b>	<b>-5,762</b>	<b>-4,667</b>
Investments in financial assets	-113,672	-90,665
Sales of financial assets	88,572	84,795
Increase in loan receivables	17,615	-2,431
Investments in subsidiaries	-	-51
Dividend received	10,653	7,744
Interest received	2,003	989
Interest paid	-7	-1,868
Tax paid	-115	-45
<b>Net cash flow used in operating activities</b>	<b>-714</b>	<b>-6,199</b>
<b>INVESTING ACTIVITIES</b>		
Investments in office equipment	-24	-2
Sales of office equipment	-	38
<b>Net cash flow used in/from investing activities</b>	<b>-24</b>	<b>36</b>
<b>FINANCING ACTIVITIES</b>		
Repayments of borrowings	-	-77,214
Proceeds from new share issue	-	66,201
Proceeds from issue of warrants	326	157
<b>Net cash flow used in/from financing activities</b>	<b>326</b>	<b>-10,856</b>
Change in cash and cash equivalents	-411	-17,019
Cash and cash equivalents at beginning of the period	8,935	29,198
Exchange gains/losses on cash and cash equivalents	924	-3,244
Cash and cash equivalents at end of period	9,448	8,935

	2010	2009
Return on capital employed, % <b>1</b>	24.86	34.68
Equity ratio, % <b>2</b>	99.72	99.71
Shareholders' equity/share, USD <b>3</b>	6.19	4.83
Earnings/share, USD <b>4</b>	1.37	1.40
Diluted earnings/share, USD <b>5</b>	1.37	1.40
Net asset value/share, USD <b>6</b>	6.19	4.83
Weighted average number of shares for the financial period	100,990,975	100,052,565
Weighted average number of shares for the financial period (fully diluted)	100,990,975	100,052,565
Number of shares at balance sheet date	100,990,975	100,990,975

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.

## Cash flow statements – Group

## Key financial ratios – Group

(Expressed in USD thousands)	Jan 1, 2010– Dec 31, 2010	Jan 1, 2009– Dec 31, 2009	Oct 1, 2010– Dec 31, 2010	Oct 1, 2009– Dec 31, 2009
<b>Operating expenses</b>	<b>-5,004</b>	<b>-4,187</b>	<b>-1,159</b>	<b>-1,361</b>
<b>Reversals of write-downs on shares in subsidiaries</b>	<b>-</b>	<b>124,562</b>	<b>-</b>	<b>31,500</b>
<b>Operating result</b>	<b>-5,004</b>	<b>120,375</b>	<b>-1,159</b>	<b>30,139</b>
<b>Financial income and expenses</b>				
<b>Interest income</b>	<b>24,453</b>	<b>21,431</b>	<b>6,094</b>	<b>5,979</b>
<b>Interest expenses</b>	<b>-</b>	<b>-1,436</b>	<b>-</b>	<b>-</b>
<b>Currency exchange gains/losses, net</b>	<b>-10</b>	<b>-1,153</b>	<b>19</b>	<b>-127</b>
<b>Other financial expenses</b>	<b>-</b>	<b>-2</b>	<b>-</b>	<b>-</b>
<b>Net financial items</b>	<b>24,443</b>	<b>18,840</b>	<b>6,113</b>	<b>5,852</b>
<b>Net result for the financial period</b>	<b>19,439</b>	<b>139,215</b>	<b>4,954</b>	<b>35,991</b>

(Expressed in USD thousands)	Jan 1, 2010– Dec 31, 2010	Jan 1, 2009– Dec 31, 2009	Oct 1, 2010– Dec 31, 2010	Oct 1, 2009– Dec 31, 2009
<b>Net result for the financial period</b>	<b>19,439</b>	<b>139,215</b>	<b>4,954</b>	<b>35,991</b>
<b>Other comprehensive income for the period</b>				
<b>Currency translation differences</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>19,439</b>	<b>139,215</b>	<b>4,954</b>	<b>35,991</b>

## Income statement – Parent

## Statement of com- prehensive income

(Expressed in USD thousands)	Dec 31, 2010	Dec 31, 2009
<b>NON CURRENT ASSETS</b>		
<b>Financial non current assets</b>		
Shares in subsidiaries	246,591	226,865
Receivables from Group companies	261,302	261,044
<b>Total financial non current assets</b>	<b>507,893</b>	<b>487,909</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	39	29
Receivables from related parties	-	219
Other current receivables	183	382
<b>Total current assets</b>	<b>222</b>	<b>630</b>
<b>TOTAL ASSETS</b>	<b>508,115</b>	<b>488,539</b>
<b>SHAREHOLDERS' EQUITY</b> (including net result for the financial period)		
	507,172	487,404
<b>CURRENT LIABILITIES</b>		
<b>Non-interest bearing current liabilities</b>		
Liabilities to group companies	619	569
Other current liabilities	54	-
Accrued expenses	270	566
<b>Total current liabilities</b>	<b>943</b>	<b>1,135</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>508,115</b>	<b>488,539</b>

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
<b>Balance at January 1, 2009</b>	<b>46,021</b>	<b>146,884</b>	<b>55,341</b>	<b>248,246</b>
<b>Net result for the period</b>				
January 1, 2009 to December 31, 2009	-	-	139,215	139,215
<b>Other comprehensive income</b>				
<b>for the period</b>				
Currency translation differences	-	-	-	-
<b>Total comprehensive income</b>				
<b>for the period</b>				
January 1, 2009 to December 31, 2009	-	-	139,215	139,215
<b>Transactions with owners:</b>				
<b>Proceeds from new share issue,</b>				
net of transaction costs	54,970	44,604	-	99,574
Proceeds from issue of warrants	-	-	157	157
<b>Employees share option scheme:</b>				
- value of employee services	-	212	-	212
	54,970	44,816	157	99,943
<b>Balance at December 31, 2009</b>	<b>100,991</b>	<b>191,700</b>	<b>194,713</b>	<b>487,404</b>
<b>Balance at January 1, 2010</b>	<b>100,991</b>	<b>191,700</b>	<b>194,713</b>	<b>487,404</b>
<b>Net result for the period</b>				
January 1, 2010 to December 31, 2010	-	-	19,439	19,439
<b>Other comprehensive income</b>				
<b>for the period</b>				
Currency translation differences	-	-	-	-
<b>Total comprehensive income</b>				
<b>for the period</b>				
January 1, 2010 to December 31, 2010	-	-	19,439	19,439
<b>Transactions with owners:</b>				
<b>Employees share option scheme:</b>				
- value of employee services	-	329	-	329
<b>Balance at December 31, 2010</b>	<b>100,991</b>	<b>192,029</b>	<b>214,152</b>	<b>507,172</b>

## Balance sheet – Parent

## Statement of Changes in Equity – Parent

## 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 2009.

## Note 2 Related party transactions

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

USD thousand	Vostok Gas	2010 Associ- ated com- panies	Lundin family and group of com- panies	Key manage- ment	Vostok Gas	2009 Associ- ated com- panies	Lundin family and group of com- panies	Key manage- ment
<b>Items of the income statement</b>								
<b>Income from loan receivables</b>	-	795 <sup>1</sup>	-	-	-	953	-	-
<b>Other operating income</b>	-	16 <sup>2</sup>	117 <sup>2</sup>	-	123	325	108	-
<b>Operating expenses</b>	-	-	-111 <sup>3</sup>	-910 <sup>4</sup>	-	-	-252	-1,221
<b>Interest expenses</b>	-	-	-	-	-	-	-419	-254
<b>Balance sheet items</b>								
<b>Non current loan receivables</b>	-	4,702 <sup>1</sup>	-	-	-	996	-	-
<b>Current loan receivables</b>	-	-	-	-	-	3,153	-	-
<b>Other current receivables</b>	-	-	-	-	23	335	17	-
<b>Retained earnings</b>	-	-	-	-296 <sup>5</sup>	-	-	-	-157
<b>Other current liabilities and accrued expenses</b>								
	-200 <sup>6</sup>	-	-	-146 <sup>4</sup>	-211	-	-268	-110

### 1) Loans to associated companies

During the third quarter 2010 Vostok Nafta provided two short-term loans to RusForest AB in the total amount of USD 12 mln as an advance of Vostok Nafta's share in RusForest rights issue. The unsecured loans carry an interest rate of 15%. Interest income amounting to USD 0.42 mln has been recognised in the Income Statement. Loans were repaid by the way of set-off against shares in RusForest's right issue on November 1, 2010.

Vostok Nafta has an outstanding long-term loan receivable from Clean Tech East Holding AB and RusForest AB, which was recognized at a book value USD 3.63 mln and USD 1.07 mln, respectively as per December 31, 2010.

### 2) Other operating income from associated companies and Lundin companies and other current receivable

Vostok Nafta has an office rental agreement with RusForest AB and Lundin Mining AB. Vostok Nafta provides head office facilities service to Lundin Petroleum AB and Investor Relations and Corporate Communication services to Lundin Mining Corporation, Africa Oil Corporation and Etrion Corporation.

### 3) Operating expenses: Lundin companies

Vostok Nafta buys management and Investor Relations services regarding relations with the stock and financial markets from Namdo Management. The fee amounts to USD 15,000 per month.

### 4) Operating expenses: Key management

Key management includes members of the Board of Directors and members of the management of Vostok Nafta. The compensation paid or payable includes salary and bonuses to the management and remuneration to the Board members.

### 5) Retained earnings: Key management:

#### Issue of call options to a group of employees

On July 21, 2010 the Company authorized the issue of 695,000 of the authorized 2,000,000 options under the company's incentive Program (adopted at the AGM of Vostok Nafta on May 5, 2010) to a group of employees.

The call options may be exercised three years after the time of the granting, which in this case means during the period from August 1, 2013 to August 31, 2013.

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 31.41.

The options are offered at a purchase price corresponding to the market value of the options at the time of the offer. The options shall be fully transferable and will hereby be considered as securities.

6) Other current liabilities: Vostok Gas

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 December 31, 2010, the consideration for the acquired receivables was still outstanding.

7) Other related party transactions

In January 2010, the Company entered into consultancy agreements with Franz Bergstrand and Jerker Karlsson for services relating to evaluation and development of Vostok Nafta's shareholding within forestry and related sectors. Mr. Bergstrand was at the time and remains a board member in RusForest AB and in Clean Tech East Holding AB, both companies in which Vostok Nafta is the largest shareholder, and Mr Karlsson was appointed board member of RusForest AB in May 2010. During 2010, Vostok Nafta has also sold call options with respect to shares in RusForest AB to Mr Bergstrand and Mr Karlsson. All agreements are made on arms' length terms.

## **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 December 31, 2010 the Vostok Nafta Investment Ltd Group consists of one Bermudian parent company, one wholly owned Bermudian subsidiary, four wholly owned Cypriot subsidiaries, four wholly owned Russian subsidiaries and one wholly owned Swedish subsidiary.

The financial year is January 1–December 31.

## **Parent company**

The parent company finances the Cypriot subsidiaries' operations on market terms. The net result for the period was USD 19.44 (139.22) mln.

## **Financial and Operating risks**

The Company's risks and risk management are described in detail in note 3 of the Company's Annual Report 2009.

## **Upcoming Reporting Dates**

Vostok Nafta's three month report for the period January 1, 2011–March 31, 2011 will be published on May 18, 2011.

## **Annual General Meeting and Annual Report 2010**

The annual general meeting is planned to take place on Wednesday, May 4, 2011. The annual report will be available on the company's website ([www.vostoknafta.com](http://www.vostoknafta.com)) from March 31, 2011.

February 16, 2011

Per Brilioth

Managing Director

Vostok Nafta Investment Ltd

Vostok  
Nafta  
Investment  
Ltd

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

**Vostok Nafta Sverige AB**  
Hovslagargatan 5  
SE-11148 Stockholm  
Sweden  
Phone +46 8 545 015 50  
Fax +46 8 545 015 54

[www.vostoknafta.com](http://www.vostoknafta.com)  
[info@vostoknafta.com](mailto:info@vostoknafta.com)