Vostok Nafta Investment Ltd

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

Press Release
February 17, 2010

Vostok Nafta Investment Ltd.
Twelve Months Report
Covering the Period
January 1, 2009–December 31, 2009

- Net result for the period was USD 139.86 mln (January 1, 2008–December 31, 2008: -556.39). Earnings per share was USD 1.40 (-10.32). Net result for the quarter was USD 36.25 mln (-260.23). Earnings per share for the quarter was USD 0.36 (-4.82).

- The net asset value of the company was USD 487.62 mln (December 31, 2008: 247.89) on December 31, 2009, corresponding to USD 4.83 (December 31, 2008:5.39) per share. Given a SEK/USD exchange rate of 7.1568 the corresponding values were SEK 3,489.83 mln and SEK 34.56, respectively.

- The group's net asset value per share in USD decreased by 10.36 % over the period January 1, 2009–December 31, 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 +40.34%. During the same period the RTS index increased by 133.24% in USD terms. During the quarter October 1, 2009–December 31, 2009 the group's net asset value per share in USD increased by 8.06% (RTS index: +17.48%).

- 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 29, 2010 was USD 5.15 (SEK 37.91).

The company will host a telephone conference with an interactive presentation on Wednesday, February 17, 2010 at 13:30 Central European Time (CET). For call-in details, see separate press release issued Monday, February 15, 2010 at www.vostoknafta.com.

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, 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.

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 141.05 (-363.26) mln. Result from investments in associated companies was USD -5.30 (-180.56) mln. Result from loan receivables was USD 5.83 (-7.09) mln. Dividend income, net of withholding tax expenses, was USD 7.74 (8.27) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD -4.99 (-7.69) mln.

Net financial items were USD -4.49 (-6.99) mln.

Net result for the period was USD 139.86 (-556.39) mln.

Total shareholders' equity amounted to USD 487.62 mln on December 31, 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 41.73 (-205.81) mln. Result from investments in associated companies was USD -7.23 (-43.04) mln. Result from loan receivables was USD 0.36 (-12.04) mln. Dividend income, net of withholding tax expenses, was USD 2.73 (4.33) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD -1.30 (-1.58) mln. During the quarter, a previously recognized write-down of the value of the investment in OOO Volga Nash Dom was reversed.

Net financial items were USD -0.20 (-0.76) mln.

Net result for the quarter was USD 36.25 (-260.23) 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 8.94 mln on December 31, 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 subsidiaries has been made in the amount of USD 124.56 mln. The net result for the period was USD 139.22 (-279.84) mln.

Management report

The last quarter of 2009 saw in broad terms a continuation of the trends of the 3rd quarter which meant continuous signs of improvement in the world economy and a low interest rate environment. The global macro strength has led to an increasing debate about when to start to remove the fiscal and monetary stimulus in place virtually all over the world. In fact even though yet to involve the traditional short term rate tool, some tightening can be witnessed in fast growing countries and regions. Most notably, and due to its importance to world growth the most worried about, Chinese authorities have started to reign in the credit stimulus provided through its banking sector. However given the size of the stimulus provided and its clear effects in the very strong macro statistics out of that country, taking some steam out of the economy is probably sound management. This will not derail the transformation that this country is going through. The often quoted anxiety that China is getting close to where Japan was in the late 1980 with a credit driven bubble economy with huge overcapacity is most likely severely overdone. China is more likely where Japan was in the 1970's or possibly 1960's, some 20 or so years off from peak territory. The next decades will go in booms and busts, but these booms are the 12-13% growth periods and the busts are the 6-7% growth periods. China today has 5% of the capital stock of countries like the US or Japan and despite being the largest car market by sales in the world (1 million cars sold per month) the same amount of cars as the US had in 1917. Combine that with the fact that oil supplies are decreasing all over the world and Russia becomes an interesting place to play China…

The fear that the US economy has started to grow enough to have real inflation pressures start to build in turn leading to fears of imminent rate hikes by the Fed – but this is also most likely a premature fear. Both inflation data and the environment of overcapacity, continued deleveraging and low velocity of money supply tell a tale of deflation more than inflation. Obviously it is important to keep an eye on the horizon - for when the Fed starts to hike we know from history that asset markets are in for a period of rough waters. We will have patches of increased nervousness about this from time to time but for now that nervousness should calm down. The turning point from deflation to inflation could be as long as five years away.

Going in to the New Year (and decade) strategists from bulge bracket banks formed a narrow consensus that the world would keep on growing until the middle of the year. Then, they said, the Chinese authorities (and possibly also the Fed) would start to tighten and equities could come down. When a consensus is so broadly agreed upon one can often assume that markets are already long this view and the actual outcome will be different. Such was also the case this time around. Chinese authorities started a tightening round much earlier and risk was taken off the table. De-risking was also helped by a concern that the turbulence around the fiscal strains in Greece would spread to Spain and Portugal and thus potentially to challenge the idea of the euro as a whole. Bar a complete European breakdown and instead financial help for Greece, global macro strengths and low rates will likely lead to investments into risk being put back on again. However due to the volatility of the last couple of years and a lack of a decisive view of what movements there are on the macro horizon, 2010 is likely to be much choppier than last year (again something that is so much talked about that one's contrarian streak likes to think that the year will be one straight calm line).

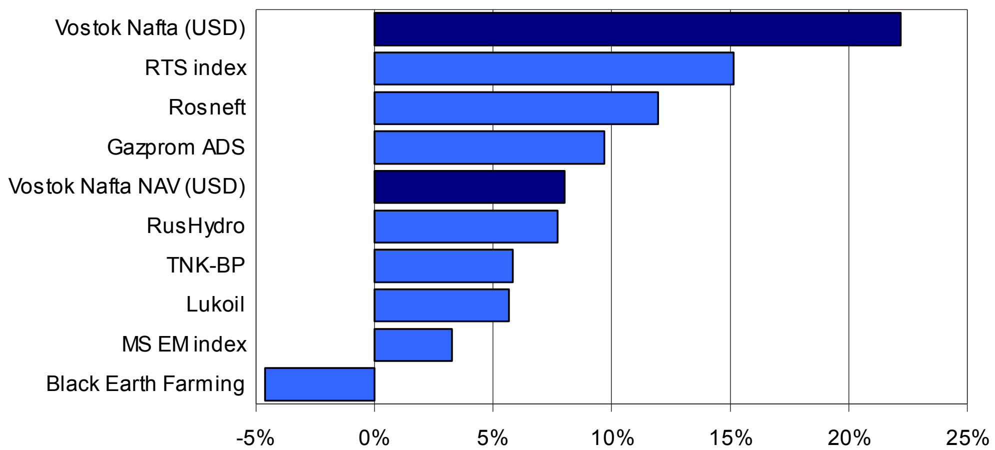
Meanwhile back home in Russia, due to the extreme tightening of last year, the monetary environment is one of decreasing rates instead of the other way around. This is driven by lower inflation today and visibility of more of the same going into 2010. The fiscal deficit is in much better shape also than previously expected (2009 came in at a deficit of 5.3% versus the expected 9% earlier in the year). At today's oil prices UBS thinks that the deficit of 2010 is 3% and that it might possibly be balanced as early as 2011. Most agree also that the rouble is undervalued to the order of 20%, which allows for external accounts to be in surplus. Also on the positive side, the crisis of 2008-2009 has led to a renewed focus on reforms - most notably in the taxation of the oil sector, restructuring of state companies and privatization.

On the micro side, I think I can allow myself to state that we see signs of improvements across all the companies where we are a large shareholder. The capital markets are opening up, the pricing for their output is picking up (however there are exceptions e.g. wheat) and the cost cutting these companies have been engaged in over the past year has left them in a stronger situation than pre-crisis. In our listed portfolio, where we typically invest into high risk premiums relating to for example corporate governance, there are also signs of improvement. Kuzbassrazrezugol, a coal company which is extremely cheap on an asset basis because of transfer pricing, low transparency and a general failure to see the point of the equity market, had its first ever investor conference call to amongst other things talk about their end of transfer pricing! To us this is a very clear first sign of risk premium reduction.

Vostok Nafta's portfolio development

The group's net asset value per share in USD decreased by 10.36% over the period January 1, 2009–December 31, 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 +40.34%. During the same period the RTS index increased by 133.24% in USD terms. During the quarter October 1, 2009–December 31, 2009 the group's net asset value per share in USD increased by 8.06% (RTS index: +17.48%).

Percent development October 1–December 31, 2009 (last price paid on relevant stock exchange)



Black Earth Farming

Black Earth Farming (BEF) announced an addition to the management team towards the end of 2009. Alexei Bnatov has been recruited as new General Manager of the Russian operating entity Agro-Invest, to become effective March 1, 2010. Mr Bnatov has most recently held the position of Vice President & General Manager for CIS with the Russian subsidiary of Greif Inc. – an international leader in industrial packaging products and services – listed on the New York Stock Exchange. Michael Shneyderman, who has been acting General Manager, will resume his position as the Black Earth Farming Group's Chief Financial Officer. In addition a new sales and logistics team with experience of Russian grain trading will help BEF to participate in direct export sales with a better opportunity to engage in large volume sales and increase margins via in-house logistics. The new team executed the Company's first ever export deal in January 2010, with 35,000 tons of Barley.

The company's production for 2009 was 19 percent lower than planned due to lower average crop yields which were affected by unfavourable weather conditions among other factors. The commercial harvest for 2009 amounted to 511 thousand tons on 181 thousand planted hectares compared with 437 thousand tons on 142 thousand hectares in 2008. Total area to be planted for 2010 is estimated to be 208 thousand hectares, which is a 13 percent increase year-on-year. Revenues for the first 9 months of 2009 were also affected by an average price drop of 38 percent to USD 159 per ton for BEF's major crops wheat and barley despite improved quality.

Wheat futures have dropped steadily since the United States Department of Agriculture (USDA) on January 12, 2010 raised estimates of global wheat stocks further. After rebounding slightly in the end of 2009, wheat prices have dropped around 15 percent so far in 2010 as reports of continued high global inventories with estimates of global wheat production this year not far from last year's record production.

BEF had around 345 thousand tons of grains in inventory going into the fourth quarter and signalled that the target to breakeven on an EBITDA level for the full year would not be met if prices did not improve significantly in the short term, the market has however as indicated above not improved significantly. The company is focusing on implementing improvements both on the revenue and cost side to increase operational efficiency and productivity in order to become a profitable company. With the addition of Mr Bnatov and the continued efforts of current management the company now has an excellent team in place with a clear focus on creating value through improved sales and tight cost control to make Black Earth Farming one of the world's best run agricultural companies.

For more information regarding BEF please see the company's year-end report to be released on Friday, February 26, 2010, at www.blackearthfarming.com.

Thermal coal (Kuzbassrazrezugol and Kuzbass Fuel Company)

Global thermal coal prices continue to rise as electricity demand from China and India soars fuelling coal imports, while in the meantime supply cannot keep up due to infrastructure bottlenecks in key export countries such as Australia and South Africa. Mining giant Xstrata underscored the fact predicting that the market will remain robust as imports of thermal coal will grow strongly in those countries where domestic supplies cannot meet demand.

Demand has also been boosted by the severe winter weather across Europe, China and eastern USA. Chinese thermal power output was reported up 39 percent year-on-year in January 2010. A jump in China's power needs due to the cold weather is imposing tremendous stress on its energy supply system, reflected in falling coal stocks at power generators as coal shortages have already led to power rationing in some parts of the country. China will likely have a difficult coal position for some time as domestic supply growth, according to the Ministry of Land and Resources, will slow to 4.8 percent per annum over the next 5 years before stagnating. That would make its targeted 8 percent economic growth impossible to achieve without imports. This year China has managed to import 2 percent or 100 million tons of world coal production to make up the balance, partly facilitated by take-or-pay contracts freeing up coal from Japan and Europe. China will need imports of an extra 2 percent of world output annually over the next 5 years.

In addition, India is confident that it will increase its power capacity by 29 percent by 2012, adding 66 GW to the 82 GW already under construction. India is the 3rd largest producer of coal globally, producing 400 million tons, but importing a further 100 million tons. Based on those figures, that is a further 145 million tons of coal that will be needed by 2012, or an additional 2.9 percent of today's world coal output. It is yet unknown what the mix between increased domestic production and increased imports will be. Either way, vast amounts of new mining and transport infrastructure will be required.

Concerns are being raised about the inability of world coal supplies to react to the rising prices due to bottlenecks in the key exporting nations, South Africa and Australia, where port congestion and rail problems have not been resolved. The supply bottlenecks that plagued the coal market in early 2008 could well re-emerge this year, given the lack of investment in export infrastructure to increase flexibility and capacity. Given that the percentage of world coal that is transported internationally is relatively small, logistic capacity will have to be increased significantly to meet future needs. There is no one single country equipped to accommodate this increase in demand for coal without massive investment in new mines and projects. Russia has also experienced infrastructure bottlenecks with scarce Far Eastern rail and port capacity delaying coal shipments to Asian markets.

Investor sentiment towards the Russian thermal coal sector is getting increasingly upbeat as a number of transactions are expected to be completed in the near future. Belon OAO is looking to sell its steaming coal business in order to focus on coking coal. The steaming coal assets produce 2.3 million tons of coal annually and contribute 35 percent of Belon’s revenues. Analysts estimate the sum of a potential sale to be USD 200 to 260 million, implying a price to production multiple in the range of USD 87 to 130 per ton. The implication of this news gives another strong reason for being positive on Kuzbassrazrezugol especially, as its price to production multiple is USD 48 per ton. Also providing positive sentiment are the upcoming IPOs of both SUEK (Siberian Coal Energy Company), which is Russia’s leading producer of thermal coal, as well as Kuzbass Fuel Company.

Company	**Mkt cap $ mn**	**EV/EBITDA 2010E**	**EV/Reserves $/ton**	**EV/prod. $/ton**	**P/Reserves $/ton**	**P/prod $/ton**
Mechel	7,497	12.2	1.7	275	1.1	185
Raspadskaya	3,449	17.4	4.2	383	4.1	367
Belon	725	18.1	2.1	216	1.2	131
Kuzbassrazrezugol	**2,384**	**4.9**	**1.5**	**67**	**1.1**	**48**
Kuzbass Fuel Company	**713**	**11.2**	**2.4**	**153**	**2.1**	**130**
Average		12.8	2.4	218.8	1.9	172.2

Source: UBS

Developments at Kuzbassrazrezugol continue to be extremely encouraging after the company reported its first ever quarterly report for the third quarter of 2009 which showed no signs of transfer pricing on its exports. The company has since held a conference call with investors outlining the company's plans going forward as well as confirming the abolished transfer pricing, stating that it will not revert to any tax optimization schemes in the future. This new transparency reduces the governance risk premium, which has hampered the valuation of the company, and supports a continued strong share price development given that it still trades at a large discount to its peers.

Tinkoff Credit Systems (Egidaco)

While Tinkoff Credit Systems (TCS) has yet to publish their year-end report, 2009 is shaping up to be an exceptionally good year given the tough market conditions the company experienced during the year. A real-life stress test in the form of highly restrictive availability of funding, a spike in unemployment feeding through to asset quality risk along with extreme currency movements was surpassed, verifying the flexible business model. Given the high share of variable costs expenses were shed by 40 percent in a matter of weeks while credit advances to customer were halted as crisis became apparent. As a result net profit for the first 9 months of 2009 reached USD 12 million with the full year figure for 2009 expected to approach USD 18 to 20 million. With a return on equity well above 60 percent TCS is currently one of the most profitable banks in Russia.

TCS currently has a market share of over 3 percent in terms of credit cards outstanding in Russia and around 440 thousand customers. The total credit portfolio of around RUB 6 billion (USD 200 million) continues to provide high yields. The market leader Russian Standard Bank is losing its dominant position as the Russian state banks, Sberbank and VTB with access to cheap funding, are taking market share. Credit card penetration remains under 10% in Russia and has probably shrunk during the crisis which leaves ample room for growth.

TCS restarted originating loans in August 2009 growing organically by expanding credit limits and increasing its customer base. A retail deposit pilot program was successfully tested during the end of 2009 and will be rolled out during 2010. Given the lack of wholesale funding the initiative will diversify the funding base and has the potential of providing over USD 20 million in funding. This will however not cover the entire funding need as the company is positioned to grow much faster, thus TCS will look to the capital markets for additional funding during the year.

Vostok Nafta's assessment of the fair value of the equity held in TCS/Egidaco has resulted in an increase in the fair value by USD 4.2 million to USD 20.2 million. A reduced cost of equity as the equity risk premium has subsided globally and in Russia, has positively affected the fair value of TCS/Egidaco. 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.

TNK-BP Holding

German Khan, one of TNK-BP's key Russian shareholders, commented the on the company's position via a newspaper interview which suggests a positive outlook for the stock. Khan believes that the company could be worth USD 50 to 60 billion, versus USD 30 billion at present. He is also supportive of the potential IPO of TNK BP International which had been agreed upon in an earlier shareholders agreement. The company has previously indicated that the IPO might take place in 2011. Khan also seems to be positive on the recent management changes, involving the nomination of Maxim Barsky as CEO.

The company was the first Russian company to conduct a Eurobond placement in 2010. The issuance worth USD 1 billion was heavily oversubscribed with maturities in 2015 and 2020 carrying a coupon rate of 6.25 and 7.25 percent respectively. The proceeds will be used to finance TNK-BP's capital investment program while also refinance some short-term liabilities. Rating agencies have lately been positive about TNK-BP's credit quality. In particular, in December 2009 S&P upgraded the company by one notch to BBB–. Overall TNK-BP is one notch below Gazprom and Transneft and has the same rating as Lukoil.

Russian Finance Minister Alexei Kudrin recently called for the abolishment of the newly introduced export duty reliefs for oil fields in Eastern Siberia as it would mean RUB 80 billion in missed revenues for the state budget. While the main beneficiary of the announced tax reliefs is state controlled Rosneft and its flagship Vankor field, TNK-BP also has vast greenfield potential in the region. It is estimated that the export duty waiver would save Rosneft USD 3.2 billion, Surgutneftegaz USD 800 million and TNK-BP USD 500 million in 2010, with additional increased tax benefits in 2011 and 2012. Given that the export duty break was initiated by PM Vladimir Putin, largely targets Rosneft and allows the East Siberia - Pacific Ocean pipeline to be filled with crude for further exports to China, there is doubt that it will be eliminated just a couple of months after its introduction. Deputy Prime Minister Igor Sechin has announced that he expects to convince the finance ministry to keep export duty holidays for crude oil from the region of East Siberia within two months.

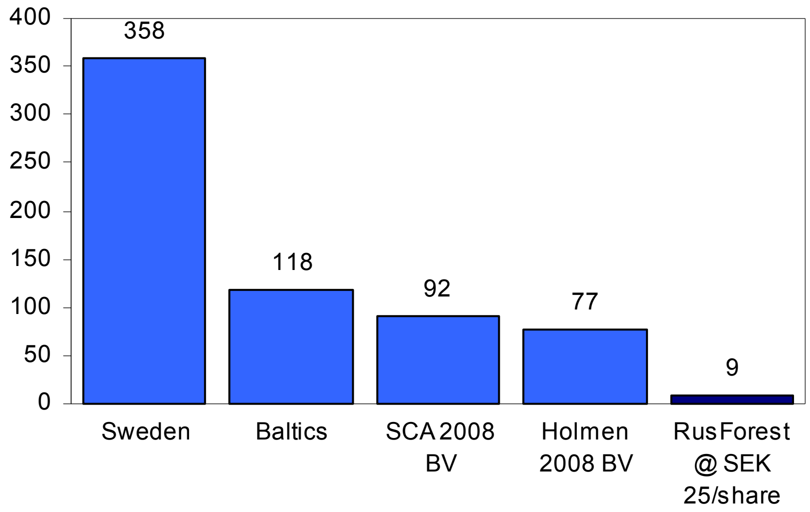
RusForest

The general market for timber and sawn wood products recovered somewhat during the second half of 2009 in terms of pricing. From a Macroeconomic perspective there are still no clear cut signals of a stable market recovery. U.S. housing construction is picking up but housing sales remain not far from all-time lows as there continues to be an overhang of inventory despite record low mortgage rates. Japan is experiencing stable albeit depreciated construction levels, while construction activity in European countries displays a similar picture. Swedish average export prices for sawn wood have increased by approximately 18 percent from the bottom in the first quarter of 2009. RusForest has based its 2010 operations on prices of around USD 200 per m^3 of sawn wood seen in September 2009, which is around 11 percent higher than the lows seen in the first half of 2009.

RusForest continues to have a strong order book and never experienced a decrease in demand for its products given the quality of raw material in its operating area. The issue to be resolved is reliance of supply as the company has struggled to meet its orders due to the difficulties in achieving a consistent log flow from the forest. This has in turn affected the prices realized as old orders have to be met. Actions are being taken to resolve the issue which is a key focus area for the company. A full time production director has been recruited in order to transfer the vast knowledge and experience of forestry operations which exists in Scandinavia to the local management teams in Eastern Siberia. There is a vast improvement potential in terms of operating efficiency in the Russian forestry industry to complement the competitive advantage of low cost raw materials. In addition as investments into more value added forestry activities occur in the region, there will also be an increased competition and pricing for sawmilling by-products which RusForest currently sells to the local monopoly pulp producer.

RusForest has a highly impressive asset base both in terms of forestry area as well as equipment, both of which are currently valued very conservatively. As of September 30, 2009 the reported book value of equity was SEK 42, a majority of which is approximately USD 100 million or around SEK 32 per share, capital invested in new state-of-the-art harvesting and sawing equipment. There is a great potential to monetize on these assets and generate a healthy return which currently is the key focus of RusForest.

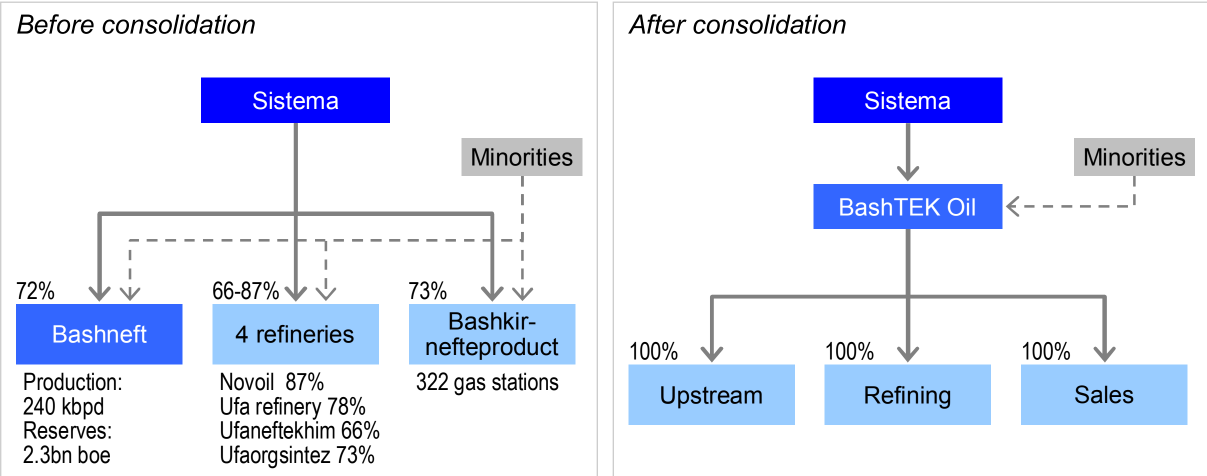
Forest valuation (SEK/m3)



For more information regarding RusForest please see the company's year-end report to be released on Friday, February 26, 2010, at www.rusforest.com.

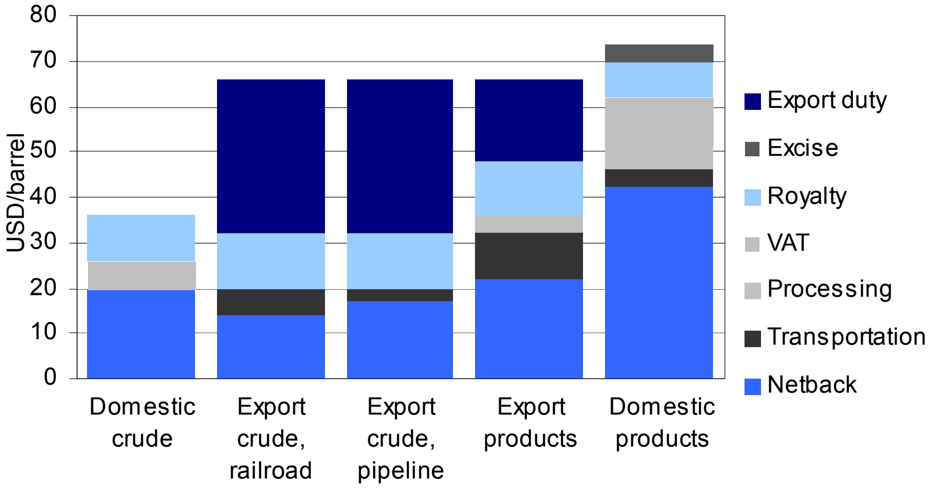
BashTEK Oil

During the recent quarter Vostok Nafta invested in three separate oil refineries and a petrochemicals company located in the Republic of Bashkortostan. The companies; Ufa Refinery, Ufaneftekhim, Novoil and Ufaorgsintez were at the time of acquisition all controlled via majority equity stakes by AFK Sistema, the public Russian conglomerate and Investment Company. Sistema has a strategy of consolidating and integrating the companies together with the upstream oil company Bashneft and retail company Bashkirnefteproduct into a combined vertically integrated oil company called BashTEK Oil. The process of consolidation has already started as Sistema sold its stakes in the four downstream companies to Bashneft which was approved by an Extraordinary General Meeting in December 2009. The next step required by Russian law is for Bashneft to make an offer to the minority shareholders in the refineries, either for cash or a swap for shares in Bashneft, in order to fully integrate the refinery and downstream businesses with Bashneft. The price or swap ratios have yet to be determined.



The consolidation of the Bashkir energy assets will turn Bashneft into a vertically integrated company long in refining. The newly created company BashTEK will be a top ten oil production company in Russia (with 11.7 million tons produced in 2008), the fifth largest oil processing Russian company (with 21 million tons processed in 2008) and the fourth largest company by oil reserves (over 310 million tons). To balance the upstream (c. 12mtpa) and downstream (c. 20mtpa) capacities, Bashneft will have to buy 11 to 12 mtpa on the open market. Sistema reported that Bashneft has reached an agreement with Lukoil and Shell to buy crude oil. The key advantage of owning refining capacity in Russia is that export duties paid on refined products are much lower than crude oil export duties. In particular, export duties on light products are around 75 percent of the duty on crude oil exports and export duties on heavy products are about 40 percent of the crude oil export duty. Higher profitability of downstream export operations translates into higher profitability of the domestic product sales through net-back prices.

Net-backs by segment, USD/barrel (Source: Deutsche Bank)



The Bashkir refineries are generally considered to be among the best in Russia but have been under-utilised. Management has commented that it is in the process of removing tolling schemes from the refineries (tolling is basically processing of third-party crude for a fee). A special marketing entity will be set up to buy crude for refining and selling refined products. The full integration of the refining capacity into Bashneft will enable the company to process own and purchased crude oil at own refineries and market the final refined products itself. Major modernisation programmes aimed at Euro-3, 4-5 standards have also been implemented.

There is currently a lot of hidden fundamental value in the Bashkirian downstream companies which will likely be unlocked once Sistema's integration process is completed. There is significant potential for improvements by increasing production efficiency and capacity utilization among others. The Russian refining industry is more profitable than European refineries because of higher export duties for oil and lower duties for products which create a larger gap between the value of oil and the value of products. Ufa Refinery would generate an EBITDA of USD 66 per ton of capacity at an oil price of USD 69 per barrel if it operates independently, which is higher than USD 57 per barrel for European peers. Despite of this Ufa Refinery is traded at an Enterprise Value to capacity multiple of USD 52 per ton versus its peers' at USD 365 per ton.

A simple valuation of the soon to be consolidated company BashTEK that refines all the oil produced by Bashneft and then trades petroleum products is illustrated in the table below. BashTEK is valued at a sharp discount to its Russian peers.

Company	EBITDA/barrel 2010E	Net income/bbl 2010E	EV/EBITDA 2010E	P/E 2010E	EV/Production
Rosneft	20.5	11.6	5.3	7.4	109.4
Lukoil	19.8	11.4	3.7	5.7	73.8
Surgutneftegaz	12.7	7.4	4.1	10.5	52.0
TNK-BP Holding	17.2	11.5	2.7	4.1	47.2
Gazprom Neft	27.0	12.4	4.9	9.3	132.5
Tatneft	12.1	7.6	5.6	7.6	67.6
Average	18.2	10.3	4.4	7.4	80.4
BashTEK Oil	**19.2**	**12.9**	**3.0**	**4.4**	**57.7**

Source: UBS

Kontakt East Holding (Vosvik)

Kontakt East has seen its operations stabilise during the second half of 2009 as it continues to transform its directory media business online while establishing Consumer eCommerce as a market leader within online classified ads.

Following a very difficult start to the year Yellow Pages has been profitable since July 2009 but has yet to see a meaningful recovery in sales from the lows. Focus at Yellow Pages remains on transferring customers online, i.e. emigrating from selling static advertisement to a service that provides value and a measurable return on investment for the customer. If Small and Medium sized Enterprises (SMEs) recognize that Yellow Pages can generate buyers searching for their product then a membership based model can be established providing a high share of recurring online revenues. The Yellow Pages traffic packages aims to do just this by providing SMEs with a premium website which will generate a certain number of leads as well as sales. It also provides credibility to the client towards its customer as they are backed by Yellow Pages which is a recognized brand. Launched in mid 2009 the packages have showed encouraging sales.

Within Consumer eCommerce Avito.ru has had a very encouraging year with regards to visitors and number of classified ads listed on the site. Starting the year with some 500 thousand unique visitors per month the site had approximately 3 million visitors in October and over 5 million visitors at the beginning of 2010. Awareness has increased as Avito.ru has been launched to the wider public via television commercials running in Moscow and St. Petersburg. Every week 175 to 200 thousand new listings are added to the website.

During 2010 monetization of Avito.ru is set to commence although on a small scale at first. Revenues will primarily be in the form of voluntary listing fees as well as display fees or banners and AdSense where a search engine like Google rents space for contextual advertising. Currently 2 percent of all new listings pay a voluntary fee to promote their classified ad. This segment will be developed during 2010 to expand the various services and also to apply the appropriate pricing strategy. Focus however remains on investing in increasing the amount visitors and listings in order to become the clear market leader. The liquidity of buyers and sellers is steadily improving towards the market position where Avito.ru is the natural place to go to in order to buy or sell something.

Vostok Nafta's assessment of the fair value of the equity held in Kontakt East/Vosvik has resulted in an increase in the fair value by USD 2.7 million to USD 18.4 million. A reduced cost of equity as the equity risk premium has subsided globally and in Russia, as well as improved operational visibility has positively affected the fair value of Kontakt East/Vosvik. 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, operating margin, 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.

Investments

During the period net investments in financial assets were USD 8.35 (22.26) mln.

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

Purchases (shares)

+	10,300,000	Ufa Refinery
+	1,715,000	Ufaneftekhim
+	189,300	Gazpromneft ADR

Sales (shares)

–	677,233	Sibirsky Cement
–	1,444,045	Uchalinsky Gok
–	132,000	Lukoil ADR

Portfolio structure

The investment portfolio stated at market value as at December 31, 2009 is shown below. Vostok Nafta's three biggest investments are Black Earth Farming (20.61%), Kuzbassrazrezugol (10.41%), and Egidaco/Tinkoff Credit Systems (10.03%).

Vostok Nafta Investment Ltd

Vostok Nafta portfolio as at December 31, 2009

Number of shares	Company	Market value, USD	Percentage weight
5,364,850	Caspian Services	3,165,262	0.67% [1]
189,300	Gazpromneft ADR	5,300,400	1.11% [1]
5,789,903	Kherson Oil Ref	7,196	0.00% [1]
1,122,705	Novoil Pref	366,002	0.08% [1]
1,620,000	Novoil Ord	1,425,600	0.30% [1]
27,096,616	TNK BP Holding Pref	40,644,924	8.55% [1]
1,715,000	Ufaneftekhim	5,102,125	1.07% [1]
670,000	Ufaorgsintez	2,378,500	0.50% [1]
10,300,000	Ufa Refinery	9,270,000	1.95% [1]
41,500	Varyaganneftegaz	705,500	0.15% [1]
	Oil, total	68,365,509	14.38%
1,159	Alrosa	7,243,750	1.52% [1]
6,000,000	Fortress Minerals	2,335,519	0.49% [1]
31,274	Gaisky Gok	8,131,240	1.71% [1]
3,154,498	Poltava Gok	10,218,589	2.15% [1]
98,242	Priargunsky Ind Ord	19,157,190	4.03% [1]
11,709	Priargunsky Ind Pref	1,077,228	0.23% [1]
1,442,400	Shakiya Zinc GDR	57,696	0.01% [1]
	Commodities, total	48,221,212	10.14%
3,000	Bekabadcement	450,000	0.09% [1]
178	TKS Concrete	1,506,750	0.32% [1]
39,000	Gornozavodsk Cement	5,460,000	1.15% [1]
1,600,000	Kamkabel	128,000	0.03% [1]
85,332	Podolsky Cement	106,058	0.02% [1]
322,767	Sibirski Cement	5,971,190	1.26% [1]
10,156,113	Steppe Cement Ltd	10,180,650	2.14% [1]
19,730	Transneft Pref	15,389,400	3.24% [1]
1,215,000	Tuimazy Concrete Mixers	7,290,000	1.53% [1]
	Infrastructure, total	46,482,048	9.78%
4,678,734	RusHydro	17,919,551	3.77% [1]
50,000	Kuzbasskaya	20,000,000	4.21% [1]
133,752,681	Kuzbassrazrezugol	49,488,492	10.41% [1]
2,618,241	Kyrgyzenergo	168,688	0.04% [1]
	Energy Sector Restructuring, total	87,576,731	18.42%

Vostok Nafta portfolio as at December 31, 2009 (continued)

Number of shares	Company	Market value, USD	Percentage weight	
30,888,704	Black Earth Farming	97,972,881	20.61%	2
1,765,000	Agrowill	0	0.00%	1
272,106	Dakor	3,007,078	0.63%	1
	Agriculture, total	100,979,959	21.24%	
258,000	Lukoil ADR	14,757,600	3.10%	1
785,000	Surgutneftegas ADR	3,728,750	0.78%	1
	Short term trades, total	18,486,350	3.89%	
42,254,295	Clean Tech East Holding AB	3,367,449	0.71%	2
-4,000,000	Clean Tech East Holding AB, granted Call Options	-139,418	-0.03%	2
	Clean Tech East Holding AB, loan	3,153,250	0.66%	4
10,888,403	RusForest	28,450,253	5.98%	2
	RusForest (Cyprus) Limited, loan	996,321	0.21%	3
50,000	Vosvik/Kontakt East	18,432,331	3.88%	2
5,000,000	Egidaco 18% 2011	6,073,821	1.28%	1
885,934	Egidaco Investment Ltd	17,697,000	3.72%	1
	Egidaco/TCS WTS	2,510,000	0.53%	1
	Tinkoff Credits Systems Bank, loan	21,388,490	4.50%	3
547,000	Custos AB	2,292,920	0.48%	1
623,800	Waymore Holding	894,124	0.19%	1
	What works in the West works in the East, total	105,116,541	22.11%	
	Other non current loan receivables	217,636	0.05%	3
	Other current loan receivables	26,561	0.01%	4
	Other loan receivables, total	**244,197**	**0.06%**	
	Grand Total	**475,472,547**	**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– Dec 31, 2009**	Jan 1, 2008– Dec 31, 2008	**Oct 1, 2009– Dec 31, 2009**	Oct 1, 2008– Dec 31, 2008
Result from financial assets at fair value through profit or loss	141,053	-363,261	41,732	-205,813
Result from investments in associated companies	-5,295	-180,563	-7,228	-43,039
Result from loan receivables	5,825	-7,093	360	-12,039
Dividend income	9,111	9,646	3,208	4,977
Other operating income	910	1,027	385	951
Total operating income	**151,603**	**-540,244**	**38,457**	**-254,963**
Operating expenses	-5,897	-8,716	-1,684	-2,528
Russian dividend withholding tax expenses	-1,367	-1,381	-482	-648
Other operating expenses	-	-15	-	-15
Reversal of write downs	-	-	150	-
Operating result	**144,339**	**-550,356**	**36,441**	**-258,154**
Financial income and expenses				
Interest income	109	2,072	10	367
Interest expense	-1,868	-6,823	0	-1,887
Currency exchange gains/losses, net	-2,736	-1,511	-205	-59
Other financial income	22	-	-	-
Other financial expenses	-19	-726	0	824
Net financial items	**-4,492**	**-6,988**	**-195**	**-755**
Result before tax	**139,847**	**-557,344**	**36,246**	**-258,909**
Taxation	8	956	0	-1,322
Net result for the financial period	**139,855**	**-556,388**	**36,246**	**-260,231**
Earnings per share (in USD)	1.40	-10.32	0.36	-4.82
Diluted earnings per share (in USD)	1.40	-10.32	0.36	-4.82

Statement of comprehensive income

Net result for the financial period	**139,855**	**-556,388**	**36,246**	**-260,231**
Other comprehensive income for the period				
Currency translation differences	-67	-81	139	754
Total other comprehensive income for the period	**-67**	**-81**	**139**	**754**
Total comprehensive income for the period	**139,788**	**-556,469**	**36,385**	**-259,477**

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)	Dec 31, 2009	Dec 31, 2008
NON CURRENT ASSETS		
Tangible non current assets		
Property, plant and equipment	1,948	510
Total tangible non current assets	**1,948**	**510**
Financial non current assets		
Financial assets at fair value through profit or loss	301,606	134,180
Investments in associated companies	148,084	115,296
Loan receivables	22,602	17,384
Deferred tax asset	110	14
Total financial non current assets	**472,402**	**266,874**
CURRENT ASSETS		
Cash and cash equivalents	8,935	29,198
Loan receivables	3,180	27,847
Receivables from related parties	375	60
Tax receivables	155	129
Other current receivables	2,050	2,538
Total current assets	**14,695**	**59,772**
TOTAL ASSETS	**489,045**	**327,156**
SHAREHOLDERS' EQUITY (including net result for the financial period)	**487,624**	**247,893**
NON CURRENT LIABILITIES		
Deferred tax liabilities	-	19
Total non current liabilities	**-**	**19**
CURRENT LIABILITIES		
Interest bearing current liabilities		
Borrowings	-	77,887
Non-interest bearing current liabilities		
Liabilities to related parties	211	-
Tax payable	516	498
Other current liabilities	61	171
Accrued expenses	633	688
Total current liabilities	**1,421**	**79,244**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**489,045**	**327,156**

Vostok Nafta Investment Ltd

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 December 31, 2008	-	-	-556,388	-556,388
Other comprehensive income for the period				
Currency translation differences	-	-	-81	-81
Total comprehensive income for the period January 1, 2008 to December 31, 2008	-	-	**-556,469**	**-556,469**
Employees share option scheme:				
- value of employee services	-	408	-	408
	-	**408**	**-**	**408**
Balance at December 31, 2008	**46,021**	**146,884**	**54,988**	**247,893**
Balance at January 1, 2009	**46,021**	**146,884**	**54,988**	**247,893**
Net result for the period January 1, 2009 to December 31, 2009	-	-	139,855	139,855
Other comprehensive income for the period:				
Currency translation differences	-	-	-67	-67
Total comprehensive income for the period January 1, 2009 to December 31, 2009	**-**	**-**	**139,788**	**139,788**
Proceeds from new share issues, net of transaction costs	54,970	44,604	-	99,574
Proceeds from issue of warrants	-	-	157	157
Employees share option scheme:				
- value of employee services	-	212	-	212
	54,970	**44,816**	**157**	**99,943**
Balance at December 31, 2009	**100,991**	**191,700**	**194,933**	**487,624**

Vostok Nafta Investment Ltd

Cash flow statements – Group

(Expressed in USD thousands)	**Jan 1, 2009- Dec 31, 2009**	Jan 1, 2008– Dec 31, 2008
OPERATING ACTIVITES		
Result before tax	139,847	-557,344
Adjustment for:		
Interest income	-109	-2,072
Interest expenses	1,868	6,823
Currency exchange losses	2,736	1,511
Depreciations and write-downs	142	136
Result from financial assets at fair value through profit or loss	-139,835	363,261
Result from investments in associated companies	5,296	180,563
Result from loan receivables	-7,043	7,093
Dividend income	-9,111	-9,646
Other non-cash items	1,578	2,509
Change in current receivables	8	2,214
Change in current liabilities	-76	-2,493
Cash used in operating activities	**-4,699**	**-7,444**
Investments in financial assets	-90,665	-350,516
Sales of financial assets	84,795	370,471
Increase in loan receivables	-2,431	-42,219
Investments in subsidiaries	-51	-
Dividends received	7,744	8,265
Interest received	989	4,942
Interest paid	-1,868	-6,073
Tax paid	-45	-33
Net cash flow used in operating activities	**-6,231**	**-22,607**
INVESTING ACTIVITIES		
Investments in office equipment	-	-146
Sales of office equipment	68	-
Net cash flow from/used in investing activities	**68**	**-146**
FINANCING ACTIVITIES		
Proceeds from borrowings	-	128,119
Repayments of borrowings	-77,214	-102,000
Proceeds from new share issue	66,201	-
Proceeds from issue of warrants	157	-
Net cash flow used in/from financing activities	**-10,856**	**26,119**
Change in cash and cash equivalents	**-17,019**	**3,366**
Cash and cash equivalents at beginning of the period	**29,198**	**27,528**
Exchange gains/losses on cash and cash equivalents	-3,244	-1,696
Cash and cash equivalents at end of period	8,935	29,198

Key financial ratios – Group

	2009	2008
Return on capital employed, % [1]	**34.68**	-97.23
Equity ratio, % [2]	**99.71**	75.77
Shareholders' equity/share, USD [3]	**4.83**	5.39
Earnings/share, USD [4]	**1.40**	-10.32
Diluted earnings/share, USD [5]	**1.40**	-10.32
Net asset value/share, USD [6]	**4.83**	5.39
Adjusted weighted average number of shares for the financial period*	**100,052,565**	53,936,495
Adjusted weighted average number of shares for the financial period (fully diluted)	**100,052,565**	53,936,495
Number of shares at balance sheet date	**100,990,975**	46,020,901

* In accordance with IAS 33, the weighted average number of shares has been adjusted as a consequence of the preferential issue, which was carried out in February 2009. In the computation, the number of shares outstanding before the issue has been adjusted, as if the issue had occurred at the beginning of the earliest period reported. The multiple factor applied when adjusting the number of shares outstanding prior to the issue is 1.172.

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 the adjusted average weighted number of shares for the period.
5. Diluted earnings/share USD is defined as result for the period divided by the adjusted 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-Dec 31, 2009**	Jan 1, 2008-Dec 31, 2008	**Oct 1, 2009-Dec 31, 2009**	Oct 1, 2008-Dec 31, 2008
Operating income	-	184	-	184
Operating expenses	-4,187	-4,614	-1,361	-2,001
Write-downs/reversals of write-downs on shares in subsidiaries	124,562	-288,692	31,500	-288,692
Operating result	**120,375**	**-293,122**	**30,139**	**-290,509**
Financial income and expenses				
Interest income	21,431	14,327	5,979	3,745
Interest expenses	-1,436	-655	-	-554
Currency exchange gains/losses, net	-1,153	-386	-127	-386
Other financial expenses	-2	-	-	-
Net financial items	**18,840**	**13,286**	**5,852**	**2,805**
Net result for the financial period	**139,215**	**-279,836**	**35,991**	**-287,704**

Vostok Nafta Investment Ltd

Balance sheet – Parent

(Expressed in USD thousands)	Dec 31, 2009	Dec 31, 2008
NON CURRENT ASSETS		
Financial non current assets		
Shares in subsidiaries	226,865	102,253
Receivables from Group companies	261,044	175,550
Total financial non current assets	**487,909**	**277,803**
CURRENT ASSETS		
Cash and cash equivalents	29	3
Receivables from related parties	219	49
Other current receivables	382	280
Total current assets	**630**	**332**
TOTAL ASSETS	**488,539**	**278,135**
SHAREHOLDERS' EQUITY (including net result for the financial period)	**487,404**	**248,246**
CURRENT LIABILITIES		
Interest bearing liabilities		
Borrowings	-	27,790
Non-interest bearing current liabilities		
Liabilities to group companies	569	1,480
Other current liabilities	-	2
Accrued expenses	566	617
Total current liabilities	**1,135**	**29,889**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**488,539**	**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	-	-	-279,836	-279,836
Total recognized income for the financial period January 1, 2008 to December 31, 2008	**-**	**-**	**-279,836**	**-279,836**
Employees share option scheme:				
– value of employee services	-	408	-	408
	-	408	-	408
Balance at December 31, 2008	**46,021**	**146,884**	**55,341**	**248,246**
Balance at January 1, 2009	**46,021**	**146,884**	**55,341**	**248,246**
Profit for the period	-	-	139,215	139,215
Total recognized income for the financial period January 1, 2009 to December 31, 2009	**-**	**-**	**139,215**	**139,215**
Proceeds from new share issue, net of transaction costs	54,970	44,604	-	99,574
Proceeds from issue of warrants	-	-	157	157
Employees share option scheme:				
– value of employee services	-	212	-	212
	54,970	**44,816**	**157**	**99,943**
Balance at December 31, 2009	**100,991**	**191,700**	**194,713**	**487,404**

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 for 2008, with the exceptions described below:

New accounting policies

The revised IAS 1 Presentation of financial statements has been applied for the Group from January 1, 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 December 31, 2007.

Note 2 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 management	Vostok Gas	Associated companies	Lundin family and group of companies	Key management
Items of the income statement								
Income from loan receivables	-	953	-	-	-	-5,746	-	-
Other operating income	123	325	108	-	7	610	221	-
Operating expenses	-	-	-252	-1,221	-	-	-119	-1,257
Interest expenses	-	-	-419	-254	-	-	-313	-190
Balance sheet items								
Non current loan receivables	-	996	-	-	-	-	-	-
Current loan receivables	-	3,153	-	-	-	27,711	-	-
Other current receivables	23	335	17	-	60	-	-	-
Retained earnings	-	-	-	-157	-	-	-	-
Current borrowings	-	-	-	-	-	-	-8,564	-5,190
Other current liabilities and accrued expenses	-211	-	-268	-110	-	-	-119	-197

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 three months report for the period January 1, 2010–March 31, 2010 will be published on May 19, 2010.

Annual General Meeting and Annual Report 2009

The annual general meeting is planned to take place on Wednesday, May 5, 2010. The annual report will be available on the company's website (www.vostoknafta.com) from March 26, 2010.

February 17, 2010

Per Brilioth
Managing Director

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

This report has not been subject to review by the company's auditors.