Vostok Nafta Investment Ltd

Three Months Report

2009

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

Vostok Nafta
Sverige AB
Hovslagargatan 5
SE-111 48 Stockholm
Sweden
Phone +46 8 545 015 50
Fax +46 8 545 015 54

www.vostoknafta.com
info@vostoknafta.com

– Net result for the period was USD –38.72 mln (January 1, 2008–March 31, 2008: 160.76). Earnings per share was USD –0.53 (3.49).

– The net asset value of the company was USD 275.48 mln (December 31, 2008: 247.89) on March 31, 2009, corresponding to USD 2.99 (5.39) per share. Given a SEK/USD exchange rate of 8.2557 the corresponding values were SEK 2,274.27 mln and SEK 24.71, respectively.

– The group's net asset value per share in USD decreased by 44.44% over the period January 1, 2009–March 31, 2009. Excluding the effects from the new share issue the development would have been –15.58%. During the same period the RTS index increased by 9.14% in USD terms.

– During the period Vostok Nafta has completed a rights issue, whereby 46,020,901 shares were issued for a consideration of SEK 12 each. Net of transaction costs, the proceeds from the right issue amounted to USD 66.20 mln (SEK 537.86 mln). The number of outstanding shares at the end of the period was 92,041,802.

– The reported net asset value per share of Vostok Nafta as of April 30, 2009 was USD 3.85 (SEK 30.96). Adjusted for changes in the fair value of Tinkoff Credit Sytems and Vosvik/Kontakt East, the net asset value per share of Vostok Nafta as of April 30, 2009 was USD 3.71 (SEK 29.81).

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 March 31, 2009 the Vostok Nafta Investment Ltd Group consists of one Bermudian parent company, one wholly owned Bermudian subsidiary, two wholly owned Cypriot subsidiaries, three wholly owned Russian subsidiaries and one wholly owned Swedish subsidiary.

Starting from January 1, 2009 Vostok Nafta will report its operations in two segments:

– Portfolio Investments; which are the Group's investments in associated companies, financial assets at fair value through profit or loss and loan receivables; and
– Venture Capital Investments; which will comprise investments in operating companies were the Group holds more than 50 per cent of the votes. As at March 31, 2009 the Group's only investment within this segment is ZAO Baikal Energy. Since the segment does not meet any of the quantitative thresholds to be considered reportable, and separately disclosed, Vostok Nafta does not report information separately about the segment in this report.

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 –20.54 (86.32) mln, where a change in the fair value of the holdings of equity in Tinkoff Credit Systems has impacted the result with USD –8.00 mln. Result from investments in associated companies was USD –11.24 (70.45) mln, which includes a change in the fair value of the stockholdings in Vosvik/Kontakt East with USD –4.20 mln. Result from loan receivables was USD –4.55 (1.23) mln, which is mainly a foreign exchange loss when revaluating the loan receivables denominated in Russian Roubles into US dollars. Dividend income was USD 3.98 (3.27) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD –1.49 (–1.49) mln.

Net financial items were USD –4.30 (0.33) mln.

Net result for the period was USD –38.72 (160.76) mln.

Total shareholders' equity amounted to USD 275.48 mln on March 31, 2009 (December 31, 2008: 247.89).

New share issue and loan repayments

In February 2009, Vostok Nafta completed a rights issue, whereby 46,020,901 shares were issued for a consideration of SEK 12 each. Net of transaction costs, the proceeds from the right issue amounted to USD 66.20 mln.

Subsequent to the new share issue, the Company has repaid USD 15.25 million of outstanding debt. After the end of the period, the Company has also repaid the outstanding short-term bond loan of EUR 10.0 million. As at March 31 2009, the Group's borrowings, which are entirely relating to the short-term bond, amounted to USD 14.01 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 26.27 mln on March 31, 2009 (Dec 31, 2008: 29.20). Adjusting also for the Company's outstanding EUR 10 mln bond, which was repaid on April 15, 2009, liquid assets as at March 31, 2009 was USD 12.26 min.

Parent company

The parent company finances the Cypriot subsidiary's operations on market terms. The net result for the period was USD 1.48 (2.55) mln.

Annual General Meeting

An Annual General Meeting in Vostok Nafta Investment Ltd was held on May 14, 2009.

At the meeting, the shareholders considered a number of items, some of which were the following.

– The profit and loss account and the balance sheet as well as the consolidated profit and loss account and the consolidated balance sheet showing total loss for the financial year January 1–December 31, 2008, in the amount of USD 279,836 thousand were adopted. The directors' proposal that no dividends be paid was approved.
– Eight directors were re-elected, namely Al Breach, Per Brilioth, Paul Leander-Engström, Torun Litzén, Ian H. Lundin, Lukas H. Lundin, William A. Rand and Robert J. Sali. Lukas H. Lundin was appointed Chairman of the Board.
– PricewaterhouseCoopers AB was re-elected as the Company's auditors.

Management report

The Russian economy continued to contract in the first quarter of 2009 where preliminary estimates from the Economics Ministry point to a 9.5 percent decline. The background to the development is the same as described in our previous report: a lack of global liquidity as well as domestic (as a result of the rouble valuation pre-devaluation) stopped private sector investment. The fall in economic activity has started to ease due to credit stabilising (both from external and internal sources), the inventory cycle coming to an end and government spending. Inflation, now at annualized rate of 11 percent, has started to slow which in turn has enabled the Central Bank to cut basic interest rates which is positive as it will contribute to the revival of lending and economic activity. Having said that the return of activity is not yet strong enough to offset a contraction for the full year which is now expected at around 6 percent.

The "green shoots" of activity in the US and China has also given some respite to the oil price. A return of activity and the consequent demand for oil is what will drive the price from depressed levels in the short term. Deeper-than-expected OPEC cuts have also limited supply and reduced the near term risks of very low oil prices for a sustained period. Longer term we believe that the return to USD 100 per barrel range is driven by problems on the supply side with a combination of geologic maturity and geopolitical challenges.

The oil price helps the valuation of the rouble and thus also rouble credit markets. The underdeveloped state of the Russian banking system makes the flow back of credit frustratingly slow. Although it has developed immensely over the past ten years it is not equipped to smoothly handle the large change in external flows resulting from the global financial crisis. The external lending to Russian corporates directly and indirectly through the domestic banking system abruptly changed over the course of last year and we are still feeling the effects of this flow drying up.

Corporate Russia's debt situation was never on the scale seen in other parts of Eastern Europe but 2009 is a year when a large part of the outstanding debt is due. So far about a third of it has been rolled over with the rest paid back. Some restructurings are taking place although no major bankruptcy has (yet) been experienced. Without boasting a full data set it seems like bondholders have suffered more than shareholders, an emerging market phenomenon and a result of weak bankruptcy laws and procedures as well as the importance of the incumbent management (often the same as the majority shareholder). The willingness of foreign banks to roll over their lending will however improve as the oil price trends higher.

Russian asset pricing has also come back to life. Up 75 percent from the lows, asset prices have gone through a normalisation process from the overshoot to the downside that we witnessed during the autumn. Again, a return to the levels seen 12 months ago will require that the "green shoots" in the world economy turns into signs of spring if not full bloom. In the meantime it seems like equity flows seem to be supporting the Russian equity market as international investors reappraise Russia on the back of reduced risk aversion.

The reassessment of asset prices and the resulting valuations often follow a typical cycle. As such initial improvements were seen in the credit space and blue chip equities have followed suit. We now are starting to see interest and volumes also show up within the small-to-medium cap sphere as sentiment improves and buyers with longer time horizons and unconstrained by illiquidity come in. Within the private equity space readjustments often lag the general market as buyers' and sellers' perception of value lies further apart and the adjustment process to find a common level takes longer. Thus, valuations of private investments have yet to see similar improvements to that of the general market.

Consequently remeasurements of fair value have led to adjustments in the carrying value of a couple of our unlisted holdings at the end of the quarter. While

Russian asset prices and valuations have broadly improved recently, the macroeconomic environment in general – and for both Tinkoff Credit Systems and Kontakt East Holding in particular – remains challenging. Given the uncertainty that resides over the economic outlook we believe a conservative approach is called for, why more cautious assumptions regarding future developments has resulted in reductions of the carried value of the investments.

While the current near term outlook remains uncertain there is cause for careful optimism. Given our investment criteria and time horizon there is also reason to be opportunistic. We intend to be meticulous regarding new investments and have used the first months of this year to carefully add to positions where we want to increase the percentage shareholding. Valuations – whether it is over earnings or book – continue to put Russia at the very bottom compared to other markets. Thus we continue to be on the lookout for opportunities and evaluate them as they present themselves with a clear focus in mind.

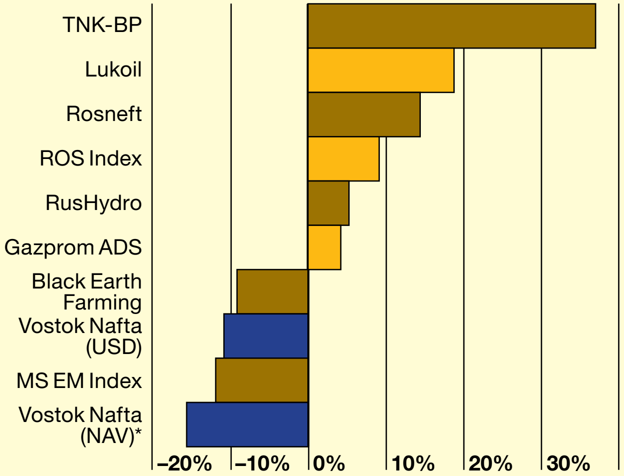
Vostok Nafta's portfolio development

Vostok Nafta's net asset value per share in USD decreased by 44.44% over the period January 1, 2009–March 31, 2009. Excluding the effects from the new share issue the development would have been –15.58%. During the same period the RTS index increased by 9.14% in USD terms.

Percent development January 1–March 31, 2009

Last price paid on relevant stock exchange

** NAV change is excluding effects from the new share issue*



Black Earth Farming

Black Earth Farming (BEF) continues to grow and strengthen its operational platform. During the start of 2009 the company has continued to sell crops out of its inventory, which at the end of 2008 amounted to around 335 thousand tons of crops under storage. Timing of sales can be handled in a more optimized way, due to BEF's investments in storage facilities. Meanwhile, spring planting for the company's fourth harvest has commenced. BEF does not intend to spend capital on ploughing fallow land in 2009, which should have positive effects on the near term results.

The Russian Agricultural ministry stated in April that they forecast the 2009 grain harvest to be approximately 85 to 90 million tons, a 20 percent decline from 2008. The final global wheat area for the 2009 harvest is still uncertain and will depend on major crops still to be planted in Canada, Argentina and Australia. Yet global areas for grain cultivation will likely decline in 2009, as data of winter planting in the US and UK showed declines. In addition, global productivity will likely be lower as farmers scale back their use of fertilizers and plant protection due to weaker grain prices. Droughts have affected several countries, including Argentina and Ukraine, with lost crops and diminished yields as a consequence. In China, 43 percent of the country's crops of winter wheat have been negatively affected by drought. The demand picture remains vague as the effects on demand for agricultural products from the global economic downturn are still unclear. In general, demand for food staples is less elastic than most other goods. Grain prices remain soft – wheat prices were down 46 percent year-on-year in mid April 2009 – but the catalysts for price appreciation, both in the short and long term, are still present.

In February, the company's shares were upgraded to trade on First North Premier, which is a new segment within First North, reserved for companies that make a conscious decision to comply with higher disclosure and accounting standards than the regular First North rules. Companies on Premier are committed to following the main market disclosure rules. Right from the start there has been a high aim for the Company in terms of transparency, market communication and governance, which this upgrade confirms.

RusForest

In the beginning of May 2009, Varyag Resources announced that it will acquire Vostok Nafta's 50 percent stake in RusForest in exchange for newly issued shares in Varyag. Following the completion of the transaction, RusForest will be fully owned by Varyag and Vostok Nafta will own 44.4 percent of the share capital and votes in Varyag. The acquisition is a part of restructuring Varyag in order to change its business strategy and structure from a private equity company to a fully fledged forestry company. As a result, Varyag intends to change its name to RusForest and Aleksandr Williams, currently the Managing Director of the management company Taiga Capital Ltd, will be appointed as CEO. The company also intends to initiate the process of applying for listing at Nasdaq OMX Stockholm.

RusForest has reached a considerable scale, controlling around 1 million hectares of forest land and an Annual Allowable Cut (AAC) of 1.6 million cubic metres. Additionally, major progress has been made regarding the company's consolidated sawn wood capacity, which is set to increase to around 400 thousand cubic metres, over time. The company is now at a stage where focus can shift from acquisitions and land bank growth towards finalising projects and improving operational efficiency. In order to utilize the competitive advantages of having access to an abundance of cheap raw material and low energy costs, RusForest seeks to increase productivity and efficiency throughout its value chain. An organizational structure to support this aim will likely be beneficial for the company.

During 2008, RusForest utilized 49 percent of its consolidated AAC, and the intention is to steadily increase this figure to around 80 percent, or 1 million cubic metres, by 2010. Sawn wood production is also planned to increase to approximately 400 thousand cubic metres on an annual basis, following the completion and commissioning of the Boguchansky and Magistralny sawmills. The planned increase in harvesting volumes will allow for a larger internal supply of raw material, which reduces costs and risks related to supply. Achieving these production capacity increases is important in order for RusForest to match its sawn wood production, as Russia intends to implement export duties on roundwood (raw logs), which is likely to be enforced in the medium term.

Tinkoff Credit Systems

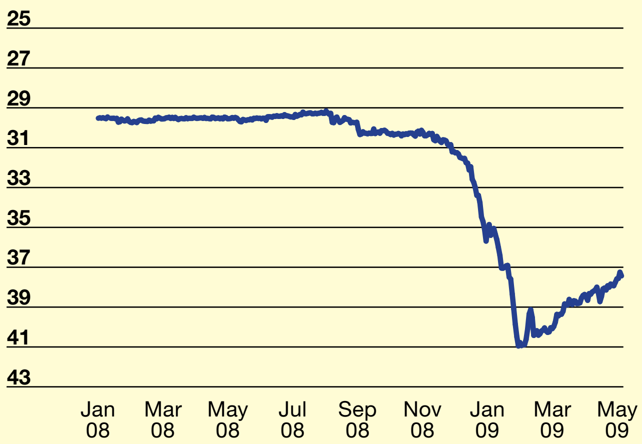
Tinkoff Credit Systems (TCS) continues its defensive stance as the market environment remains challenging. Credit card issuance has been kept at a minimum since the fall of 2008, in order to conserve cash while maintaining operations. Costs related to acquiring new customers have therefore been reduced significantly, as employees have been transferred to collection. As a result, the ratio of costs to income has declined, from 82 percent last August to 52 percent. The extreme market situation has eased competition within the segment, which has led to a further improvement in TCS's gross yields to around 80 percent.

Focus continues to be on cash collections in order to minimise losses from loan defaults. During the quarter credit losses measured as first payment defaults increased. The share of loans where the first scheduled payment was not made, reached 7.1 percent in February 2009, up from 5.5 percent in December 2008. Collection rates of loans overdue have also declined and therefore charge-off rates will likely be significantly higher than the 12 percent expected at the end of 2008. As a result of higher loan loss provisions than expected the company issued a profit warning for the first quarter of 2009.

At the operating level, TCS performed slightly above plan. Operating Income was higher than forecast due to increased yield, ongoing cost-reduction and bond repurchases. Yet due to higher provisions TCS expects to show a result of minus RUB 39 million based on provisional results. Full IFRS accounts are expected by the end of May 2009.

Rouble versus Euro/US Dollar basket

January 1, 2008–May 11, 2009. Source: Bloomberg



The Russian Rouble bottomed versus the Euro/US Dollar basket in February 2009 as capital outflows eased and the price of oil found its footing. In 2008 the currency fluctuation caused an accounting loss of USD 10.5 million as well as a breached bond covenant that was fixed in USD. During April 2009, the bondholders voted in favour of the company's proposal to restructure the bond, whereby bondholders' cash flows are accelerated at expense of the shareholders who will defer and subordinate their coupon. As a result, TCS's cash flows remain unaffected of the bond restructuring. The company has no debt to refinance until 2011, as cash flows from operations are sufficient to service debt given the high gross yield.

TNK-BP Holding

TNK-BP's production figures for the four first months of 2009 showed encouraging signs, given the current situation in the sector. The company produced 1.38 million barrels of oil per day in April, which was an increase of 1.3 percent year-on-year. By comparison, the total Russian production of 9.8 million barrels per day was roughly flat from 2008. Output at TNK-BP was boosted by the Uvat greenfield project in western Siberia which came on stream in February. Refining throughput at TNK-BP for the first months of 2009 also increased by 3 percent year-on-year compared to a decline by 1 percent for the Russian industry in total. Domestic demand for oil products declined 13 percent, hitting a four-year low while exports increased 15 percent to a four year high. The collapse in domestic demand, exemplified by a 40 percent drop in Russian car sales, and the weaker ruble sent domestic prices tumbling. Thus, the advantage on an EBITDA per barrel basis, of oil from lower taxed downstream operations over crude exports seen during the last years, diminished during the start of 2009. Total Russian crude exports rose 4.1 percent, meaning that every marginal barrel of oil in Russia no longer went to downstream operations as before, but to crude exports.

Despite the challenging conditions, TNK-BP remains a highly cash-generative company, where a significant part of the cash flows are dispersed to shareholders. Viktor Vekselberg, TNK-BP board member and chairman of the Renova group, recently commented on TNK-BP's dividend policy: "We have an established dividend policy, which implies payment of 40 percent of the net profit. We have no reasons to change it." He assured that the shareholders of TNK-BP, "including minority shareholders, will get all dividends."

Kontakt East Holding

The Russian advertising sector declined sharply during the first quarter of 2009, with early estimates indicating a negative yearly growth rate of some 30 percent. The development during the rest of 2009 is remains highly uncertain. Kontakt East's Yellow Pages business felt the impact of the down-turn later than the advertising market in general, but during the first quarter of 2009, the decline hit the company very hard.

Yellow Pages experienced a decline in sales of a full 49 percent compared to the first quarter in 2008. Cash collections were strong during January and February, but started to decline in March. Lately, the decline appears to have levelled out, but it is too early to tell if the market has stabilized. To counter the drop in revenues, further cost cutting has been implemented. By the end of the second quarter 2009, Yellow Pages will have cut back-office staff to approximately 100 employees, down from around 250 at the end of 2008. The redundancies have also enabled cuts in other indirect costs. As can be expected, the redundancies have resulted in a high work-load for management and the rest of the organization, and the lay-offs are naturally disappointing to the employees during these challenging times. Incorporating these cost savings, Yellow Pages should attain profitability on a going concern-basis at yearly sales of RUB 250 million, or 52 percent below 2008 sales.

Some of the drop in sales could also be attributable to the ongoing restructuring of the sales organization, whereby a smaller, and more "westernized" organization and business processes are established. Management, however, firmly believes that these are necessary steps to build for the future. The implemented sales and cost savings have resulted in a much more lean and efficient Yellow Pages, which should be well positioned for profitable growth. A key priority during the second quarter is to capitalize on the strong trend for the Yellow Pages online products.

Avito – Kontakt East's Consumer eCommerce business offering classified ads – launched a new marketing campaign during the first quarter. The campaign has been successful, as key performance indicators for the site look good and traffic growth has been strong.

The financial results for the Kontakt East Group were far below projections, due to the significant drop in Yellow Pages' revenues. This was only partly offset by lower costs within Yellow Pages, Consumer eCommerce and Group headquarters. During the first quarter of 2009, Vosvik AB, owned by Vostok Nafta and Kinnevik, purchased all shares from the minority shareholders in Kontakt East and subsequently owns 100 percent of Kontakt East. To finance investments in Consumer eCommerce and restructuring within Yellow Pages, Vostok Nafta and Kinnevik each provided SEK 7.5 million of financing to Kontakt East in the form of a convertible bond during the first quarter of 2009.

Transneft

The regulated Federal Tariff Service (FTS) head Sergey Novikov stated in April that the average tariff which Transneft charges oil companies may "quite likely" be raised from June 1. Transneft had requested a 4 percent mid-year tariff hike. Such an increase in June would raise the company's estimated 2009 EBITDA to USD 6 billion, almost precisely the 2008 level despite the rouble depreciation (Transneft charges in roubles). The EBITDA margin would thus reach an impressive 62 percent.

An important driver of Transneft's value remains its capital expenditure program, as upon completion of the ongoing projects, the company can shift its cash flows to shareholders. The first phase of the East Siberian-Pacific Ocean (ESPO) pipeline is nearing completion which is positive as it will turn the project into a revenue-generator. Despite reports that the estimated cost for the project will now amount to RUB 491 billion, up from the RUB 450 billion estimate given by CEO Nikolai Tokarev in January, the FTS demonstrates its willingness to compensate Transneft for its capital expenditures and higher debt-servicing costs with higher tariffs.

Priargunsky

Priargunsky (PGHO), Russia's dominant uranium mining company, released a healthy set of numbers for 2008 and the first quarter of 2009. For the full year 2008, the company increased revenues 27 percent year-on-year to RUB 8.1 billion. Operating profit was up 40 percent to RUB 510 million and net income rose 50 precent from the year before to RUB 264 million. Thus the net margin remained stable at about 2 percent with an operating margin of 6 percent. The results for the first quarter of 2009 also look robust, with revenues up 19 percent to RUB 2.0 billion, and operating profit climbing from RUB 120 million in 2008 to RUB 348 million 2009. PGHO's total debt was RUB 2.4 billion as at the end of March 2009. The uranium price which the company realizes on its production is regulated at around USD 25 per lb of U_3O_8, which is equal to their cash costs, so the profit comes from market sales of coal and electricity. In comparison PGHO's western competitors have announced long term price contracts during the quarter at around USD 50 per lb.

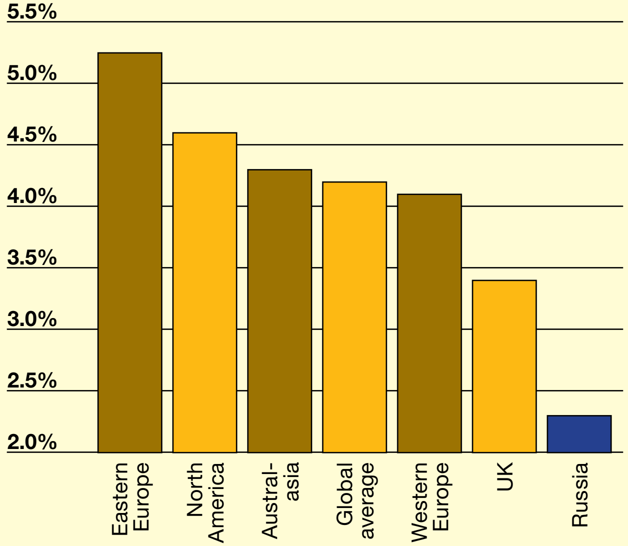
The company produces about 3 thousand tons of uranium concentrate per year. Last year, it became part of Atomredmedzoloto (ARMZ), the Russian uranium mining holding, which was created by state-owned corporation, Atomenergoprom. Following the government's ambitions to create a fully integrated nuclear company, Atomenergoprom modelled on French Areva, has been created to consolidate the civil nuclear sector in Russia. PGHO is the key Russian mining asset within the group and will likely be able to realize higher prices on its output to fund investment needed to increase its production to 5 thousand tons in the medium term.

Construction Materials

April statistics from Russian Railways, which account for 85 percent of total cargo transportation, showed that the construction materials segment continues to be weak. Transportation volumes of building materials were down 39 percent year-on-year, compared to a 15 percent downturn in general volumes. The downturn in construction material volumes has abated somewhat from the 50 to 60 percent decline rates seen during the start of 2009. Industrial production figures for February 2009 also show significant output drops; cement production was down 34 percent from 2008 and continued to decline substantially in March. The near term demand for building materials such as cement continues to be hampered by scarcity of credit, which impedes construction. As a result, capacity utilization rates are around 35 to 40 percent, with cement prices expected to average USD 50 to 60 per ton in 2009. State budget revisions, on the back of lower economic growth forecasts, should however, be coming to an end as the oil price finds a bottom. In order to uphold its political capital the government has increased social spending to counter the negative economic effects to the consumer, at the expense of fixed investment such as infrastructure.

Infrastructure investments as % of GDP

1990–2007. Source: World Bank, OECD, Renaissance Capital



The long term picture for cement remains compelling, however, as there is a pent-up demand from the main end markets; housing and commercial construction as well as infrastructure development. The Russian Government is reportedly ready to maintain the volume of completed residential construction in 2009 at the same level as last year, when it stood at 63 million square metres. In addition Russia's infrastructure has suffered from years of under-investment in comparison to other parts of the world, as illustrated by the figure above. The state of the transportation network is infamous, and a number of initiatives are in the pipeline to counter the situation – even though the timing remains unclear. These include the development of mineral resources in Siberia, the Sakhalin projects, modernisation of eastern Russia, and several major international events including the 2014 Winter Olympics in Sochi.

At the same time cement supply is also relatively constrained. The industry is characterized by high barriers for entry, with the main being capital. The cost of building and commissioning a cement plant varies with its specifications. Based on previously announced projects regarding capital expenditure and capacity, an average cost of new capacity can be estimated to around USD 200 per ton, which is high. The region also has a limited supply of limestone which is a key input in the production. Given that cement is quite heavy in relation to its value, it is economically unviable to transport it over larger distances. Port capacity is also highly limited which curtails imports. These characteristics result in a segmented industry, where producers are focused on local markets and therefore have regional oligopolies with limited competition, which, in turn, reduces the risks of "price wars". Given the current market environment, a majority of previously announced capacity additions have been postponed. Thus, when demand recovers – which it eventually will – the industry runs the risk of returning to the conditions of a year ago, where capacity deficits were covered by imports, motivated by exceptionally high prices.

***Steppe Cement** (Kazakhstan)*

Steppe Cement completed a new share issue, during which the company offered to shareholders at a record date on April 14, 2009 to buy a pro-rata share of 40,000,000 newly issued ordinary shares of USD0.01 each at 25 British Pence per share (at circa 25% discount to the market). The new shares represented approximately 35% of the pre-issue and approximately 26% of the post-issue capital. The net proceeds of the issue will be used principally to repay a portion of the Company's bank loans and for working capital purposes after the Company's financial position has been affected by a marked slowdown in Kazakhstan as a consequence of the global economic downturn.

According to the company's management, whether Steppe Cement will soon need to return to the shareholders for a new portion of capital will depend on the dynamics of cement prices in Kazakhstan and, as a result, the company's ability to generate operating cash flows. As expected, the company should have enough resources to operate normally in the next 15 to 18 months in case cement prices stay at the level of USD 47/tn (net of VAT and transportation costs) observed during the [slow] months of 1Q2009. Operating cash flows should also provide funds for debt servicing, with current guidance that they would allow:

- to cover both interest and principal amounts of maturing debt in case cement prices rise above USD 55–58/tn
- to cover only interest in case cement prices stay around USD 51/tn
- to provide no contribution to debt servicing in case cement prices go below USD 45/tn

The management also indicated that the reviving construction market in Kazakhstan is already pushing market prices for cement to the levels of USD 50/tn, with expectations of a further increase to USD 55/tn during the summer of 2009.

Alrosa

Alrosa announced that it will reduce its planned 2009 production by 22 percent as the global financial crisis dents demand for gems. The company, which had previously expected to keep production levels unchanged this year from the USD 2.4 billion produced in 2008, has now decided to reduce this amount to USD 1.9 billion worth of diamonds, measured in 2008 prices. The 2009 target for rough diamond sales was set at USD 1.6 billion, which is a 37 percent decline from 2008. CEO Vybornov predicted that Alrosa's net profits will fall by more than 40 percent, from USD 113.1 million to USD 65.6 million in 2009.

The global diamond market is being reshaped due to the current crisis, as former market leader De Beers of South Africa has been severely affected. Market prices for rough diamonds have dropped 75 percent from its peak as De Beers, which is prohibited under an EU antitrust agreement from stockpiling, has scrambled to cut production and close mines. Output reportedly tumbled by 90 percent year-on-year during the first quarter of 2009. As a result, Alrosa has become a price setter of global diamond

Valuation comparison of Vostok Nafta's cement holdings

		Production mln tons	EV/EBITDA 2009E	EV/Output 2009E
Sibirskiy Cement	**Russia**	**2.0**	**5.0**	**125**
Gornozavodsk Cement	**Russia**	**0.9**	**0.8**	**20**
Steppe Cement	**Kazakhstan**	**1.1**	**4.8**	**95**
Podolsky Cement	**Ukraine**	**1.8**	**7.4**	**127**
Developed Market Average			**5.9**	**154**
Emerging Market Average			**7.2**	**148**

Source: UBS, Royal Capital, Bloomberg

prices. Its decisions on production and sales will determine the value of diamonds on rings and in jewellery stores for years to come.

Since the autumn of 2008 Alrosa has withdrawn from the market place and sold its output to the state depository fund, Gokhran, reportedly still at 2008 prices. The state fund provides pricing support to the market, but also volume support to Alrosa in order to avoid lay-offs at the company's mines. The total purchases by Gokhran for both gold and diamonds is merely USD 1.34 billion, at current prices. Therefore, Alrosa has been seeking to jump-start demand by selling gems under long-term contracts to wholesale buyers in Belgium, Israel, India and elsewhere. Under these contracts, six of which have been signed, prices are set at a midpoint between the peak last August and this winter, and fixed for a period of several years.

Coal

The early expectations that global coal prices would resume its growth as demand starts recovering by early 2009 did not materialize, and the annual negotiations between suppliers and consumers of both coking and thermal coal proved to be a stumbling block for these hopes. As the new marketing year in the coal sector started in April, the biggest part of the global trade is still happening on a prepayment and/or spot basis. As a result, global volumes in April were weak. South African exports were unexpected 24 per cent down YoY, the biggest drop since July 2008, with prices 44% lower YoY at average USD58.50/tn. The end of a strike at a Colombian rail company combined with the end of weather disruptions in Australia could help push thermal coal prices further,down to USD55.00/tn.

With the global economy mired in a deep recession and persisting uncertainties about the future economic health, the coal market participants are slow in signing annual supply contracts for the 2009-2010 marketing year. In the coking coal market, Nippon Steel and BMA have agreed to a price of USD128/tn for the year beginning April 1:st, almost 60% down from the previous year's contract price of $300/tn. This drop marked a dramatic end to six consecutive years of price increases, yielding 500% in total. In the thermal coal market, Xstrata, the Swiss mining group, and Chubu, the Japanese power company, have agreed to a price of USD70/tn for the year starting in April, down 44% from previous year's USD125/tn. However, other Japanese and Korean utilities are yet to settle and are pushing for prices of about USD60/tn.

Russian thermal coal exporters have enjoyed healthy margins over the last four years. Yet, 2009 is likely to be a testing year, and the period between 2010 and 2012 may be a difficult time for some Russian thermal coal exporters who once again could find themselves as the marginal producers. Whilst industrial electricity demand remains depressed in Europe, coal has become competitive against USD8.00/mmBTU natural gas, causing some renewed buying interest from European utilities in 1Q2009. The question currently is whether coal could retain its market share in Europe vis-à-vis weakening gas prices?

Another question is whether the cost structure of the Russian exporters would allow them to withstand the pressure of new lower cost Colombian, Indonesian and Australian supply entering the European market? So far, the emerging EU demand growth (Poland, Germany, Turkey) gives some hope to Russian suppliers, particularly as South African coal increasingly targets the growing Indian market, and Colombian coal is focusing on South American and US demand. The Pacific market, where Russia is continuing to build infrastructure to capture Asian demand growth, is proving to be very competitive, with established Indonesian and Australian supply priced adequately to maintain market share.

In the domestic market, price pressures from
- 6% lower YoY electricity demand recorded in the recent months,
- potential delay in the deregulation of natural gas prices, and
- overhang from some grades of coking coal

do not provide much support either, meaning that the thermal coal producers would need to focus more on cost controls than on output growth in 2009–2010.

SystemSeparation

During the quarter, a change in strategy at SystemSeparation was initiated with an overall goal to establish a group with a clear focus on energy and environmental technology through investments in new business areas. At the end of March 2009 SystemSeparation took the first step under the new strategy by acquiring the wood pellets producer Eastern Bio Holding (EBH). To finance the completion of EBH's manufacturing plant in Ystad and otherwise strengthen the financial position, the Board decided in April to conduct a rights issue. After the acquisition, operations are conducted within two business areas: Power Chemicals, which manufactures fuel additives for power plants; and Biomass Fuels, consisting of the acquired EBH. The intention is to acquire additional activities in environmental technologies that either complement existing businesses or form new separate business areas. Potential acquisitions will be focused on Russia and Eastern Europe, as environmental issues in these regions are at an early stage and, therefore, competition is moderate.

Ukraine

The Ukrainian economy started to show early signs of the results brought by the efforts of the Cabinet and the National Bank of Ukraine (NBU) to contain the economic fall-out during the first quarter. First, the hryvnia exchange rate has stabilized following the last attack on it in mid-February. Now, April figures of inflation show that NBU's prudent monetary policy, current stability of the hryvnia and a slowdown in withdrawals from retail deposits resulted in reduced internal price pressures. According to Ukraine's State Statistics Committee, CPI decreased to 0.9% MoM in April vs 1.4% in March, resulting in 4M2009 growth of 6.9%, vs 13.1% a year ago, with YoY inflation declining to 15.6% in April from 18.1% in March. The main trigger for the drop in inflation was a notable slowdown in non-food CPI and services CPI, while, at the same time, food inflation remains comparably high. MoM PPI growth in April dropped to 0.4%, less than 1.1% MoM in March, with slowdown in the growth seen in almost all sectors; except sugar production (+8% MoM) and refining (+6.3%MoM).

The signs of the Ukrainian authorities' so far keeping the dramatic economic situation in the country relatively under control helped Ukraine to continue secure support from the IMF. Following the delay in the disbursement of the second tranche of the two-year stand-by agreement (SBA), which was announced in February after the IMF got increasingly disappointed by the Ukrainian anti-crisis measures (including the inevitably spiraling budget deficit), the combined efforts by the Rada, the Cabinet and the NBU to approve emergency laws and regulations returned the IMF back to the country. As a result, in early May the IMF Executive Board approved the immediate disbursement of the second USD 2.8bn (SDR 1.8bn) tranche of the SBA (bringing the total amount drawn down to USD 7.3bn) to be used to service Ukraine's outstanding external state debt in order to free up budgetary funds to meet pension fund and other domestic obligations. After reviewing Ukraine's economic performance, the IMF granted waivers of non-observance of performance criteria pertaining to central government cash reserves, the state budget (the revised economic program is now targeting a budget deficit of 4% of GDP in 2009 versus a balanced budget planned before), exchange rate restrictions, multiple currency practices, and import restrictions.

The major political forces even managed to downplay the recurring stand-off between the three branches of power – the president, the Cabinet and the parliament – while they were focusing on the need to adhere to the IMF demands. In a major move widening the rift, the parliament overwhelmingly voted (401 deputies out of 450) to schedule presidential elections for October 25, 2009, thus ignoring the president's proposal for the elections to be held on January 17, 2010, in accordance with the amendments to the Constitution effected in 2006. Although Rada's move heightened its confrontation with president Yushchenko and raised expectations that the latter may seek an excuse to disband the legislature until his power to do this ceases half a year prior to the presidential elections, the incumbent's only action, in view of the need to maintain talk with the IMF, was to appeal the parliamentary resolution with the Constitutional Court, which finally announced a ruling that overturned the parliament's resolution on presidential elections. The legislature now has to approve a new date for the vote, as required by the Constitution, for the election campaign to begin in due course.

Finally, although it was already long anticipated by the foreign investor community and local market participants, a major piece of the market-oriented legislation, the Law on Joint Stock Companies became effective April 29, 2009, six months after it was approved and published. The new company law, which fully complies with the principles of corporate governance adopted by relevant EU directives and recommended by the OECD, replaces the completely outdated Law on Business Associations acting since 1991 and introduces a comprehensive regulatory framework with respect to establishing, managing, merging, splitting and liquidating joint stock companies as well as puts in place regulations to protect minority shareholder interests. Although the existing JSCs (including all currently listed domestic companies) still have two years until April 29, 2011 to bring their charters and bylaws in compliance with the new legislation, investors see as a substantial progress the new law's provisions dealing with corporate transparency and protection of minority shareholders' rights, including (but not limited to):

- cumulative voting as the only method of electing Supervisory Board members for public JSCs
- mandatory share buyback in case a shareholder voted against change in share capital, merger or split, change in company status, or any material transaction (involving over 25% of company assets)
- buyout offer to other shareholders at market price is required from the buyer of a 50%+ stake in a company
- number of provisions aimed at preventing illegal raider attacks on companies (e.g. mandatory vote by ballot at shareholders' meetings of public JSCs; requirement that shareholders' meetings take place within the territorial unit where the JSC is located, etc.).

Investments

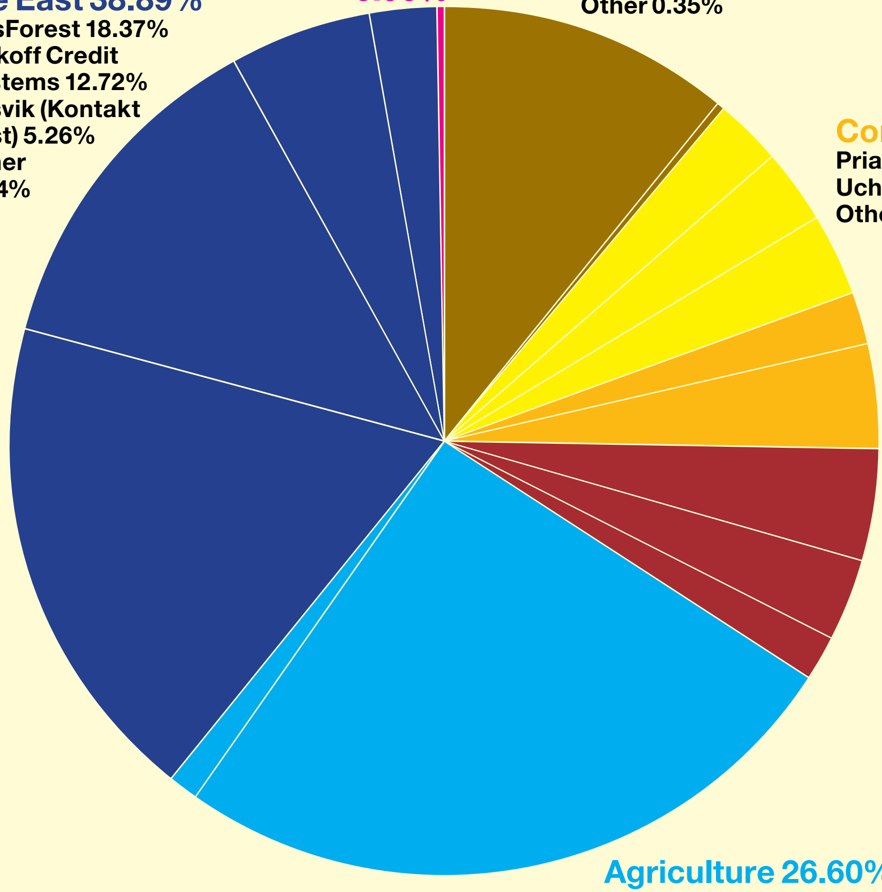
During the period net investments in financial assets were USD –2.56 (3.29) mln.

Portfolio structure

The investment portfolio stated at market value as at March 31, 2009 is shown on next page. Vostok Nafta's three biggest investments are Black Earth Farming (25.38%), RusForest (18.37%) and Tinkoff Credit Systems (TCS; 12.72%).

Investment Macro Themes

Vostok Nafta investment portfolio as at March 31, 2009



Number of shares	Company	Market value, USD	Percentage weight	
5,364,850	Caspian Services	912,025	0.35%	1
5,789,903	Kherson Oil Ref	7,193	0.00%	1
2,025	Orsk Refinery Ord	14,681	0.01%	1
538	Orsk Refinery Pref	3,228	0.00%	1
45,596,616	TNK-BP Holding Pref	28,269,902	10.84%	1
100,000	Yakutgazprom	1,000	0.00%	1
	Oil price, Total	29,208,029	11.19%	
966	Alrosa	1,932,000	0.74%	1
6,000,000	Fortress Minerals	1,093,415	0.42%	1
31,274	Gaisky GOK	2,814,660	1.08%	1
1,849,088	Poltava GOK	2,449,025	0.94%	1
68,804	Priargunsky Ind Ord	6,880,400	2.64%	1
11,709	Priargunsky Ind Pref	134,654	0.05%	1
1,442,400	Shakiya Zinc GDR	72,120	0.03%	1
1,444,045	Uchalinsky GOK	6,859,214	2.63%	1
	Commodities, Total	22,235,488	8.52%	
3,000	Bekabadcement	300,000	0.11%	1
187	TKS Concrete	1,506,750	0.58%	1
39,000	Gornozavodsk Cement	1,014,000	0.39%	1
1,600,000	Kamkabel	174,400	0.07%	1
2,200	Machinostroitelny	77,000	0.03%	1
6,564	Podolsky Cement	40,773	0.02%	1
40,000	Sibirskiy Cement	160,000	0.06%	1
7,523,047	Steppe Cement Ltd	3,237,543	1.24%	1
18,730	Transneft Pref	4,963,450	1.90%	1
1,200,000	Tuimazy Concrete Mixers	1,800,000	0.69%	1
	Volga Nash Dom, loan	1,465,000	0.56%	3
	Infrastructure, Total	14,738,916	5.65%	
	Eastern Bio Holding AB, loan	2,518,857	0.97%	4
1,139	Eastern Bio Holding AB	859,651	0.33%	2
494,273,416	Hydro OGK	10,676,306	4.09%	1
25,000	Kuzbass Fuel Company	500,000	0.19%	1
107,812,491	Kuzbassrazrezugol	8,032,031	3.08%	1
2,618,241	Kyrgyzenergo	168,688	0.06%	1
7,139,701	SystemSeparation AB	934,003	0.36%	2
	Energy sector restructuring, Total	23,689,536	9.08%	

Number of shares	Company	Market value, USD	Percentage weight	
1,765,000	Agrowill	0	0.00%	1
30,888,704	Black Earth Farming	66,224,319	25.38%	2
272,106	Dakor	3,182,251	1.22%	1
	Agriculture, Total	69,406,570	26.60%	
17,000	RSC Energia	1,190,000	0.46%	1
23,035,197	RusForest Ltd	24,024,646	9.21%	2
	RusForest Ltd, loans	23,899,552	9.16%	4
5,000,000	TCS/Egidaco Bond 18% 2011	3,311,125	1.27%	1
885,934	TCS/Egidaco Investment Ltd	13,987,059	5.37%	1
	TCS/Egidaco Investment Ltd WTS	1,864,941	0.71%	1
	TCS/Egidaco loan	14,021,449	5.37%	3
547,000	Tisko AB	1,987,710	0.76%	1
1,434,880	Varyag Rescources	2,146,481	0.82%	1
50,000	Vosvik AB/Kontakt East Holding	12,786,717	4.90%	2
	Vosvik AB/Kontakt East Holding, loan	944,798	0.36%	4
623,800	Waymore Holding	1,313,645	0.50%	1
	What works in the West works in the East, Total	101,478,124	38.89%	
	Other short term loan receivables	150,882	0.06%	4
	Other short term loan receivables, Total	150,882	0.06%	
	Grand Total	260,907,544	100.00%	

1. These investments are shown in the balance sheet as financial assets at fair falue 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's portfolio as at March 31, 2009

Income statements – Group

(Expressed in USD thousands)	Jan 1, 2009– Mar 31, 2009	Jan 1, 2008– Mar 31, 2008
Result from financial assets at fair value through profit or loss	–20,535	86,321
Result from investments in associated companies	–11,242	70,454
Result from loan receivables	–4,554	1,231
Dividend income	3,978	3,273
Other operating income	258	15
Total operating income	–32,095	161,294
Operating expenses	–1,746	–1,501
Russian dividend withholding tax expenses	–597	–95
Operating result	–34,438	159,698
Financial income and expenses		
Interest income	83	533
Interest expense	–1,740	–713
Currency exchange gains/losses, net	–2,620	553
Other financial expenses	–18	–41
Net financial items	–4,295	332
Result before tax	–38,733	160,030
Taxation	11	729
Net result for the financial period	–38,722	160,759
Earnings per share (in USD)	–0.53	3.49
Diluted earnings per share (in USD)	–0.53	3.48

Statement of comprehensive income

Net result for the financial period	–38,722	160,759
Other comprehensive income for the period:		
Currency translation differences	29	107
Total other comprehensive income for the period	29	107
Total comprehensive income for the period	–38,693	160,866
Total comprehensive income for the period attributable to:		
Equity holders of the parent company	–38,693	160,866
Minority	–	–

Balance sheets – Group

(Expressed in USD thousands)	Mar 31, 2009	Dec 31, 2008
NON CURRENT ASSETS		
Tangible non current assets		
Office equipment	429	510
Total tangible non current assets	429	510
Financial non current assets		
Financial assets at fair value through profit or loss	113,078	134,180
Investment in associated companies	104,829	115,296
Loan receivables	15,486	17,384
Deferred tax asset	16	14
Total financial non current assets	233,409	266,874
CURRENT ASSETS		
Cash and cash equivalents	25,263	29,198
Loan receivables	27,514	27,847
Receivables from related parties	206	60
Unsettled trades	1,195	–
Tax receivables	139	129
Other current receivables	2,733	2,538
Total current assets	57,050	59,772
TOTAL ASSETS	290,888	327,156
SHAREHOLDERS' EQUITY (including net result for the financial period)	275,479	247,893
NON CURRENT LIABILITIES		
Deferred tax liabilities	19	19
Total non current liabilities	19	19
CURRENT LIABILITIES		
Interest bearing current liabilities		
Borrowings	14,010	77,887
Non-interest bearing current liabilities		
Tax payable	498	498
Unsettled trades	185	–
Other current liabilities	195	171
Accrued expenses	502	688
Total current liabilities	15,390	79,244
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	290,888	327,156

(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
Total comprehensive income				
for the period January 1, 2008				
to March 31, 2008	–	–	160,866	160,866
Employees share option scheme:				
– value of employee services	–	97	–	97
	–	97	–	97
Balance at March 31, 2008	46,021	146,573	772,323	964,917
Balance at January 1, 2009	46,021	146,884	54,988	247,893
Total comprehensive income				
for the period January 1, 2009				
to March 31, 2009	–	–	–38,693	–38,693
Proceeds from new share issue,				
net of transaction costs	46,021	20,180	–	66,201
Employees share option scheme:				
– value of employee services	–	78	–	78
	46,021	20,258	–	66,279
Balance at March 31, 2009	92,042	167,142	16,295	275,479

(Expressed in USD thousands)	Jan 1, 2009–Mar 31, 2009	Jan 1, 2008–Mar 31, 2008	Jan 1, 2008–Dec 31, 2008
OPERATING ACTIVITES			
Result before tax	–38,733	160,030	–557,344
Adjustment for:			
Interest income	–83	–533	–2,072
Interest expenses	1,740	713	6,823
Currency exchange gains/-losses	2,620	–553	1,511
Depreciations	40	47	136
Result from financial assets at fair value			
through profit or loss	20,535	–86,321	363,261
Result from investments in			
associated companies	11,242	–70,454	180,563
Result from loan receivables	4,554	–1,231	7,093
Dividend income	–3,978	–3,273	–9,646
Other non-cash items	433	–891	2,509
Change in current receivables	–1,353	–6,072	2,214
Change in current liabilities	60	20,241	–2,493
Net cash from/used in operating activities	–2,923	11,703	–7,444
Investments in financial assets	–2,825	–89,575	–350,516
Sales of financial assets	2,292	105,330	370,471
Increase of loan receivables	–2,023	–12,462	–42,219
Dividend reveived	3,381	3,178	8,265
Interest received	83	1,657	4,942
Interest paid	–1,094	–881	–6,073
Tax paid	–1	–120	–33
Net cash flow from/used in operating activities	–3,110	18,830	–22,607
INVESTING ACTIVITIES			
Investments in office equipment	–3	–9	–146
Sales of office equipment	28	–	–
Net cash flow from/used in investing activities	25	–9	–146
FINANCING ACTIVITIES			
Proceeds from borrowings	–	–	128,119
Repayments of borrowings	–63,850	–	–102,000
Proceeds from new share issue	66,201	–	–
Net cash flow from financing activities	2,351	–	26,119
Change in cash and cash equivalents	–734	18,821	3,366
Cash and cash equivalents at beginning			
of the period	29,198	27,528	27,528
Exchange gains/losses on cash and			
cash equivalents	–3,201	213	–1,696
Cash and cash equivalents at end of period	25,263	46,562	29,198

Statement of Changes in Equity – Group

Cash flow statements – Group

	2009	2008
Return on capital employed, % (01)	–12.24	17.28
Equity ratio, % (02)	94.70	75.77
Shareholders' equity/share, USD (03)	2.99	5.39
Earnings/share, USD (04)	–0.53	3.49
Diluted earnings/share, USD (05)	–0.53	3.48
Net asset value/share, USD (06)	2.99	5.39
Weighted average number of shares for the financial period	73,426,606	46,020,901
Weighted average number of shares for the financial period (fully diluted)	73,426,606	46,119,859
Number of shares at balance sheet date	92,041,802	46,020,901

01. 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).
02. Equity ratio is defined as shareholders' equity in relation to total assets.
03. Shareholders' equity/share USD is defined as shareholders' equity divided by total number of shares.
04. Earnings/share USD is defined as result for the period divided by average weighted number of shares for the period.
05. 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.
06. Net asset value/share USD is defined as shareholders' equity divided by total number of shares.

Key financial ratios – Group

(Expressed in USD thousands)	Jan 1, 2009– Mar 31, 2009	Jan 1, 2008– Mar 31, 2008
Operating expenses	–774	–863
Operating result	–774	–863
Financial income and expenses		
Interest income	4,621	3,467
Interest expenses	–1,319	–
Currency exchange gains/losses, net	–1,052	–58
Other financial extenses	–1	–
Net financial items	2,249	3,409
Net result for the financial period	1,475	2,546
Earnings per share (in USD)	0.02	0.06
Diluted earnings per share (in USD)	0.02	0.06

Income statement – Parent

Balance sheet – Parent

(Expressed in USD thousands)	Mar 31, 2009	Dec 31, 2008
NON CURRENT ASSETS		
Financial non current assets		
Shares in subsidiaries	102,253	102,253
Receivables from Group companies	214,073	175,550
Total financial non current assets	316,326	277,803
CURRENT ASSETS		
Cash and cash equivalents	14,155	3
Receivables from related parties	–	49
Other current receivables	323	280
Total current assets	14,478	332
TOTAL ASSETS	330,804	278,135
SHAREHOLDERS' EQUITY		
(including net result for the financial period)	316,000	248,246
CURRENT LIABILITIES		
Interest bearing liabilities		
Borrowings	14,010	27,790
Non-interest bearing current liabilities		
Liabilities to group companies	379	1,480
Other current liabilities	2	2
Accrued expenses	413	617
Total current liabilities	14,804	29,889
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	330,804	278,135

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	–	–	2,546	2,546
Total recognized income for the financial period January 1, 2008 to March 31, 2008	–	–	2,546	2,546
Employees share option scheme:	–	–		
– value of employee services	–	97	–	97
		97	–	97
Balance at March 31, 2008	46,021	146,377	337,723	530,317
Balance at January 1, 2009	46,021	146,884	55,341	248,246
Profit for the period	–	–	1,475	1,475
Total recognized income for the financial period January 1, 2009 to March 31, 2009	–	–	1,475	1,475
Proceeds from new share issue, net of transaction costs	46,021	20,180	–	66,201
Employees share option scheme:				
– value of employee services	–	78	–	78
	46,021	20,256	–	66,279
Balance at March 31, 2009	92,042	167,142	56,816	316,000

Note 1
Accounting principles

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

New accounting policies

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

As from January 1, 2009, IFRS 8, 'Operating segments' replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Vostok Nafta will report its operations in two segments:

- Portfolio Investments; which are the Group's investments in associated companies and financial assets at fair value through profit or loss; and
- Venture Capital Investments; which will comprise investments in operating companies were the Group holds more than 50 per cent of the votes.

Note 2
New share issue and loan repayments

In February 2009, Vostok Nafta completed a rights issue, whereby 46,020,901 shares were issued for a consideration of SEK 12 each. Net of transaction costs, the proceeds from the right issue amounted to USD 66.20 mln.

Subsequent to the new share issue, the Company has repaid USD 15.25 million of debt. After the end of the period, the Company has also repaid the outstanding short-term bond loan of EUR 10.0 million. As at March 31 2009, outstanding borrowings, which are entirely relating to the short-term bond, amounted to USD 14.01 mln.

Note 3
Pledged assets

As per December 31, 2008, assets were pledged as collateral for the bank borrowings amounting to USD 50.0 mln. The assets pledged were the shares in Vosvik, and all assets held at custody with Deutsche Bank and HQ Bank. During the period, the Group has repaid the outstanding bank borrowings, whereupon the pledged assets have been return to the Group.

Neither the Group nor the Company had any contingent liabilities as per March 31, 2009 or as per December 31, 2008

Note 4
Related party transactions

During the period Vostok Nafta has been involved in the following related party transactions:

- shared services expenses have been invoiced to Vostok Gas Sverige AB in the amount of USD 131 thousand (62). The invoice was still outstanding as at March 31, 2009.
- expenses for Investor relations services have been charged to Black Earth Farming Ltd in the amount of USD 25 thousand (–). The invoice was still outstanding as at March 31, 2009.
- As at December 31, 2008, the Group had an outstanding loan to Eastern Bio Holding AB in the amount of USD 1,279 thousand (SEK 10,060 thousand). During the period, the Group has provided with another SEK 10 million loan to the company. Interest income from the loans has been recognized in the income statement with USD 88 thousand. .As at March 31, 2009, total short term loan receivables from Eastern Bio Holding AB amounted to USD 2,519 thousand.
- As at December 31, 2008, total short term loan receceivables from companies of the RusForest Group amounted to USD 27.71 milion (RUB 806.97 million). A proposal to inject these receivables (together with the 23,035,197 shares held by Vostok Nafta in RusForest Ltd) into Varyag Resources in exchange for 8,537,640 of newly issued shares in Varyag is subject to approval on an EGM held in Varyag on May 25, 2009. Paul Leander-Engström – a member of the Board of Directors of Vostok Nafta – is a shareholder of Varyag Resources.
- Borrowings: As at December 31, 2008, the Group had a loan amounting to USD 13.75 outstanding to a group of lenders including Simba Investments Ltd, Zebra Holdings Ltd. Paul Leander-Engström, and Ture Invest AB. Simba Investments Ltd. is majority-owned by Lorito Holdings (Guernsey) Ltd and Zebra Holdings Ltd. The latter two companies are owned by a trust, whose settler is the estate of Adolf H. Lundin, which includes Lukas H. Lundin, Chairman of the Board of Directors of the Company, and Ian H. Lundin, Board member. Paul Leander-Engström is a member of the Board of Directors of the Company and a shareholder and Chairman of the Board of Directors of Ture Invest AB. During 2009, accrued interest expense on the loan has been recognized in the income statement with an amount of USD 673 thousand. The loan was repaid in full in February 2009.

Note 5
Post-statement events

On May 4, 2009 Varyag Recources AB (publ) announced a proposed acquisition of Vostok Nafta's interests in RusForest Ltd Group. The acquisition is to be made through an issue in kind to Vostok Nafta of 8,537,640 shares in Varyag in exchange for, inter alia, 50% of the shares in RusForest Ltd and claims on RusForest Ltd Group, which as per December 31, 2008 amounted to RUB 806.97 mln . The issue in kind is subject to a resolution of the issue is taken by an Extraordinary General Meeting in Varyag that will be held on May 25, 2009. Following the completion of the transaction RusForest will be wholly owned by Varyag. Vostok Nafta will after completion of the transaction, directly or indirectly, own 9,703,452 shares, corresponding to 44.4% of the share capital and votes in Varyag.

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 to be restrictive in publishing information. 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 takeovers, 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 six-month report for the period January 1, 2009–June 30, 2009 will be published on August 19, 2009.

May 20, 2009

Per Brilioth
Managing Director, Vostok Nafta Investment Ltd

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

Vostok
Nafta
Investment
Ltd

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

Vostok Nafta Sverige AB
Hovslagargatan 5
SE-111 48 Stockholm
Sweden
Phone +46 8 545 015 50
Fax +46 8 545 015 54

www.vostoknafta.com
info@vostoknafta.com