Vostok Nafta Investment Ltd

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Press Release
May 19, 2010

Vostok Nafta Investment Ltd.
Three Months Report
Covering the Period
January 1, 2010–March 31, 2010

- Net result for the period was USD 83.57 million (mln) (January 1, 2009–March 31, 2009: –38.72). Earnings per share was USD 0.83 (–0.48).

- The net asset value of the company was USD 571.18 mln (December 31, 2009: 487.62) on March 31, 2010, corresponding to USD 5.66 (2.99) per share. Given a SEK/USD exchange rate of 7.2181 the corresponding values were SEK 4,122.84 mln and SEK 40.82, respectively.

- The group's net asset value per share in USD increased by 17.14% over the period January 1, 2010–March 31, 2010. During the same period the RTS index increased by 6.59% in USD terms.

- 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 April 30, 2010 was USD 5.73 (SEK 41.51).

The company will host a telephone conference with an interactive presentation on Wednesday May 19, 2010 at 17:00 Central European Time (CET). For call-in details, see separate press release issued Monday, May 17, 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 of March 31, 2010 the Vostok Nafta Investment Ltd Group consists of one Bermudian parent company, one wholly owned Bermudian subsidiary, four wholly owned Cypriot subsidiaries, four wholly owned Russian subsidiaries and one wholly owned Swedish subsidiary.

The financial year is January 1–December 31.

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 60.80 (–20.54) mln. Result from investments in associated companies was USD 21.58 (–11.24) mln. Result from loan receivables was USD 1.85 (–4.55) mln. Dividend income was USD 0.22 (3.98) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD –0.87 (–1.49) mln.

Net financial items were USD 0.05 (–4.30) mln.

Net result for the period was USD 83.57 (–38.72) mln.

Total shareholders' equity amounted to USD 571.18 mln on March 31, 2010 (December 31, 2009: 275.48).

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 6.29 mln on March 31, 2010 (Dec 31, 2009: 8.94).

Parent company

The parent company finances the Cypriot subsidiary's operations on market terms. The net result for the period was USD 4.93 (1.48) mln.

Annual General Meeting

An Annual General Meeting in Vostok Nafta Investment Ltd was held on May 5, 2010.

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 were adopted showing total profit for the financial year January 1–December 31, 2009, in the amount of USD 139.22 mln. The directors' proposal that no dividends be paid was approved.

- Six directors were re-elected, namely Al Breach, Per Brilioth, Paul Leander-Engström, Lukas H. Lundin, William A. Rand and Robert J. Sali. Lars O. Grönstedt and Ashley Heppenstall were elected to the Board. Lukas H. Lundin was appointed Chairman of the Board.
- PricewaterhouseCoopers AB were re-elected as the Company's auditors.
- A renewed incentive scheme for employees was adopted, entitling present and future employees to be allocated call options to acquire shares represented by Swedish Depositary Receipts in the Company ("Options"). The incentive scheme will include granting of not more than 2,000,000 Options.

  Principle conditions of the incentive scheme:

  - The exercise price for the Options shall correspond to 120 percent of the market value of the Swedish Depositary Receipts at the time of the granting of the Options.
  - The Options may be exercised during an exercise period of one month starting three years from the time of the granting.
  - For employees resident outside of Sweden, no premium shall be paid for the Options and the Options may only be exercised if the holder is still employed within the group at the time of exercise.
  - For employees resident in Sweden, the employees may elect either of the following alternatives:
    a) No premium shall be paid for the Options and the Options may only be exercised if the holder is still employed within the group at the time of exercise (same as for employees resident outside of Sweden); OR
    b) The Options shall be offered to the employee at a purchase price corresponding to the market value of the Options at the time of the offer. The Options shall be fully transferable and will thereby be considered as securities. This also means that Options granted under this option (b) are not contingent upon employment and will not lapse should the employee leave his or her position within the group.

Management report

When risk gets taken off the table, everything perceived as risk get sold in a ruthless way. The situation around Greece is no different. Regardless of how fundamentally robust the macro story is or how low the valuation of its assets is, a place like Russia gets hit hard when there is a shake out like the present Greek drama. We have seen it before in Mexico in 1994, Thailand in 1997, Russia itself in 1998, Argentina in 2002, the US in 2008 and now Greece/Europe. With a rear-view mirror perspective it is easy to see the exit and re-entry points but in the midst of it, it is a very difficult task to see it coming. We are investors in situations with high risk premia that we believe will be reduced over time, sometimes due to macro forces but more often due to micro developments at the corporate level. More often than not, these types of assets are not possible to trade in and out of and therefore we are left facing the volatility of periods like the one we are in now. Whilst not trying to compare the severity of today to the Autumn of 2008, our company's current financial strategy of no leverage at the holding level is comforting to have and obviously allows for a larger degree of flexibility and staying power around our core business idea.

Leaving the outside world for a moment, Russia itself is improving. The country's GDP is constantly being revised upwards by macro analysts as well as the Government itself. Inflation is coming down and the tight monetary policy of last year is being reversed through interest rate decreases. The improved economic conditions were demonstrated through the placement of Russia's first sovereign Eurobonds in a great number of years at a record 125 basis points spread over US treasuries for five year paper. A total of USD 5.5 bln was placed (both 5 and 10 year paper placed).

The tough patch that Russia seems to be coming out of has encouraged it to embrace various reforms with a renewed vigour. President Medvedev has throughout his mandate period made the fight against corruption a prime focus. One step has been the requirement for top officials to declare their real income and assets for which the deadline was April 30th this year.

Another example of a progressing Russia which has not been widely talked about is the success of the Czech private equity firm PPF against the oligarch Deripaska in the battle over Russia's leading insurance company, Ingostrakh. Despite by now classic attempts of massive dilutions, hijacked board compositions, controlling local courts, etc. the foreigners have in this case been able to keep their rightful stake and control of the company. Continued similar developments will undoubtedly help reduce the risk premia still associated with Russian investments (clearly visible also through the historically high discount to other emerging markets which the Russian equity market trades at today).

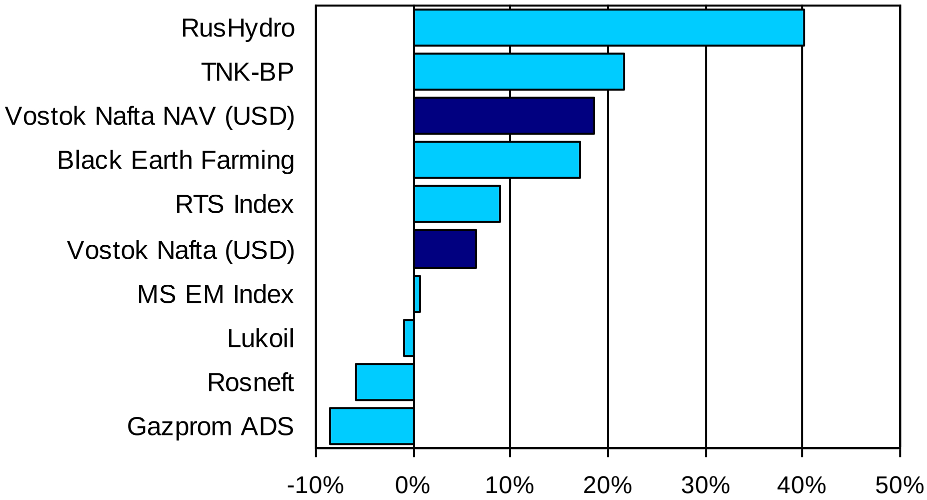
Also, Russia's relations with the outside world have improved over the past 12–18 months. The Obama administration has proved to be easier to work with, which for example has resulted in a change in Russia's stance on Iran. Its relations with Europe have improved with the unlikely Poland being the epicentre of these better relations through Prime Minister Putin's acknowledgement of the Soviet execution of Polish officers at Katyn during the Second World War, as well as the warm response from both Medvedev and Putin to the tragic plane crash at Smolensk of the plane carrying the Polish President Kazcynski.

All in all we believe that once more visibility is available over the European economic situation, Russia is a high beta market which, partly due to the topics described above, will enjoy a reduced risk premium relative to other emerging markets. This will be "funded" by closing the large underweight positions that institutional investor have in Russia at the moment.

Vostok Nafta's portfolio development

Vostok Nafta's net asset value per share in USD increased by 17.14% over the period January 1, 2010–March 31, 2010. During the same period the RTS index increased by 6.59% in USD terms.

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



Black Earth Farming

Black Earth Farming (BEF) is aggressively pursuing multiple strategies in order to further improve its efficiency and lower the costs of production and overheads down to levels that will ensure BEF's position in the top quartile in terms of lowest cost producers worldwide. Full-time employee count (excl. temporary & seasonal staff) has decreased by 21 percent from 1,942 to 1,527 year on year. In the last quarter of 2009 the general and administrative expenses were down USD 1.1 million or 15 percent, as the savings from earlier initiatives have began to impact the bottom line. Further savings in general and administrative expenses are expected from Q1 2010 and onwards. Furthermore, distribution expenses in the last quarter of 2009 were 28 percent lower than corresponding period in 2008, despite much larger volumes handled and stored. The Company's investment into own storage is showing effect by materially reducing the costs for external storage. Several direct costs of production have also been lowered given more efficient purchasing strategies as well as lowered general costs of inputs.

During the 2009/10 season a total of approximately 200,000 hectares will be planted and harvested which represents a 9 percent increase year-on-year. The exact crop mix of the 2010 spring campaign is yet to be announced. The vast majority of the land to be cropped has now been cultivated for two years or more, which is positive for the land's fertility.

According to the International Grains Council grain and oilseed prices firmed somewhat during April 2010, particularly in Europe and the Black Sea region. Overall, with South American 2009/10 harvests turning out larger than anticipated and the continued favourable outlook for 2010/11 northern hemisphere crops, global supply fundamentals remained bearish. Wheat prices in the EU, Kazakhstan, Russia and Ukraine were supported by quite active buying interest, especially from Near East Asia and North Africa, their strength also helping to support barley prices. Early indications suggest that world grain consumption may slightly exceed production in 2010/11, however with very large opening stocks supplies will remain ample. Planted areas are likely to be close to 2009/10 levels and assuming trend yields, total grain production may fall by 1 percent (18 million tons) to 1,762 million tons. World consumption is forecast at 1,769 million tons, 23 million more than the current season. Thus the global stocks which have kept on rising during the last years will likely start to be reduced during next year as the market balances and starts to work off stockpiles. Historically the price development has been favourable once there are signs that supply and demand has balanced and stocks start to come down.

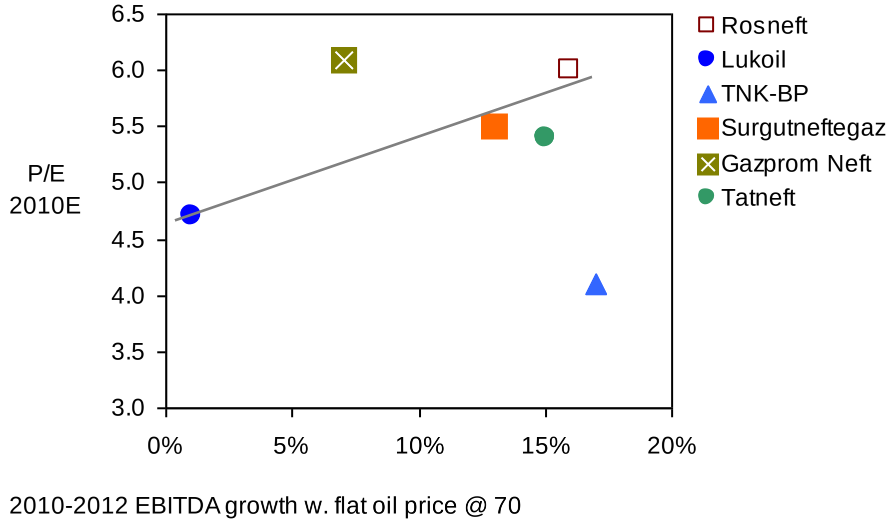
Vostok Nafta has 30,888,704 shares in BEF valued at USD 114,257,872 which represents 24.8 percent of the total shares outstanding and constitutes 20.3 percent of Vostok Nafta’s portfolio. BEF shares rose 17.0 percent during the period.

TNK-BP Holding

TNK-BP Holding reported results for 2009 in the beginning of May. Revenues of USD 31.2 billion was broadly in line with consensus estimates. EBITDA of USD 8.0 billion was 4 percent better than expected mainly on the back of lower than expected export duty expense. The company reconfirmed its ability to generate sustainable high free cash flow. Despite a 31 percent year-on-year decrease in sales, free cash flow (operating cash flow minus investing cash flow) increased 75 percent year-on-year to USD 5.3 billion. Lower-than-expected capital expenditures of USD 2.8 billion and better working capital management contributed to this deviation. The company paid USD 5.5 billion of dividends in 2009 and as a result, the company’s net debt advanced from USD 875 million to USD 1.9 billion.

The company achieved a 329 percent reserves replacement ratio, which however was partially driven by a higher oil price assumption used for estimates. The reserves to production ratio is estimated at 14 years. Oil production advanced 3.0 percent year on year to 1.49 million barrels per day in 2009, while oil from production tax free greenfields amounted to 5.5 percent of the company’s overall output. Longer term TNK-BP has some very exciting greenfield developments in the Yamal region, where Rosneft’s Vankor field is located. 3P reserves for the 4 fields in the area amount to 4 billion barrels of oil with the potential to deliver up to 500,000 barrels per day of additional production by 2020 with first production in 2013. It is however a very remote area with little or no infrastructure, thus entailing large amounts of investments.

<u>Valuation vs. EBITDA growth for Russian major oil companies</u>



Source: Goldman Sachs

Near term TNK-BP has the potential to deliver the highest real estimated EBITDA growth between 2010 and 2012 (around 17 percent) among the large-cap Russian oils. Real earnings growth is expected to come from increasing Mineral Extraction Tax (MET) and export duty-exempt production, gas price liberalization and the upgrade of the company's Saratov refinery. TNK-BP's MET and export duty-exempt production (from its Verkhnechonsk field) will increase by 13 million barrels, translating into a USD 425 million export duty saving and a USD 155 million MET saving, which together represent 8 percent EBITDA growth from 2010 to 2012. Domestic gas price liberalization is expected to add about 5 percent of EBITDA growth in a flat USD 70 oil price scenario as TNK-BP sells approximately 11 to 12 bcm of gas per annum to various power stations and industrial consumers in West Siberia.

Vostok Nafta has 18,245,000 ordinary shares and 27,096,616 preferred shares in TNK-BP Holding valued at USD 37,584,700 and USD 47,148,112 respectively which in total represents 0.3 percent of the total shares outstanding and constitutes 15.1 percent of Vostok Nafta's portfolio. TNK-BP Holding ordinary shares rose 22.1 percent during the period while preferred shares rose 19.7 percent. Vostok Nafta bought 18,245,000 ordinary shares in TNK-BP Holding during the period.

TCS

Tinkoff Credit Systems (TCS) demonstrated strong performance during a very difficult 2009, and has gone on to generate healthy growth in its credit card portfolio for the first quarter of 2010. TCS has to date issued 510,000 credit cards, of which 402,000 have been activated which is a 43 percent increase from the same period last year. Despite the financial crisis, TCS' net credit card portfolio grew by 23 percent year-on-year to USD 219 million, giving TCS a market share in Russia of over 3 percent. The company is now ranked 9th in Russia in terms of its non-delinquent credit card portfolio, according to statistics from the Russian

Central Bank. Response rates to the company's mailed invitations, which have averaged around 3 percent, has also increased.

In order to continue to diversify its funding base and to grow the credit card portfolio, TCS has launched a retail deposit programme. A programme in cooperation with regional post office branches was launched in July 2009 (in Kemerovo, Chelyabinsk, Perm and Ulyanovsk) and in March 2010, TCS launched an online deposit programme. Both programmes have been highly successful, and as a result, TCS has collected approximately RUB 1.3 billion, or approximately 15 percent of TCS's total liabilities. As part of its ongoing strategy to diversify its funding base and to raise debt capital from international and domestic markets, TCS obtained two credit ratings in May 2010: 'B3 Stable' from Moody's and 'B– Stable' from Fitch.

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. Vostok Nafta's equity stake in TCS (Egidaco) is valued at USD 20,207,328 which represents 16.1 percent of the total shares outstanding. No changes occurred to the fair value estimate during the period. Including bond and loan investments TCS constitutes 8.9 percent of Vostok Nafta's portfolio.

RusForest

In addition to ongoing rationalization RusForest is working on the three main initiatives previously described which include; guaranteeing a constant and smooth supply of logs to the sawmills, reduce the product range of sawnwood to simplify the production process and to secure funding to complete the third sawmill at Magistralny. A highly motivated and competent management team at the forest subsidiaries is key to achieving these objectives which can be a challenge in the Company's areas of operations which tend to be rural.

During 2009 the gross margin was not enough to cover distribution expenses plus other administrative expenditures. The low gross margin result reflects the fact that the Boguchansky sawmill was loss making until such times as it reached proper production volumes in December 2009. Furthermore, sawnwood prices were generally low in 2009 and disrupted log flows at PIK-89 over the summer led to poor cash results in June to August 2009. One major driver, apart from sales volume, for the cost of sales was the extensive usage of purchased sawlogs during the period. Purchased logs cost from external suppliers cost on average SEK 400 per cubic metre compared to self-harvested sawlogs which cost approximately SEK 250 per cubic metre. During Q4 2009 both PIK and Lesprom (logging business) showed reasonable gross margins, but the overall margin was dragged down by operating losses at the Boguchansky sawmill. Personnel costs have decreased on a monthly basis as new management at the subsidiaries has terminated the employment of unproductive staff, reviewed the production process and are re-allocated tasks.

Going forward, the fact that Boguchansky has achieved capacity and that sawnwood prices have strengthened towards the end of 2009 will have a positive impact in 2010. The company has entered into discussions with various banks in order to secure funding to complete the RusForest Magistralny sawmill. Credit conditions are still tight but significantly better than they have been during the past year. It is also critical that working capital is managed more effectively and that costs are controlled at mainly PIK-89. The exposure to weather cycles has historically been a major issue in Siberia, and failure to secure logs over winter means that summer production volumes will be subject to the risk of inconsistent raw material supplies. RusForest is working to overcome this seasonal volatility firstly through building winter stocks and in the long term by improving access to the forest through road construction. Although PIK-89 achieved record sawmilling volumes during the summer of 2009, a lot of work remains to be done to increase operating efficiency. This involves a major program of cost control and cost reduction which will be implemented in the second quarter of 2010.

Vostok Nafta has 10,888,403 shares in RusForest valued at USD 35,449,265 which represents 49.9 percent of the total shares outstanding and constitutes 6.3 percent of Vostok Nafta's portfolio. RusForest shares rose 24.7 percent during the period.

Kontakt East Holding (Vosvik)

Russia's overall internet audience increased to 31.9 million in March, up 17 percent year-on-year. The Russian internet ad market remains small at RUB 18.9 billion (USD 600 million) in 2009 and accounted for just 9 percent of total ad spending. However VTB forecasts it to expand six-fold over the next five years on the back of Russian broadband penetration surging from the current 23 percent to over 60 percent by 2014.

In the first quarter of 2010 sales at Yellow Pages were down 34 percent year-on-year yet thanks to reduced variable costs gross profit was only down 9 percent from 2009. EBITDA has also been significantly improved compared to 2009 but was negatively affected by one-off items and showed a small loss for the quarter. 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.

At Avito monthly unique visitors continues to grow at a rapid pace and currently stands at over 6 million per month. It is now the largest online classified site in Russia and steadily increasing the gap to its competitors. The number of listings exceed 1.5 million with over 250,000 being added every week. During 2010 monetization of Avito.ru has commenced, although on a small scale. Revenues come primarily 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. Focus however remains on investing in increasing the amount of visitors and listings in order to become the clear market leader.

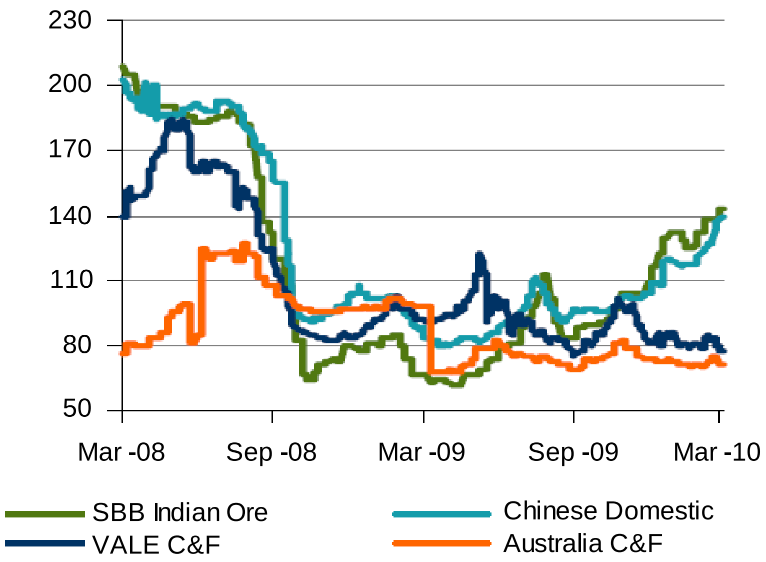
Vostok Nafta values its equity stake in Kontakt East Holding (Vosvik) through a discounted cash flow model based on management's estimates of business operations during a foreseeable forecasting period. Sales growth, operating margin, discount rate and the terminal growth rate are key variables affecting 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. Vostok Nafta's equity stake in Kontakt East is valued at USD 19,130,831 which represents 50.0 percent of the total shares outstanding. No changes occurred to the fair value estimate during the period. Kontakt East constitutes 3.4 percent of Vostok Nafta's portfolio.

Poltava GOK (Iron Ore Market)

The market's perception of the outlook for steel making raw materials changed dramatically when BHP Billiton's management made it clear to the market that they felt that the spot market, which was much higher than consensus estimates, was the appropriate starting point for 2010 annual contract negotiations. Subsequently in April 2010 Brazil's Vale and BHP Billiton, the largest and third- largest iron-ore exporters, switched to quarterly contracts from annual pricing negotiations. Contracts will now be based on a three-month average of price indexes for the period ending one month before the onset of the new quarter. Rio Tinto, the number two producer, followed its competitors to do the same. Mining companies are seeking to capitalize on market prices for the steelmaking ingredient that more than doubled in the past year. Vale discontinued the 40-year system of negotiating annual benchmark contracts and agreed on a 90 percent price increase with Japanese steel mills for quarterly contracts starting April 1st 2010. The three companies account for about two thirds of the globally traded iron ore market, worth around USD 200 billion a year.

This major change to the pricing mechanism in the iron ore market will likely lead to a more transparent pricing mechanism as well as the desire of further integration into iron ore by steelmakers. The immediate impact of the new system was an 80 to 100 percent increase in iron ore prices, which is expected to lead to steel prices rising by as much as a third. For much of the last decade, the benchmark system capped iron ore prices below the more volatile spot price.

Iron ore prices



Source: Bank of America Merrill Lynch

The shift to the new system reflects the shift in the balance of power to the mining companies as a result of soaring Chinese steel demand over the past decade driven mainly by the booming construction and auto sectors. In 2009 China represented about 68 percent of global demand for iron ore as local iron ore supplies are of low iron content forcing the country to import 65 percent of its needs.

Before 2010, BHP Billiton was the only one of the big miners pushing for a spot based pricing, given the premium of spot over the benchmark, its proximity to China and its low production cost strategy. Vale – the largest global iron ore producer – on the other hand, was reluctant to take spot pricing risk, given the long haul to China and the high freight costs that it would incur. However, after aggressively building its freight and shipping capacity, Vale is now able to offer products Cost and Freight (C&F) in China and thus a new system has been established.

The sharp increases in the spot market prices are largely driven by Chinese and Indian demand booming with the OECD regions, e.g. Europe, experiencing a more subdued recovery and lagging behind. Although the iron ore market remains as tight as in 2007/08, there are still a few check points missing before seeing spot prices back at peak levels. Hot Rolled Coil (HRC) steel prices were above USD 1,000 per ton and the margins for Chinese steelmakers were considerably higher. Capacity utilization was also at a peak and steel demand was robust while the global economy (especially excluding China) was in a totally different shape. China also announced a series of property market tightening policies in mid April, which was deemed a real turning point of property related policies and the property sector of this cycle. In addition Chinese monetary policy has also tightened somewhat to moderate growth rates in bank lending to sustainable levels. Current measures to target the high end of the property market and reduce the pace of lending should result in a controlled slowdown while maintaining the underlying growth momentum

Poltava GOK, the Ukrainian-based mining and production subsidiary 97 percent owned by Ferrexpo, reported full year results for 2009 showing a decline in revenue of 42 percent year-on-year to USD 501 million and EBITDA dropped 50 percent to USD 66 million, implying a EBITDA-margin of 13 percent. The company shifted volumes away from its core central European market to China during the downturn where the higher transportation costs affects the margin somewhat. The global pricing picture will be very beneficial for Poltava GOK in 2010 as it bases its price negotiations with its customers on the Vale price. As the European steel market recovers, where PGOK is the in the top quartile in terms of cost advantage given its geographical location, margins will get an additional boost.

Vostok Nafta has 3,154,498 shares in Poltava GOK valued at USD 24,504,929 which represents 1.7 percent of the total shares outstanding and constitutes 4.4 percent of Vostok Nafta's portfolio. Poltava GOK shares rose 152.2 percent during the period.

Transneft

Transneft's de facto status as a government entity (as opposed to a corporation), and it's clear reliance on rising tariffs to fund its ever-growing investment program, have put little pressure on the company to respect the interests of its minority investors. Signs are emerging that the situation could be about to change. Higher tariffs, along with growing debt levels, have historically been used to fund Transneft's ever-increasing investment program. There are signs that both these sources of funding may now be less readily available than before. The Russian oil industry regularly voices its reluctance to absorb significant tariff increases, while Transneft says it has reached its borrowing capacity and needs new sources of funding to finance its new pipeline projects. Several Russian media sources have reported recently that the Russian government is considering an additional share issue to fund Transneft's growing funding requirements, although it is unclear whether this will be funded by the state or by tapping public equity. Russia's widening budget deficit and the government's general reluctance to directly fund infrastructure projects suggests that a public equity financing through an IPO cannot be ruled out. Such a move would be highly beneficial for the company in terms of corporate governance and management practices as well as for current minority shareholders.

Transneft's valuation remains highly attractive, it trades at 2010 EV/EBITDA and P/E multiples of 2.9x and 3.2x, representing 70 percent and 79 percent discounts respectively to its international peer group. The company's depreciated replacement cost is estimated at USD 9,050 per share (which includes an estimated USD 13.4 billion value for the line fill), implies more than 10 times upside potential to the current share price.

Vostok Nafta has 19,730 preferred shares in Transneft valued at USD 22,590,850 which represents 0.3 percent of the total shares outstanding and constitutes 4.0 percent of Vostok Nafta's portfolio. Transneft preferred shares rose 38.1 percent during the period.

RusHydro

RusHydro reported very strong 2009 IFRS results that were positively boosted by the ongoing liberalization of the wholesale electricity market. EBITDA grew 21 percent year-on-year to USD 1.65 billion on sales of USD 3.7 billion, up 7.4 percent from 2008, resulting in an EBITDA margin of 45 percent. The core factors behind the significant growth in profitability were 31 percent year-on-year growth in the regulated tariff, ongoing wholesale electricity market liberalization and cost cuts as well as lower-than-expected direct losses from the Sayano-Shushenskaya Hydro Power Plant (SSHPP) accident.

Revenues rose due to the increase in a special investment component included in the regulated tariff (capacity revenues were up 37 percent in roubles) and as the average liberalization share rose to circa 40 percent in 2009, RusHydro could sell more electricity at free market prices. The direct losses from the accident at SSHPP that took place in August 2009 were lower than expected. As the power plant was idle for five months following the accident, the company had to execute loss-making supplies of electricity under the regulated prices (the company bought electricity at liberalized prices and then sold this electricity at regulated prices that are much lower). Another factor was higher than expected annual electricity generation output which has a direct impact on EBITDA given that the company has very low variable costs. Finally, the company's cost–cutting program proved to be better than expected as well.

RusHydro's management plans to present the company's long term strategy, including an updated investment program, by the end of May 2010. The company is currently in the process of placing 19 billion new shares (7 percent of the current share count). Part of the proceeds will be used for re-commissioning of the SSHPP. The company believes issues of any additional new shares are not required due to its strong balance sheet.

Vostok Nafta has 2,299,734 ADRs in RusHydro valued at USD 12,096,601 which represents 0.1 percent of the total shares outstanding and constitutes 2.2 percent of Vostok Nafta's portfolio. RusHydro ADRs rose 37.9 percent during the period. Vostok Nafta decreased its stake in RusHydro by 2,379,000 ADRs during the period.

Clean Tech East

Clean Tech East (CTE) announced a SEK 81 million rights issue in April 2010, guaranteed in full by a consortium including Vostok Nafta. The proceeds will be used to finance the earlier communicated transaction with Fortum Värme, whereby CTE acquires the 20 percent stake in Ystad Pellets to achieve full ownership, and the 5-year supply contract with a locked-in price is terminated. This has resulted in (considerably higher) market prices received since February 2010. In addition, add-on investments will be implemented in the production process to increase output as the current level is not adequate to achieve profitability. In order to penetrate the higher margin consumer market, an assembly line to package pellets in bags for distribution to households will also be installed. Going forward the aim is also to achieve a better cost structure including raw materials, fuel and fixed costs. A new CEO has also been appointed since April 2010. With these measures the pellet mill in Ystad will be able to generate the cash flows initially envisioned and focus can start turning to new areas of interest.

Vostok Nafta has 42,254,295 shares in Clean Tech East valued at USD 1,522,017 which represents 31.3 percent of the total shares outstanding. Including loan investments Clean Tech East constitutes 1.0 percent of Vostok Nafta's portfolio. Clean Tech East shares dropped 58.5 percent during the period.

Investments

During the period net investments in financial assets were USD 1.95 (2.56) mln.

Valuation of investments

For the shares in the portfolio that are listed, the market value has been calculated by using the last available closing bid price for the period. Unlisted investments are held at fair value determined by different valuation models depending on the characteristics of the company as well as the nature and risks of the investment. These different techniques include discounted cash flow valuation, exit-multiple valuation, asset based valuation as well as forward looking multiples valuation based on comparable traded companies.

Portfolio structure

The investment portfolio stated at market value as at March 31, 2010 is shown below. Vostok Nafta's three biggest investments are Black Earth Farming (20.34%), TNK BP Holding (15.09%) and Kuzbassrazrezugol (10.42%).

Vostok Nafta portfolio as at March 31, 2010

Number of shares	Company	Fair value, USD	Percentage weight	
5,364,850	Caspian Services	1,824,049	0.32%	1
5,789,903	Kherson Oil Refinery	7,307	0.00%	1
18,245,000	TNK BP Holding Ord	37,584,700	6.69%	1
27,096,616	TNK BP Holding Pref	47,148,112	8.39%	1
1,620,000	Novoil	1,490,400	0.27%	1
1,122,705	Novoil Pref	493,990	0.09%	1
10,300,000	Ufa Refinery	10,300,000	1.83%	1
1,715,000	Ufaneftekhim	5,402,250	0.96%	1
670,000	Ufaorgsintez	2,814,000	0.50%	1
88,500	Varyeganneftgas Pref	1,615,125	0.29%	1
	Oil Price, Total	**108,679,933**	**19.35%**	
1,159	Alrosa	9,272,000	1.65%	1
6,000,000	Fortress Minerals	1,861,083	0.33%	1
31,274	Gaisky GOK	9,241,467	1.65%	1
3,154,498	Poltava GOK	24,504,929	4.36%	1
100,242	Priargunsky Ind Ord	21,852,756	3.89%	1
11,709	Priargunsky Ind Pref	1,100,646	0.20%	1
1,442,400	Shakiya Zinc GDR	389,448	0.07%	1
	Commodities, Total	**68,222,329**	**12.15%**	
3,000	Bekabadcement	450,000	0.08%	1
187	TKS Concrete	1,506,750	0.27%	1
39,000	Gornozavodsk Cement	7,800,000	1.39%	1
1,600,000	Kamkabel	208,000	0.04%	1
85,332	Podolsky Cement	53,844	0.01%	1
10,156,113	Steppe Cement Ltd	10,568,284	1.88%	1
322,767	Sibirskiy Cement	7,697,993	1.37%	1
19,730	Transneft Pref	22,590,850	4.02%	1
1,215,000	Tuimazy Concrete Mixers	7,897,500	1.41%	1
	Infrastructure, Total	**58,773,221**	**10.46%**	

Vostok Nafta portfolio as at March 31, 2010 (continued)

Number of shares	Company	Fair value, USD	Percentage weight	
2,299,734	Rushydro ADR	12,096,601	2.15%	1
2,500,000	Kuzbass Fuel Company	22,875,000	4.07%	1
133,752,681	Kuzbassrazrezugol	58,516,798	10.42%	1
2,618,241	Kyrgyzenergo	168,688	0.03%	1
	Energy Sector Restructuring, Total	**93,657,087**	**16.68%**	
1,765,000	Agrowill	0	0.00%	1
30,888,704	Black Earth Farming	114,257,872	20.34%	2
272,106	Dakor	2,940,922	0.52%	1
	Agriculture, Total	**117,198,794**	**20.87%**	
5,000,000	Egidaco 18% 2011	6,349,700	1.13%	1
885,934	Egidaco Investment Limited (Tinkoff Credit Systems), equity	17,697,143	3.15%	1
	Egidaco Investment Limited (Tinkoff Credit Systems), warrants	2,510,185	0.45%	1
	Tinkoff Credit Systems Bank, loan	23,181,777	4.13%	3
50,000	Vosvik AB/Kontakt East	19,130,831	3.41%	2
683,750	Custos AB	2,841,802	0.51%	1
10,888,403	RusForest AB	35,449,265	6.31%	2
	RusForest, loans	1,013,609	0.18%	3
42,254,295	CleanTech East Holding AB	1,522,017	0.27%	2
	CleanTech East Holding AB, loans	4,026,203	0.72%	3
623,800	TKS Real Estate	1,146,145	0.20%	1
	What Works in the West, Total	**114,868,676**	**20.38%**	
	Other non current loan receivables	217,972	0.04%	3
	Other current loan receivables	28,792	0.00%	4
	Other loan receivables, Total	**246,764**	**0.04%**	
	Grand Total	**561,646,803**	**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 Investment Ltd

Income statements – Group

(Expressed in USD thousands)	Jan 1, 2010- Mar 31, 2010	Jan 1, 2009- Mar 31, 2009
Result from financial assets at fair value through profit or loss[1]	60,798	-20,535
Result from investments in associated companies	21,578	-11,242
Result from loan receivables[1]	1,847	-4,554
Dividend income	223	3,978
Other operating income	291	258
Total operating income	**84,737**	**-32,095**
Operating expenses	-1,169	-1,746
Russian dividend withholding tax expenses	-33	-597
Operating result	**83,535**	**-34,438**
Financial income and expenses		
Interest income[1]	1	83
Interest expense	0	-1,740
Currency exchange gains/losses, net	49	-2,620
Other financial expenses	-	-18
Net financial items	**50**	**-4,295**
Result before tax	**83,585**	**-38,733**
Taxation	-17	11
Net result for the financial period	**83,568**	**-38,722**
Earnings per share (in USD)	0.83	–0.48
Diluted earnings per share (in USD)	0.83	–0.48

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

Vostok
Nafta
Investment
Ltd

Statement of comprehensive income

(Expressed in USD thousands)	Jan 1, 2010- Mar 31, 2010	Jan 1, 2009- Mar 31, 2009
Net result for the financial period	**83,568**	**-38,722**
Other comprehensive income for the period		
Currency translation differences	-14	29
Total other comprehensive income for the period	**-14**	**29**
Total comprehensive income for the period	**83,554**	**-38,693**

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)	Mar 31, 2010	Dec 31, 2009
NON CURRENT ASSETS		
Tangible non current assets		
Property, plant and equipment	1,939	1,948
Total tangible non current assets	**1,939**	**1,948**
Financial non current assets		
Financial assets at fair value through profit or loss	362,818	301,607
Investments in associated companies	170,360	148,084
Loan receivables	28,440	22,602
Deferred tax asset	94	109
Total financial non current assets	**561,712**	**472,402**
CURRENT ASSETS		
Cash and cash equivalents	16,345	8,935
Loan receivables	28	3,180
Receivables from related parties	371	375
Unsettled trades	8,440	-
Tax receivables	117	155
Other current receivables	2,034	2,050
Total current assets	**27,335**	**14,695**
TOTAL ASSETS	**590,986**	**489,045**
SHAREHOLDERS' EQUITY		
(including net result for the financial period)	**571,179**	**487,624**
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Liabilities to related parties	200	211
Tax payables	443	516
Unsettled trades	18,499	-
Other current liabilities	99	61
Accrued expenses	566	633
Total current liabilities	**19,807**	**1,421**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**590,986**	**489,045**

Statement of Changes in Equity – Group

	Attributable to owners of parent			
(Expressed in USD thousands)	**Share Capital**	**Additional paid in capital**	**Retained earnings**	**Total**
Balance at January 1, 2009	**46,021**	**146,884**	**54,988**	**247,893**
Net result for the period January 1, 2009 to March 31, 2009	-	-	-38,722	-38,722
Other comprehensive income for the period				
Currency translation differences	-	-	29	29
Total comprehensive income for the period January 1, 2009 to March 31, 2009	-	-	-38,693	-38,693
Transactions with owners:				
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
Balance at January 1, 2010	100,991	191,700	194,933	487,624
Net result for the period January 1, 2010 to March 31, 2010	-	-	83,568	83,568
Other comprehensive income for the period				
Currency translation differences	-	-	-14	-14
Total comprehensive income for the period January 1, 2010 to March 31, 2010	-	-	83,554	83,554
Transactions with owners:				
Employees share option scheme:				
- value of employee services	-	1	-	1
	-	1	-	1
Balance at March 31, 2010	**100,991**	**191,701**	**278,487**	**571,179**

Vostok Nafta Investment Ltd

Cash flow statements – Group

(Expressed in USD thousands)	Jan 1, 2010- Mar 31, 2010	Jan 1, 2009- Mar 31, 2009	Jan 1, 2009– Dec 31, 2009
OPERATING ACTIVITES			
Result before tax	83,585	-38,733	139,838
Adjustment for:			
Interest income	-1	-83	-109
Interest expenses	0	1,740	1,868
Currency exchange gains/-losses	-49	2,620	2,745
Depreciations	30	40	174
Result from financial assets at fair value through profit or loss	-60,798	20,535	-139,835
Result from investments in associated companies	-21,577	11,242	5,296
Result from loan receivables	-1,847	4,554	-7,043
Dividend income	-291	-3,978	-9,111
Other non-cash items	1	433	1,578
Change in current receivables	-8,063	-1,353	8
Change in current liabilities	18,117	60	-76
Net cash from/used in operating activities	**9,107**	**-2,923**	**-4,667**
Investments in financial assets	-48,347	-2,825	-90,665
Sales of financial assets	47,670	2,292	84,795
Increase of loan receivables	-838	-2,023	-2,431
Investments in subsidiaries	-	-	-51
Dividend received	291	3,381	7,744
Interest received	1	83	989
Interest paid	0	-1,094	-1,868
Tax paid	-35	-1	-45
Net cash flow from/used in operating activities	**7,413**	**-3,110**	**-6,199**
INVESTING ACTIVITIES			
Investments in office equipment	-9	-3	-2
Sales of office equipment	-	28	38
Net cash flow from/used in investing activities	**-9**	**25**	**36**
FINANCING ACTIVITIES			
Repayments of borrowings	-	-63,850	-77,214
Proceeds from new share issue	-	66,201	66,201
Proceeds from issue of options	-	-	157
Net cash flow from financing activities	**-**	**2,351**	**-10,856**
Change in cash and cash equivalents	**7,404**	**-734**	**-17,019**
Cash and cash equivalents at beginning of the period	**8,935**	**29,198**	**29,198**
Exchange gains/losses on cash and cash equivalents	6	-3,201	-3,244
Cash and cash equivalents at end of period	**16,345**	**25,263**	**8,935**

Vostok Nafta Investment Ltd

Key financial ratios – Group

	2010	2009
Return on capital employed, % [1]	**15.79**	–12.24
Equity ratio, % [2]	**96.65**	94.70
Shareholders' equity/share, USD [3]	**5.66**	2.99
Earnings/share, USD [4]	**0.83**	–0.48
Diluted earnings/share, USD [5]	**0.83**	–0.48
Net asset value/share, USD [6]	**5.66**	2.99
Weighted average number of shares for the financial period	**100,990,975**	81,361,244*
Weighted average number of shares for the financial period (fully diluted)	**100,990,975**	81,361,244*
Number of shares at balance sheet date	**100,990,975**	92,041,802

* In accordance with IAS 33, the weighted average number of shares for the comparative period 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 period. 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 average weighted number of shares for the period.
5. Diluted earnings/share USD is defined as result for the period divided by average weighted number of shares for the period calculated on a fully diluted basis.
6. Net asset value/share USD is defined as shareholders' equity divided by total number of shares.

Income statement – Parent

(Expressed in USD thousands)	Jan 1, 2010-Mar 31, 2010	Jan 1, 2009-Mar 31, 2009
Operating expenses	-987	-774
Operating result	**-987**	**-774**
Financial income and expenses		
Interest income	5,929	4,621
Interest expenses	-	-1,319
Currency exchange gains/losses, net	-9	-1,052
Other financial expenses	-	-1
Net financial items	**5,920**	**2,249**
Net result for the financial period	**4,933**	**1,475**
Earnings per share (in USD)	0.05	0.02
Diluted earnings per share (in USD)	0.05	0.02

Vostok Nafta Investment Ltd

Balance sheet – Parent

(Expressed in USD thousands)	Mar 31, 2010	Dec 31, 2009
NON CURRENT ASSETS		
Financial non current assets		
Shares in subsidiaries	226,865	226,865
Receivables from Group companies	266,666	261,044
Total financial non current assets	**493,531**	**487,309**
CURRENT ASSETS		
Cash and cash equivalents	9	29
Receivables from related parties	-	219
Other current receivables	551	382
Total current assets	**560**	**630**
TOTAL ASSETS	**494,091**	**488,539**
SHAREHOLDERS' EQUITY (including net result for the financial period)	**492,338**	**487,404**
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Liabilities to group companies	1,276	569
Accrued expenses	477	566
Total current liabilities	**1,753**	**1,135**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**494,091**	**488,539**

Statement of Changes in Equity – Parent

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
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**
Balance at January 1, 2010	**100,991**	**191,700**	**194,713**	**487,404**
Profit for the period	-	-	4,933	4,933
Total recognized income for the financial period January 1, 2010 to March 31, 2010	-	-	4,933	4,933
Employees share option scheme:				
– value of employee services	-	1	-	1
	-	1	-	1
Balance at March 31, 2010	**100,991**	**191,701**	**199,646**	**492,338**

Note 1 Accounting principles

This consolidated interim report is prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting principles and methods of calculations have been applied for the Group as for the preparations of the consolidated accounts for Vostok Nafta Investment Ltd 2009.

Note 2 Related party transactions

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

USD thousand	2010				2009			
	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	-	53	-	-	-	87	-	-
Other operating income	-	5	32	-	108	136	10	-
Operating expenses	-	-	-	-246	-	-	-	-310
Interest expenses	-	-	-	-	-	-	-419	-254
Balance sheet items								
Non current loan receivables	-	1,014	-	-	-	996	-	-
Current loan receivables	-	4,026	-	-	-	3,153	-	-
Other current receivables	-	336	35	-	23	335	17	-
Retained earnings	-	-	-	-	-	-	-	-157
Other current liabilities and accrued expenses	-200	-	-265	-109	-211	-	-268	-110

Financial and Operating risks

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

Upcoming Reporting Dates

Vostok Nafta's six-month report for the period January 1, 2010–June 30, 2010 will be published on August 18, 2010.

May 19, 2010

Per Brilioth
Managing Director

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