Vostok Nafta Investment Ltd

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# Press Release
# August 19, 2009

## Vostok Nafta Investment Ltd.
## Six Months Report
## Covering the Period
## January 1, 2009–June 30, 2009

**- Net result for the period was USD 28.44 mln (January 1, 2008–June 30, 2008: 157.49). Earnings per share was USD 0.34 (3.42). Net result for the quarter was USD 67.16 mln (-3.27). Earnings per share for the quarter was USD 0.73 (-0.07).**

**- The net asset value of the company was USD 376.44 mln (December 31, 2008: 247.89) on June 30, 2009, corresponding to USD 3.73 (5.39) per share. Given a SEK/USD exchange rate of 7.7068 the corresponding values were SEK 2,901.16 mln and SEK 28.73, respectively.**

**- The group's net asset value per share in USD decreased by 30.81% over the period January 1, 2009–June 30, 2009. Excluding the effects from the new share issues the development would have been +8.34%. During the same period the RTS index increased by 56.20% in USD terms. During the period April 1, 2009– June 30, 2009 the group's net asset value per share in USD increased by 24.54% (RTS index: +43.12%).**

**- During the quarter Vostok Nafta has acquired a portfolio of mainly Russian stocks with a total value of approximately USD 34.4 mln. The acquisition was financed through a directed new issue of 8,949,173 shares of Vostok Nafta. 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 July 31, 2009 was USD 3.92 (SEK 28.17).**

*The company will host a telephone conference with an interactive presentation on Wednesday, August 19, 2009 at 14:00 Central European Time (CET). For call-in details, see separate press release issued Tuesday, August 18, 2009 at www.vostoknafta.com.*

## Background

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

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

Starting from January 1, 2009 Vostok Nafta reports 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 June 30, 2009 the Group's investments within this segment are ZAO Baikal Energy, and the recently acquired Premline Holdings Limited and its Russian subsidiary OOO Volga Nash Dom. 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 38.65 (154.46) mln. Result from investments in associated companies was USD -10.31 (0.75) mln. Result from loan receivables was USD 2.21 (2.87) mln. Dividend income, net of withholding tax expenses, was USD 5.02 (3.96) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD 2.46 (5.22) mln.

Net financial items were USD -4.69 (0.35) mln.

Net result for the period was USD 28.44 (157.49) mln.

Total shareholders' equity amounted to USD 376.44 mln on June 30, 2009 (December 31, 2008: 247.89).

## Group – results for the quarter

During the quarter, the result from financial assets at fair value through profit or loss amounted to USD 59.68 (68.14) mln. Result from investments in associated companies was USD 0.44 (-69.71) mln. Result from loan receivables was USD 6.77 (1.64) mln. Dividend income, net of withholding tax expenses, was USD 1.64 (0.79) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD 0.97 (3.72) mln.

Net financial items were USD -0.39 (0.02) mln.

Net result for the quarter was USD 67.16 (-3.27) mln.

**Directed new share issue**

During the quarter, the Board of Directors of Vostok Nafta decided to take advantage of the opportunities that arise from a combination of the current low valuation for Russian companies, limited liquidity in certain listed Russian stocks and the relatively good liquidity of Vostok Nafta's depository receipts, by acquiring a portfolio of mainly Russian stocks with a total value of approximately USD 34.4 million. The acquisition was financed through a directed new issue of 8.949.173 Swedish Depository Receipts of Vostok Nafta to a limited number of Swedish institutional investors. The transaction was approved at an Extraordinary General Meeting held on June 25, 2009.

**Liquid assets**

The liquid assets of the group, defined as cash and bank deposits adjusted for concluded but not yet settled share transactions, amounted to USD 21.56 mln on June 30, 2009 (Dec 31, 2008: 29.20).

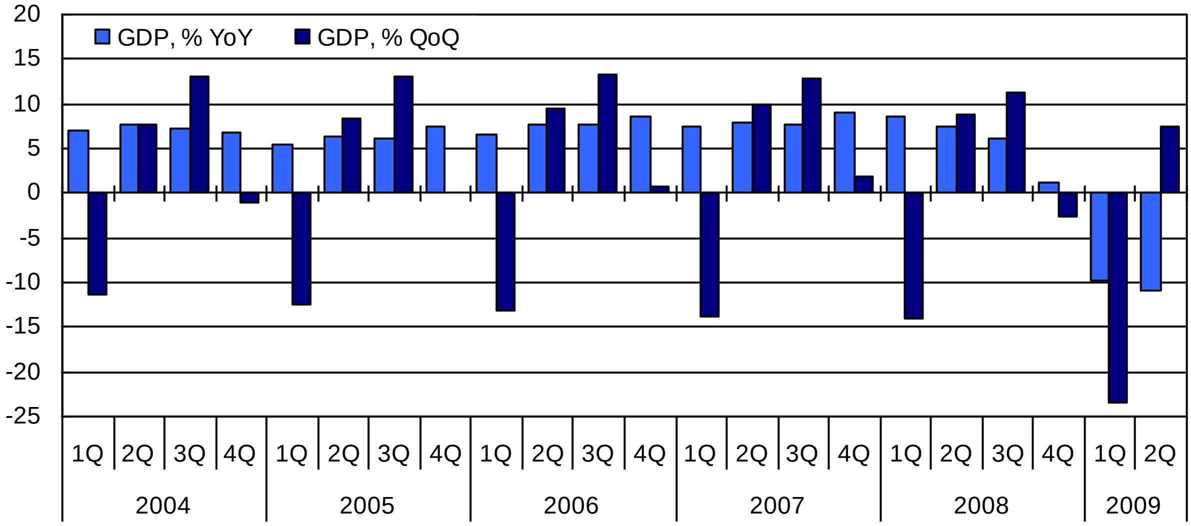
**Parent company**

The parent company finances the Cypriot subsidiaries' operations on market terms. The net result for the period was USD 5.55 (5.07) mln.

**Management report**

The Russian economy practically levelled out during the 2nd quarter of 2009 on a year-on-year basis after having fallen about 9% in the 1st quarter. Going into the third quarter and likely the fourth quarter the Russian economy is expanding again. This is driven by external demand most clearly visible through the rebound in commodity pricings. Although internal demand is showing signs of life (through indicators such as gas output which was up 15% month-on-month in July admittedly possibly also due to early renewed European demand for Russian gas) its real contribution to GDP growth is yet to materialize. Ample liquidity has been provided to the banking system by the State and through private deposits but the still underdeveloped nature of Russian banks overall slows down the flow through to the real economy (as in the rest of the world). Worries about their wholesale funding and about the quality of their assets (although NPLs appear to be stabilizing) are a drag on their willingness to lend. Having said that, Russian corporates have been able to both restructure debt and to raise more financing through both Eurobond markets as well as rouble markets.

*Russian GDP development*




*Source: Renaissance Capital*

The risks to the rebound of the economy in the second half of 2009 lies in the sustainability of pricing of commodities (something we are not worried about in the long-to-medium term but where we are humble about the very short term) as well has the mood around risk appetite generally. The serious fall in the fourth quarter of last year as well as the first quarter of this year in Russia can to a large extent be explained by destocking (as practically all over the planet). Like we have discussed in previous reports the environment of fixed (or sticky) currencies in emerging markets (and especially Russia in 1998 as well as in 2008) companies tend to aggressively draw down their working capital and playing other markets (buying GKOs in 1998 and shorting the rouble or depositing cash at very high interbank rates in 2008). With the rouble now at an arguably low valuation (at least with oil at USD 70 per barrel) capital is finding its way back into working capital though mainly restocking. This feeds into banks becoming more willing to lend and normality overall being restored which leads us to believe that we can witness a rather sustainable inventory build up again.

Asset pricing plays a role and Russia is obviously in no way immune to what is happening in the rest of the world. The increase in the valuation of global assets has at least partly been driven by an increase in earnings expectations in the US. Even if we are bullish in general it is important to note that these revisions in earnings expectations come from a very low level and are based on 1H positive results driven not by top line but by reduction of costs. Top line needs to start to deliver from here on.

On a general note the Russian equity market stands out as one of the most attractively valued ones in the world, despite a 56% increase in the RTS-index year-to-date. At a price to earnings ratio of 12 (12 months out) and estimated earnings growth of some 67% in 2010 (GS Research) the market is clearly at a large discount to its emerging market peers.

Within the equity market there are excess returns to invest into, which is where we believe we are within the Vostok portfolio. During the 1H we have completed our two targeted deals which were to restructure RusForest and CleanTech East Holding. With these two companies now structurally in the right format we look forward to the revaluation of their existing assets as well as to helping their management teams execute their respective strategies as the largest shareholder in each.

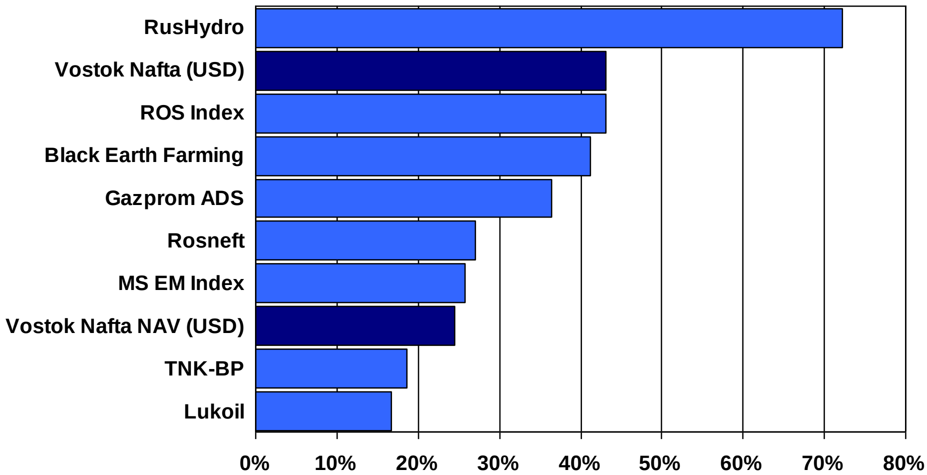
We think it is not unfair to say that Black Earth Farming has with its fourth harvest proven itself operationally in a very strong fashion. As land registration is nearing its completion the focus of the company will naturally turn to bringing its cost structure down below global benchmarks. This should over a 2-3 year period complete this company's ability to generate substantial operating profits.

The company has witnessed some management churn which is something that is inevitable within the Russian corporate environment. The company's strategy on building teams instead of relying too much on the individual has allowed the existing management of Sture Gustavsson, Michael Schneyderman and Alex Kim to assume the responsibilities without disruption.

## Vostok Nafta's portfolio development

The group's net asset value per share in USD decreased by 30.81% over the period January 1, 2009–June 30, 2009. Excluding the effects from the new share issues the development would have been +8.34%. During the same period the RTS index increased by 56.20% in USD terms. During the period April 1, 2009–June 30, 2009 the group's net asset value per share in USD increased by 24.54% (RTS index: +43.12%).

*Percent development April 1–June 30, 2009 (last price paid on relevant stock exchange)*



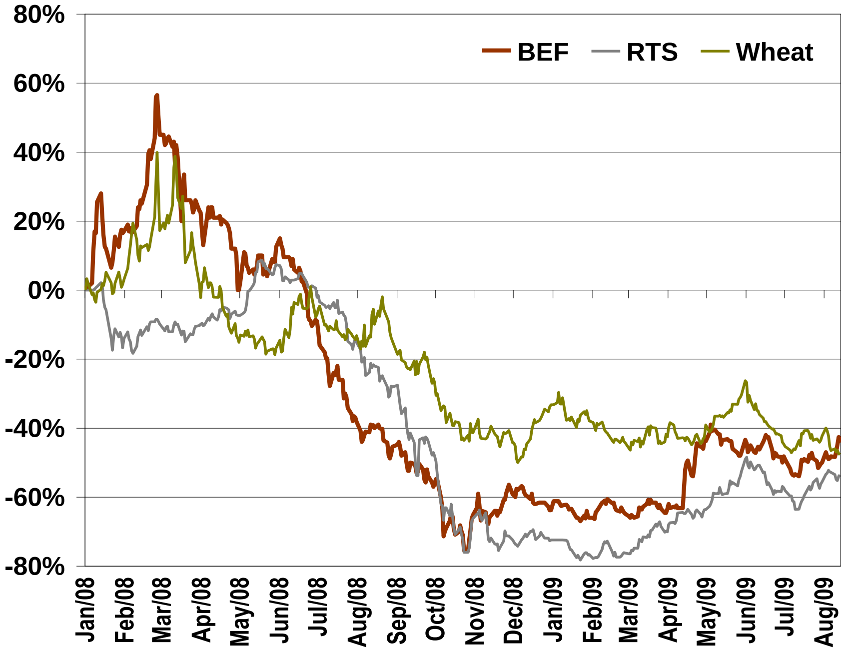

### *Black Earth Farming*

In June Black Earth Farming (BEF) was approved for listing on NASDAQ OMX Stockholm Mid Cap segment. The listing on a market regulated by European standards and EU directives will increase the awareness and interest of BEF's SDRs among domestic and international institutional and private investors as well as analysts, media, suppliers and customers. Fulfilling the listing requirements underscores the high corporate governance and transparency standards in the company set out from the beginning. Furthermore, the listing on NASDAQ OMX Stockholm will provide the company with better general access to the Swedish and international capital markets.

Shifts in BEF’s operational management occurred in August as Igor Smolkin, the General Manager of the company's Russian operational entity Agro-Invest, resigned. Michael Shneyderman BEF’s Chief Financial Officer will assume the position of General Manager of Agro-Invest until further notice and Alexander Kim, Deputy President of BEF with a background within Vostok Nafta has been appointed Deputy General Manager of Agro-Invest. BEF will continue the ongoing work of optimizing sales, improving productivity, reducing costs and increasing its internal storage capacity. As at March 31, 2009 the company had 321,000 hectares under control of which 106,000 hectares were under full ownership and 11,000 hectares under long-term lease.

The front-month contract for wheat touched its 12-month lows around USD 4.8 per bushel (USD 178 per ton) in the beginning of August as the USDA (U.S. Department of Agriculture) reported that favourable weather improved the prospects for spring crops in the U.S., the world’s largest exporter of wheat. Ample global wheat supplies, following the record harvest 2008/2009, have been further bloated by better-than-expected yields from harvesting in the European Union, notably in top producers France and Germany. The 2009/10 marketing-year average farm price is projected by the USDA to be around USD 4.70 to USD 5.70 per bushel, down 10 cents on both ends of the range. Production forecasts for Russia were lowered by 4.5 million tons as dryness and extended heat during July sharply reduced yields in the Southern and Volga Districts. BEF has targeted to be EBITDA positive for the full year 2009 despite the challenging pricing environment. From the start of 2008 and up until June the same year BEF’s share price followed the wheat price development quite closely. Following the sell-off in Russian equity markets commencing in July 2008 BEF’s share price dropped substantially more than wheat prices matching the Russian RTS-index more closely. For more information regarding BEF please see the company’s Q2 report to be released on Monday, August 24 2009, at www.blackearthfarming.com.

*Black Earth Farming SDR vs. RTS-index and wheat price*
*January 1, 2008–August 14, 2009*




*Source: Bloomberg*

***Tinkoff Credit Systems***

In a turbulent market Tinkoff Credit Systems (TCS) took aggressive action to maintain high yields, reduce costs and contain credit and FX losses. Decisive management resulted in a profitable second quarter and a USD 4.1 million profit in 1H 2009 as a whole. At the same time TCS succeeded in restructuring its Eurobond after a covenant breach.

In response to the crisis, no significant card offers have been mailed since last October but TCS has kept its new customer operations alive with a small but steady card issuance. As a result acquisition costs, previously representing up to a third of total costs, were reduced almost to zero by the second quarter. But as delinquencies increased so the collections operation had to be ramped up resulting in flat operating expenses for the first half. The downside of reduced customer acquisitions has been a fall in front-ended fees from new cards. However, this loss of revenue was mitigated with higher interest and fees within market ranges (market share preserved at above 2.5 percent) and the gross yield has been maintained at around 80 percent per annum. As a result of careful management, the cost-to-income ratio was brought down to 30 percent throughout the first half and TCS generated operating profits in every month proving the flexibility of TCS' branchless model.

However, TCS faced two major exogenous shocks: FX losses and increased delinquencies. While TCS holds Ruble assets it was exposed to the euro through the unhedged Eurobond issued in June 08 resulting in FX losses, shrinking equity and a Eurobond covenant breach. Most of the damage occurred in 2008 which resulted in a loss for the year of USD 45 million and equity capital reduced to USD 16 million. A waiver of the covenant breach and debt restructuring (limited Eurobond amortisation, subordination of shareholder debt, and deferred interest on subordinated debt) was agreed in May and a Ruble rally was locked in with a partial hedge acquired in June. FX gains since February have helped generate monthly profits and increase the equity capital to USD 25 million. The debt restructuring preserved TCS' cash flows and with the hedge in place the company is confident of its ability to service debt through to the Eurobond maturity in June 2011.

Delinquencies increased sharply from November last year exceeding the planned annualised 12 percent delinquency rate and peaking in April at 27 percent. However, a stabilising macro environment and aggressive collections management has brought delinquencies down to about 20 percent with a full-year charge-off rate expected at 15 to 20 percent. TCS believes this is comparable to its peers.

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. Sales growth, 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 appreciation of the economic conditions that are expected to prevail.

### *TNK-BP Holding*

TNK-BP announced in late May that major shareholder Mikhail Fridman would take over the interim CEO position at the company while BP and its Russian partner AAR consider the candidacies of two independent CEOs until the end of the year. In a move showing the desire by the 50/50 partners to avoid another standoff after a high-profile dispute last year led to the resignation of the previous CEO Robert Dudley, the two have nominated prospective CEOs, Pavel Skitovich and Maxim Barsky, to senior positions at TNK-BP. Stan Polovets, AAR's CEO, highlighted the importance that both candidates “focus on performance rather than politics”.

Industry output data for July, which nearly matched the record from October 2007, highlighted the improvement in Russian oil production that has set in since April. TNK-BP produced an average of 1.41 million barrels of oil per day during the second quarter which is a 3 percent increase from the first quarter and 1.3 percent year-on-year. The improvement relates to the TNK-Uvat Greenfield project coming on stream and again showed the resilience of the company's output.

TNK-BP International, the parent company of the traded TNK-BP Holding, announced that it generated USD 1.3 billion in net income on the back of USD 8.2 billion in revenues in the second quarter. EBITDA increased by 58 percent from the first quarter to USD 2.4 billion. Based on the reported results, and adjusting for Slavneft's contribution (which is not part of TNK-BP Holding's net income), TNK-BP Holding could very well distribute 1H09 dividends totalling USD 750-800 million, or about USD 0.045-0.048 per share. At the AGM in June shareholders also approved final dividends for 2008 totalling USD 3.3 billion or 52 percent of its total net income of USD 6.4 billion, compared with the 40 percent that the company guided and the market expected.

### *RusForest*

Following the Annual General Meeting and Extraordinary General Meetings in Varyag Resources AB, the restructuring of the private equity company into a dedicated Russian forestry business was completed in

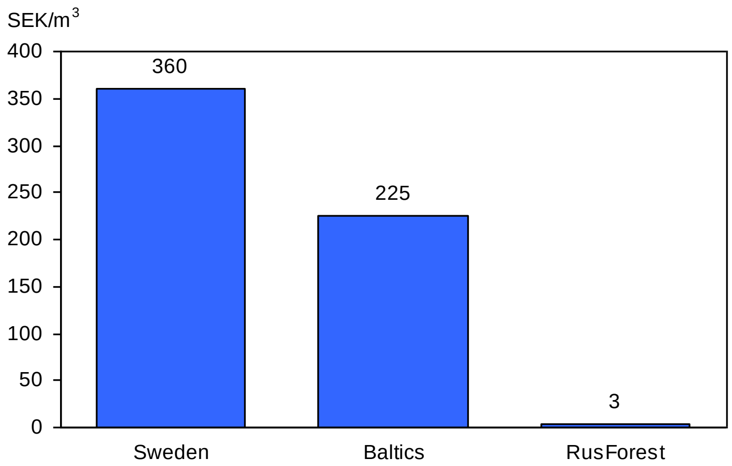
June. Varyag Resources AB, where Vostok Nafta held 46.7 percent of the shares on June 30, 2009, also officially changed its name to RusForest AB during August. RusForest will now fully focus on monetising its vast forestry resources and exploiting the competitive advantages of its strategic geographic location.

RusForest has been a long time supplier to markets in the Middle East and Northern Africa, where prices dropped considerably during the end of 2008 and beginning of 2009. This was in part due to increasing deliveries of relatively cheap sawnwood from Scandinavian producers. RusForest’s sales focus therefore shifted towards Central Asia and Azerbaijan during the first quarter of 2009, where demand and pricing had been relatively resilient. However, during the end of the second quarter, the cumulative effects of the production curtailments made in Scandinavia again changed the market. Price levels in the Middle East and Northern Africa were cautiously increasing once more.

The establishment, and development, of RusForest Trading (RusForest’s wholly owned trading house) has given RusForest more flexibility to redirect sales quickly to markets with greater demand and better pricing. As a result, RusForest was once more sending sizeable volumes to Lebanon, Syria, Turkey and Egypt. The Company is working hard to find adequate pricing for its products, and this has affected the average pricing received. Following sharp price downturns in December 08–February 09, the company’s weighted average sales prices stabilised during the second quarter of 2009, although still at relatively low levels.

Despite the weak market situation, RusForest also expects revenues to increase substantially in 2009 on the back of recent capacity expansions. However, delays at Bogouchanski LPK together with log flow issues at PIK-89 will likely negatively affect the company’s financials for the year. RusForest is a low cost producer and inputs such as raw materials, electricity and labour are relatively cheap in Russia. Therefore the company expects to be profitable, even under the current weak price environment, once capacity additions are run in and ongoing re-organisations have been implemented. RusForest’s financial position is also sound with around RUB 138 million (USD 4.5 million) in debt together with a USD 4 million credit line of which USD 3 million is yet to be drawn down.

*Forest price comparison. (Market prices for Swedish & Baltic forestry estates vs.equity market’s valuation of forest controlled by RusForest)*




*Source: LRF Konsult, Vostok Nafta estimates*

### *Priargunsky*

In May the Russian state nuclear corporation Rosatom signed several key agreements regarding international supply of uranium. An intergovernmental cooperation treaty on the peaceful use of nuclear energy with Japan will enable Russia to supply the country with low-enriched uranium under multi-billion dollar contracts according to Rosatom head Sergey Kiriyenko. In addition a milestone agreement was signed with the U.S. enabling Russia to supply enriched uranium directly to U.S. utility companies for the first time in two decades. Russia already provides fuel for half of the power plants in the U.S. under the so-called "megatons for megawatts" program, part of a 1993 non proliferation agreement set to expire 2013, under which uranium from dismantled Russian nuclear weapons is converted into low-enriched uranium fuel. Under the previous agreement, Russia was permitted to sell its uranium only to a monopoly importer rather than directly to U.S. utilities.

The two deals highlight Russia's ambitions of becoming a world leader in atomic energy providing services throughout the entire nuclear fuel cycle. Kiriyenko went on to highlight plans for building nuclear fuel production facilities in Ukraine and Europe, as well as uranium enrichment plants in Asia, Europe and the Americas, in addition to various co-operations with Siemens, Alstom and Toshiba. "We are opening up our market and are ready to participate in the international market on an equal footing," the Rosatom head said.

In mid-July 2009, Russia's Prime Minister Vladimir Putin granted Rosatom RUB 50 billion (USD 1.6 billion) to spend on ARMZ projects. Priargunsky, which is the key uranium producing asset in Russia, raised USD 30.2 million in July by issuing shares to ARMZ. The proceeds will be used for the continued modernization of the production facilities in order to maintain near term production levels of 3,000 tons per year despite decreasing ore quality. Longer term plans envision an output increase to 5,000 ton per year. Priargunsky suffers from transfer pricing to other entities within Atomenergoprom which is why the realized price on its output has been sold at a 35-70 percent discount to the spot price during the past 3 years. As such Priargunsky's shares are valued at a discount to international peers on asset and output multiples. This situation will likely gradually improve thus improving Priargunsky's profitability and removing the valuation discount. As the last column of the table highlights, should the company receive an equal price for its production to that of its peers, there is substantial upside in the valuation of Priargunsky shares.

*Priargunsky valuation comparison*

| | Country | Market Cap, USD million | Uranium Reserves, million lb | Production 2008, million lb | EV/ Reserves | EV/ Production | EV/ EBITDA, 2008 | P/E, 2008 | Market Cap/ Production (USD 40/lb) |
|---|---|---|---|---|---|---|---|---|---|
| Areva | France | 20,254 | 1,326 | 13.9 | 22.0 | 2,098 | 14.5 | 21.3 | 36.5 |
| Cameco | Canada | 10,461 | 963 | 14.6 | 12.1 | 798 | 13.6 | 20.8 | 17.9 |
| ERA | Australia | 3,912 | 223 | 11.8 | 17.1 | 325 | 28.1 | 56.4 | 8.3 |
| Paladin Resources | Australia | 2,466 | 361 | 3.8 | 6.7 | 632 | 1,601 | neg. | 16.2 |
| Uranium One | Kazakhstan, US | 1,174 | 355 | 2.4 | 3.0 | 455 | 20.1 | 65.1 | 12.4 |
| *International average* | | | | | *12.2* | *862* | *19.1* | *40.9* | *18.2* |
| **Priargunsky** | **Russia** | **468** | **221** | **6.7** | **2.5** | **83** | **16.8** | **60.5** | **1.7** |

*Source: Renaissance Capital*

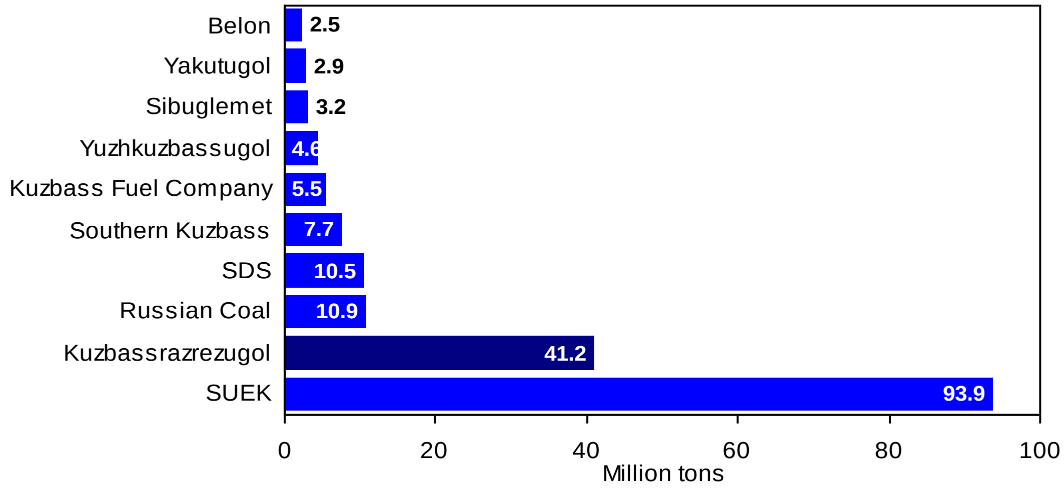
### *Kuzbassrazrezugol*

Encouraging signs are coming out of Kuzbassrazrezugol (KZRU) that the days of transfer pricing could soon be coming to an end. The company sells its output for exports via its offshore affiliate KRU-Trade at an artificially low price below that of the market. The 2008 financial reports for the two respective companies show that the controlling shareholders are starting to prepare a halt to the scheme which substantially limits the profitability and overall value of KZRU.

KRU-Trade was officially recognized as a related party of KZRU in the latter's IFRS statement. Previously KZRU has all but denied affiliation with KRU-Trade in order to guard against a possible investigation by the tax authorities. In the financials for 2007 KRU-Trade was referred to as KZRU's "trading partner". According to the financial report for 2008 KZRU derived USD 630 million from sales to related parties which is the corresponding amount of total revenues from exports.

Not only was the relationship recognized but KRU-Trade itself also became a major shareholder of KZRU having accumulated a 35.6 percent stake during the course of last year. The stake was valued at USD 876 million in KRU-Trade's accounts, translating into almost USD 2.5 billion for 100 percent of KZRU's equity compared to the market cap around USD 1.1 billion at the beginning of August 2009. According to the financial report the valuation was, among other methods, verified by DCF analysis. It would be difficult to justify such a high valuation without assuming that transfer pricing is going to be phased out resulting in a substantial improvement in cash flow generation going forward.

*Russia's main thermal coal producers 2008.*




*Source: Metal Expert*

### *Kuzbass Fuel Company*

Kuzbass Fuel Company (KBTK) continues on its path towards becoming one of the major thermal coal players in Russia. The company has withstood the most severe effects of the economic downturn by controlling its costs while at same time being able to increase production. Management expects first half results to show a 20 percent year-on-year increase in both production and EBITDA for 2009. Output at the company's open-mine pits in western Siberia is projected to increase to 10.5 million tons per annum by 2013 from 5.4 million in 2008. Prices for thermal coal have weakened both domestically and internationally due to decreased electricity demand. As a result management expects full year 2009 revenues to decline by 12 percent to USD 294 million. Despite a weaker price environment EBITDA is projected to increase by 18 percent to USD 94 million, compensated for by a lower ruble denominated costs base as well as lowered freight costs. The company has also reduced its net debt to USD 105 million and sees no obstacles in repaying its obligations as well as financing its capacity expansion with internally generated cash flows.

63 percent of revenues are generated on the domestic market of which the majority is sold directly to public utilities and retail customers in Siberia, where KBTK has found itself a niche in the municipal and residential markets. In addition a substantial amount of output is also sold for exports where Poland is a key destination constituting more than 50 percent of export volumes with Ukraine, Korea and the UK also being major markets.

The company conducted a private placement among institutional investors during the summer, thereby increasing the free float from 5 to 11 percent. The remainder of the company is owned by CEO and founder Igor Prokudin together with Vadim Danilov. KBTK reports IFRS financials in a timely manner and has an efficient management team who are transparent and open towards minority shareholders wherefore a IPO is likely within a not too distant future.

***Kontakt East Holding***

The Yellow Pages business unit of Kontakt East has been hit severely by the decline in the Russian advertising sector during the first half of 2009. Sales are down by more than 40 percent year-on-year. It has proven to be particularly more difficult to secure larger orders for offline ads. During Q2 2009 the decline appears to have levelled out, yet 2009 is still expected to be a very difficult year.

Several measures have been implemented to cut costs within Yellow Pages. By the end of the second quarter, Yellow Pages had almost halved its no. of employees (360) compared to the start of the year (700). Most of the cuts have been made in the back-office departments. Yellow Pages launched a new line of online products based on paid search during Q2 2009. These products have been well received by both new and old customers. To promote further growth of online sales – which already represents more than 30 percent of Yellow Pages' revenues – Yellow Pages' Moscow branch will be run as an independent unit, and will be responsible for the provision of all online products.

Avito – Kontakt East's Consumer eCommerce business unit offering classified ads – has experienced rapid growth in terms of reach and usage during the first half of 2009. Avito is growing even faster than planned and is gaining market share. Even though costs have been reduced the business unit still reports negative financial results, as revenues at Avito are small on an absolute basis.

The Kontakt East Group continued to exhibit a negative result and a negative cash flow during Q2 2009. To finance investments in Consumer eCommerce and restructuring within Yellow Pages, Vostok Nafta and Kinnevik with 50 percent of the shares each in Kontakt East, provided the company with SEK 10 million of financing during the quarter.

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

***Clean Tech East Holding***

At the company's Annual General Meeting in June it was decided that SystemSeparation Sweden Holding AB changes its name to Clean Tech East Holding AB in accordance with the company's shift in strategy. SEK 47 million was raised through a rights issue which closed in May fully subscribed. Vostok Nafta is the largest shareholder with 31.3 percent of the shares outstanding following the issue. The proceeds will be used to finance the implementation of the new strategic plan which includes completion of projects within Biomass Fuels along with evaluating acquisitions of new potential business areas.

Following completion of the wood pellet production facility and ramped up production within Biomass Fuels the project has great potential to generate substantial cash flows in 2010. Together with increased profitability and a favourable sales growth trend at Power Chemicals the group could very well earn SEK 40 million in EBITDA 2010. To be compared to the market capitalisation of approximately SEK 110 million (at SEK 0.80 per share) and estimated Enterprise Value of SEK 93 million. 2.3 times EBITDA 2010 (or an estimated P/E multiple or around 4x) is an extremely low valuation given the growth prospects Clean Tech East Holding faces.

In addition to Biomass Fuels and Power Chemicals, acquisitions of new potential business areas within clean technologies in Eastern Europe and Russia will be evaluated. There is a high potential within this geographical niche where general awareness of environmental issues is at an early stage. Yet the long term drivers of increasing energy consumption and with it higher energy prices will fuel demand for technologies that increase energy efficiency and save costs. The long term goal of Clean Tech East Holding is to establish a diversified group that can capitalise on these great prospects.

***Steppe Cement***

Steppe Cement's preliminary first half financial highlights for 2009 showed some encouraging signs. The cement producer is strengthening its position on the Kazakh market by increasing both production and market share, as well as realizing cost savings from the dry lines. Sales volumes rose 7 percent year-on-year to 442,000 tons while the company's market share climbed to 20 percent in the first 6 months of 2009, and is expected to reach 25 percent by year end. Despite increased production revenues declined 38 percent from the year before to USD 25.6 million as the average price for delivered cement decreased by 43 percent to USD 61 per ton.

Steppe Cement's net debt was reduced to USD 72.6 million due to the recently conducted USD 15 million rights issue as well as debt repayments. Management has indicated a further reduction towards USD 60-65 million with several principal and interest payments coming due 2010 and 2011. Currently the company has the financial means to cover debt payments and working capital requirements for the winter and next summer. If the cement market does not deteriorate further, then the company will generate sufficient cash flows from its operations to meet its total capital requirements (including principal and interest payments) going into winter 2010 and onwards, according to the company's management.

A pick up in construction activity during the summer months has enabled Steppe Cement to run all of its wet lines and one of its dry lines at full capacity. During this period the company has sold cement at USD 70 per ton according to management. Government support for developers to complete residential developments as well as infrastructure projects in Almaty and Astana has supported the market in Kazakhstan.

**Investments**

During the period net investments in financial assets were USD -5.50 (74.28) mln.

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

*Purchases (shares)*

| | | |
|---|---|---|
| + | 8,760,922 | Varyag Resources |
| + | 390,000 | Lukoil ADR |
| + | 1,305,410 | Poltava GOK |

*Sales (shares)*

| | | |
|---|---|---|
| – | 18,500,000 | TNK-BP Holding Pref |

**Portfolio structure**

The investment portfolio stated at market value as at June 30, 2009 is shown on next page. Vostok Nafta's three biggest investments are Black Earth Farming (28.47%), Tinkoff Credit Systems (TCS; 10.39%), and TNK-BP Holding Pref (6.74%).

*Vostok Nafta portfolio as at June 30, 2009*

| Number of shares | Company | Market value, USD | Percentage weight | |
|---|---|---|---|---|
| 5,364,850 | Caspian Services | 1,609,455 | 0.46% | 1 |
| 5,789,903 | Kherson Oil Ref | 7,458 | 0.00% | 1 |
| 390,000 | Lukoil ADR | 17,304,300 | 4.92% | 1 |
| 27,096,616 | TNK BP Holding Pref | 23,709,539 | 6.74% | 1 |
| | **Oil price, total** | **42,630,752** | **12.11%** | |
| 1,115 | Alrosa | 4,460,000 | 1.27% | 1 |
| 6,000,000 | Fortress Minerals | 1,806,817 | 0.51% | 1 |
| 31,274 | Gaisky Gok | 4,784,922 | 1.36% | 1 |
| 3,154,498 | Poltava Gok | 10,585,107 | 3.01% | 1 |
| 91,211 | Priargunsky Ind Ord | 18,242,200 | 5.18% | 1 |
| 11,709 | Priargunsky Ind Pref | 878,175 | 0.25% | 1 |
| 1,442,400 | Shakiya Zinc GDR | 72,120 | 0.02% | 1 |
| 1,444,045 | Uchalinsky Gok | 7,220,225 | 2.05% | 1 |
| | **Commodities, total** | **48,049,566** | **13.65%** | |
| 3,000 | Bekabadcement | 360,000 | 0.10% | 1 |
| 39,000 | Gornozavodsk Cement | 4,290,000 | 1.22% | 1 |
| 1,600,000 | Kamkabel | 174,400 | 0.05% | 1 |
| 7,200 | Mashinostroitelny | 756,000 | 0.21% | 1 |
| 85,332 | Podolsky Cement | 164,867 | 0.05% | 1 |
| 40,000 | Sibirski Cement | 440,000 | 0.13% | 1 |
| 10,156,113 | Steppe Cement Ltd | 6,355,108 | 1.81% | 1 |
| 178 | TKS Concrete | 1,506,750 | 0.43% | 1 |
| 18,730 | Transneft Pref | 9,365,000 | 2.66% | 1 |
| 1,200,000 | Tuimazy Concrete Mixers | 2,640,000 | 0.75% | 1 |
| | **Infrastructure, total** | **26,052,125** | **7.40%** | |
| 42,254,295 | CleanTech East Holding AB | 3,618,614 | 1.03% | 2 |
| | Eastern Bio Holding AB, loan | 2,797,035 | 0.79% | 4 |
| 467,873,416 | RusHydro | 17,779,190 | 5.05% | 1 |
| 25,000 | Kuzbass Fuel Company | 4,125,000 | 1.17% | 1 |
| 133,752,681 | Kuzbassrazrezugol | 19,728,520 | 5.60% | 1 |
| 2,618,241 | Kyrgyzenergo | 168,688 | 0.05% | 1 |
| | **Energy Sector Restructuring, total** | **48,217,047** | **13.70%** | |

Vostok Nafta Investment Ltd

***Vostok Nafta portfolio as at June 30, 2009 (continued)***

| Number of shares | Company | Market value, USD | Percentage weight | |
|---|---|---|---|---|
| 1,765,000 | Agrowill | 0 | 0.00% | 1 |
| 30,888,704 | Black Earth Farming | 100,199,867 | 28.47% | 2 |
| 272,107 | Dakor | 3,056,295 | 0.87% | 1 |
| 328,550 | Mriya Agro Holding | 3,574,953 | 1.02% | 1 |
| | **Agriculture, total** | **106,831,115** | **30.35%** | |
| 5,000,000 | TCS/ Egidaco, Bond 18% 2011 | 4,563,000 | 1.30% | 1 |
| 885,934 | TCS/ Egidaco Investment Ltd | 13,987,059 | 3.94% | 1 |
| | TCS/ Egidaco Investment Ltd WTS | 1,864,941 | 0.53% | 1 |
| | TCS RUB loan | 16,170,339 | 4.59% | 3 |
| 50,000 | Vosvik AB (Kontakt East) | 13,697,472 | 3.89% | 2 |
| 17,000 | RSC Energia | 3,230,000 | 0.92% | 1 |
| | RusForest (Cyprus) Limited, loans | 962,435 | 0.27% | 3 |
| 547,000 | Tisko AB | 2,129,296 | 0.60% | 1 |
| 10,195,802 | Varyag Resources (RusForest) | 22,490,430 | 6.39% | 2 |
| 623,800 | Waymore Holding | 937,122 | 0.27% | 1 |
| | **What works in the West works in the East, total** | **80,032,094** | **22.74%** | |
| | Other short term loan receivables | 178,752 | 0.05% | 4 |
| | **Other short term loan receivables, total** | **178,752** | **0.05%** | |
| | **Grand Total** | **351,991,451** | **100.00%** | |

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

Vostok Nafta Investment Ltd

## Income statements – Group

| (Expressed in USD thousands) | **Jan 1, 2009-Jun 30, 2009** | Jan 1, 2008-Jun 30, 2008 | **Apr 1, 2009-Jun 30, 2009** | Apr 1, 2008-Jun 30, 2008 |
|---|---|---|---|---|
| Result from financial assets at fair value through profit or loss | 38,652 | 154,463 | 59,187 | 68,142 |
| Result from investments in associated companies | -10,306 | 749 | 936 | -69,705 |
| Result from loan receivables | 2,213 | 2,871 | 6,767 | 1,640 |
| Dividend income | 5,903 | 4,669 | 1,925 | 1,396 |
| Other operating income | 312 | 32 | 54 | 17 |
| **Total operating income** | **36,774** | **162,784** | **68,869** | **1,490** |
| Operating expenses | -2,773 | -5,218 | -1,027 | -3,717 |
| Russian dividend withholding tax expenses | -885 | -706 | -288 | -611 |
| **Operating result** | **33,116** | **156,860** | **67,554** | **-2,838** |
| **Financial income and expenses** | | | | |
| Interest income | 92 | 1,325 | 9 | 792 |
| Interest expense | -1,886 | -1,454 | -126 | -741 |
| Currency exchange gains/losses, net | -2,918 | 562 | -298 | 9 |
| Other financial income | 22 | - | 22 | - |
| Other financial expenses | -19 | -81 | -1 | -40 |
| **Net financial items** | **-4,689** | **352** | **-394** | **20** |
| **Result before tax** | **28,427** | **157,212** | **67,160** | **-2,818** |
| Taxation | 11 | 276 | 0 | -453 |
| **Net result for the financial period** | **28,438** | **157,488** | **67,160** | **-3,271** |
| Earnings per share (in USD) | 0.34 | 3.42 | 0.73 | -0.07 |
| Diluted earnings per share (in USD) | 0.34 | 3.41 | 0.73 | -0.07 |

## Statement of comprehensive income

| | | | | |
|---|---|---|---|---|
| **Net result for the financial period** | **28,438** | **157,488** | **67,160** | **-3,271** |
| Other comprehensive income for the period | | | | |
| Currency translation differences | 382 | 108 | 353 | 1 |
| **Total other comprehensive income for the period** | **382** | **108** | **353** | **1** |
| **Total comprehensive income for the period** | **28,820** | **157,596** | **67,513** | **-3,270** |
| **Total comprehensive income for the period attributable to** | | | | |
| Equity holders of the parent company | **28,820** | **157,596** | **67,513** | **-3,270** |
| Minority | - | - | - | - |

## Balance sheets – Group

| (Expressed in USD thousands) | Jun 30, 2009 | Dec 31, 2008 |
|---|---|---|
| **NON CURRENT ASSETS** | | |
| *Tangible non current assets* | | |
| Property, plant and equipment | 1,881 | 510 |
| **Total tangible non current assets** | **1,881** | **510** |
| | | |
| *Financial non current assets* | | |
| Financial assets at fair value through profit or loss | 191,877 | 134,180 |
| Investment in associated companies | 140,006 | 115,296 |
| Loan receivables | 17,133 | 17,384 |
| Deferred tax asset | 21 | 14 |
| **Total financial non current assets** | **349,037** | **266,874** |
| | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | 21,557 | 29,198 |
| Loan receivables | 2,976 | 27,847 |
| Receivables from related parties | 35 | 60 |
| Tax receivables | 128 | 129 |
| Other current receivables | 2,813 | 2,538 |
| **Total current assets** | **27,509** | **59,772** |
| **TOTAL ASSETS** | **378,427** | **327,156** |
| | | |
| **SHAREHOLDERS' EQUITY (including net result for the financial period)** | **376,442** | **247,893** |
| | | |
| **NON CURRENT LIABILITIES** | | |
| Deferred tax liabilities | 19 | 19 |
| **Total non current liabilities** | **19** | **19** |
| | | |
| **CURRENT LIABILITIES** | | |
| *Interest bearing current liabilities* | | |
| Borrowings | - | 77,887 |
| | | |
| *Non-interest bearing current liabilities* | | |
| Tax payable | 499 | 498 |
| Other current liabilities | 1,169 | 171 |
| Accrued expenses | 298 | 688 |
| **Total current liabilities** | **1,966** | **79,244** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **378,427** | **327,156** |

Vostok Nafta Investment Ltd

## Statement of Changes in Equity – Group

**(Expressed in USD thousands)**

| | Share Capital | Additional paid in capital | Retained earnings | Total |
|---|---|---|---|---|
| **Balance at January 1, 2008** | **46,021** | **146,476** | **611,457** | **803,954** |
| Total comprehensive income for the period January 1, 2008 to June 30, 2008 | - | - | 157,596 | 157,596 |
| Employees share option scheme: | | | | |
| - value of employee services | - | 199 | - | 199 |
| | - | 199 | - | 199 |
| **Balance at June 30, 2008** | **46,021** | **146,573** | **769,053** | **961,749** |
| | | | | |
| **Balance at January 1, 2009** | **46,021** | **146,884** | **54,988** | **247,893** |
| Total comprehensive income for the period January 1, 2009 to June 30, 2009 | | | 28,820 | 28,820 |
| Proceeds from new share issues, net of transaction costs | 54,970 | 44,604 | - | 99,574 |
| Employees share option scheme: | | | | |
| - value of employee services | - | 155 | - | 155 |
| | 54,970 | 44,759 | - | 99,729 |
| **Balance at June 30, 2009** | **100,991** | **191,643** | **83,808** | **376,442** |

## Cash flow statements – Group

| (Expressed in USD thousands) | **Jan 1, 2009- Jun 30, 2009** | Jan 1, 2008- Jun 30, 2008 | Jan 1, 2008– Dec 31, 2008 |
|---|---|---|---|
| **OPERATING ACTIVITES** | | | |
| Result before tax | 28,426 | 157,212 | -557,344 |
| *Adjustment for:* | | | |
| Interest income | -92 | -1,325 | -2,072 |
| Interest expenses | 1,866 | 1,454 | 6,823 |
| Currency exchange gains/-losses | 2,919 | -562 | 1,511 |
| Depreciations | 72 | 72 | 136 |
| Result from financial assets at fair value through profit or loss | -38,652 | -154,463 | 363,261 |
| Result from investments in associated companies | 10,306 | -749 | 180,563 |
| Result from loan receivables | -2,213 | -2,871 | 7,093 |
| Dividend income | -5,903 | -4,669 | -9,646 |
| Other non-cash items | 155 | 201 | 2,509 |
| Change in current receivables | -242 | -21,914 | 2,214 |
| Change in current liabilities | -430 | -2,064 | -2,493 |
| **Net cash used in operating activities** | **-3,788** | **-29,678** | **-7,444** |
| Investments in financial assets | -13,525 | -212,810 | -350,516 |
| Sales of financial assets | 21,286 | 299,550 | 370,471 |
| Increase in loan receivables | -2,221 | -12,462 | -42,219 |
| Investments in subsidiaries | -37 | - | - |
| Dividend reveived | 5,903 | 4,669 | 8,265 |
| Interest received | 717 | 3,844 | 4,942 |
| Interest paid | -1,866 | -1,692 | -6,073 |
| Tax paid | -1 | -118 | -33 |
| **Net cash flow from/used in operating activities** | **6,468** | **51,303** | **-22,607** |
| **INVESTING ACTIVITIES** | | | |
| Investments in office equipment | - | -89 | -146 |
| Sales of office equipment | 58 | - | - |
| **Net cash flow from/used in investing activities** | **58** | **-89** | **-146** |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | - | 149,635 | 128,119 |
| Repayments of borrowings | -77,214 | -50,000 | -102,000 |
| Proceeds from new share issue | 66,201 | - | - |
| **Net cash flow used in/from financing activities** | **-11,013** | **99,635** | **26,119** |
| **Change in cash and cash equivalents** | **-4,487** | **150,850** | **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 | **-3,154** | 323 | -1,696 |
| Cash and cash equivalents at end of period | 21,557 | 178,701 | **29,198** |

## Key financial ratios – Group

| | **2009** | 2008 |
|---|---|---|
| Return on capital employed, % [1] | **8.44** | 16.11 |
| Equity ratio, % [2] | **99.48** | 86.31 |
| Shareholders' equity/share, USD [3] | **3.73** | 20.90 |
| Earnings/share, USD [4] | **0.34** | 3.42 |
| Diluted earnings/share, USD [5] | **0.34** | 3.41 |
| Net asset value/share, USD [6] | **3.73** | 20.90 |
| Weighted average number of shares for the financial period | **83,086,210** | 46,020,901 |
| Weighted average number of shares for the financial period (fully diluted) | **83,086,210** | 46,199,859 |
| Number of shares at balance sheet date | **100,990,975** | 46,020,901 |

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

## Income statement – Parent5,,

| (Expressed in USD thousands) | **Jan 1, 2009-Jun 30, 2009** | Jan 1, 2008-Jun 30, 2008 | **Apr 1, 2009-Jun 30, 2009** | Apr 1, 2008-Jun 30, 2008 |
|---|---|---|---|---|
| Operating expenses | -1,567 | -1,828 | -793 | -965 |
| **Operating result** | **-1,567** | **-1,828** | **-793** | **-965** |
| | | | | |
| **Financial income and expenses** | | | | |
| Interest income | 9,592 | 6,996 | 4,971 | 3,529 |
| Interest expenses | -1,436 | - | -117 | - |
| Currency exchange gains/losses, net | -1,041 | -100 | 11 | -42 |
| Other financial extenses | -2 | - | -1 | - |
| **Net financial items** | **7,113** | **6,896** | **4,864** | **3,487** |
| | | | | |
| **Net result for the financial period** | **5,546** | **5,068** | **4,071** | **2,522** |

Vostok Nafta Investment Ltd

## Balance sheet – Parent

| (Expressed in USD thousands) | Jun 30, 2009 | Dec 31, 2008 |
|---|---|---|
| **NON CURRENT ASSETS** | | |
| *Financial non current assets* | | |
| Shares in subsidiaries | 102,253 | 102,253 |
| Receivables from Group companies | 252,949 | 175,550 |
| **Total financial non current assets** | **355,201** | **277,803** |
| | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | 20 | 3 |
| Receivables from related parties | - | 49 |
| Other current receivables | 335 | 280 |
| **Total current assets** | **355** | **332** |
| **TOTAL ASSETS** | **355,556** | **278,135** |
| | | |
| **SHAREHOLDERS' EQUITY (including net result for the financial period)** | **353,521** | **248,246** |
| | | |
| **CURRENT LIABILITIES** | | |
| *Interest bearing liabilities* | | |
| Borrowings | - | 27,790 |
| *Non-interest bearing current liabilities* | | |
| Liabilities to group companies | 883 | 1,480 |
| Other current liabilities | 956 | 2 |
| Accrued expenses | 196 | 617 |
| **Total current liabilities** | **2,035** | **29,889** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **355,556** | **278,135** |

Vostok Nafta Investment Ltd

## Statement of Changes in Equity – Parent

| (Expressed in USD thousands) | Share Capital | Additional paid in capital | Retained earnings | Total |
|---|---|---|---|---|
| **Balance at January 1, 2008** | **46,021** | **146,476** | **335,177** | **527,674** |
| Profit for the period | - | - | 5,068 | 5,068 |
| Total recognized income for the financial period January 1, 2008 to June 30, 2008 | - | - | 5,068 | 5,068 |
| Employees share option scheme: | - | - | | |
| – value of employee services | - | 199 | - | 199 |
| | | 199 | - | 199 |
| **Balance at June 30, 2008** | **46,021** | **146,675** | **340,245** | **532,942** |
| | | | | |
| **Balance at January 1, 2009** | **46,021** | **146,884** | **55,341** | **248,246** |
| Profit for the period | - | - | 5,546 | 5,546 |
| Total recognized income for the financial period January 1, 2009 to June 30, 2009 | - | - | 5,546 | 5,546 |
| Proceeds from new share issue, net of transaction costs | 54,970 | 44,604 | - | 99,574 |
| Employees share option scheme: | | | | |
| – value of employee services | - | 155 | - | 155 |
| | 54,970 | 45,759 | - | 99,729 |
| **Balance at June 30, 2009** | **100,991** | **191,643** | **60,887** | **353,521** |

## 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 issues 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 and the outstanding short-term bond loan of EUR 10.0 million.

An Extraordinary General Meeting held on June 25, 2009 approved the acquisition of a portfolio of mainly Russian stocks with a total value of USD 34,356,336. The acquisition was financed through a directed new issue of 8,949,173 Swedish Depository Receipts of Vostok Nafta to a limited number of Swedish institutional investors.

## Note 3 Business combinations

During the period, Vostok Nafta has acquired 100 per cent of the shares in Premline Holdings Limited and its subsidiary OOO Volga Nash Dom for a cash consideration of SEK 285 thousand. The principal assets of the acquired group of companies are a number of land plots situated by the Volga River. Vostok Nafta has previously had an outstanding loan receivable from the seller Murrayföretagen AB in the nominal amount of USD 2,930 thousand, which in the balance sheet as per December 31, 2008 has been recognized at a book value USD 1,465 thousand. Subsequent to the acquisition of Premline Holdings Limited, the book value of the receivable has, together with the consideration paid in cash, been included in the total cost of acquisition of the companies. At the time of the issue of this interim report, the accounting entries of the business combination have not been finalised, and as a consequence, the business combination amounts have been determined on a provisional basis. It is has been estimated that the fair value of the acquired net assets approximates the total cost of acquisition of the companies.

## Note 4 Asset swaps

*a) RusForest/Varyag*

On May 25, 2009 an Extraordinary General Meeting held in Varyag Resources AB (publ) approved a proposed acquisition of Vostok Nafta's interests in the RusForest Ltd Group. The acquisition has been made through an issue in kind to Vostok Nafta of 8,537,640 shares in Varyag Resources AB in exchange for, inter alia, 50% of the shares in RusForest Ltd (with a carrying value of USD 23.2 million) and claims on RusForest Ltd Group, which as per December 31, 2008 amounted to RUB 806.97 mln (USD 28.0 million). Following the completion of the transaction RusForest Ltd is wholly owned by Varyag Resources AB (publ), in which Vostok Nafta as per June 30, 2009 held 10,195,802 shares, corresponding to 46.7% of the share capital and votes in Varyag Resources AB. At an Extraordinary General Meeting held on August 5, 2009, Varyag Resources AB changed its name to RusForest AB.

*b) Eastern Bio Holding/Clean Tech East Holding (SystemSeparation)*

During the period Clean Tech East Holding AB (publ) (formerly SystemSeparation Sweden Holding AB (publ)) has completed its acquisition of Eastern Bio Holding AB. All 2,624 shares in Eastern Bio Holding AB (of which Vostok Nafta held 1,139 shares) were thereby transferred to Clean Tech East Holding AB in exchange for newly issued shares in Clean Tech East Holding AB. Through the asset swap Vostok Nafta increased its holdings of shares in Clean Tech East Holding AB by 6,511,052 shares. Subsequent to the asset swap, Vostok Nafta has participated in a new share issue in Clean Tech East Holding AB, whereby Vostok Nafta received 28,603,542 newly issued shares in Clean Tech East Holding AB for a total consideration of approximately USD 2.17 million.

## Note 5 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 AB, 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 returned to the Group.

Neither the Group nor the Company had any contingent liabilities as per June 30, 2009 or as per December 31, 2008.

## Note 6 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 153 thousand (201).
- Fees for Investor relations services and other expenses have been charged to Black Earth Farming Ltd in the amount of USD 124 thousand (–).
- As at December 31, 2008, the Group had an outstanding loan to Eastern Bio Holding AB (a wholly owned subsidiary of Clean Tech East Holding AB (publ)) in the amount of USD 1,279 thousand (SEK 10,060 thousand). During the period, the Group has provided the company with another SEK 10 million loan. Interest income from the loans has been recognized in the income statement with USD 183.5

thousand. As at June 30, 2009, total short term loan receivables from Eastern Bio Holding AB amounted to USD 2,797 thousand.

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

**Note 7 Post-statement events**

*Issue of call options to a group of employees*

At a board meeting in Vostok Nafta on June 19, 2009 it was decided to issue 290,000 options under the company's incentive Program to a group of employees. The date of issue was August 1, 2009. The call options may be exercised not earlier than two years and not later than three years from the time of the granting. The strike price is set as the average of the last price of the 10 trading days prior to the decision plus 20%, which for the options above results in a strike price of SEK 35.17.

**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 take-overs, where the rights of minority shareholders are disregarded or abused, which could affect Vostok Nafta in a detrimental manner.

*Dependence on key individuals*

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

*Investments in growth markets*

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

*International capital flows*

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

*Political instability*

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

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

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

*Liquidity risk*

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

**Upcoming Reporting Dates**

Vostok Nafta's nine month report for the period January 1, 2009–September 30, 2009 will be published on November 18, 2009.

August 19, 2009

Per Brilioth
*Managing Director*

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