Vostok Nafta Investment Ltd

Six Months Report I

January–June 2011

- **Net result for the period was USD 34.33 million (mln) (January 1, 2010–June 30, 2010: 1.00). Earnings per share were USD 0.34 (0.01). Net result for the quarter was USD –33.60 mln (–82.57). Earnings per share for the quarter were USD –0.33 (–0.82).**

- **The net asset value of the company was USD 659.93 mln on June 30, 2011 (December 31, 2010: 625.43), corresponding to USD 6.53 (December 31, 2010: 5.66) per share. Given a SEK/USD exchange rate of 6.3090 the values were SEK 4,163.52 mln (December 31, 2010: 4,254.48 mln) and SEK 41.22 (December 31, 2010: 42.12), respectively.**

- **The group's net asset value per share in USD increased by 5.52% over the period January 1, 2011–June 30, 2011. During the same period the RTS index increased by 7.71% in USD terms. During the quarter April 1, 2011–June 30, 2011 the group's net asset value per share in USD decreased by 4.84% (RTS index: –6.73%).**

- **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, 2011 was USD 6.79 (SEK 42.62).**

Management report

Introduction

We invest in Russian companies. At the heart of what we do is to invest into world class assets at very low prices achieved most often due to the fact that the corporate structure on top of them is underdeveloped, either because it stems from Soviet times (e.g. TNK-BP, Alrosa, Kuzbassrazrezugol, etc.) or because it is simply very young (Black Earth Farming, RusForest, Avito). The Soviet era legacy corporate structures come attached with operational deficiencies but often also corporate governance issues whereas the young newly formed corporates come with more classic venture capital type operational issues. We have strong views about the attractiveness of the underlying assets on a global macro scale but it is the micro developments described above that constitute the main driver of value at our investment cases.

Global macro

Having said that it is difficult not to take a minute and comment briefly on the wild global financial developments currently at work and talk about how they affect the fundamentals of our portfolio.

The global economic outlook is becoming bleaker largely due to the big public sector problems in the West and an increasing lack of trust in the politicians' ability to deal with them.

In the US, the lack of a political majority has resulted in dire consequences as the marginal power falls into radical hands in turn resulting in compromises that are not enough to deliver the resolute fiscal measures needed to install the confidence and certainty that the markets are looking for. At least the Presidential elections next year will likely bring progress on the current political deadlock. In the meantime I would argue it is not unreasonable to assume more liquidity measures from the Fed.

In Europe politics is also at the centre of the chaos. Here it is, in my view, likely that the ECB / EU (read Germany) will provide the economy with the required liquidity measures (quantitative easing) to avoid outright sovereign defaults. Over the next 12 months there are decent arguments that political developments on both sides of the Atlantic oceans will progress enough to certainty and thereby a working order to do the necessary structural adjustments.

In stark contrast to 2008 this is a debt problem that has long been brewing and where the bulk of the problem is not in private hands like 3 years ago but in public hands. The private sector deleveraging is swifter and harsher than the pubic deleveraging. And since that is 3 years progressed, balance sheets are in better order than they were in 2008. All in all it is a panic with ensuing liquidity squeeze, but we are better prepared for it. It will affect growth negatively in the developed world, but few were expecting anything but sluggish performance there anyway.

Emerging markets are a different story. The forces at work through demographics and urbanization in China, India, Indonesia, Brazil etc that affect how those economies grow will not stop because of a little slower growth or even a recession in the developed world. Indeed, one can argue that the ultra-low interest rates that are inevitable in the developed world for years to come will actually help foster that growth. And a crucial difference: these countries have way better balance sheets than all but a few in the developed world.

Globalization trends have ensured that no country (ok maybe North Korea…) is isolated; instead emerging markets, with China at the forefront are in the global economic driver's seat. They row the boat. We might think that we do, but we don't… Economic growth in these economies drives demand for commodities. For sure their increased demand for oil and other commodities has over the past decade driven price higher, but having said that even today China's per capita consumption of oil is still at 1/10 of its neighbour South Korea.

Russia

Most importantly for Russia it is the continued demand for commodities (soft and hard) stemming from this emerging market growth that provides the funds for near-to-medium term economic growth and thus also the base for the current, arguably very low, valuations of the stock market.

Also in contrast to 2008, today the leverage at the private sector in Russia is at lower levels and is also subject to longer duration. Perhaps more importantly the country enjoys a floating exchange rate. The fixed nature of the rouble in 2008 delayed its inevitable devaluation in 2008/2009 at a very high cost for the economy. This flexibility together with the absence of a local liquidity squeeze due to deleveraging puts Russia in a situation that is much more resilient to the external factors at work than in 2008.

On the negative side we are in an election year and the public spending is higher than it was in 2008. The "break even" oil price for the 2011 budget is USD 120 per barrel in comparison to USD 80 per barrel in 2008. Although the Russian State does have ample room to leverage its balance sheet the economy is more sensitive to the oil price today as opposed to 3 years ago.

Portfolio

As per above the main value drivers of our portfolio are corporate restructurings of large undervalued assets underpinned by strong long term macro trends. The restructurings are developing ok. It takes longer to turn around organizations that stem from Soviet days (Black Earth, RusForest) than it does if they are brand new (Avito, TCS). On the other hand the Soviet legacy situations are often the ones where very large and very undervalued assets are at play. The pricing environments for the products produced by our portfolio companies have all (bar diamonds) deteriorated from the intra-year peaks of 2011, with natural negative consequences for the P&Ls. This accelerates the need for the restructurings in order to capture the competitive cost bases that all our portfolio companies are capable of in order to avoid cash going to fund losses rather than capex. I feel that all managements and boards are working hard to achieve this and the potential for good progress is there. Also importantly the capital invested or to be invested are nowhere near the levels where they do not have the potential to deliver superior returns even under today's pricing environments.

The bulk of our portfolio (87%) is listed and is thus subject to the daily swings of the markets. We are subject to a closed pool of capital which together with the absence of leverage allows us to sit things out. Or as our founder Adolf Lundin used to say, that during tough times one needs to unfold an umbrella and wait for the sunshine. It might be pouring down now, but after rain there will always be sunshine.

August 2011,
Per Brilioth

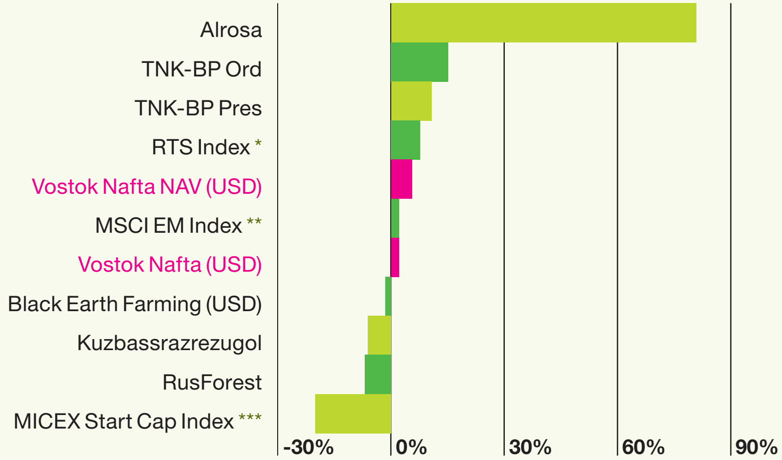
Vostok Nafta's portfolio development

The group's net asset value per share in USD increased by 5.52% over the period January 1, 2011–June 30, 2011. During the same period the RTS index increased by 7.71% in USD terms. During the quarter April 1, 2011–June 30, 2011 the group's net asset value per share in USD decreased by 4.84% (RTS index: –6.73%).

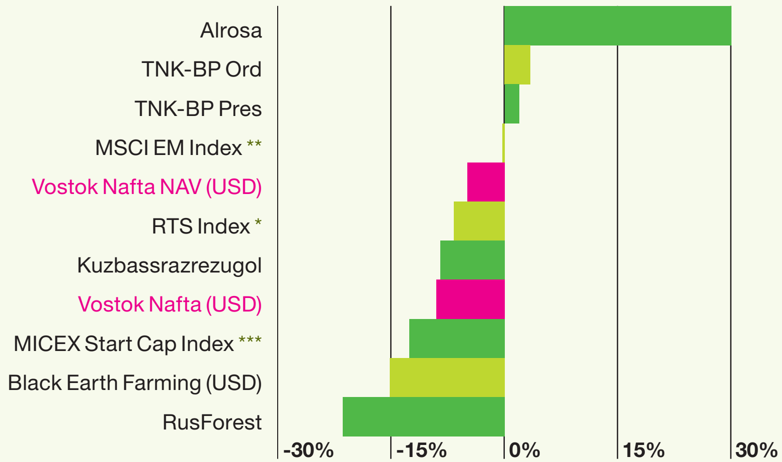
Portfolio structure

The investment portfolio stated at market value as at June 30, 2011 is shown on the following page. Vostok Nafta's three biggest investments are TNK-BP Holding (20.3%), Black Earth Farming (18.5%), and RusForest (7.9%).

Percent development January 1–June 30, 2011
(last price paid on relevant stock exchange)



Percent development April 1–June 30, 2011
(last price paid on relevant stock exchange)



* The RTS Index (Russian Trading System Index) is a capitalization-weighted index. The index is comprised of stocks traded on the Russian Trading System and uses free-float adjusted shares.

** The MSCI EM Index (Morgan Stanley Capital International Emerging Markets Index) is a free float weighted equity index that consists of indices in 26 emerging economies.

*** The MICEX Start Cap Index is a real-time cap-weighted index of 50 stocks of Russian small cap companies.

Vostok Nafta's portfolio as at June 30, 2011

Number of shares	Company	Fair value, USD June 30, 2011	Percentage weight	Value per share, USD June 30, 2011	Value per share, USD Dec 31, 2010	Note
5,364,850	Caspian Services	429,188	0.1%	0.08	0.12	1
5,789,903	Kherson Oil Refinery	7,272	0.0%	0.001	0.001	1
15,760,237	TNK-BP Holding Ord	48,068,723	7.4%	3.05	2.65	1
31,053,600	TNK-BP Holding Pref	83,844,720	12.9%	2.70	2.44	1
9,826,976	Ufa Refinery	13,561,227	2.1%	1.38	1.43	1
154,334	Varyaganneftegaz Pref	2,585,095	0.4%	16.75	19.50	1
	Oil, Total	**148,496,224**	**22.9%**			
1,261	Alrosa	32,786,000	5.1%	26,000.00	14,400.00	1
300,000	Fortress Minerals	1,637,333	0.3%	5.46	4.26	1
16,434	Gaisky GOK	7,740,414	1.2%	471.00	390.00	1
3,004,498	Poltava GOK	12,414,256	1.9%	4.13	5.23	1
107,822	Priargunsky Ind Ord	17,790,630	2.7%	165.00	229.00	1
11,709	Priargunsky Ind Pref	819,630	0.1%	70.00	109.00	1
1,442,400	Shalkiya Zinc GDR	201,936	0.0%	0.14	0.11	1
	Other Commodities, Total	**73,390,198**	**11.3%**			
3,654	Bekabadcement	657,720	0.1%	180.00	180.00	1
375	TKS Concrete [5]	1,506,750	0.2%	4,018.00	4,018.00	1
63,500	Gornozavodsk Cement	17,780,000	2.7%	280.00	250.00	1
1,600,000	Kamkabel	160,000	0.0%	0.10	0.10	1
85,332	Podolsky Cement	53,588	0.0%	0.63	0.63	1
13,454,303	Steppe Cement Ltd	8,527,035	1.3%	0.63	0.79	1
19,730	Transneft Pref	28,495,407	4.4%	1,444.27	1,233.16	1
1,215,000	Tuimazy Concrete Mixers	4,860,000	0.7%	4.00	4.30	1
	Infrastructure, Total	**62,040,500**	**9.6%**			
8,101,000,000	Inter RAO	10,531,300	1.6%	0.001		1
3,500,000	Kuzbass Fuel Company	27,475,000	4.2%	7.85	6.87	1
133,752,681	Kuzbassrazrezugol	48,351,594	7.5%	0.36	0.39	1
2,618,241	Kyrgyzenergo	168,688	0.0%	0.06	0.06	1
	Energy Sector Restructuring, Total	**86,526,582**	**13.3%**			

Number of shares	Company	Fair value, USD June 30, 2011	Percentage weight	Value per share, USD June 30, 2011	Value per share, USD Dec 31, 2010	Note
225,000	Acron	10,597,500	1.6%	47.10		
1,765,000	Agrowill	683,219	0.1%	0.39	0.34	1
30,888,704	Black Earth Farming	118,482,586	18.3%	3.84	3.90	2
272,106	Dakor	3,155,964	0.5%	11.60	10.59	1
	Agriculture, Total	**132,919,269**	**20.5%**			
1,074,882	Egidaco Investment Limited (TCS), equity [5]	45,825,947	7.1%	51.73	40.47	1
50,000	Vosvik AB/Kontakt East [5]	36,692,308	5.7%	733.85	390.76	2
28,165,209	RusForest AB	49,330,410	7.6%	1.75	1.88	2
	RusForest, Bond 11% 2014	1,607,966	0.2%			1
	RusForest, Issued call options	−53,627	0.0%			2
406,156,995	Clean Tech East Holding AB	4,506,418	0.7%	0.01	0.02	2
	Clean Tech East Holding AB, loan	4,046,822	0.6%			4
	Black Earth Farming, Bond 10% 2014	1,615,869	0.2%			1
623,800	TKS Real Estate	1,356,565	0.2%	2.17	1.59	1
	What Works in the West, Total	**144,928,678**	**22.3%**			
	Other non current loan receivables	200,000	0.0%			3
	Other current loan receivables	18,440	0.0%			4
	Other loan receivables, Total	**218,440**	**0.0%**			
	Grand Total	**648,519,892**	**100.0%**			

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

INFORMATION ON SIGNIFICANT HOLDINGS

TNK-BP Holding

TNK-BP is a leading Russian oil company and is among the top ten privately-owned oil companies in the world in terms of crude oil production. BP and AAR consortium are the company shareholders on a parity basis. TNK-BP also owns about 50% of the Slavneft oil and gas company. TNK-BP accounts for about 16% of oil production in Russia (including TNK-BP's stake in Slavneft). The company's total proved reserves amounted to 13.07 billion barrels of oil equivalents as of December 31, 2010, compared to 11.67 billion barrels as of December 31, 2009. Vostok Nafta sees a superior production outlook due to earlier investments into promising fields. The company is highly cash generative, well managed and cost efficient thanks to a competent management team, with staff from TNK's Russian business and BP's global operations.

- During the first half of 2011, oil and gas production continued to grow and reached 1,765 mboe/d, up 1.2% on 1H10. This growth was primarily driven by further production increases at the company's producing greenfields.
- EBITDA for 1H11 amounted to USD 7.4 bn which is 59% higher compared to 1H10 largely due to the higher prices and duty lag benefit supported on the operations side by higher production and sales volumes. These positive factors were partly offset by a negative exchange rate impact as well as tariff and excise rates growth. Net income for the first half of 2011 amounted to USD 4.5 bn which is 87% up on the same period of 2010.
- TNK BP and Inter Rao, a holding company for electricity generation assets, have announced the construction of a third power-generating unit at the Nizhnevartovsk TPS with an installed capacity of 400 MW. The power-generating unit will eliminate the power-generation deficit in the Nizhnevartovsk region of the Khanty-Mansi Autonomous Region creating the necessary conditions for the further development of oil and gas industry in the region.
- TNK-BP has signed a farm-out agreement with Petra Energia for the acquisition of a 45% stake in 21 blocks in the Brazilian Solimoes Basin. According to a Degolyer & MacNaughton reserves audit report, the blocks bring today for the company a net prospective and contingent resource of 783 million barrels of oil equivalents.

TNK-BP Holding	
Vostok Nafta's number of shares	
Ordinary	*15,760,237*
Preferred	*31,053,600*
Value Ordinary	*48,068,723*
Value Preferred	*83,844,720*
Total Value (USD)	**131,913,443**
Portfolio percentage weight	20.3%
Share of total shares outstanding	0.3%
Share development Apr 1–Jun 30, 2011	
Ordinary	*3.4%*
Preferred	*1.9%*

During the second quarter 2011 Vostok Nafta has sold 742,000 ordinary shares in TNK-BP Holding.

Black Earth Farming

Black Earth Farming (BEF) is a leading farming company, publicly listed in Stockholm and operating in Russia. BEF was among the first foreign financed companies to make substantial investments in Russian agricultural land assets to exploit the large untapped potential. Because of its early establishment, BEF has gained a strong market position in the Kursk, Tambov, Lipetsk and Voronezh regions, all located in the Black Earth area which holds one of the most fertile soils in the world. The company's main products are wheat, barley, corn, sunflowers and rapeseeds. By introducing modern agricultural farming practices there is a vast opportunity to significantly increase productivity in terms of crops yielded per hectare of land, thus increasing the land value. The registration of controlled land into full ownership continues successfully, with the majority of land now under fully registered free holds. As of March 31, 2011, total land under control amounted to 326,000 hectares and land in ownership amounted to 252,000 hectares. At the same time operating improvements are ongoing with substantial long term potential for increased production and profitability.

- Despite the unusually late arrival of spring, the company's seeding campaign was completed in May with approximately 235,000 hectares of commercial crops to be planted for 2011. This represents a 30% increase compared to the harvest area in 2010.
- Limited sales volume during the period affected the results for the first quarter negatively. As grain prices declined during the quarter, the carrying value of cost of sales was higher than realized prices resulting in a negative gross margin. EBITDA amounted to USD –8.6 million in Q1 2011 versus USD –4.2 million in 2010. Second quarter results will be released August 26, 2011.
- Richard Warburton, who has been interim COO, has been appointed as CEO of Black Earth Farming with Sture Gustavsson, who has been acting CEO, returning to his position as Chief Agronomist.

Black Earth Farming	
Vostok Nafta's number of shares	30,888,704
Total Value (USD)	**118,482,586**
Portfolio percentage weight	18.3%
Share of total shares outstanding	24.8%
Share development Apr 1–Jun 30, 2011 (in USD)	–15.2%

During the second quarter 2011 Vostok Nafta has purchased 0 shares and sold 0 shares in Black Earth Farming.

RusForest

RusForest is active within the forestry sector in Eastern Siberia and the Arkhangelsk region of Russia. The company was established in 2006 through the acquisitions of Tuba-Les and PIK-89 in the Irkutsk region. Since then, RusForest has reached a considerable scale, both in terms of forest resources and sawmilling capacity, through strategic acquisitions and brownfield development projects. The company currently controls approximately 2.6 million hectares of forest land with an annual allowable cut (AAC) of approximately 3 million m^3. Recent increases in controlled forest land comes from the acquisition of LDK-3 and a new forest lease in Magistralny during 2010, and through the acquisition of NTG in Arkhangelsk as well as a harvesting company in Boguchany in the beginning of 2011. By increasing its sawmilling capacity as well as adding other value-adding activities RusForest will continue to develop its vast resource and unlock its potential. The aim is to apply Scandinavian best practices to a Russian cost base, which should have the potential of offering among the lowest production costs in the world. RusForest's goal is to develop into a leading independent integrated forestry and sawmilling company in Russia, with an annual harvest of 2.7–2.9 million m^3 and an annual sawnwood production of 800,000–850,000 m^3 during the coming four to five years.

- The Magistralny sawmill was officially opened in June 2011 in the presence of the Mayor of the Kazachinsko-Lensky district, representatives of the Board of RusForest as well as an international delegation of invited guests. The first ready packages of kiln dried sawnwood from the mill are now being delivered to customers.
- RusForest has entered into an agreement to acquire ZAO ADAR and OOO LP LDK Kansky in the Krasnoyarsk region. The two companies hold forest leases with a combined AAC of 470,600 m^3.
- The operating result before financing costs for Q1 2011 amounted to SEK –44.6 million compared to SEK –31.5 million during Q1 2010. Second quarter results will be released August 26, 2011.

RusForest	
Vostok Nafta's number of shares	28,165,209
Value shares	*49,330,410*
Value Bond 11% 2014	*1,607,966*
Total Value (USD)	**50,938,376**
Portfolio percentage weight	7.8%
Share of total shares outstanding	29.7%
Share development Apr 1–Jun 30, 2011 (in USD)	–21.4%

During the second quarter 2011 Vostok Nafta has purchased 0 shares and sold 0 shares in RusForest.

Kuzbassrazrezugol

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

- Revenue for the full year 2010 was reported at RUB 50.7 bn and EBITDA at RUB 16.1 bn implying 32% margin (vs 25% in 2009).
- The estimated average realized price per ton of coal sold increased by 7% compared to 2010. The share of more expensive coking coal in the sales structure increased from 6% in FY09 to 8% in FY10.
- Finance Minister Alexey Kudrin has said that the IFRS will be introduced as a mandatory reporting standard for Russian companies in 2012. If the new requirements are implemented, it would give more light on the shareholder structure and the company should benefit from the subsequent improved corporate governance.
- During the first 6 months of 2011, the company produced 21.8 million tons of coal, which represents a 7.7% y-o-y decrease. The share of more expensive coking coal increased from 9% in 6M2010 to 12.4% in 6M2011.

Kuzbassrazrezugol	
Vostok Nafta's number of shares	133,752,681
Total Value (USD)	**48,351,594**
Portfolio percentage weight	7.5%
Share of total shares outstanding	2.2%
Share development Apr 1–Jun 30, 2011	–8.5%

During the second quarter 2011 Vostok Nafta has purchased 0 shares and sold 0 shares in Kuzbassrazrezugol.

Tinkoff Credit Systems

Tinkoff Credit Systems (TCS) is Russia's first and only pure credit card lending institution. Based in Moscow, TCS Bank issues credit cards to customers in all of Russia's regions. TCS's senior management consists of a team of experienced professionals formerly employed by Visa, McKinsey and several top Russian banks. The business model is branch-less with customer recruitment and distribution handled via direct mail complemented by online services and a call centre. The advanced underwriting process and customer acquisition by invitation only limits the risk of fraud and exposure to less desirable customers, thus reducing the credit risk. The low-cost business model is flexible with a proven ability to rapidly grow and effectively service the credit card portfolio. Russian consumer lending is expected to set new highs this year due to lower costs of risk and higher consumer spending, and the company is singularly focused on issuing and servicing consumer credit cards. By combining a purpose-built platform with dedicated staff, TCS can serve millions of customers.

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

– According to Company management, Tinkoff Credit System is expected to demonstrate an almost 120% growth in credit card payment receivables this year, and amount to USD 850 mln by the year end. It is also expected to post USD 45 mln to USD 50 mln profit this year.

Tinkoff Credit Systems (TCS)	
Vostok Nafta's number of shares	1,074,882
Total Value (USD)	**45,825,947**
Portfolio percentage weight	7.1%
Share of total shares outstanding	17.1%
Share value development Apr 1–Jun 30, 2011	0.0%

During the second quarter 2011 Vostok Nafta has purchased 0 shares and sold 0 shares in Tinkoff Credit Systems.

Investments

During the second quarter gross investments in financial assets were USD 35.64 (26.05) mln and proceeds from sales were USD 16.51 (21.33) mln.

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

Purchases		Sales	
+ 8,101,000,000	Inter RAO	– 15,000	Gaisky GOK
+ 24,500	Gornozavodsk Cement	– 742,000	TNK-BP Holding Ord
+ 65,000	Acron	– 34,821,499	RusHydro Local

During the first six months two new companies have been added to the portfolio, Acron and Inter RAO. More detailed descriptions of these will be made available in the annual report. In brief terms Inter RAO is a holding company for electricity generation assets. The electricity sector in Russia has underperformed the rest of the stock market for a long period partly reflecting a lack of visibility in the political will to set a proper market based tariff structure. On an asset valuation the sector therefore offer a compelling upside, something that we believe will be unlocked by the end of the current election cycle (Parliamentary election in December 2011 and Presidential election in March 2012).

Acron is a fertilizer producer (mainly nitrogen) which has a range of non-core assets on its balance sheet which does not enjoy its real value in the stock's pricing today.

Also, the sale in TNK-BP was executed in order to capitalize on the market volatility we have experienced over the summer.

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 21.97 (14.39) mln. Result from investments in associated companies was USD 0.59 (–21.38) mln. Result from loan receivables was USD 1.43 (3.75) mln. Dividend income, net of withholding tax expenses, was USD 12.48 (6.40) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD –2.43 (–2.10) mln.

Net financial items were USD 0.31 (0.00) mln.

Net result for the period was USD 34.33 (1.00) mln.

Total shareholders' equity amounted to USD 659.93 mln on June 30, 2011 (December 31, 2010: 625.43).

Group – results for the quarter

During the quarter, the result from financial assets at fair value through profit or loss amounted to USD –4.02 (–46.41) mln. Result from investments in associated companies was USD –29.31 (–42.96) mln. Result from loan receivables was USD 0.07 (1.91) mln. Dividend income, net of withholding tax expenses, was USD 0.93 (6.20) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD –1.23 (–1.23) mln.

Net financial items were USD –0.03 (–0.05) mln.

Net result for the quarter was USD –33.60 (–82.57) mln.

Liquid assets

The liquid assets of the group, defined as cash and bank deposits adjusted for concluded but not yet settled share transactions, amounted to USD 9.99 mln on June 30, 2011 (December 31, 2010: 9.45).

(Expressed in USD thousands)	Jan 1, 2011– Jun 30, 2011	Jan 1, 2010– Jun 30, 2010	Apr 1, 2011– Jun 30, 2011	Apr 1, 2010– Jun 30, 2010
Result from financial assets at fair value through profit or loss 1	21,966	14,390	–4,020	–46,408
Result from investments in associated companies	586	–21,380	–29,314	–42,958
Result from loan receivables 1	1,426	3,752	70	1,905
Dividend income	14,682	7,512	1,090	7,289
Other operating income	136	332	75	41
Total operating income	**38,796**	**4,606**	**–32,100**	**–80,131**
Operating expenses	–2,571	–2,436	–1,308	–1,267
Dividend withholding tax expenses	–2,202	–1,122	–163	–1,089
Operating result	**34,022**	**1,049**	**–33,571**	**–82,486**
Financial income and expenses				
Interest income	45	2	33	1
Interest expense	–	–6	–	–6
Currency exchange gains/losses, net	237	–77	–78	–126
Other financial income	31	83	16	83
Net financial items	**314**	**2**	**–29**	**–48**
Result before tax	**34,336**	**1,051**	**–33,600**	**–82,534**
Taxation	–2	–54	–	–37
Net result for the financial period	**34,335**	**998**	**–33,600**	**–82,570**
Earnings per share (in USD)	0.34	0.01	–0.33	–0.82
Diluted earnings per share (in USD)	0.34	0.01	–0.33	–0.82

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.

Income statements – Group

(Expressed in USD thousands)	Jan 1, 2011– Jun 30, 2011	Jan 1, 2010– Jun 30, 2010	Apr 1, 2011– Jun 30, 2011	Apr 1, 2010– Jun 30, 2010
Net result for the financial period	**34,335**	**998**	**–33,600**	**–82,570**
Other comprehensive income for the period				
Currency translation differences	158	61	31	75
Total other comprehensive income for the period	**158**	**61**	**31**	**75**
Total comprehensive income for the period	**34,493**	**1,059**	**–33,570**	**–82,495**

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

Statement of comprehensive income

Balance sheets – Group

(Expressed in USD thousands)	Jun 30, 2011	Dec 31, 2010
NON CURRENT ASSETS		
Tangible non current assets		
Property, plant and equipment	82	133
Investment property	543	543
Total tangible non current assets	625	675
Financial non current assets		
Financial assets at fair value through profit or loss	435,297	401,547
Investment in associated companies	208,958	199,272
Loan receivables	200	4,902
Deferred tax asset	67	61
Total financial non current assets	644,522	605,783
CURRENT ASSETS		
Cash and cash equivalents	9,985	9,448
Loan receivables	4,065	9,283
Receivables from related parties	9	–
Tax receivables	356	186
Other current receivables	1,464	1,789
Total current assets	15,879	20,706
TOTAL ASSETS	661,026	627,164
SHAREHOLDERS' EQUITY (including net result for the financial period)	659,935	625,430
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Liabilities to related parties	200	200
Tax payables	515	504
Unsettled trades	–	406
Other current liabilities	151	110
Accrued expenses	225	513
Total current liabilities	1,091	1,733
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	661,026	627,164

Statement of Changes in Equity – Group

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Other reserves	Retained earnings	Total
Balance at January 1, 2010	100,991	191,700	–42	194,975	487,624
Net result for the period					
January 1, 2010 to June 30, 2010	–	–	–	998	998
Other comprehensive income for the period					
Currency translation differences	–	–	61	–	61
Total comprehensive income for the period January 1, 2010 to June 30, 2010	–	–	61	998	1,059
Transactions with owners:					
Employees share option scheme:					
– value of employee services	–	1	–	–	1
	–	1	–	–	1
Balance at June 30, 2010	100,991	191,701	19	195,973	488,684
Balance at January 1, 2011	100,991	192,029	–924	333,334	625,430
Net result for the period					
January 1, 2011 to June 30, 2011	–	–	–	34,335	34,335
Other comprehensive income for the period					
Currency translation differences	–	–	158	–	158
Total comprehensive income for the period January 1, 2011 to June 30, 2011	–	–	158	34,335	34,493
Transactions with owners:					
Employees share option scheme:					
– value of employee services	–	12	–	–	12
	–	12	–	–	12
Balance at June 30, 2011	100,991	192,041	–766	367,669	659,935

Cash flow statements – Group

(Expressed in USD thousands)	Jan 1, 2011– Jun 30, 2011	Jan 1, 2010– Jun 30, 2010	Jan 1, 2010– Dec 31, 2010
OPERATING ACTIVITES			
Result before tax	34,336	1,051	138,458
Adjustment for:			
Interest income	–45	–2	–16
Interest expenses	–	6	7
Currency exchange gains/-losses	–237	77	–682
Depreciations and write downs	60	58	1,292
Result from financial assets at fair value through profit or loss	–21,966	–14,390	–106,665
Result from investments in associated companies	–586	21,380	–20,422
Result from loan receivables	–1,426	–3,752	–8,005
Dividend income	–14,682	–7,512	–10,653
Other non-cash items	2	2	3
Change in current receivables	271	–630	510
Change in current liabilities	–702	1,016	411
Net cash used in operating activities	**–4,975**	**–2,695**	**–5,762**
Investments in financial assets	–50,982	–75,235	–113,672
Sales of financial assets	30,099	69,000	88,572
Decrease in loan receivables	11,346	–	17,615
Dividend received	14,682	7,512	10,653
Interest received	45	1,988	2,003
Interest paid	–	–6	–7
Tax paid	20	–52	–115
Net cash flow from/used in operating activities	**235**	**512**	**–714**
INVESTING ACTIVITIES			
Investments in office equipment	–	–38	–24
Net cash flow used in investing activities	**–**	**–38**	**–24**
FINANCING ACTIVITIES			
Proceeds from issue of warrants	10	–	326
Net cash flow from financing activities	**10**	**–**	**326**
Change in cash and cash equivalents	245	474	–411
Cash and cash equivalents at beginning of the period	9,448	8,935	8,935
Exchange gains/losses on cash and cash equivalents	292	181	924
Cash and cash equivalents at end of period	**9,985**	**9,591**	**9,448**

Key financial ratios – Group

	6m 2011	6m 2010
Return on capital employed, % 1	5.34	0.19
Equity ratio, % 2	99.83	99.72
Shareholders' equity/share, USD 3	6.53	4.84
Earnings/share, USD 4	0.34	0.01
Diluted earnings/share, USD 5	0.34	0.01
Net asset value/share, USD 6	6.53	4.84
Weighted average number of shares for the financial period	100,990,975	100,990,975
Weighted average number of shares for the financial period (fully diluted)	101,975,975	100,990,975
Number of shares at balance sheet date	100,990,975	100,990,975

1. Return on capital employed is defined as the Group's result for the period plus interest expenses plus/less exchange differences on financial loans divided by the average capital employed (the average total assets less non-interest bearing liabilities over the period). Return on capital employed is not annualised.
2. Equity ratio is defined as shareholders' equity in relation to total assets.
3. Shareholders' equity/share is defined as shareholders' equity divided by total number of shares.
4. Earnings/share is defined as result for the period divided by average weighted number of shares for the period.
5. Diluted earnings/share 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 is defined as shareholders' equity divided by total number of shares.

(Expressed in USD thousands)	Jan 1, 2011– Jun 30, 2011	Jan 1, 2010– Jun 30, 2010	Apr 1, 2011– Jun 30, 2011	Apr 1, 2010– Jun 30, 2010
Operating expenses	–2,277	–2,090	–1,184	–1,103
Operating result	–2,277	–2,090	–1,184	–1,103
Financial income and expenses				
Interest income	7,969	12,044	2,050	6,115
Currency exchange gains/losses, net	56	31	7	40
Net financial items	8,025	12,075	2,057	6,155
Net result for the financial period	5,748	9,985	873	5,052

(Expressed in USD thousands)	Jan 1, 2011– Jun 30, 2011	Jan 1, 2010– Jun 30, 2010	Apr 1, 2011– Jun 30, 2011	Apr 1, 2010– Jun 30, 2010
Net result for the financial period	5,748	9,985	873	5,052
Other comprehensive income for the period				
Currency translation differences	–	–	–	–
Total other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	5,748	9,985	873	5,052

Income statement – Parent

Statement of comprehensive income

Balance sheet – Parent

(Expressed in USD thousands)	Jun 30, 2011	Dec 31, 2010
NON CURRENT ASSETS		
Financial non current assets		
Shares in subsidiaries	246,591	246,591
Receivables from Group companies	267,289	261,302
Total financial non current assets	513,880	507,893
CURRENT ASSETS		
Cash and cash equivalents	118	39
Other current receivables	8	183
Total current assets	125	222
TOTAL ASSETS	514,006	508,115
SHAREHOLDERS' EQUITY (including net result for the financial period)	512,932	507,172
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Liabilities to group companies	1,019	619
Other current liabilities	8	54
Accrued expenses	47	270
Total current liabilities	1,074	943
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	514,006	508,115

Statement of Changes in Equity – Parent

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
Balance at January 1, 2010	100,991	191,700	194,713	487,404
Net result for the period				
January 1, 2010 to June 30, 2010	–	–	9,985	9,985
Other comprehensive income for the period				
Currency translation differences	–	–	–	–
Total comprehensive income for the period January 1, 2010 to June 30, 2010	–	–	9,985	9,985
Transactions with owners:				
Employees share option scheme:				
– value of employee services	–	1	–	1
	–	1	–	1
Balance at June 30, 2010	100,991	191,701	204,698	497,390
Balance at January 1, 2011	100,991	192,029	214,152	507,172
Net result for the period				
January 1, 2011 to June 30, 2011	–	–	5,748	5,748
Other comprehensive income for the period				
Currency translation differences	–	–	–	–
Total comprehensive income for the period January 1, 2011 to June 30, 2011	–	–	5,748	5,748
Transactions with owners:				
Employees share option scheme:				
– value of employee services	–	12	–	12
	–	12	–	12
Balance at June 30, 2011	100,991	192,041	219,900	512,932

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 2010.

Note 2 Related party transactions

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

USD thousand	2011				2010			
	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	–	185 [1]	–	–	–	171	–	–
Other operating income	–	16 [2]	102 [2]	–	–	9	58	–
Operating expenses	–	–	–90 [3]	–576 [4]	–	–	–	–551
Interest expenses	–	–	–	–	–	–	–	–
Balance sheet items								
Non current loan receivables	–	–	–	–	–	1,032	–	–
Current loan receivables	–	4,047 [1]	–	–	–	3,025	–	–
Other current receivables	–	–	9 [2]	–	–	103	24	–
Retained earnings	–	–	–	–12	–	–	–	–
Other current liabilities and accrued expenses	–200 [5]	–13 [2]	–10 [2]	–39 [4]	–200	–	–210	–39

1) Loans to associated companies

Vostok Nafta has an outstanding long-term loan receivable from Clean Tech East Holding AB, which was recognized at a book value of USD 4.05 mln as per June 30, 2011. In the Income Statement for the period ended June 30, 2011 Vostok Nafta has recognised interest income in the amount of USD 0.14 mln from Clean Tech East Holding AB and USD 0.04 mln from RusForest AB. RusForest AB has fully repaid its loan during the second quarter.

2) Other operating income from associated companies and Lundin companies and other current receivables/liabilities

Vostok Nafta has an office rental agreement with RusForest AB, Lundin Mining AB and Clean Tech East Holding AB. Vostok Nafta provides head office facilities service to Lundin Petroleum AB and Investor Relations and Corporate Communication services to Lundin Mining Corporation, Africa Oil Corporation, Etrion Corporation, ShaMaran Petroleum Corp. and Lucara Diamond Corp.

3) Operating expenses: Lundin companies

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

4) Operating expenses: Key management

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

5) Other current liabilities: Vostok Gas

In July 2009, Vostok Nafta acquired from Vostok Gas Ltd all rights of the lender under two interest bearing unsecured loans to employees of the Vostok Nafta Group for a total consideration of USD 200,000. As at June 30, 2011, the consideration for the acquired receivables was still outstanding.

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, 2011 the Vostok Nafta Investment Ltd Group consists of the Bermudian parent company, one wholly owned Bermudian subsidiary, four wholly owned Cypriot subsidiaries, four wholly owned Russian subsidiaries and one wholly owned Swedish subsidiary.

The financial year is January 1–December 31.

Parent company

The parent company finances the Cypriot subsidiaries' operations on market terms. The net result for the period was USD 5.75 (9.99) mln.

Financial and Operating risks

The Company's risks and risk management are described in detail in note 3 of the Company's Annual Report 2010.

Upcoming Reporting Dates

Vostok Nafta's nine month report for the period January 1, 2011–September 30, 2011 will be published on November 16, 2011.

August 17, 2011

Per Brilioth
Managing Director
Vostok Nafta Investment Ltd

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

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