Vostok Nafta Investment Ltd

Six Months Report January–June 2014

- **Net result for the period was USD –91.04 million (mln) (January 1, 2013–June 30, 2013: –24.68). Earnings per share were USD –1.11 (–0.28). Net result for the quarter was USD –24.02 mln (–48.47). Earnings per share for the quarter were USD –0.32 (–0.55).**

- **The net asset value of the Company was USD 428.94 mln on June 30, 2014 (December 31, 2013: 633.97), corresponding to USD 5.73 (December 31, 2013: 7.05) per share. Given a SEK/USD exchange rate of 6.7406 the values were SEK 2,891.29 mln (December 31, 2013: 4,126.10 mln) and SEK 38.62 (December 31, 2013: 45.89), respectively.**

- **The group's net asset value per share in USD decreased by 18.75% over the period January 1, 2014–June 30, 2014. During the same period the RTS index decreased by 32.34% in USD terms. During the quarter April 1, 2014–June 30, 2014 the group's net asset value per share in USD decreased by 7.53% (RTS index: –16.84%).**

- **The number of outstanding shares at the end of the period was 74,865,149. During the second quarter 2014, Vostok Nafta repurchased 8,403,491 SDRs (shares).**

- **The reported net asset value per share of Vostok Nafta as of July 31, 2014 was USD 5.50 (SEK 37.92).**

- **After the end of the reporting period the Company has made two new investments: a USD 7.5 mln investment in Quandoo, the fastest growing and technology leading restaurant reservation platform in EMEA and a USD 25 mln investment in GetTaxi, which provides transportation services to enterprises and individuals through mobile and web applications and aims to become the global leader in the space.**

Management report

We have been busy this summer making our first new investments in a long time. As highlighted many times over the past year our investment strategy has become increasingly focused on online marketplaces or, more specifically, businesses with network effects. A simple definition of a business with network effects is one where the user benefit of the product increases with the number of other users. This allows the business at maturity to enjoy high barriers to entry and consequently often rewards shareholders with high valuations.

Avito is a perfect example and naturally acts as the base of this strategy – and has done so since we seed funded it back in 2007 – as a huge experience builder and continues in many ways to act as inspiration. We have since inception been focused solely on Russia and its neighboring countries and although this continues to be our main hunting ground given our history there we feel that our experience within online marketplaces and the networks built around them is also applicable to other geographies.

The three investments we have made are into businesses with distinct network effects.

The recent pace of investments is a result of three unique opportunities that have come our way and that we have been able to capitalize on against the background described above. One should not expect us to complete more deals at this pace. We aim to take an active owner role at our investments, being present at the board of each one.

Yell.ru

We completed an investment into Yell.ru during the quarter, investing USD 8 mln in return for roughly a third of the shares in the company. The largest shareholder is Kinnevik and the rest is owned by the management/founders. The company is run by two Swedish internet entrepreneurs who head up the company from Moscow.

Yell.ru's business model is similar to the listed US company Yelp which is essentially a local search utility with an emphasis on reviews. Consumers use Yell.ru to search for small- and medium-sized businesses like restaurants, beauty parlors, doctors etc. The listing of these businesses includes reviews of them by previous customers, facilitating a good match for the enquirer. Monetization comes from the company selling subscription packages to the companies enabling them to retrieve more data about their customers.

The network effects of this stem from the virtuous circle of the more companies listed the more customers will utilize it, the more customers that utilize it the more reviews you get which in turn enhances the search benefits of the product in turn attracting more customers writing more reviews, the more reviews the more companies want to be present there and so on.

The addressable market for Yell.ru in Russia is huge with a large number of small- and medium-sized enterprises (SMEs) either not being able to effectively retrieve customers over the internet yet or doing so inefficiently. The business model is proven with several international benchmarks, Yelp being the best comparison. In terms of monetization, Yelp recently reached USD 2 per unique monthly visitor (UMV). Assuming that Yell.ru achieves a monetization level of USD 1 by 2018 (which is a touch conservative in our view) the company would enjoy revenues of just under USD 40 mln, EBITDA of USD 10 mln based on our estimate of roughly 40 mln UMVs and industry EBITDA margins of some 30%.

We believe this to be realistic given the weak competitive picture within this segment in Russia. The most commonly cited competitor, Yandex City, only acts as an aggregator of existing review-based products like Yell.ru. Also, Yandex City's aggregated product is Moscow-centric whereas Yell.ru is currently active in the 18 largest cities in the country.

All in all we believe the upside in Yell.ru to be immense, approaching 10 bagger potential with time.

Quandoo

After the end of the quarter formally covered by this report we completed an investment into a Germany-based company, Quandoo, which is the fastest growing and technology leading restaurant reservation platform in EMEA. We have invested some USD 7.5 mln in the company in a total investment round of USD 25 mln which was led by Piton Capital. Other shareholders include Holtzbrinck Ventures, DN Capital, the Sixt Family and Texas Atlantic Capital.

Although the starting position of this very fast growing company is in markets traditionally described as developed (Germany, Italy, Austria) as opposed to our more natural focus of emerging markets (given our history in Russia), we see it very rapidly expanding into these geographies as well (e.g., already market leader in Turkey).

In very simple words Quandoo connects diners to restaurants through online and mobile channels. It monetizes through a mix of subscription fees and transaction commissions. Quandoo is building the first modular operating system that integrates POS-relevant systems which provides restaurants with unique insights into its business as well as unmatched efficiency in managing daily operations.

The network effects of this business model are distinct. The overall user value of the product increases with more restaurants, more restaurants are attracted by more customers and so on.

Its founders, who managed the international roll-out of Groupon, have built a next generation performance-led product to sell into European and international markets where there are no dominant competitive services. Having launched in early 2013 Quandoo is currently in 78 cities across 8 EMEA markets with market leadership in 4 of the top 10 European markets (Germany, Italy, Austria and Turkey). To date the company has seated 1.6 mln diners in the 5000+ restaurants that are bookable.

The estimate is that the relevant part of restaurant reservation systems (including all the product development of optimization of bookings, targeted offers to clients, etc.) in Europe and the US will develop into a USD 10 bln market over the next 8 years. The bulk of this market is a greenfield opportunity where we believe Quandoo has an excellent position to become the market leader. The management team has built a global business before and has a track record of excellence in execution.

If Quandoo achieves its ambition and becomes a global player this investment has an enormous upside, equivalent to the some of the best investments we have ever made. Even if just continuing within its current geographical space of EMEA we see this opportunity has having the potential of a multiple bagger.

As an illustration of the upside, OpenTable – a competitor with an old-fashioned technological platform and some 31,000 restaurants mainly in the US – was recently acquired by Priceline for some USD 2.6 bln.

The Quandoo investment is the result of a cooperation we have initiated with what we view as one of the best investors into our preferred space of businesses with network effects, Piton Capital. Piton, a venture capital firm, was introduced to our shareholders in our annual report this year, and is run by Greg Lockwood and Andrin Bachmann. Their focus area has traditionally been early-stage and developed markets. We are looking to put their immense experience within investments in businesses with network effects in developed markets at use within our preferred geographical sphere of emerging markets.

GetTaxi

The largest of our recent investments, also completed after the end of the second quarter, is an equity investment in GetTaxi of USD 25 mln (out of a round of USD 150 mln bringing total money raised at GetTaxi to over USD 210 mln). GetTaxi provides transportation services to enterprises and individuals through mobile and web applications and aims to become the global leader in the space. It is currently larger than all its direct competitors and second only to Uber globally. It expects to hit a run rate of USD 150 mln in revenues by year-end and continues to grow at some 400% annually. Other shareholders include Access Industries and Inventure Partners.

GetTaxi is currently active in four countries and across 24 cities, most notably Moscow, St. Petersburg, Tel Aviv, London and New York. Nearly half of the Fortune 500 companies use GetTaxi today.

This is a predominately emerging market marketplace opportunity with the benefits of the high barriers to entry that marketplaces can give with the resulting high margins and added to this the growth of emerging markets. The addressable market for the company within its existing markets is some

USD 30 bln. Of this GetTaxi's revenues are typically some 15–30% depending on whether it is servicing a private or business client. Strong EBITDA margins and cohorts make the upside potential of this very large. The main risk is execution, making the management team very important.

The company is founded and run by serial entrepreneur Shahar Waiser. Shahar moved from Russia to Israel in the early 90's. Having grown up in Israel he has spent his career both in Russia (CEO of the Russian operations of the NASDAQ listed telecom company Comverse which Shahar took up to USD 300 mln in revenues and then a series of different e-commerce businesses) and Silicon Valley (as the founder of Loyalize, a social TV platform for Media and content providers that was acquired by Viggle). Shahar is a classic serial entrepreneur possessing the energy needed anywhere in the world but especially in emerging markets.

In contrast to its most famous competitor, Uber, it offers not only a business-to-consumer product but also a business-to-business product. Although currently smaller in terms of revenues at GetTaxi today the corporate market offers higher profitability and also immense growth opportunities as competition is lower. Also in contrast to Uber, GetTaxi deals solely with regulated taxis, making it less confrontational with incumbent solutions.

GetTaxi is the second largest player in this space after Uber and is the largest player outside the US. Although competition is ripe everywhere we think a conservative scenario is that GetTaxi becomes the leading player in Russia and Israel which in our view yields a potential valuation scenario north of USD 2 bln a couple of years down the road. Although again a classic example of a business with network effects (an increasing number of customers using GetTaxi drives the connection of more taxi cars, the more taxi cars the more accessibility, the more accessibility – especially for corporate customers – the better the product which in turn drives more customers and so on) this niche is expected to be one where the winners takes most rather than the winner takes all. This in turn means that we think it is entirely realistic that GetTaxi also becomes a serious player in many more markets than its existing ones end hence offers a significantly larger upside than a conservative base case scenario would.

Existing portfolio

Meanwhile at our existing portfolio, Avito continues to develop very well while TCS is successfully dealing with a prolonged environment of contraction in the consumer credit markets.

Obviously the tragic situation in Eastern Ukraine continues to dominate headlines, but without real effect on the business of especially Avito. Funding costs for Russian corporates overall has increased over the past year, which acts as a negative on TCS's profitability.

We are concerned about sanctions on Russia by the EU and USA, and continue to monitor these closely. Although difficult to foresee the short term developments we would argue that the initiation of talks between the Kyiv Government and separatists in Eastern Ukraine is a very positive development which hopefully will lead to the stability that markets crave. The current volatility of events is the uncertainty that markets detest and while this persists a firm footing for the pricing of Russian assets is difficult to achieve.

August 2014,
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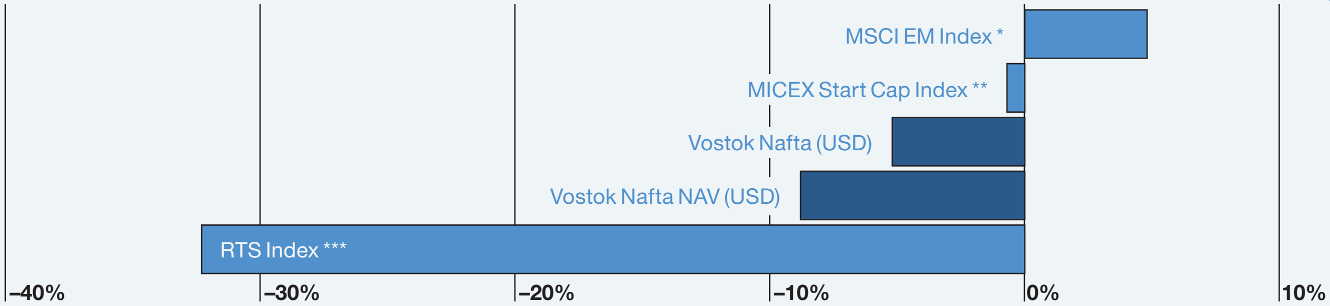
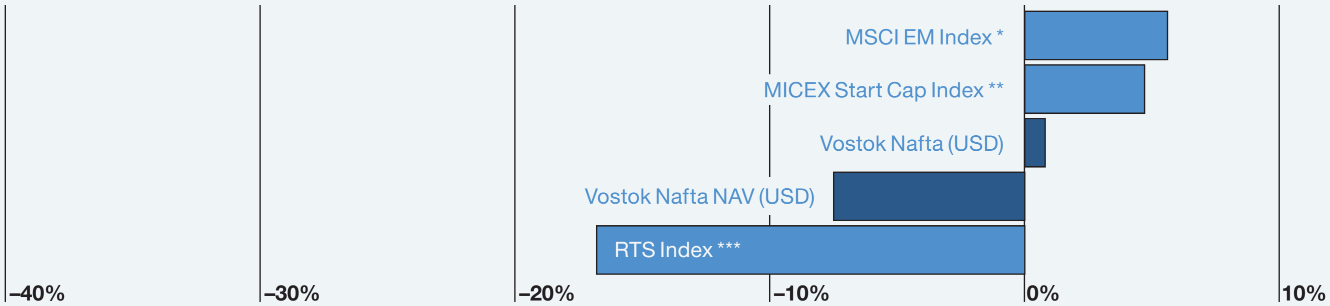
Vostok Nafta's portfolio development

The group's net asset value per share in USD decreased by 18.75% over the period January 1, 2014–June 30, 2014. During the same period the RTS index decreased by 32.34% in USD terms. During the quarter April 1, 2014–June 30, 2014 the group's net asset value per share in USD decreased by 7.53% (RTS index: –16.84%).

Percent development January 1–June 30, 2014 *(last price paid on relevant stock exchange)*



Percent development April 1–June 30, 2014 *(last price paid on relevant stock exchange)*



* The MSCI 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.
*** 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.

Portfolio structure

The investment portfolio stated at market value as at June 30, 2014 is shown to the right.

Number of shares	Company	Fair value, USD June 30, 2014	Percentage weight	Value per share, USD June 30, 2014	Value per share, USD December 31, 2013
8,842,294	Tinkoff Credit Systems (TCS Group Holding PLC)	57,917,096	13.4%	6.6	15.7 [1]
6,166,470	Avito [2]	233,280,398	54.2%	37.8	39.2 [1]
8,661,609	Yell.ru [2]	8,000,000	1.9%	0.9	
	Liquidity management portfolio, including cash	131,542,216	30.5%		
	Total	**430,739,710**	**100.0%**		

1. This investment is shown in the balance sheet as financial asset at fair value through profit or loss.
2. Private equity investment.

Avito

Avito is the largest and fastest growing online classified platform in Russia, and the company continued to grow at a satisfying pace during the first six months of the year. The company has established itself as the leading player in terms of visitors and number of ads, distancing itself from its competitors. Once a firm market-leading position is achieved, Avito's business model has great potential in terms of profitability judging by the experience of peers in other countries. Avito is the leading brand and has the highest brand awareness in Moscow, St. Petersburg and throughout the regions. The merger with Naspers-owned Slando.ru and OLX.ru in 2013 has significantly reaffirmed this #1 position in the Russian market. Compared to western countries, Russia still lags behind in terms of low proportion of internet users in relation to the total population. By the end of 2016 the number of internet users in Russia is expected to reach around 100 million, compared to an estimate of 84 million in 2014. The market for internet-related services is expected to grow significantly in correlation with an increased internet penetration and the number of Russians who want to buy things online grew strongly over the past year. The Russian e-commerce market is expected to grow with the increasing internet penetration to approximately USD 25 bln in 2016 according to Goldman Sachs Investment Research. According to LiveInternet.ru, Avito had 51 mln (37 mln in 2Q13) unique visitors during the last 31 days prior to this report measured by unique cookies. Avito also owns and operates the leading classified site in Morocco and has presence in Ukraine and Egypt. In February 2014, Schibsted announced a joint venture between its Moroccan site and Avito.ma to create a clear market leader and further strengthen the combined sites position on the Moroccan online classified market. In the summer of 2014, it was announced that that this joint venture will continue to operate under the Avito.ma brand and that Schibsted will be the controlling shareholder with 51% ownership.

In early 2014 the work with Domofond.ru, a real estate portal for the Russian market, commenced within a JV between Avito and Naspers owned Korbitec. The venture is still in its early stages and is aiming to further develop the real estate segment to make the process more efficient and convenient for all parties. As of July, 2014, there were roughly 3.1mln listings on the Domofond portal. The Russian real estate market is underdeveloped and holds great promise for the future. Some of the most profitable and highest valued international classifieds sites are real estate portals, including the likes of Rightmove, Zillow, REA Group and SeLoger.

During the second quarter of 2014 Vostok Nafta purchased a limited number of Avito shares which were sold by Avito Management members on a pro-rata basis to other existing shareholders at the valuation of SEK 255 per share. This is the same valuation as when the founders sold 10% of their total holdings in the company during the first quarter of 2014.

Avito

Vostok Nafta's number of shares as at June 30, 2014	6,166,470
Total Value (USD)	**233,280,398**
Share of total portfolio	54.3%
Share of total shares outstanding	13.7%
Value development January 1–June 30, 2014 (in USD) *	–3.3%

During the second quarter 2014 Vostok Nafta purchased 7,340 shares and sold 0 shares in Avito.

* The change in value in USD terms corresponds to the SEK depreciation versus USD during 2014.

Updated figures[1] from Avito as per 1Q 2014

- Revenues for the first quarter 2014 of RUB 852 mln (USD 23.8 mln[2]), up 115% compared with first quarter 2013 (RUB 396 mln).
- EBITDA margin in the first quarter 2014 of 46% or RUB 393 mln (USD 11 mln[2]), compared with first quarter 2013 (RUB –23.6 mln).
- Monthly audience[3] in December 2013 according to TNS Russia and the Web Index project was 23.9 mln.
- Avito's cash position in excess of USD 100 mln at the end of the first quarter.
- Page views amounted to 17 bln compared to 10 bln for the previous year.
- Monthly audience[3] in March 2014 of 25.8 mln according to TNS Russia. Comparable data not available for the previous year.

Avito's trading statement for the second quarter and first six months of 2014 is expected to be released in mid August of 2014.

1. Unaudited figures from Avito.
2. Translated with official FX rate of 35.6871 as of March 31, 2014 quoted by the Central Bank of the Russian Federation.
3. Monthly audience is measured by a regular survey performed by TNS Russia. Details can be found at http://en.tns-global.ru/services/media/media-audience/internet/description/.

Tinkoff Credit Systems

TCS Group Holding PLC is an innovative provider of online retail financial services operating in Russia through a high-tech branchless platform, which is supported by a "smart" courier network that covers around 600 cities and towns in Russia. TCS's main offering is credit cards and had as of March 31, 2014 RUB 75 bln in net loans and advances to customers. In addition to a market-leading credit card offering, the Group has developed a successful online retail deposits program and added Tinkoff Mobile Wallet to its portfolio of innovative online products and services for Russian consumers, including mobile financial services, payment solutions and insurance.

TCS's senior management consists of a team of experienced professionals formerly employed by Visa, McKinsey and several top Russian banks. By combining a purpose-built platform with dedicated staff, TCS can serve millions of customers. 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.

Tinkoff Credit Systems

Vostok Nafta's number of shares as at June 30, 2014	8,842,294
Total Value (USD)	**57,917,026**
Share of total portfolio	13.5%
Share of total shares outstanding	4.9%
Value development January 1–June 30, 2014 (in USD)	–58.3%

During the second quarter 2014 Vostok Nafta purchased 100,000 shares and sold 0 shares in TCS.

TCS was listed on the main list of London Stock Exchange on October 25, 2013. Vostok Nafta sold down its stake in TCS in conjunction with the IPO, which comprised of both primary and secondary equity. Vostok Nafta sold a total of 13,824,381 shares at the offer price of USD 17.50 per share for a total purchase price of USD 241,926,667 before applicable fees.

Following the IPO of the company in October 2013, TCS share price has been very volatile and negatively affected for several reasons. First there was speculation in the media on new banking regulations in late 2013, which was later followed by an unexpected downturn in the consumer credit cycle. This together with the current situation in eastern Ukraine and the indirect effect of international sanctions has driven the share price down. TCS share price has declined some 58% YTD and as per June 30, 2014 TCS share price was USD 6.55. However, following the IPO, TCS became overcapitalized and has been able to manage this more difficult business environment with great effort and stayed meaningfully profitable during the first quarter of 2014.

In June 2014 TCS announced it had received indications from, independently of one another, Oleg Tinkov and other certain pre-IPO shareholders including Vostok Nafta, Baring Vostok and Goldman Sachs of their intention to increase their holdings in the company and in July, TCS announced that both senior management and Oleg Tinkov had increased their holdings in the company. Vostok Nafta purchased 100,000 shares (GDRs) in TCS during the second quarter of 2014.

Company website: www.tcsbank.ru/eng/

- Net income for the first quarter 2014 amounted to RUB 362 mln (RUB 1.0 bln in 1Q 2013).
- Net interest margin in 1Q 2014 was 32.8% compared to 34.2% in 1Q 2013.
- Cost of risk in 1Q 2014 was 20.5% compared to 16.2% in 1Q 2013.
- The net loan portfolio increased to RUB 75 bln as of March 31, 2014, up 37% since the end of 1Q 2013. Market share of 7.3% as of March 31, 2014, placing TCS as the #3 credit card issuer in Russia by market share.
- Retail deposits was RUB 43.1 bln as of March 31, 2014, up from 30.2 bln as of 1Q 2013 and as of March 31, 2014, cash amounted to 17.3% of total assets and 40.7% of customer accounts.
- In February 2014, TCS announced the mass market launch of its property insurance products through the Tinkoff Online Insurance platform, and later in April the dedicated website (www.tinkoffinsurance.ru) went live and travel insurance was added to the product portfolio.

Second quarter results are expected to be published in late August 2014.

Yell.ru

On June 18, 2014 Vostok Nafta announced an investment in Yell.ru, which operates a leading Russian online local search utility covering 18 major cities. Vostok invested USD 8 mln in the context of a total raise of USD 11 mln that included participation from Yell's current principal investor Investment AB Kinnevik.

Yell.ru is an online local search utility with user reviews about local companies and services in Russia. Reviews help consumers make better informed decisions when purchasing services or goods. Yell.ru expects that more than a third of all online Russians will use the service during 2014 to look for restaurants, doctors, shopping opportunities and more. Yell has several listed comparable peers in other markets which focus on local search and reviews, most notably Yelp.com in the US.

Yell.ru has a steady and strong growth of unique visitors who utilize the service. In June 2014, Yell.ru had over 3.2mln UMVs, which is an increase of over 150% y-o-y. Currently there are over 350k reviews on Yell.ru and each month more than 25k new reviews are written by its users.

Yell.ru is headed by two Swedish internet entrepreneurs, Joakim Grönvall and Mattias Eklöf, who run the company from Moscow.

Company website: www.yell.ru

- UMVs in June 2014 amounted to 3.2 mln compared to 1.3 mln in June 2013 according to liveinternet.ru.
- Page views in June 2014 amounted to 8.4 mln compared to 2.9 mln for the same period in 2013.

Yell.ru

Vostok Nafta's number of shares as at June 30, 2014	8,661,609
Total Value (USD)	**8,000,000**
Share of total portfolio	1.9%
Share of total shares outstanding	33.3%
Value development January 1–June 30, 2014 (in USD)	–

During the second quarter 2014 Vostok Nafta purchased 8,661,609 shares and sold 0 shares in Yell.ru.

Investments

During the second quarter, gross investments in financial assets were USD 25.87 (0.02) mln and proceeds from sales were USD 6.25 (8.74) mln. During the first quarter 2014, gross investments in financial assets were USD 54.35 (4.49) mln which concerned cash placements (USD 47.70 mln) and investment in Avito (USD 6.65 mln) and proceeds from sales were USD 11.82 (0) mln.

Major changes of securities in the portfolio during the second quarter:
During the second quarter 2014, investments concern cash placements (USD 17 mln), and investment in Yell.ru (USD 8 mln) and smaller investments in both Avito and TCS (USD 0.9 mln).

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 –89.53 (–3.84) mln. Result from investments in associated companies was USD 0 (–16.14) mln. Result from loan receivables was USD 0 (0.78) mln. Dividend and coupon income, net of withholding tax expenses, was USD 0.66 (0.47) mln.

Net operating expenses (defined as operating expenses less other operating income) amounted to USD –2.31 (–5.91) mln.

Net financial items were USD 0.14 (–0.04) mln.

Net result for the period was USD –91.04 (–24.68) mln.

Total shareholders' equity amounted to USD 428.94 mln on June 30, 2014 (December 31, 2013: 633.97).

Group – results for the quarter

During the quarter, the result from financial assets at fair value through profit or loss amounted to USD –22.74 (–2.34) mln. Result from investments in associated companies was USD 0 (–41.75) mln. Result from loan receivables was USD 0 (0.11) mln. Dividend income, net of withholding tax expenses, was USD 0.37 (0.47) mln.

Net operating expenses (defined as operating expenses less other operating income) amounted to USD –1.59 (–4.95) mln.

Net financial items were USD –0.07 (–0.01) mln.

Net result for the quarter was USD –24.02 (–48.47) 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 69.28 mln on June 30, 2014 (December 31, 2013: 246.57).

Income statements – Group

(Expressed in USD thousands)	Jan 1, 2014– Jun 30, 2014	Jan 1, 2013– Jun 30, 2013	Apr 1, 2014– Jun 30, 2014–	Apr 1, 2013– Jun 30, 2013–
Result from financial assets at fair value through profit or loss 1	–89,525	–3,842	–22,736	–2,336
Result from investments in associated companies	–	–16,137	–	–41,749
Result from loan receivables 1	–	778	–	114
Dividend and coupon income	657	493	372	493
Other operating income	–	255	–	126
Total operating income	–88,868	–18,452	–22,364	–43,352
Operating expenses	–2,312	–6,168	–1,591	–5,077
Dividend withholding tax expenses	–	–27	–	–27
Operating result	–91,180	–24,647	–23,955	–48,457
Financial income and expenses				
Interest income	277	15	134	11
Interest expense	–	–29	–	–
Currency exchange gains/losses, net	–137	–21	–200	–23
Net financial items	140	–35	–66	–12
Result before tax	–91,040	–24,683	–24,021	–48,469
Taxation	–	–	–	–
Net result for the financial period	–91,040	–24,683	–24,021	–48,469
Earnings per share (in USD)	–1.11	–0.28	–0.32	–0.55
Diluted earnings per share (in USD)	–1.11	–0.27	–0.32	–0.54

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.

Statement of comprehensive income

(Expressed in USD thousands)	Jan 1, 2014– Jun 30, 2014	Jan 1, 2013– Jun 30, 2013	Apr 1, 2014– Jun 30, 2014–	Apr 1, 2013– Jun 30, 2013–
Net result for the financial period	–91,040	–24,683	–24,021	–48,469
Other comprehensive income for the period				
Items that may be classified subsequently to profit or loss:				
Currency translation differences	–27	–20	–27	–19
Total other comprehensive income for the period	–27	–20	–27	–19
Total comprehensive income for the period	–91,067	–24,703	–24,048	–48,488

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

Balance sheets – Group

(Expressed in USD thousands)	Jun 30, 2014	Dec 31, 2013
NON-CURRENT ASSETS		
Tangible non-current assets		
Property, plant and equipment	8	11
Total tangible non-current assets	8	11
Financial non-current assets		
Financial assets at fair value through profit or loss	348,456	383,828
Investment in associated companies	8,000	–
Loan receivables	–	5,000
Total financial non-current assets	356,456	388,828
CURRENT ASSETS		
Cash and cash equivalents	69,284	246,572
Loan receivables	5,000	–
Receivables from related parties	–	1,261
Tax receivables	358	315
Other current receivables	28	145
Total current assets	74,670	248,293
TOTAL ASSETS	431,134	637,133
SHAREHOLDERS' EQUITY (including net result for the financial period)	428,937	633,966
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Tax payables	398	402
Other current liabilities	1,709	1,998
Accrued expenses	91	766
Total current liabilities	2,197	3,166
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	431,134	637,133

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, 2013	44,860	157,757	88	126,879	329,584
Net result for the period January 1, 2013 to June 30, 2013	–	–	–	–24,683	–24,683
Other comprehensive income for the period					
Currency translation differences	–	–	–20	–	–20
Total comprehensive income for the period January 1, 2013 to June 30, 2013	–	–	–20	–24,683	–24,703
Transactions with owners:					
Redemption programme	–13,232	–	–	–47,018	–60,249
Buy back of own shares	–755	–3,889	–	–	–4,644
	–13,986	–3,889	–	–47,018	–64,893
Balance at June 30, 2013	30,874	153,868	68	55,179	239,988
Balance at January 1, 2014	31,466	157,939	89	444,472	633,966
Net result for the period January 1, 2014 to June 30, 2014	–	–	–	–91,040	–91,040
Other comprehensive income for the period					
Currency translation differences	–	–	–27	–	–27
Total comprehensive income for the period January 1, 2014 to June 30, 2014	–	–	–27	–91,040	–91,067
Transactions with owners:					
Proceeds from shares issued	9	61	–	–	70
Buy back of own shares	–5,272	–108,760	–	–	–114,032
	–5,272	–108,760	–	–	–114,032
Balance at June 30, 2014	26,203	49,240	62	353,432	428,937

Cash flow statements – Group

(Expressed in USD thousands)	Jan 1, 2014– Jun 30, 2014	Jan 1, 2013– Jun 30, 2013	Jan 1, 2013– Dec 31, 2013
OPERATING ACTIVITIES			
Result before tax	–91,040	–24,683	364,807
Adjustment for:			
Interest income	–277	–15	–90
Interest expenses	–	29	29
Currency exchange gains/-losses	137	21	–87
Depreciations and write downs	3	10	15
Result from financial assets at fair value through profit or loss	89,525	3,842	–389,611
Result from investments in associated companies	–	16,137	16,159
Result from loan receivables	–	–778	–958
Dividend and coupon income	–657	–493	–627
Change in current receivables	1,378	161	175
Change in current liabilities	–954	1,680	1,442
Net cash used in operating activities	–1,886	–4,088	–8,746
Investments in financial assets	–80,222	–3,979	–27,813
Sales of financial assets	18,069	8,743	252,041
Increase/decrease in loan receivables	266	–15	574
Dividend and coupon income	657	493	707
Interest received	5	15	40
Interest paid	–	–29	–29
Tax paid	–51	–61	–107
Net cash flow used in/from operating activities	–63,163	1,079	216,667
INVESTING ACTIVITIES			
Investments in office equipment	–	–11	–11
Sale of office equipment	–	7	7
Net cash flow used in investing activities	–	–3	–4
FINANCING ACTIVITIES			
Redemption program transaction fees	–	–	–627
Proceeds from shares issued	70	–	3,342
Buy back of own shares	–114,032	–4,644	–4,644
Net cash flow used in financing activities	–113,962	–4,644	–1,929
Change in cash and cash equivalents	–177,126	–3,569	214,735
Cash and cash equivalents at beginning of the period	246,572	31,841	31,841
Exchange gains/losses on cash and cash equivalents	–162	–207	–4
Cash and cash equivalents at end of period	69,284	28,065	246,572

Key financial ratios – Group

	6m 2014	6m 2013
Return on capital employed, % (01)	–17.13	–8.67
Equity ratio, % (02)	99.49	98.46
Shareholders' equity/share, USD (03)	5.73	2.72
Earnings/share, USD (04)	–1.11	–0.28
Diluted earnings/share, USD (05)	–1.11	–0.27
Net asset value/share, USD (06)	5.73	2.72
Weighted average number of shares for the financial period	82,123,728	88,276,708
Weighted average number of shares for the financial period (fully diluted)	82,123,728	89,994,088
Number of shares at balance sheet date	74,865,149	88,210,000

01. Return on capital employed is defined as the Group's result for the period plus interest expenses plus/less exchange differences on financial loans divided by the average capital employed (the average total assets less non-interest bearing liabilities over the period). Return on capital employed is not annualised.
02. Equity ratio is defined as shareholders' equity in relation to total assets.
03. Shareholders' equity/share USD is defined as shareholders' equity divided by total number of shares.
04. Earnings/share USD is defined as result for the period divided by average weighted number of shares for the period.
05. Diluted earnings/share USD is defined as result for the period divided by average weighted number of shares for the period calculated on a fully diluted basis.
06. Net asset value/share USD is defined as shareholders' equity divided by total number of shares.

Income statement – Parent

(Expressed in USD thousands)	Jan 1, 2014– Jun 30, 2014	Jan 1, 2013– Jun 30, 2013	Apr 1, 2014– Jun 30, 2014–	Apr 1, 2013– Jun 30, 2013–
Result from financial assets at fair value through profit or loss	–1,774	–	–826	–
Result from investments in associated companies	–	–8,754	–	–8,754
Operating expenses	–2,399	–5,963	–1,627	–4,964
Dividend and coupon income	657	–	372	–
Operating result	–3,516	–14,717	–2,080	–13,718
Financial income and expenses				
Interest income	527	884	351	431
Currency exchange gains/losses, net	–138	93	–201	83
Net financial items	390	978	151	514
Net result for the financial period	–3,126	–13,739	–1,930	–13,204

Statement of comprehensive income

(Expressed in USD thousands)	Jan 1, 2014– Jun 30, 2014	Jan 1, 2013– Jun 30, 2013	Apr 1, 2014– Jun 30, 2014–	Apr 1, 2013– Jun 30, 2013–
Net result for the financial period	–3,126	–13,739	–1,930	–13,204
Other comprehensive income for the period				
Items that may be classified subsequently to profit or loss:				
Currency translation differences	–	–	–	–
Total other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	–3,126	–13,739	–1,930	–13,204

Balance sheet – Parent

(Expressed in USD thousands)	Jun 30, 2014	Dec 31, 2013
NON-CURRENT ASSETS		
Financial non-current assets		
Shares in subsidiaries	84,389	84,389
Financial assets at fair value through profit or loss	57,258	12,450
Loan receivables	–	5,000
Receivables from Group companies	16,949	110
Total financial non-current assets	158,596	101,949
CURRENT ASSETS		
Cash and cash equivalents	68,156	246,434
Loan receivables	5,000	–
Receivables from related parties	–	1,261
Other current receivables	7	126
Total current assets	73,163	247,820
TOTAL ASSETS	231,758	349,769
SHAREHOLDERS' EQUITY (including net result for the financial period)	230,256	347,344
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Liabilities to group companies	623	2,314
Other current liabilities	852	23
Accrued expenses	27	89
Total current liabilities	1,503	2,425
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	231,758	349,769

Statement of Changes in Equity – Parent

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
Balance at January 1, 2013	44,860	157,757	126,370	328,987
Net result for the period January 1, 2013 to June 30, 2013	–	–	–13,739	–13,739
Other comprehensive income for the period				
Currency translation differences	–	–	–	–
Total comprehensive income for the period January 1, 2013 to June 30, 2013	–	–	–13,739	–13,739
Transactions with owners:				
Redemption programme	–13,232	–	–47,018	–60,249
Buy back of own shares	–755	–3,889	–	–4,644
	–13,986	–3,889	–47,018	–64,893
Balance at June 30, 2013	–30,874	153,868	65,613	250,355
Balance at January 1, 2014	31,466	157,939	157,939	347,344
Net result for the period January 1, 2014 to June 30, 2014	–	–	–3,126	–3,126
Other comprehensive income for the period				
Currency translation differences	–	–	–	–
Total comprehensive income for the period January 1, 2014 to June 30, 2014	–	–	–3,126	–3,126
Transactions with owners:				
Proceeds from shares issued	9	61	–	70
Buy back of own shares	–5,272	–108,760	–	–114,032
	–5,272	–108,760	–	–114,032
Balance at June 30, 2014	26,203	49,240	154,813	230,256

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 2013.

Note 2 Related party transactions

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

USD thousands	Operating expenses 1H 2014	Operating expenses 1H 2013	Current liabilities 1H 2014	Current liabilities 1H 2013
Key management and Board of Directors*	–579	–2,450	–24	–9

* Compensation paid or payable includes salary and bonuses to the management and remuneration to the Board members.

Note 3 Fair value estimation

The numbers below are based on the same accounting and valuation policies as used in the Company's most recent Annual Report. For more information regarding financial instruments in level 2 and 3 see note 3 in Vostok Nafta's Annual Report 2013. The fair value of financial instruments is measured by level of the following fair value measurement hierarchy:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets that are measured at fair value at June 30, 2014.

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	115,176	233,280	–	348,456
Investments in associated companies	–	8,000	–	8,000
Total assets	115,176	241,280	–	356,456

The following table presents the group's assets that are measured at fair value at December 31, 2013.

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	149,704	234,124	–	383,828
Investments in associated companies	–	–	–	–
Total assets	149,704	234,124	–	383,828

During the second quarter of 2014 no transfers between level 1, 2 and 3 have been done. The Group's Investment in Avito AB was increased as per June 30, 2014 following the purchase of a limited number (7,340) of shares in the company at an underlying valuation of SEK 255 per share. Vostok Nafta invested USD 8 mln in Yell.ru during the second quarter of 2014 and as a result of the transaction, Vostok Nafta owns 33.3% of the company on a fully diluted basis.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Investments in assets that are not traded on any market will be held at fair value determined by recent transactions made at prevailing market conditions or different valuation models depending on the characteristics of the company as well as the nature and risks of the investment. These different techniques may include discounted cash flow valuation (DCF), exit-multiple valuation also referred to as Leveraged Buyout (LBO) valuation, asset based valuation as well as forward looking multiples valuation based on comparable traded companies.

Avito

The investment in the Group's unlisted holding Avito AB is classified as a level 2 investment as it is valued on the basis of recently completed transaction in the company. In February, 2014 Vostok Nafta purchased 183,551 warrants in Avito corresponding to 0.4% of the total number of outstanding shares and warrants from the founders of the company who sold 10% of their holdings in Avito, bringing Vostok Nafta's total shareholding in Avito to 13.7%. The transaction was made at an underlying valuation of SEK 255 per Avito share. In the second quarter of 2014, further Avito shares were offered for sale by other senior Avito management members. These shares were offered to existing shareholders on a pro-rata basis at the same valuation of SEK 255 per Avito share. As a result of this transaction, which closed in June 2014, Vostok purchased an additional 7,340 share in Avito, bringing Vostok Nafta's total shareholding to 6,166,470 Avito shares.

As the initial larger transaction and the smaller transaction which followed were completed in a limited time period before the second quarter ending and no significant company-specific or sector related events occurred during this time frame, the underlying valuation of SEK 255 per Avito share is in our view the best fair value estimate of the investment in Avito as per June 30, 2014. As Avito currently is the largest asset in Vostok Nafta's portfolio, a change in the valuation of Avito would have a significant impact on Vostok Nafta's NAV. A 20% lower/higher valuation of Avito would result in and decrease/increase by USD 46.6mln or 10.9% of the total portfolio.

Yell.ru

During the second quarter of 2014, Vostok Nafta has invested USD 8 mln in Yell.ru at a post-money valuation of USD 24 mln which corresponds to 33.3% ownership stake. As per June 30, 2014, Yell is valued as per the basis of this transaction which is also equivalent to Vostok Nafta's acquisition cost.

The validity of valuations based on a transaction is inevitably eroded over time, since the price at which the investment was made reflects the conditions that existed on the transaction date. At each reporting date, possible changes or events subsequent to the relevant transaction are assessed and if this assessment implies a change in the investment's fair value, the valuation are adjusted accordingly. The transaction based valuations are continuously assessed using Sales and EBITDA multiples of comparable traded companies for each unlisted investment.

Note 4 Events after the reporting period

After the end of the reporting period the Company has made two new investments. In July 2014, Vostok Nafta made a USD 7.5 mln investment in Quandoo, the fastest growing and technology leading restaurant reservation platform in EMEA. In August, Vostok Nafta made a USD 25 mln investment in GetTaxi, which provides transportation services to enterprises and individuals through mobile and web applications and aims to become the global leader in the space.

Background

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

As of June 30, 2014 the Vostok Nafta Investment Ltd Group consists of the Bermudian parent company, one wholly-owned Cypriot subsidiary, 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 –3.13 (–13.74) 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 2013.

Upcoming Reporting Dates

Vostok Nafta's nine month report for the period January 1, 2014–September 30, 2014 will be published on November 12, 2014.

August 13, 2014

Per Brilioth
Managing Director
Vostok Nafta Investment Ltd

The Board of Directors and the CEO certify that the half-year financial report gives a fair view of the performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm, August 13, 2014

Lars O Grönstedt
Josh Blachman
Keith Richman
Per Brilioth

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

Vostok Nafta Investment Ltd

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