Vostok Nafta Investment Ltd

Annual Report

2009

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Monthly net asset value calculations

Vostok Nafta publishes a monthly estimated net asset value. This information is published in the form of a news release as well as on the company's website www.vostoknafta.com.

Financial information for the year 2010

The company shall issue the following reports:

Interim report for the first three months:
May 19, 2010

Interim report for the first six months:
August 18, 2010

Interim report for the first nine months:
November 17, 2010

Financial accounts bulletin:
February 16, 2011

Annual report and account:
March/April 2011

General meeting of shareholders 2010:
May 5, 2010

General meeting of shareholders 2011:
May 2011

Managing Director's introduction

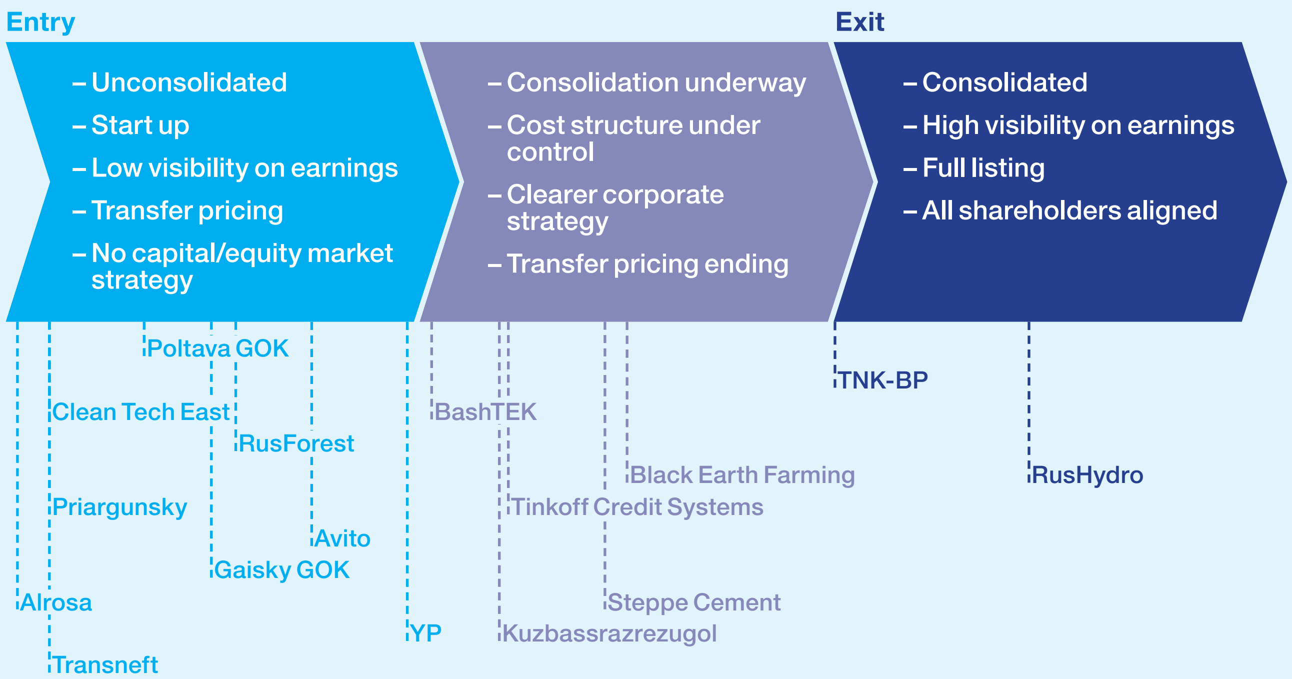
In 2009 Russia participated in the global relief rally. The market measured by the RTS index ended the year up 110 percent. In terms of GDP, the severely negative beat of the first quarter of the year has been followed by recovery albeit not enough to escape a negative count for the full year (–9 percent). The outlook for 2010 has been adjusted upwards during the past 9 months to now stand at a consensus 5 percent growth for the full year of 2010, with a budget deficit of 3 percent.

As you will know from reading our quarterly reports over the year we reside in the camp which believes that despite the uptick during the course of 2009 the Russian market remains undervalued (some 40 percent discount to a global emerging market average while offering a 18.5 percent year-on-year earnings growth – all according to UBS). I believe that the valuation gap of the Russian equity market versus the global peers will be closed as a result of improved visibility into the improving macroeconomic situation, as well as the absence of any "Russia specific" concerns (corporate disputes à la Telenor-Alfa, geopolitical concerns like the conflict in Georgia etc). Due to the extreme tightening of last year, the monetary environment is one of decreasing rates instead of the other way around. This is underpinned by lower inflation today and visibility of more of the same going into 2010. Another very positive effect of the past 18 months of hardship is that the management of the exchange rate has developed from a fixed regime to one which is much more flexible. After the managed depreciation of the Rouble during the first part of the year, the increased flexibility allowed it to fall into territory where I believe everyone agrees on it being undervalued. At the current surpluses in Russia's external balances the Rouble is increasing in value. There has been a very positive element of flow of funds towards Russian assets overall (naturally on balance negative for exporters and positive for companies focused on domestic markets).

Vostok Nafta Portfolio

The Vostok Nafta portfolio underperformed the RTS index during 2009. This is explained by several factors. The most general is that in recovery rallies post serious declines the risk appetite grows gradually and therefore different asset classes recover in different phases. Typically bonds start to perform, later followed by very liquid equities and only then followed by less liquids such as small- and mid caps and unlisted securities. Our portfolio is geared toward the latter part. Also, our portfolio has a large exposure to equities with the characteristics of "late cyclicality", i.e. the macro forces that influence their business come late in the business cycle, like cement.

The raison d'être of Vostok Nafta is to provide an investment return that is superior to the general market by taking risks on investments in which we have a certain competitive advantage to handle and in that way add value for our shareholders. Typically such risks are liquidity, corporate governance and also, in some cases development risks. Our investment process naturally starts off with identifying potential investment targets which are undervalued due to



such risks, buying them, directly or indirectly working on reducing or eliminating the risks and exiting. I find it insightful to plot our present investment portfolio according to which of three phases each asset is in, while describing the characteristics of each phase (see diagram on previous page).

We seek to invest in companies that are in the entry phase (characterised by low consolidation, transfer pricing, low capital market strategy and therefore awareness). We would have a view as to the likelihood of them moving off in a direction that changes the entry phase characteristics to a state when they are ripe for exiting. The process of moving from the first to last stage obviously has the potential to create a lot of value. This value creation is the business idea of Vostok Nafta.

As you will know from previous annual reports and presentations we usually sort our portfolio into different macro themes (oil price, commodities, agriculture, Russian energy liberalisation etc). Our present portfolio can also be divided into three main parts describing the nature of our work load around them:

– Strategic positions

About half our portfolio could be described as Strategic positions in that we have a shareholding classifying us as a strategic shareholder (not to be confused with that the positions are not for sale – all our positions are for sale at the right price). These positions are Black Earth Farming, YP-Yellow Pages and Avito (formerly Kontakt East), Rusforest, Tinkoff Credit Systems and Clean Tech East Holding. These companies are typically young, formed during the last 5 years around assets or business ideas that we believe have a large potential to perform.

Over the past year we have spent a lot of time being active around these positions. This work has involved strategy reviews, restructurings, management changes, mergers and acquisitions, recapitalisations as well as normal board monitoring. All this has laid the basis for the revaluation of these assets which we believe will contribute significantly to Vostok Nafta's performance in the coming year.

– Second tiers

Making up about a fifth of the portfolio, these positions are listed Russian equities where we hold large stakes but not enough to merit board representation on our own. In some cases we have joined forces with likeminded investors to vote through a joint representative to the boards. Typically these companies are active within an industry subject to very strong macro forces. Furthermore they will be valued at large discounts to peers due to risks such as liquidity and corporate governance abuse such as transfer pricing. Our view is that as these risks are reduced (with our help or without) valuations increase.

– Liquid positions

Finally about a third of the portfolio are positions that are liquid to the extent that we could turn over the entire position within a couple of days. These positions are of a shorter term nature than the two first segments of the portfolio, but carry a large potential – although typically lower than the former. We also feel that we see triggers for the revaluation of these holdings that are not always picked up by the market and therefore provide us with an opportunity to outperform.

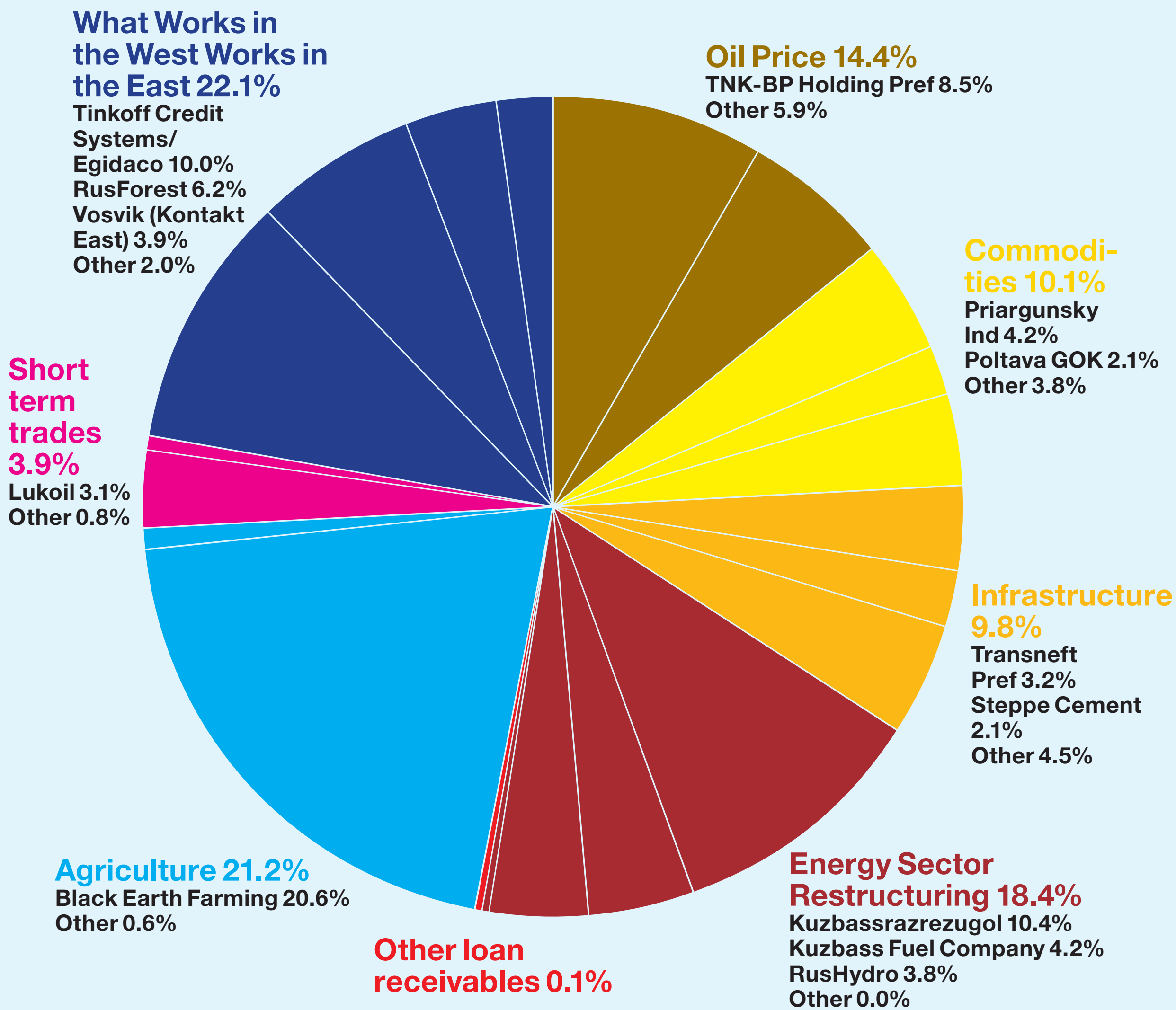
2010

What will 2010 be like? Boringly I would bet on more of the same. Western economies with 1–2 percent growth and emerging markets with 5–8 percent. Volatile equity markets where emerging markets again outperform their developed counterparts. Within the emerging market context I believe Russia surprises on the upside. As per above this is driven by the absence of negative news and further positive surprises from the economy.

At Vostok Nafta I think it will be too early for exits of any of the larger positions, but I do believe that the market will put a higher price on them by the end of this year compared to today. This will be driven by improvements at the company level, but could possibly also be helped by further upside among the macro conditions. All in all I am confident about the deep value in our portfolio and I look forward to deliver the returns from it, of which some will show up during 2010.

Per Brilioth
Managing Director

Vostok Nafta investment portfolio
as per December 31, 2009



The Group's net asset value as at December 31, 2009, was USD 487.62 mln, corresponding to USD 4.83 per share. Given a SEK/USD exchange rate of 7.1568 the corresponding values were SEK 3,489.83 mln and SEK 34.56, respectively.

The group's net asset value per share in USD decreased by 10.36 percent over the period January 1, 2009–December 31, 2009. The main cause of the decrease in the NAV per share during the period is the issue of a total of 54,970,074 new shares at an average price (net of transaction costs) of USD 1.81 per share. Excluding the effects from the new share issues the development would have been +40.34 percent. During the same period the RTS index increased by 133.24 percent in USD terms.

During the period January 1, 2009–December 31, 2009, the investment portfolio has increased by USD 180.76 mln. Movements of the investement portfolio are (USD mln):

Opening balance	**294.71**
Additions	**126.48**
Reclassifications	**–1.63**
Proceeds from disposals	**–84.80**
Result from disposals	**–42.02**
Unrealized result	**182.73**
Closing balance	**475.47**

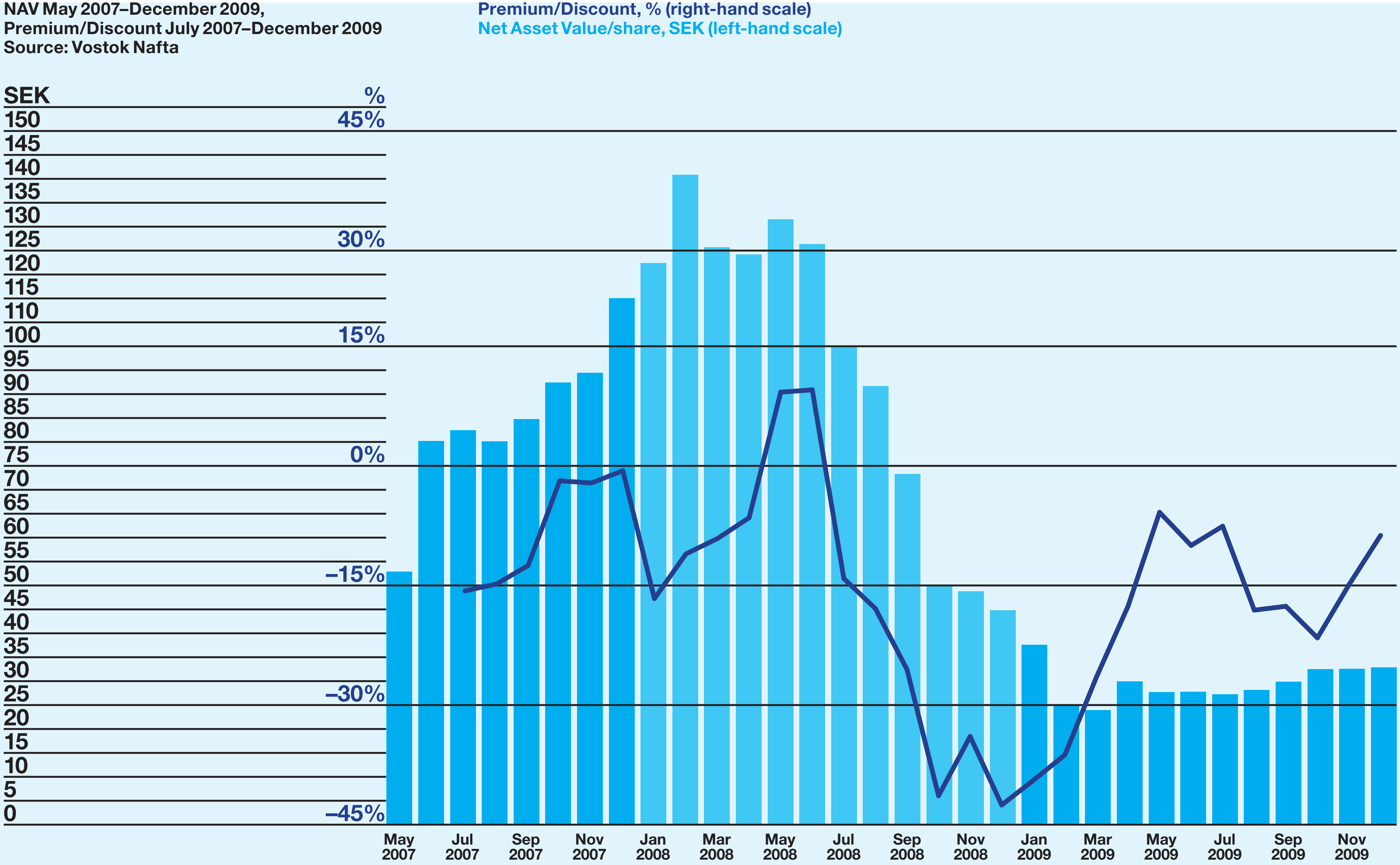
An in-kind contribution of publicly traded shares in Lukoil, Kuzbassrazrezugol and others has been made through a directed issue of 8,949,173 new Vostok Nafta shares for a consideration of USD 3.84 each on June 25, 2009. Major investments have also been made to increase the group's shareholdings in Kuzbass Fuel Company, Poltava GOK and Priargunsky. During the last quarter of the year, Vostok Nafta also invested in a group of Bashkir companies active in the oil sector. Within the sector "What works in the west…" the Group's unlisted assets in RusForest have been swapped to listed shares in RusForest AB. Within the same sector, additional investments have been made in Vosvik AB (Kontakt East) and Clean Tech East Holding AB.

During the period, major disposals of securities have been made in Uchalinsky GOK and TNK-BP Holding.

At the end of December, 2009 the three biggest investments were Black Earth Farming (20.61 percent), Kuzbassrazrezugol (10.41 percent), and Egidaco/Tinkoff Credit Systems (10.03 percent).

Investment Macro Themes

The Vostok Nafta investment portfolio



Net Asset Value (NAV) and Premium/Discount, Vostok Nafta

The Vostok Nafta investment portfolio

The Vostok Nafta investment portfolio

Vostok Nafta's portfolio as at December 31, 2009

Number of shares	Company	Fair value, USD	Percent-age weight	Percent-age of outstand-ing shares	
5,364,850	Caspian Services	3,165,262	0.7%	10.48%	1
189,300	Gazprom Neft ADR	5,300,400	1.1%	0.02%	1
5,789,903	Kherson Oil Refinery	7,196	0.0%	4.40%	1
1,122,705	Novoil Pref	366,002	0.1%	1.42%	1
1,620,000	Novoil Ord	1,425,600	0.3%	0.20%	1
27,096,616	TNK-BP Holding Pref	40,644,924	8.5%	6.02%	1
1,715,000	Ufaneftekhim	5,102,125	1.1%	0.62%	1
670,000	Ufaorgsintez	2,378,500	0.5%	0.69%	1
10,300,000	Ufa Refinery	9,270,000	1.9%	1.89%	1
41,500	Varyaganneftegaz Pref	705,500	0.1%	0.17%	1
	Oil Price, total	68,365,509	14.4%		
1,159	Alrosa	7,243,750	1.5%	0.42%	1
6,000,000	Fortress Minerals	2,335,519	0.5%	0.48%	1
31,274	Gaisky Gok	8,131,240	1.7%	5.06%	1
3,154,498	Poltava Gok	10,218,589	2.1%	1.65%	1
98,242	Priargunsky Ind Ord	19,157,190	4.0%	5.62%	1
11,709	Priargunsky Ind Pref	1,077,228	0.2%	2.82%	1
1,442,400	Shalkiya Zinc GDR	57,696	0.0%	2.55%	1
	Commodities, total	48,221,212	10.1%		
3,000	Bekabadcement	450,000	0.1%	5.36%	1
187	TKS Concrete	1,506,750	0.3%	10.00%	1
39,000	Gornozavodsk Cement	5,460,000	1.1%	5.03%	1
1,600,000	Kamkabel	128,000	0.0%	4.12%	1
85,332	Podolsky Cement	106,058	0.0%	0.01%	1
322,767	Sibirski Cement	5,971,190	1.3%	1.06%	1
10,156,113	Steppe Cement Ltd	10,180,650	2.1%	6.59%	1
19,730	Transneft Pref	15,389,400	3.2%	1.27%	1
1,215,000	Tuimazy Concrete Mixers	7,290,000	1.5%	14.78%	1
	Infrastructure, total	46,482,048	9.8%		
4,678,734	RusHydro ADR	17,919,551	3.8%	0.17%	1
50,000	Kuzbass Fuel Company	20,000,000	4.2%	2.96%	1
133,752,681	Kuzbassrazrezugol	49,488,492	10.4%	2.18%	1
2,618,241	Kyrgyzenergo	168,688	0.0%	0.27%	1
	Energy Sector Restructuring, total	87,576,731	18.4%		
30,888,704	Black Earth Farming	97,972,881	20.6%	24.81%	2
1,765,000	Agrowill Group	0	0.0%	6.75%	1
272,106	Dakor	3,007,078	0.6%	4.76%	1
	Agriculture, total	100,979,959	21.2%		
258,000	Lukoil ADR	14,757,600	3.1%	0.03%	1
785,000	Surgutneftegaz ADR	3,728,750	0.8%	0.10%	1
	Short term trades, total	18,486,350	3.9%		
42,254,295	Clean Tech East Holding AB	3,367,449	0.7%	31.29%	2
–4,000,000	Clean Tech East Holding AB, granted Call Options	–139,418	–0.0%		2
	Clean Tech East Holding AB, loan	3,153,250	0.7%		4
10,888,403	RusForest AB	28,450,253	6.0%	49.85%	2
	RusForest AB, loans	996,321	0.2%		3
50,000	Vosvik AB (Kontakt East)	18,432,331	3.9%	50.00%	2
5,000,000	Egidaco 18% 2011	6,073,821	1.3%		1
885,934	Egidaco Investment Limited (Tinkoff Credit Systems), equity	17,697,000	3.7%	15.00%	1
	Egidaco Investment Limited (Tinkoff Credit Systems), warrants	2,510,000	0.5%		1
	Tinkoff Credit Systems Bank, loan	21,388,490	4.5%		3
547,000	Custos AB	2,292,920	0.5%	13.68%	1
623,800	TKS Real Estate (Waymore Holding)	894,124	0.2%	6.93%	1
	What works in the West works in the East, total	105,116,541	22.1%		
	Other non current loan receivables	217,636	0.1%		3
	Other current loan receivables	26,561	0.0%		4
	Other loan receivables, total	244,197	0.1%		
	Grand Total	475,472,547	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.

Black Earth Farming Ltd ("BEF") is a leading farming company whose business concept is to acquire, develop and farm agricultural land assets in the fertile Black Earth Region in southwest 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 now gained a strong market position in the Kursk, Tambov, Lipetsk, Samara, Voronezh and Ryazan areas, controlling some 330 thousand hectares. In 2009 Black Earth Farming harvested over 183 thousand hectares, effectively making it one of the world's largest farming companies by planted area. The Company's main products are wheat, barley, corn, sunflowers and rape seeds.

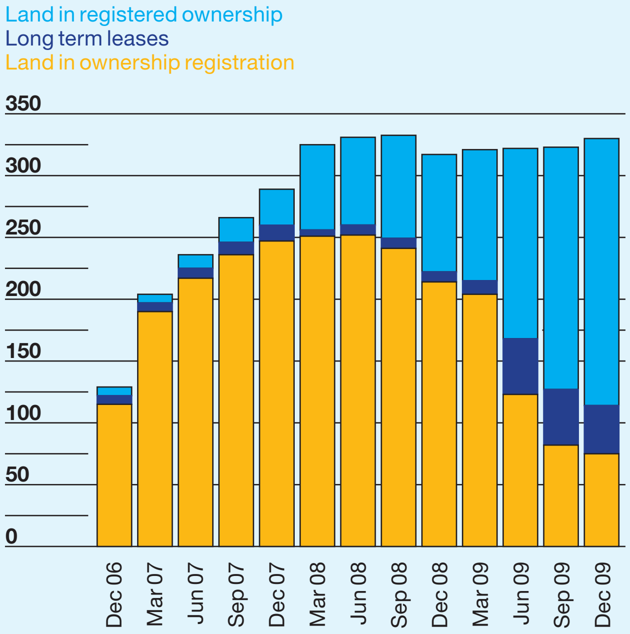
The process of obtaining ownership rights to the agricultural land under control accelerated during 2009 with 65 percent in ownership at the end of the year. As of December 31, 2009 the company owned 216 thousand hectares out of a total of 330 thousand hectares under control while 39 thousand hectares were under long term lease contracts. Consolidation and further improvement of the operational efficiencies in and around the existing farm blocks remains BEF's key near term targets concerning future land development.

The gross commercial crops harvested in 2009 amounted to 531 thousand tonnes, gathered from 183 thousand hectares, which is a 22 percent increase from 2008. BEF's average achieved crop yield of 2.9 tonnes per hectare was below the target of 3.5 and also lower than the 3.1 achieved in 2008. This disappointment was due to suboptimal weather conditions, high weed competition in previous fallow areas as well as some company specific operational shortcomings. Factors such as weather and fertilizer application have a significant impact on yields and will vary from year to year. The overall Russian average wheat yield was also down 16 percent year-on-year for the 2009 harvest.

Revenues for 2009 increased 243 percent year-on-year to USD 79.2 million as the volumes of grains sold increased sharply to 617 thousand tonnes about evenly split between the 2008 and 2009 harvest volumes. BEF also had some 203 thousand tonnes of grains in inventory as December 31, 2009. The average Rouble price received during 2009 was 32 percent lower compared to 2008 which led to an operating loss of USD 38.4 million for the year. With commodity prices for BEF's output at depressed levels, profitability per harvested hectare is currently the main priority ahead of yield per hectare. Yet going into 2010 the majority of the land will have been cropped over two years which will bring improvement in soil conditions and further yield progress. A number of measures are being taken

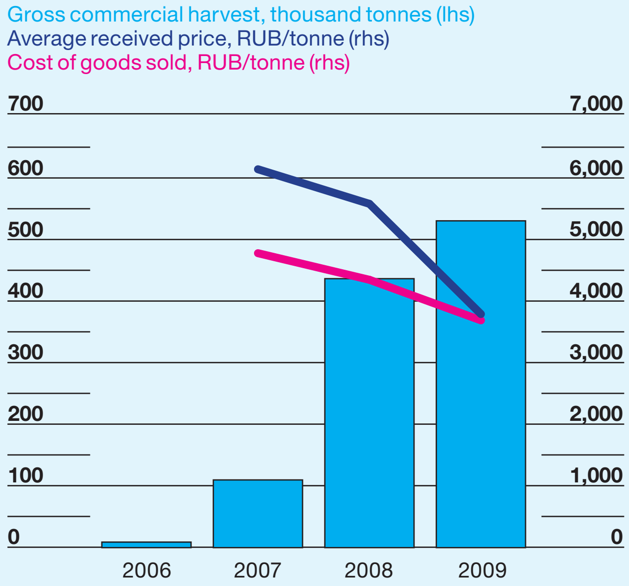
BEF: Land holdings 2006–2009

Thousand hectares. Source: Company data



BEF: Harvest vs. price and cost per tonne

2006 to 2010. Source: Company data



to improve efficiency both regarding revenues and costs to ensure profitability.

A newly established sales team conducted BEF's first ever export sale in January 2010 which will help capture additional incremental revenues (in the range of USD 25 to 50 per tonne of grain versus domestic sales), while also reducing the costs of storage. Improved coordination between production and sales will also help reduce capital tied up in inventories.

The costs of goods sold per tonne were reduced by 15 percent year-on-year in 2009 but failed to match the price development for the company's crops which resulted in a meagre 3 percent gross margin. General & Administrative costs, of which the majority is personnel expenses, amounted to 25 percent of total costs in 2009 and will have to be reduced going forward. As the three grain elevators under construction will be completed during 2010, the company's internal storage capacity will increase further and reduce distribution expenses for third party storage. With that said BEF has a high operational gearing as increased production and grain prices will have a large positive effect on the company's results. This will in turn also feed through to a higher value of the vast land area that the company has under ownership. BEF's financial position remains strong with a net cash position on the balance sheet of USD 39.4 million as of December 31, 2009.

Kuzbassrazrezugol ("KZRU") is Russia's second largest thermal coal producer with an output of around 46 million tonnes, half of which is sold for exports. The company accounts for over 20 percent of Russia's total exports of thermal coal. It also produces 2.6 million tonnes of coking coal. KZRU extracts its coal from 12 open mine pits, all located in the large coal region of Kemerovo in south western Siberia, producing high quality thermal coal (6 thousand calories) with low mining costs of around USD 16 per tonne. Reserves are estimated at 2.2 billion tonnes 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.

Kuzbassrazrezugol is well positioned to gain from the recovery of the European thermal coal market and the turnaround of the domestic thermal coal pricing environment, followed by the growth of natural gas prices. The key driver of the Russian thermal coal market is a deficit in generating capacity along with the power sector's transition from gas to coal. Domestic thermal coal prices are currently traded 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 narrow that gap.

Exports also play a crucial role for the company's revenues and profitability. Global thermal coal prices continue to rise as soaring electricity demand from China and India fuels coal imports. In the meantime supply cannot keep up due to infrastructure bottlenecks in key export countries such as Australia and South Africa. Chinese thermal power output was reported up 39 percent year-on-year in January 2010. A jump in China's power needs due to the cold weather is imposing tremendous stress on its energy supply system, reflected in falling coal stocks at power generators as coal shortages have already led to power rationing in some parts of the country. This turned China into a net importer of coal during 2009 which in turn is a major swing factor for global thermal coal prices.

Concerns are also being raised about the inability of world coal supplies to react to the rising prices due to bottlenecks in the key exporting nations, South Africa and Australia, where port congestion and rail problems have not been resolved.

Kuzbassrazrezugol: Peer group comparison

	Mcap, USD mln	EV/EBITDA, 2010E	EV/Reserves, USD/t	EV/Production, USD/t	P/Reserves, USD/t	P/Production, USD/t
Mechel	7,497	12.2	1.7	275	1.1	185
Raspadskaya	3,449	17.4	4.2	383	4.1	367
Belon	725	18.1	2.1	216	1.2	131
Average		15.9	2.7	291	2.1	227
Kuzbassrazrezugol	2,384	4.9	1.5	67	1.1	48
Kuzbass Fuel Company	713	11.2	2.4	153	2.1	130

Source: UBS

Kuzbassrazrezugol

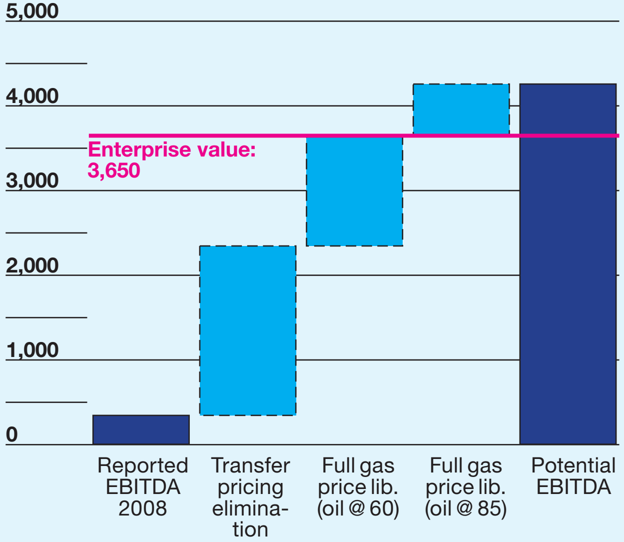
The supply bottlenecks that plagued the coal market in early 2008 could very well re-emerge this year, given the lack of investment in export infrastructure to increase flexibility and capacity. Russia has also experienced infrastructure bottlenecks with scarce Far Eastern rail and port capacity delaying coal shipments to Asian markets.

Developments at Kuzbassrazrezugol continue to be extremely encouraging after the company reported its first ever quarterly report which showed no signs of transfer pricing on its exports. KZRU's revenues for nine months of USD 1.2 billion suggests an average price for thermal coal of around USD 31.4 per tonne versus the domestic price of USD 29 per tonne and USD 33 per tonne export FCA. By comparison, the 2008 average realised price implied in Kuzbassrazrezugol's financials was USD 31 per tonne versus the market price of USD 58. Thus the financials now reflect the company's fundamentals and real profitability. Needless to say, that is highly positive news for the stock as transfer pricing was a major drawback to unlock the company's value.

The company has since held a conference call with investors outlining the company's plans going forward as well as indirectly confirming that they had abolished transfer pricing, stating that it will not revert to any tax optimization schemes in the future. This new transparency reduces the governance risk premium, which has hampered the valuation of the company, and supports a continued strong share price development given that it still trades at a large discount to its peers.

KZRU: EBITDA development

USD million. Source: Vostok Nafta estimates



Kuzbassrazrezugol

Tinkoff Credit Systems ("TCS") is a retail bank that specialises in credit cards. TCS is the first purpose-built credit card lending institution in Russia, based in Moscow, and launched its operations in the summer of 2007 with the ambition to grow into a leading issuer of credit cards for the Russian market. The founder and majority shareholder of TCS is Oleg Tinkov, a renowned Russian entrepreneur with a long track record of successful companies within the consumer sector. TCS is run by a management team with a proven track record in consumer lending and direct marketing from well-known companies such as Visa, McKinsey and other consumer lenders.

TCS operates a low-cost and flexible business model, with a low fixed cost base. Its virtual network enables it to speed business up or slow acquisition down depending on the availability of funding and seasonality. TCS primary customer acquisition channel is direct mail, but also uses direct sales agents, partnerships (co-brands), and the Internet to acquire new customers. TCS operates a sophisticated IT platform and state-of-the-art call centre that enables it to support a large customer base at low cost, whilst providing a high level of service to existing and potential customers. TCS employs a "by invitation only" origination model, which combined with TCS virtual network, affords it a geographic reach across all of Russia's regions resulting in a highly diversified portfolio.

2009 was an exceptionally good year for TCS given the tough market conditions the company experienced during the year. A real-life stress test in the form of highly restrictive availability of funding, a spike in unemployment feeding through to asset quality risk along with extreme currency movements were overcome, verifying the flexible business model. Given the high share of variable costs expenses were shed by 40 percent in a matter of weeks while credit advances to customer were halted as crisis became apparent. As a result net profit for 2009 reached USD 18.2 million with a return on equity of 71 percent making TCS one of the most profitable banks in Russia. The capital ratio, i.e. the ratio of regulatory capital to risk weighted assets, was also strengthened from 14 to 29 percent during 2009.

TCS had 418 thousand credit cards issued as of December 31, 2009 which is a 39 percent increase year-on-year following a 525 percent increase 2008. The loan portfolio amounted to around RUB 6 billion (USD 200 million), earning consistently high yields, corresponds to approximately 3 percent of the Russian credit card market. Credit card penetration remains under 10 percent in Russia and has probably shrunk during the crisis which leaves ample room for growth.

TCS restarted originating loans in August 2009 growing organically by expanding credit limits and increasing its customer base. A retail deposit pilot program was successfully tested during the end of 2009 and will be rolled out during 2010. Given the lack of wholesale funding the initiative will diversify the funding base and has the potential of providing over USD 20 million in funding. This will however not cover the entire funding need as the company is positioned to grow much faster, thus TCS will look to the capital markets for additional funding during 2010.

Tinkoff Credit Systems

TNK-BP is Russia's third largest oil company in terms of production with a Petroleum Resources Management System reserve base of approximately 11.7 billion barrels of oil. Production amounts to roughly 1.4 million barrels per day. TNK-BP Holding was incorporated in November 2004 as a subsidiary to TNK-BP International, a joint venture between British Petroleum (BP) and Alfa Group/Access Renova (AAR) created in 2003. It holds the majority of TNK-BP's assets and operations in Russia, encompassing the Russian assets of TNK, ONAKO and Sidanco where minority shareholders were swapped in to TNK-BP Holding during 2005 as a result of TNK-BP's consolidation program. The listed entity TNK BP Holding has a free float of around 5 percent with the rest split evenly by BP and AAR via TNK-BP International. The company is fully integrated with upstream operations in Siberia as well as the Volga-Urals region and a strong downstream presence owning two refineries, one of which has direct access to Moscow. TNK-BP Holding's distribution network spans over a thousand gas stations in Russia.

TNK-BP's reserve replacement ratio as of December 31, 2009 stood at an impressive 177 percent, roughly on par with Rosneft's score (180 percent) and far surpassing LUKoil's (95 percent). More importantly, TNK-BP's oil and gas reserve replacement ratio averaged 139 percent during 2004 to 2009, underscoring its strong reserve position, which still leaves room for further output growth. The company is also highly cash generative, well managed and cost efficient thanks to a highly competent management team, with staff from TNK's Russian business and BP's global operations. The company's dividend pay-out policy (historically around 40 percent of net income which implies a 10 percent dividend yield for 2010 and 2011) is very transparent and rigid given the shareholder structure. Even under a scenario with no growth in oil prices TNK-BP has a solid growth and development strategy which could generate around 17 percent annual growth in EBITDA during the next 2 to 3 years. The earnings growth will come from increasing Mineral Extraction Tax (MET) and export duty-exempt production, gas price liberalization and the Saratov refinery upgrade.

In 2008 the two majority shareholders AAR and BP agreed to proceed with an IPO in order to increase the company's free float to 20 percent from the current 5 percent, the exact timing of this event still remains elusive. The two shareholder groups have previously had differing opinions regarding the strategic use of the company's cash stream, where the former favours dividends and the latter investment into new projects and operations, which has been resolved. The key trigger for the stock is a company restructuring in order to improve the free float and trading liquidity which currently affects TNK-BP's valuation versus its peers.

TNK-BP: Peer group comparison

Company	Country	Mcap, USD mln	EV/EBITDA, 2010E	P/E, 2010E	EV/Production, 2010E	EV/Resources USD/boe 1P SEC Res.
Rosneft	Russia	79,196	4.8	7.0	106	6.9
Lukoil	Russia	46,635	3.0	5.1	62	3.3
TNK-BP Holding	Russia	26,878	2.7	4.2	43	3.2
Surgutneftegaz	Russia	37,565	2.9	8.4	42	3.6
Gazprom Neft	Russia	23,252	4.4	7.8	68	7.3
Tatneft	Russia	12,484	7.3	9.0	78	2.5
PetroChina	China	216,556	6.0	11.9	226	13.4
Petrobras	Brazil	192,416	7.2	15.7	272	27.8
Sinopec	China	69,846	4.0	7.4	244	24.5
ExxonMobil	US	313,823	4.7	12.3	183	13.5
BP	UK	174,171	4.2	8.5	142	11.7
Royal Dutch Shell	UK	177,922	5.1	11.1	171	19.8
Chevron	US	149,221	2.4	9.7	145	13.7
Total	France	129,271	3.8	9.8	174	15.0

Source: UBS, Deutsche Bank, March 2010

TNK-BP Holding

RusForest is a company active within the forestry sector in Eastern Siberia, Russia. The company was established in 2006 through the acquisitions of Tuba-Les and PIK-89 in the Ust Ilimsk region. Since then, RusForest has reached a considerable scale, both in terms of forest resources and sawmilling capacity, through strategic acquisitions and "brown field" development projects. As of December 31, 2009 the company controls over 850 thousand hectares of forest land with an annual allowable cut (AAC) of 1.4 million cubic metres. The company's current sawmilling capacity of approximately 200 thousand cubic metres is expected to increase to around 300 thousand cubic metres within the near future as a result of the completion of the Boguchansky sawmill, which is approaching full capacity, and the assembly of the RusForest Magistralny sawmill which is expected to go online during 2010. Russia has the world's largest timber reserves by a significant margin, and Eastern Siberia is known for its high quality Angarsk Pine and Siberian Larch. The forest resources in this area are of high density and subsequently well suited to produce sawnwood of exceptional quality.

During 2009 RusForest became a publically listed company on NASDAQ OMX First North in Stockholm. It followed the transaction where the private equity company Varyag Resources AB acquired Vostok Nafta's 50 percent stake in RusForest in exchange for newly issued shares in Varyag. Following the transaction, RusForest was fully owned by Varyag and Vostok Nafta owned 44.4 percent of the share capital and votes in Varyag. 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 2009 and Varyag also officially changed its name to RusForest AB.

RusForest has increased its harvested volume by 20.8 percent, to 717 thousand cubic metres, during the full year of 2009 compared to the same period 2008. RusForest saw year-on-year increases in harvesting volumes in each quarter of 2009. A record harvesting output was recorded in December 2009 with just under 86,000 cubic metres of stem equivalents. However, disruption of summer harvesting operations and subsequently in sawmilling output due to rain remains a perennial problem. On a long term basis, this problem will only be fully solved once we are able to build adequate log stocks, which can be drawn down over summer to ensure uninterrupted sawmilling operations.

RusForest's consolidated sawnwood output increased by 37.9 percent, to 166 thousand cubic metres, in 2009 compared with 2008 (121 thousand cubic metres).

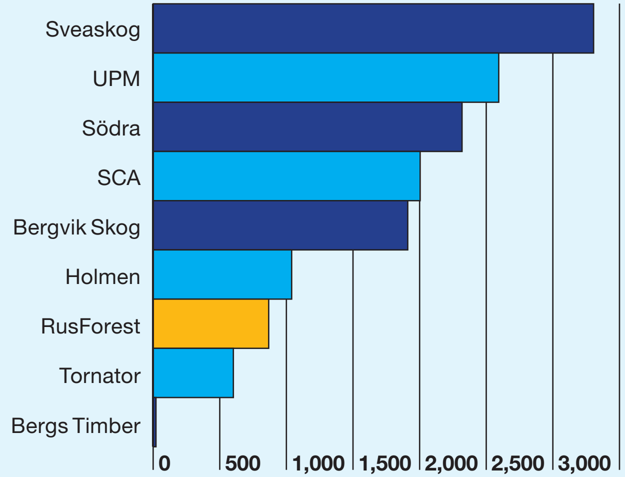
The company's financial statements reflect five months of investment activities combined with seven months of operation as a forestry business together with an available-for-sale gravel asset as a result of the company restructuring. Analysis and interpretation is therefore somewhat complicated by the transitionary nature of the 2009 accounts. EBITDA for 2009 amounted to SEK –79.2 million on sales of SEK 207.5 million showing a small gross margin for the forestry operations, effectively for seven months of 2009 (from June 1, 2009 and onwards). The gross margin is not enough to cover distribution expenses plus other administrative expenditure. The low gross margin result reflects the fact that the Boguchansky sawmill was loss making until it reached proper production volumes in December 2009. Furthermore, sawnwood prices were generally low in 2009 and disrupted log flows at PIK-89 over the summer led to poor cash results in June to August 2009.

Going forward, the fact that Boguchansky has

Forest land owned or controlled

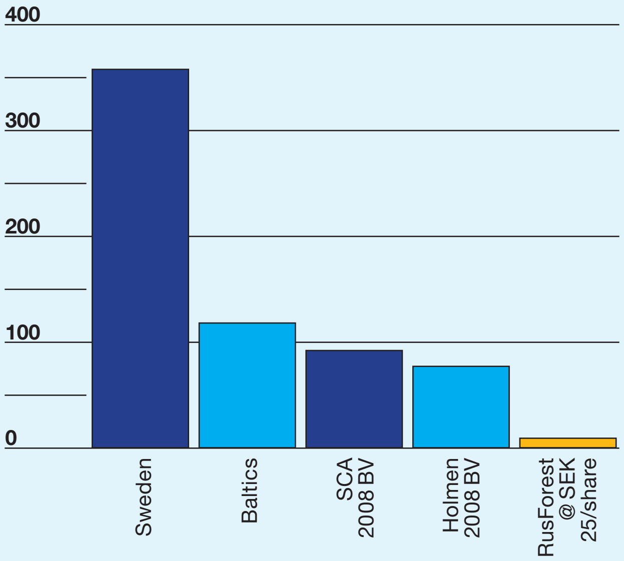
Thousand hectares. Source: Company data for 2007

RusForest: Forest land controlled as of December 31, 2009



Forest valuation

SEK/Cubic metre. Source: LRF Konsult, company data, Vostok Nafta estimates



achieved capacity and that sawnwood prices have strengthened towards the end of 2009 will have a positive impact in 2010. It will be important to reduce the high administrative expenses as far as possible.

Within Russian forestry there is a vast improvement potential in terms of operating efficiency to complement the competitive advantage of low cost raw materials. As investments into more value added forestry activities occur, there will be an increased competition and pricing for sawmilling by-products which RusForest currently sells, where possible, to the local monopoly pulp producer. As a result the company intends – in addition to its ongoing near term plan of stabilising output volumes thanks to better log flow coordination, general operational improvements and increased production capacity – to act as a catalyst to encourage this process by seeking investors to establish value-added operations in our geographic area of operation.

RusForest has a highly impressive asset base both in terms of forestry area as well as equipment, both of which are currently valued very conservatively. As of December 31, 2009 the reported book value of equity was SEK 34.8 per share, a majority of which – approximately USD 100 million or around SEK 32 per share – represented capital invested in new state-of-the-art harvesting and sawing equipment. There is a great potential to monetize on these assets and generate a healthy return which currently is the key focus of RusForest.

Kuzbass Fuel Company ("KBTK") was established in 2000 and is one of the fastest growing thermal coal companies in Russia. Of the company's 6.2 million tonnes of output, 63 percent is sold to 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. KBTK's reserves amount to 349 million tonnes with the potential to increase to 800 million. The company has its own transport and production infrastructure including a power plant, rail road tracks and cars along with its in house distribution company. The founder and CEO Igor Prokudin has a long professional background within coal mining as deputy CEO at KZRU and has brought with him an experienced management team to KBTK.

Vostok Nafta was one of the first institutional investors in KBTK as a part of a small private placement conducted in 2008. The company is in an excellent position to deliver future organic growth as production is forecast to increase to 11 million tonnes by 2013, in addition to the favourable long term dynamics for thermal coal prices. Management is extremely professional and transparent towards minority investors and KBTK publishes IFRS accounts in a timely manner. The company has also announced that it is considering an Initial Public Offering (IPO) in Moscow by May 2010 to fund plans to double output and meet rising demand. The company will spend USD 280 million to raise production to 11 million tonnes in 2013 to the CEO. In addition an enrichment facility with a capacity of 2 million tonnes of coal a year is being constructed to increase the coal quality with plans to build two more. The company also has plans to increase its coal reserves to about 800 million tonnes, according to the CEO. The IPO will be the first in the steam coal sector in Russia and should be followed by the larger SUEK which plans to raise USD 1 billion in London during the summer of 2010.

Kuzbass Fuel Company

Kontakt East Holding ("Kontakt East") is a Swedish holding company which invests in high growth, primarily internet related, media companies in Russia and neighbouring markets. Vostok Nafta founded Kontakt East in 2006 in conjunction with the acquisition of Eniro's business within directory media in Russia (Eniro is the leading Nordic search company within Yellow Pages directories, internet and mobile services). Kontakt East currently has investments in the business segments Directory Services and Consumer eCommerce. Directory Services offers its customers both online and printed directories via Russian Yellow Pages which has a leading market position following three completed acquisitions. Directory Services publishes directories in Moscow, St. Petersburg and eight other Russian districts. Services are also provided online through the web site yellowpages.ru, as well as by phone. Operations at Consumer eCommerce commenced during the spring of 2007, as the website avito.ru was launched.

In the middle of 2008, Vostok Nafta together with Kinnevik took the company private as the administrative costs of being listed outweighed the benefits.

Kontakt East has seen its operations stabilise during the second half of 2009 as it continues to transform its directory media business online while establishing Consumer eCommerce as a market leader within online classified ads.

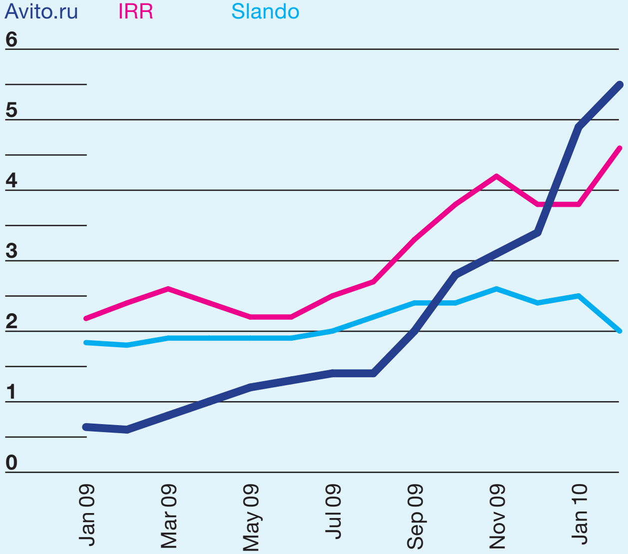
Following a very difficult start to the year Yellow Pages has been profitable since July 2009 but has yet to see a meaningful recovery in sales from the lows. Focus at Yellow Pages remains on transferring customers online, i.e. emigrating from selling static advertisement to a service that provides value and a measurable return on investment for the customer. If Small and Medium sized Enterprises (SMEs) recognize that Yellow Pages can generate buyers searching for their product then a membership based model can be established providing a high share of recurring online revenues. The Yellow Pages traffic packages aims to do just this by providing SMEs with a premium website which will generate a certain number of leads as well as sales. It also provides credibility to the client towards its customer as they are backed by Yellow Pages which is a recognized brand. Launched in mid 2009 the packages have showed encouraging sales.

Within Consumer eCommerce, Avito.ru has had a very encouraging year with regards to visitors and number of classified ads listed on the site. Starting the year with some 500 thousand unique visitors per month the site had approximately 3 million visitors in October and over 5 million visitors at the beginning of 2010. Awareness has increased as Avito.ru has been launched to the wider public via television commercials running in Moscow and St. Petersburg. Every week 175 to 200 thousand new listings are added to the website.

During 2010 monetization of Avito.ru is set to commence, although on a small scale at first. Revenues will primarily be in the form of voluntary listing fees as well as display fees or banners and AdSense where a search engine like Google rents space for contextual advertising. Currently 2 percent of all new listings pay a voluntary fee to promote their classified ad. This segment will be developed during 2010 to expand the various services and also to apply the appropriate pricing strategy. Focus however remains on investing in increasing the amount visitors and listings in order to become the clear market leader. The liquidity of buyers and sellers is steadily improving towards the market position where Avito.ru is the natural online marketplace.

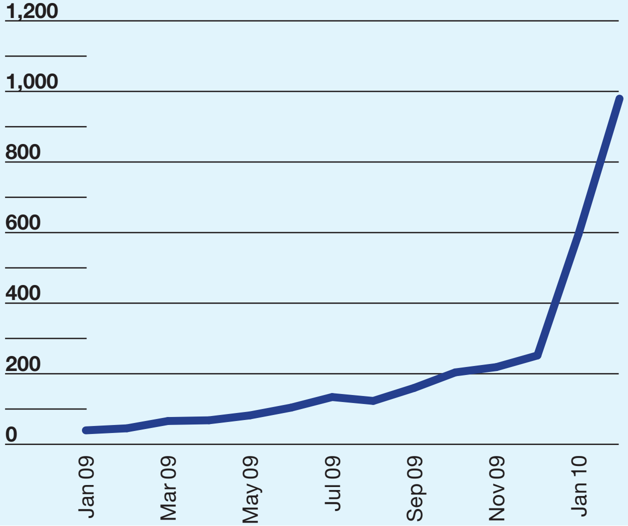
Unique monthly visitors

Jan 2009–Feb 2010. Million visitors. Source: Company data



Number of listings on Avito.ru

Jan 2009–Feb 2010. Thousand listings. Source: Company data



Kontakt East Holding

RusHydro was formed during 2008 through the consolidation of 21 Russian hydro power plants and the concurrent listing of shares on RTS, MICEX and London Stock Exchange. RusHydro is, with its capacity of 25.3 GW, the largest generating company in Russia and the second largest hydro company in the world after Quebec Hydro. A majority of the capacity (55 percent) is located in European Russian while the remainder is in Siberia (39 percent) and the Far East (16 percent). The company controls 11 percent of the total generating capacity in Russia and close to 30 percent in the Far Eastern regions. The Russian government owns a 60.4 percent stake in the company. Unlike other Russian generating companies RusHydro does not have variable fossil fuel costs wherefore its operating margins are superior to its sector peers. The company is highly geared towards the liberalization of the Russian wholesales electricity market. An environment of rising fuel/electricity prices will be especially beneficial to hydro power plants, pushing up the marginal cost curve and hence leading to a significant improvement in profitability under fully liberalised market conditions.

On August 17, 2009, the RusHydro-owned Sayano-Shushenskaya (SS) hydroelectric power plant, located on the Yenisei River in southern Siberia, was the scene for a terrible accident. One of the 10 turbines broke apart causing flooding and electrical damages as well as the ceiling of the turbine hall to collapse killing 75 people. The accident put the political spotlight on Russia's ageing electricity capacity and exposed the urgency of the ongoing sector reforms.

SS was Russia's largest hydro power plant and accounted for roughly a quarter of RusHydro's installed capacity and output. The financial effects caused initial negative adjustments to the EBITDA-estimates for 2009 until 2011 of 10 to 20 percent and the stock price suffered as well due to the added uncertainty. The company has since announced that 2 of the 10 units will be commissioned in February-March 2010 and another two by the end of 2010 restoring 2.5 GW of capacity which is faster than originally anticipated. Full restoration of the plant is scheduled to take until 2014 at an estimated cost of around RUB 40 billion.

The long-term potential for RusHydro remains high, as an increasing portion of its output will be sold at unregulated electricity prices. During 2009 50 percent of the Russian electricity was sold at market prices. The difference between liberalised free market prices and regulated tariffs can be large but decreased during 2009 as market prices fell affected by lower electricity demand due to the general economic downturn and lower fuel costs reducing the gap. In 2010, the liberalisation process is set to be finalized with the market fully de-regulated by 2011. RusHydro trades at a discount both to its Russian generating peers but also versus other emerging market hydro peers.

RusHydro: Peer group comparison

	Country	Mcap, USD mln	EV/Capacity, USD/kW	EV/EBITDA, 2010E	EV/EBITDA, 2011E	P/E, 2010E	P/E, 2011E
AES Tiete	Brazil	3,803	1,496	5.4	5.2	8.6	8.1
Tractebel Energia	Brazil	7,384	1,444	6.5	6	11.6	10.1
China Yangtze Power Co	China	20,508	1,547	15.9	8.6	18.5	17.7
Average			1,496	9.3	6.6	12.9	12.0
RusHydro	Russia	10,922	437	5.4	4.6	9.9	8.4

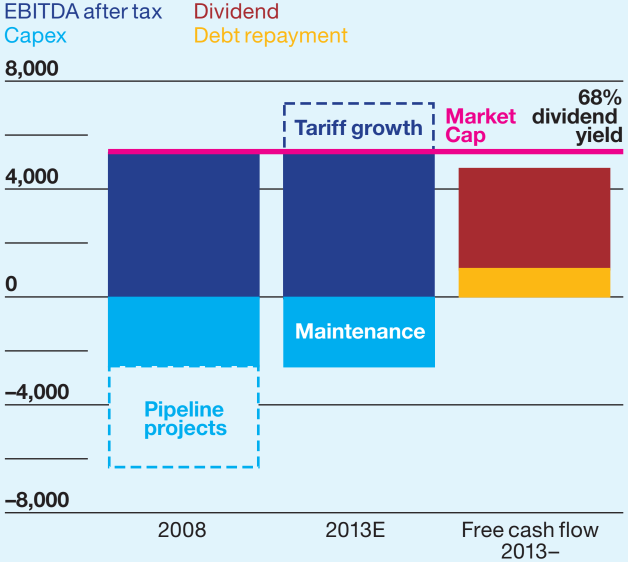
Source: Troika Dialog, February 2010

RusHydro

Transneft is the world's largest crude oil pipeline operator with around 50 thousand kilometres of long-distance pipelines, 386 oil refilling stations and 833 reservoirs with a storage capacity of approximately 15 million cubic meters. Transneft's ordinary common stock is fully owned by the Russian government while its non-voting preferred shares comprise the current free float of 22 percent. The company transports roughly 93 percent of Russia's total oil production, and piped a total of 460 million tonnes (3.37 billion barrels) of oil during 2008. It is currently involved in the USD 20 billion project building a new pipeline connecting Eastern Siberia with the Pacific Ocean which will open up an additional important export channel for Russian oil companies.

Transneft: Cash flow development

Million USD. Source: Vostok Nafta estimates



Transneft's high profitability and strategic nature makes it a very attractive asset. Transneft has been successful in increasing the government's regulated oil transport tariffs to finance the substantial capital expenditure projects being undertaken while at the same time boosting profitability. An important driver of Transneft's value remains its capital expenditure program, as upon completion of the ongoing projects, the company can shift its cash flows to shareholders. As illustrated by the graph below annual capital expenditures for new pipeline projects decreases from high levels in 2008 and the coming years to include only maintenance investments from 2013 and onwards. Annual EBITDA is expected to continue improving as tariff increases rise faster than company's costs resulting in a higher earnings level in 2013 compared to 2008. Thus there will be substantial cash flows available to pay out as dividends.

The first phase of the East Siberian-Pacific Ocean (ESPO) pipeline is nearing completion which is positive as it will turn the project into a revenue-generator. Despite higher cost estimates the Federal Tariff Service demonstrates its willingness to compensate Transneft for its capital expenditures and higher debt-servicing costs with tariff hikes.

Yet corporate governance issues have been the key issue for minority shareholders where Transneft has lagged other state controlled companies. Once the ongoing projects are completed Russia will have all the oil export capacity it will ever need. Given previous experiences with state ownership the substantial free cash flows generated thereafter will likely be shared with minority shareholders. A positive signal regarding corporate governance within the company is the decision to pay an equivalent of 3.5 percent of the total dividends to preferred shares to its directors in bonuses for 2008. There are seven directors on Transneft's Board, including five independent directors. It is estimated that each director received RUB 1.8 million as a bonus on top of the fixed compensation of RUB 1.2 million. The scheme is the first sign of aligning the interests of insiders of the company with that of minority shareholders. The company also took time to meet with investors during October 2009 in another positive sign that Transneft is opening up towards minority shareholders.

Transneft

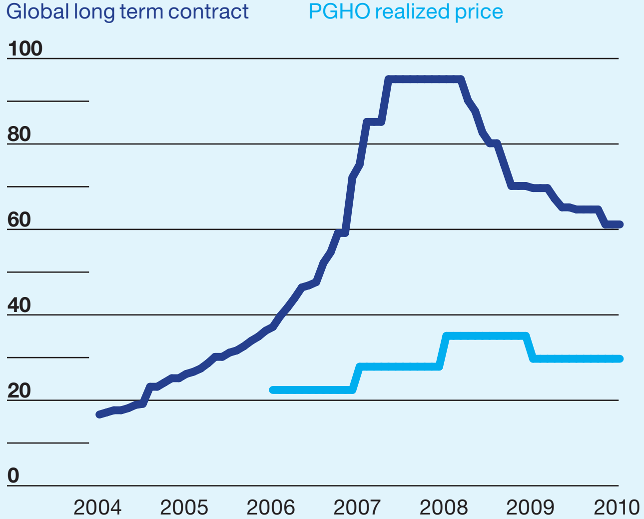
Priargunsky Industrial Mining & Chemicals ("PGHO") originates from the town of Krasnokamensk, in the Chita region, and accounts for 90 percent of Russia's uranium production. The company produces over 3 thousand tonnes of uranium per year, which gives PGHO a global market share of 7 percent. PGHO also mines a significant amount of thermal coal (approximately 4 million tonnes) partly used in its own coal fired power plants making the company fully self-sufficient when it comes to electricity. About 80 percent of the company is owned by Atomredmetzoloto ("ARMZ") which in turn is controlled by the state-owned nuclear company Atomenergoprom. Extraction in underground mines takes place in five deposits on the Streltovsky field. Since operations started in 1974, over 110 thousand tons of uranium has been mined. Yet PGHO still has ample reserves stated at 133 thousand tons in 2008. The company plans to modernise its existing facilities and open a new mine with its own enrichment capacity. Longer term ARMZ has plans to increase PGHO's production to 5 thousand tonnes of uranium. During 2009 PGHO raised USD 56 million via minor share issues to ARMZ, at 3 times the market price, to finance its capital expenditures.

Russian prices for uranium are at present regulated by Atomenergoprom at around 30 USD per lb. which is significantly lower than global average prices of around USD 60 per lb. for long term contracts. PGHO sells all of its production to TENEX for further enrichment within the Atomenergoprom Group. Thus PGHO merely covers its costs for mining uranium due to transfer pricing and earns a positive margin from thermal coal and electricity sales. Alleviation regarding transfer pricing is however on the agenda in order to finance PGHO's investments to increase its production. Russia's nuclear ambitions demand the development of uranium mining activities in order to cater to the national deficit of uranium as well as international demand.

According to the CEO of ARMZ, Vadim Zhivov, ARMZ anticipates selling uranium to both international and domestic consumers at international market prices from 2011. Mr Zhivov has also hinted via newspaper interviews that as the liberalization process within the electricity market progresses and Russian nuclear power plants get better pricing for their output, transfer pricing further down the value chain can be eliminated. The reduced transfer pricing would be gradual but could start to be seen at PGHO already in 2011. Hence pricing of PGHO's output will likely trend towards international market prices which will positively impact the company's cash flows. A stated openness towards minority holders will also improve going forward as a greater interaction with capital markets and investors is needed to fund future development.

Uranium prices

USD/lb. Jan 2004–Jan 2010. Source: Cameco, Aton



Priargunsky: Peer group comparison

	Country	Mcap, USD mln	Uranium reserves, million lbs	Production 2008, million lbs	EV/Reserves	EV/Production	EV/EBITDA 2010E	P/E 2010E	Mcap/ (Production @ USD 60/lb)
Areva	France	17,272	1,326	13.9	20.8	1987	12.3	23.8	20.7
Cameco	Canada	10,670	963	14.6	11.0	724	13.1	22.2	12.2
ERA	Australia	3,076	223	11.8	12.8	241	9.4	17.2	4.3
Paladin Energy	Australia	2,298	361	3.8	7.3	694	40.5	neg.	10.1
Uranium One	Kazakhstan, USA	1,675	355	2.4	4.9	718	45.0	neg.	11.6
International Median					11.0	718	13.1	22.2	11.8
Priargunsky	Russia	376	221	6.7	2.2	83	11.9	20.9	0.9

Source: Renaissance Capital, Thomson Reuters, March 2010

Priargunsky

Concerns over carbon emissions, energy security, as well as the potential cost of many fossil fuels, is leading to a revival of interest in nuclear power. If governments and consumers are serious about climate change, then without drastic changes in behaviour, nuclear power is a necessary, though not sufficient, means of controlling greenhouse gas emissions. The global nuclear industry is set to receive a boost, as improved safety standards for new nuclear equipment and the cost advantages of electricity produced by nuclear stations over gas and coal, have made major electricity consumers positive regarding nuclear power development.

Nuclear Power Plants

Today there are 436 commercial nuclear power reactors operating globally with a capacity of 373 GW which provide about 15 percent of the world's electricity. Nuclear will at least retain its 15 percent share of power generation by 2030 which implies an installed capacity of 568 GW by that time based on the International Energy Agency's (IEA) base case projections. China, India and Russia will, according to the French utility company EDF, each account for over a quarter of the new reactors built out to 2020. However, beyond then, OECD countries especially in Europe will have to significantly increase their share as there are so many scheduled retirements of nuclear power plants (NPPs) within Europe in that timescale. After a 30-year break in nuclear capacity construction, the US government introduced state support for the construction of NPPs in 2009 providing a boost for nuclear-power development in the country. The Energy Information Administration (EIA) believes that an incremental 12 GW will be built in the US by 2030, although it expects applications for 38 GW in the near future. To put this into perspective, India is targeting 40 GW by 2030 (incremental 36 GW) and China is targeting 40 GW by 2020 and potentially over 100 GW by 2030. The British Government has also approved a plan in December 2009 to build 10 GW in nuclear capacity over the next 10 years to replace old stations. In addition Russia wants to increase the nuclear share of its power generation from 17 to 25 to 30 percent by 2030 which would imply an incremental 30 GW.

Uranium Demand

The world's 436 commercial reactors require approximately 77 thousand tonnes of uranium oxide concentrate (U_3O_8) containing 66 thousand tonnes of natural uranium from mines, or the equivalent from stockpiles or secondary sources, each year. The largest uranium customers in 2008 were the US (accounting for 30 percent of global consumption), France (16 percent), Japan (12 percent), Russia, Germany (5 percent) and South Korea (5 percent). The forecasts of an upturn in nuclear plant building will also bring a surge in demand for uranium. In particular, as secondary sources decline, the demand for mined natural uranium will increase faster than the total usage of uranium. Indeed a 55 percent increase in nuclear power generation out to 2030 could be magnified up to 200 percent in terms of the demand for mined uranium. However, a continuation of recent trends of increasing efficiency of uranium use in the enrichment and reactor cycles will likely dampen the demand growth for mined uranium somewhat over the period.

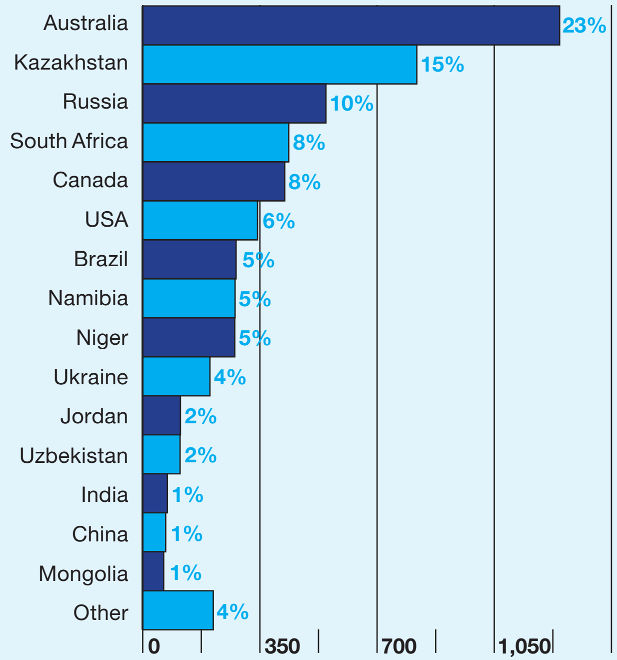
Uranium Supply

In 2008 mines supplied some 51.6 thousand tonnes of uranium oxide concentrate (U_3O_8) containing 43.9 tonnes of uranium, about 68 percent of utilities' annual requirements. The balance is made up from secondary sources including recycled uranium and plutonium from spent fuel, as mixed oxide (MOX) fuel. Major commercial reprocessing plants are operating in France and UK, with capacity of over 4 thousand tonnes of used fuel per year. The product from these re-enters the fuel cycle and is fabricated into fresh mixed oxide (MOX) fuel elements. About 200 tonnes of MOX is used each year, equivalent to less than 2 thousand tonnes of U_3O_8 from mines. Military uranium for weapons is enriched to much higher levels than that for the civil fuel cycle. Weapons-grade is about 97 percent U-235, and this can be diluted about 25 to 1 with depleted uranium (or 30

Known recoverable resources of uranium 2007

Thousand tonnes. Source: World Nuclear Association

Percentage of world uranium resources



to 1 with enriched depleted uranium) to reduce it to about 4 percent, suitable for use in a reactor. From 1999 to 2013 the dilution of 30 tonnes of such material is displacing about 11 thousand tonnes per year of mine production.

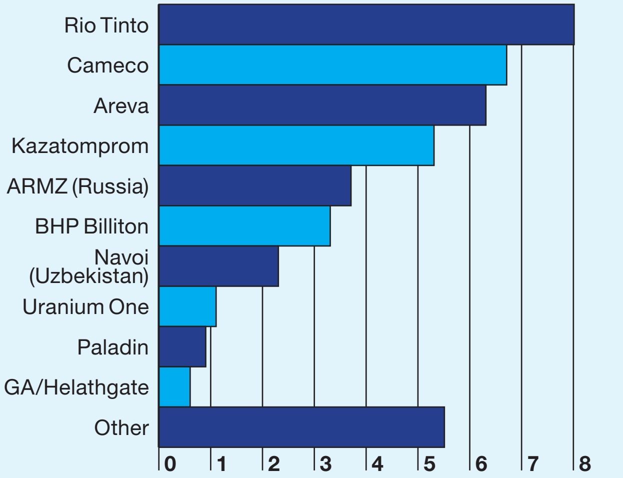
In recent years, according to the IEA, 40 to 50 percent of uranium production has come from secondary sources. The EIA expects these secondary sources to decline over next few years as the "Megatons to Megawatts" programme which converts decommissioned Russian warheads into commercial fuel concludes in 2013. From 2004 Russia has supplied highly enriched uranium from nuclear warheads for conversion into fuel for commercial use. By the program's completion in 2013, 20 thousand nuclear warheads containing HEU (highly enriched uranium), will have been down blended into LEU (low enriched uranium). By 2013 this programme will have produced fuel to the equivalent of over 100 thousand tonnes of naturally mined uranium. Thus, when combined with the growing fuel requirement, this will lead to a geared impact on the demand for natural uranium.

Uranium Mining

The cessation of new nuclear plant building after 1980 together with the continued mining of uranium in excess of world demand for most of the subsequent decade resulted in a sharp fall in mining output from 1989 and minimal investment in new mines. As well as stockpiles being run down, the availability of supplies from other sources meant that uranium production halved in order to bring some semblance of supply and demand balance. However, according to most commentators declining supplies from secondary sources as well as continued demand growth will see uranium mine production accelerate its recovery over the next four years. Increases in the price of uranium in 2006–2007, together with brighter prospects for nuclear power have renewed interest

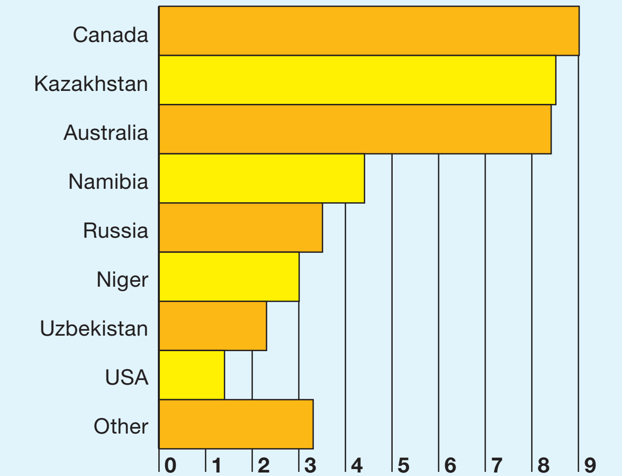
Uranium mining production 2008

Thousand tonnes. Source: World Nuclear Association



Uranium production by country 2008

Thousand tonnes. Source: World Nuclear Association



Policy of major nuclear states

Country	Share of nuclear power generation	Number of plants	Number of plants under construction	Stated policy
USA	20%	104	1	New nuclear encouraged
France	76%	59	1	Pro-nuclear
Japan	25%	55	1	Pro-nuclear
Russia	17%	31	9	Pro-nuclear
South Korea	36%	20	6	Pro-nuclear
United Kingdom	14%	19	0	Announced favour of new construction
Canada	15%	18	2	Pro-nuclear
Germany	28%	17	0	Phase-out of nuclear power
India	2%	17	5	Aggressive nuclear expansion targeted
China	2%	11	20	Aggressive nuclear expansion targeted
World	15%	436	53	

Source: World Nuclear Association, Goldman Sachs in developing uranium supplies. Indeed as secondary sources are expected to decline over the next 5–10 years even a flat market would require higher uranium production.

While uranium as a resource is widely distributed around the world, major deposits are concentrated in a few countries (e.g. Canada, Australia, Kazakhstan and Russia) and are mined by a small number of companies. Four companies – Cameco, Areva, Rio Tinto and BHP Billiton – produced 55 percent of world output in 2008, and Canada, Australia, Russia and Kazakhstan produced a combined 67 percent of the global output.

In 2008, global production of uranium mineral (which is later refined to uranium oxide concentrate U_3O_8) reached 43.9 thousand tonnes, up 5 percent year-on-year. Kazakhstan and Namibia both expanded production in 2008 (+28 percent and +51 percent respectively), and Canada was the largest supplier, with 9 thousand tonnes or a 21 percent share of global output over the period. Kazakhstan's uranium production totalled 8.5 thousand tonnes in 2008 while Russia was the year's fifth largest supplier with 3.5 thousand tonnes.

Economics of nuclear power

The debate on the cost of nuclear energy largely revolves around the cost of construction. This is a function of the size of the plant, the standardization of the design, the expected length of the reactor's life and the discount rate used. Many governmental and market studies in the early part of the previous decade viewed nuclear as only competitive when carbon costs were included for coal and gas powered generation. However, those analyses were based on an assumption that the, then low, fuel prices for gas and coal would continue for the foreseeable future. In an increasingly resource-constrained, but energy-hungry world, nuclear power is economic at anything other than very low fossil fuel prices.

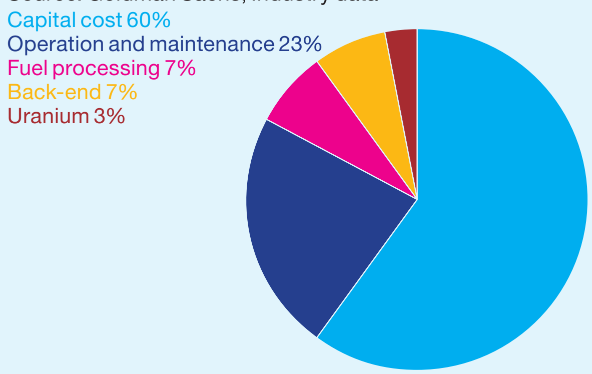
The IEA 2006 World Energy report suggested that, even excluding carbon costs, nuclear is cost competitive with gas above USD 5.7 per million British thermal units (USD 160 per cubic metre) and coal above USD 70 per tonne assuming a USD 2,500 per kW capital cost. Taking the cost of carbon at the current market level of EUR 13 (USD 18.2) per tonne CO_2 makes nuclear even more competitive. USD 3,500 per kW is estimated as the global average for cost of constructing a NPP. This is the same figure quoted by the Nuclear Energy Institute (NEI) as an all-in figure including interest capitalized during construction. EDF indicated that the nuclear capital cost (EUR 2,500 per kW) compares to EUR 1,700 per kW today for a coal plant and EUR 800 per kW for a combined cycle gas plant. Variables in the cost of a nuclear plant include site preparation costs and relative tightness of the equipment markets. For nuclear and other capital intensive projects, the cost is susceptible to differences in the discount rate used as well as assumptions regarding asset life.

At USD 60 per pound of natural uranium concentrate (U_3O_8), fuel represents 10 percent of nuclear's all-in generating cost, with uranium some 25 to 30 percent of this, i.e. 3 percent of the total. Hence even large fluctuations in the price of uranium have minimal effects on the total cost of nuclear fuel. Therefore, subject to availability, utilities have a high degree of certainty of the operating cost of their nuclear plants for many years in the future. In contrast, the prices of natural gas and oil are linked to the demand from other sources (heating and transport respectively) as well as from power generation which affects their demand and supply balance and which has historically led to higher price volatility

In 2005, 40 percent of global CO_2 emissions were

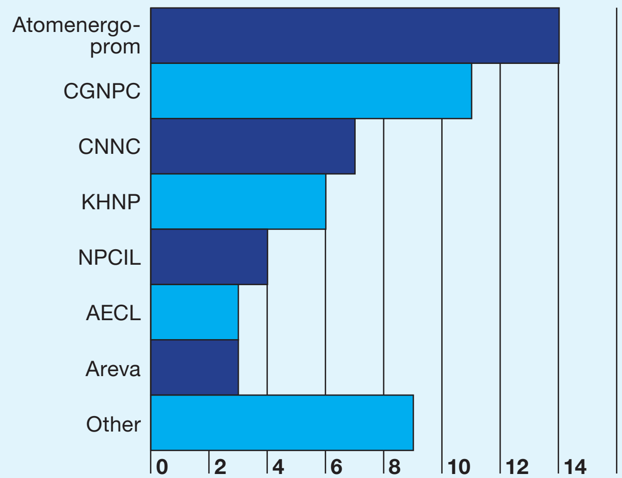
Estimated cost break down for new 3rd generation NPP

Source: Goldman Sachs, Industry data



Nuclear power units under construction 2009

Number of nuclear power units by participating company.
Sources: IAEA, WNA "Plans for New Reactors Worldwide" (September 2009)



Case study: Nuclear power

created by the generation of electricity (IEA). While renewable energy has grown from a small base, in 2005 by far the largest source of low-carbon emissions came from the 15 percent of global electricity that was generated in nuclear plants. According to the Internation Atomic Energy Agency (IAEA) the complete nuclear power chain – including uranium mining, reactor construction and waste disposal – emits only 3 to 24 grams of carbon dioxide per kWh, about the same as wind and hydro power, and well below the 350–800 grams of carbon dioxide per kWh emitted by coal, oil or natural gas generation. In contrast to nuclear power, no other renewable power source can overcome the obstacles of cost and intermittency to contribute generation capacity on a major scale. Cameco has stated that today's nuclear reactors (as an alternative to coal-generated electricity) are already preventing emissions of 2.5 billion tonnes per annum of CO_2. To gain the same saving would require eliminating half the world's motor vehicles.

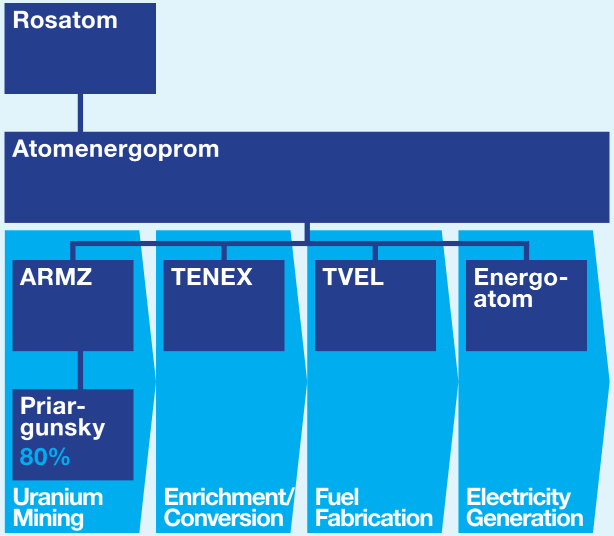
The Russian Nuclear Sector

The Russian nuclear chain is controlled by the government, with the majority of assets controlled by state corporation, Atomenergoprom. Sector development froze after the Chernobyl incident in 1986, and the sector stagnated. The state corporation, Rosatom, was founded in 2007 as a result of reform in the state sector and acquired the functions of a federal agency in 2008. It now manages the development of the nuclear sector, in line with the federal programme Development of the nuclear complex of Russia until 2015, which aims to support the construction of 26 new reactors by 2020 and increase the proportion of nuclear energy in Russia's fuel mix to 25–30 percent by 2030.

Rosatom now manages all Russia's nuclear assets, including civil and military operations and fundamental research. Rosatom is the 100 percent owner of Atomenergoprom, an integrated company that consolidates all the civil assets of the Russian atomic sector. It undertakes the full cycle of nuclear operations, from uranium mining to NPP construction and power generation. It is the largest builder of NPPs in foreign countries (with five reactors under construction), and the second largest nuclear power generator (through Energoatom; 10 NPPs, 31 reactors with total capacity of 23 GW). The company controls 40 percent of the global market for uranium enrichment, and 17 percent of the nuclear fuel market. Atomenergoprom has significant uranium reserves (the world's second largest, taking into account its share of Kazakh resources).

Uranium mining is consolidated into Atomredmedzoloto (ARMZ), including Russian and foreign assets and shares in joint ventures. ARMZ controls all Russian mining projects and shares in overseas joint ventures. Priargunsky (PGHO) constitutes the key Russian mining asset within the group and supplies uranium to enrichment facilities.ARMZ companies now account for 690 thousand tonnes of reserves (13 percent globally) and produced 3.7 thousand tonnes of uranium in 2008, of which PGHO accounted for over 3 thousand tonnes. ARMZ inherited 19 projects with total uranium resources of 400 thousand tonnes in Russia. ARMZ's strategic development plan envisages the production of 20 thousand tonnes of uranium by 2025. The mining holding has been active in acquiring mining assets outside of Russia financed by state funds as natural uranium is currently the one commodity where demand in Russia outstrips supply. The strategy for ARMZ following the current consolidation phase is not clear but an openness towards investors and an investor relations department implies future interaction with capital markets.

Atomenergoprom group structure
With Russian nuclear fuel cycle
Source: Company data

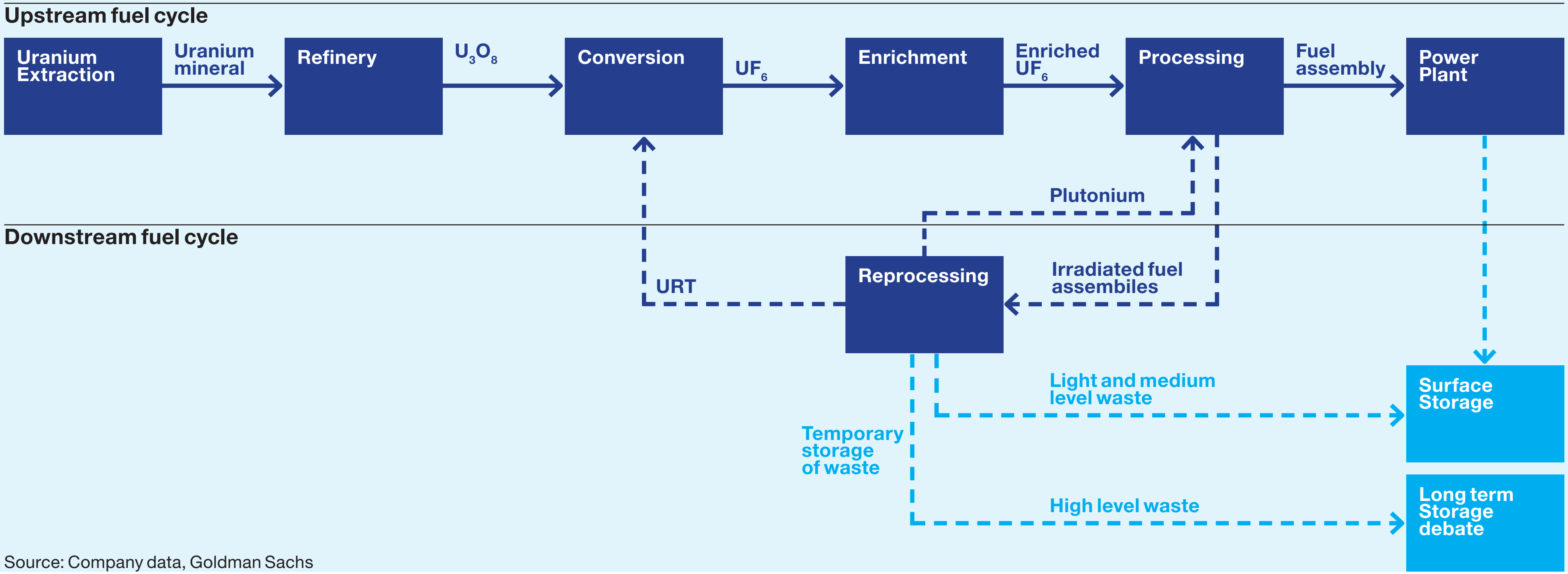


Conversion and enrichment are undertaken at Angarsky Electrolysis Chemical Plant (Irkutsk region), Sibirsky Chemical Plant (Tomsk region), Uralsky Electro Chemical Plant (Sverdlovsk region) and Electro-Chemical Plant (Krasnoyarsk region). In 2006, Techsnabexport (Tenex) and Kazatomprom (Kazakhstan) founded the International Uranium Enrichment Centre, in the Irkutsk region. Tenex is the largest supplier of uranium, uranium fuel, enrichment and conversion services globally. Its main operating conversion plant is at Angarsk, with 18.7 thousand tonnes per annum of uranium conversion capacity.

Fabrication of uranium fuel is undertaken by companies integrated into TVEL Corporation. TVEL supplies fuel assemblies for Russian-made RBMK and VVER reactors located in Russia, the CIS, and Eastern and Central Europe as well as newly built reactors in China, India, and Iran. In 2009 the company supplied fuel assemblies for 76 reactors in 15 countries with a total capacity of 58GWe, representing 16% of global nuclear generation capacity, TVEL has majority ownership stakes in two fuel fabrication plants, Mashinostroitelny Zavod ("MASZ") and Novosibirsk Chemical Concentrates Plant ("NZHK") which are listed on RTS.

NPP construction is undertaken by several construction and engineering companies. NPP engineering and design involves a number of research institutes in Moscow, the Leningrad Region, Krasnoyarsk, Novosibirsk and other locations. Electricity generation is operated by Energoatom who manages all 10 NPPs in Russia, with a total capacity of 23.7 GW. The share of nuclear power in total electricity generation is 16 percent. Russian nuclear research also includes a number of research institutes involved in NPP and equipment design and development, and fuel and materials design.

The Russian Nuclear sector is going through a stage of consolidation and restructuring. With the ambitious domestic plans for nuclear power generation, steps are being taken to assure adequate supplies of uranium. Based on power generation targets and an 80 percent load factor for NPPs, uranium demand could more than double to 8 thousand tonnes over 2009–2019 versus 2008 production of 3.5 thousand tonnes. There is an awareness that financing will have to be raised on capital markets with signs of increased openness towards the investor community both at ARMZ but also at Atomergoprom who are planning a large bond placement.



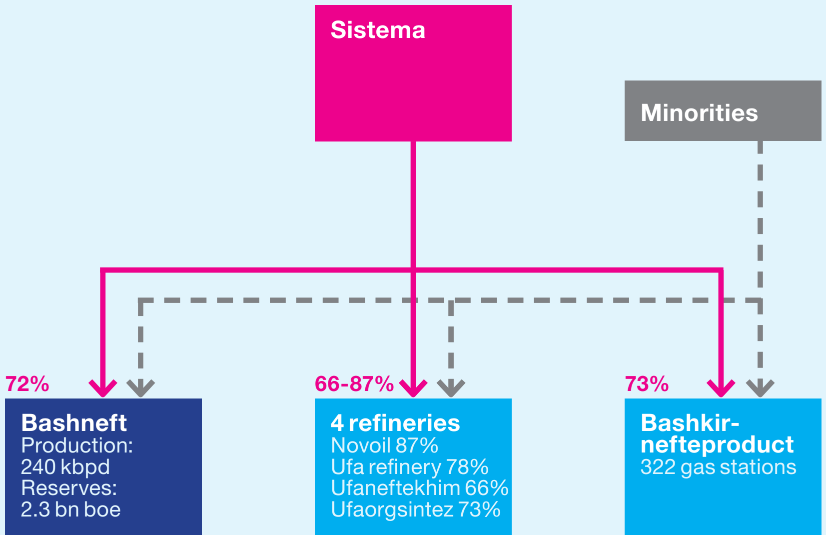
Source: Company data, Goldman Sachs

Case study: Nuclear power

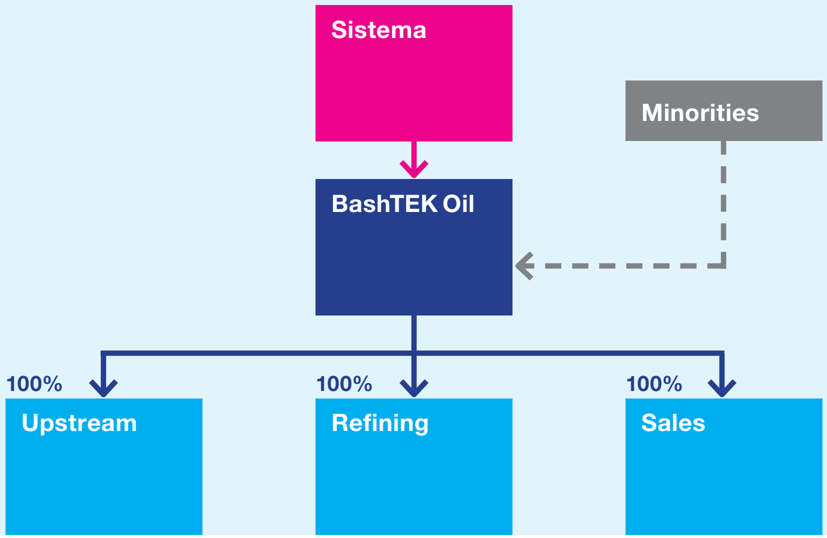
BashTEK Oil
Vostok Nafta owns stakes in three separate oil refineries and a petrochemicals company located in the Republic of Bashkortostan. The companies; Ufa Refinery, Ufaneftekhim, Novoil and Ufaorgsintez were at the time of acquisition all controlled via majority equity stakes by AFK Sistema, the public Russian conglomerate and Investment Company. Sistema has a strategy of consolidating and integrating the companies together with the upstream oil company Bashneft and retail company Bashkirnefteproduct into a combined vertically integrated oil company called BashTEK Oil. The process of consolidation has already started as Sistema sold its stakes in the four downstream companies to Bashneft which was approved by an Extraordinary General Meeting in December 2009. The next step required by Russian law is for Bashneft to make an offer to the minority shareholders in the refineries, either for cash or a swap for shares in Bashneft, in order to fully integrate the refinery and downstream businesses with Bashneft.

The consolidation of the Bashkir energy assets will turn Bashneft into a vertically integrated company long in refining. The newly created company BashTEK will be a top ten oil production company in Russia (with 11.7 million tonnes produced in 2008), the fifth largest oil processing Russian company (with 21 million tonnes processed in 2008) and the fourth largest company by oil reserves (over 310 million tonnes). To balance the upstream (circa 12 mtpa) and downstream (circa 20 mtpa) capacities, Bashneft will have to buy 11 to 12 mtpa on the open market. Sistema reported that Bashneft has reached an agreement with Lukoil and Shell to buy crude oil. The key advantage of owning refining capacity in Russia is that export duties paid on refined products are much lower than crude oil export duties. In particular, export duties on light products are around 75 percent of the duty on crude oil exports and export duties on heavy products are about 40 percent of the crude oil export duty. Higher profitability of downstream export operations translates into higher profitability of the domestic product sales through net-back prices.

Before consolidation



After consolidation



Other holdings

LUKoil
LUKoil is one of the largest vertically integrated oil companies in Russia with a production of 1.85 million barrels per day in 2009 accounting for 19 percent of total Russian oil production. On a global scale the company holds 1.1 percent of the world's oil reserves and provides 2.3 percent of world oil production. The stock has a large valuation discount to its main Russian peer Rosneft mainly relating to prospects for production growth. The market has also questioned the value generated from LUKoil's investments into downstream acquisitions in Italy and the Netherlands and its South Khylchuyuskoye and Yuri Korchagin fields in Timan Pechora and the Northern Caspian Sea. LUKoil publicly adjusted its strategy in December 2009, from economically challenging Russian greenfield growth and very tricky downstream acquisitions, to free cash flow generation and dividend growth. The emphasis going forward will be on growing shareholder value through improved free cash flow generation at the expense of lower capital expenditure and, consequently, lower output growth. The valuation versus both Russian and international peers both on earnings and cash flow metrics is highly appealing despite a somewhat lower production growth outlook.

Gaisky GOK
Gaisky GOK is Russia's second largest company with respect to volume of mined copper ore with a domestic market share corresponding to 11 percent. The company is controlled by the Urals Metals and Mining Company (84.5 percent) and is a key supplier of copper ore to UMMC's copper producing subsidiaries. Gaisky controls more than three quarters of the ore reserves in the Orenburg region of the Urals, and the company's total ore reserve is estimated to 305 million tonnes, with a remaining reserve life of more than 50 years based on the current rate of production. In 2008, Gaisky produced 75.5 thousand tonnes of its main product, copper concentrate, 6.1 thousand tonnes of zinc concentrate as well as 53 thousand oz. of gold. The results for the first 9 months of 2009 show increased margins for Gaisky which could be an indication that transfer pricing to other UMMC companies was reduced during the period. Gaisky recorded revenues of 207 million USD, down 10 percent year-on-year but with a strong operating margin of 27 percent. This development is highly encouraging as the company is valued extremely cautiously given its assets and the pricing environment for copper producers. Given the market downturn in the first half of the year the company pushed back its plans to modernize and expand its ore enrichment facilities.

Alrosa
Alrosa is the world's second largest rough diamond producer. The company, which is located in Yakutia, accounts for 95 percent of Russia's total diamond production, and approximately 25 percent of global rough diamond production. Together with De Beers the two companies control 75 percent of international diamond market. In addition the company holds some 30 percent of the world's diamond reserves which total 5.1 billion carats. Beside its Russian operations, Alrosa also has a large interest in a diamond production company in Angola. The largest controlling shareholder is the Russian state which owns 51 percent and the regional government with around 40 percent. Alrosa is a closed joint stock company (CSJC) which puts restrictions on owning the company's shares and regulations hampering liquidity. The stated aim of changing the legal structure accompanied by interaction with capital markets to fund development of the company's assets will likely trigger a revaluation.

2009 was a very tough year for diamond producers. Production at De Beers, Alrosa's main peer, dropped 50 percent which resulted in a 44 percent drop in sales and a USD 1 billion rights issue to pay off and restructure debt. Alrosa's competitive advantage during 2009 was its owner, the Russian government, which supported the company in a number of ways enabling it to maintain production volumes at the levels of 2008. Its output was largely purchased by the government until September 2009 while also receiving loans and selling non-core assets through state controlled banks. Pricing for rough diamonds recovered strongly during the second half of 2009 even though polished diamond prices lagged behind as consumers of jewellery remained cautious.

Siberian Cement
Siberian Cement is a fully integrated cement holding that combines an in house raw material base, four cement plants in Siberia, a construction materials plant in Krasnoyarsk, a chain of concrete plants and a transportation company with 2 thousand railroad cars to deliver cement to clients. Founded in 2004 after the acquisition of standalone cement plants in Siberia, the holding has become Russia's second largest cement manufacturer employing 8 thousand people. With a market share of 65 percent it has a dominant position in the Siberian Federal District. A significant portion of the company's business (10 percent of revenues) is derived from construction materials. Siberian Cement's construction materials plant is the largest supplier of roofing and concrete pipes in the region.

Siberian Cement's vertically integrated corporate structure diversifies the business, providing the company with superior control of its production and greater flexibility regarding sales and transportation of its finished products. It enjoys a dominant market position supplying the region's residential and industrial construction developments as well as infrastructure projects. As a result the company enjoys healthy operating margins. The areas around Kemerovo, Krasnoyarsk and Irkutsk have historically exhibited lower construction spending per capita than the Russian average, but are developing rapidly which is fuelling demand for cement. In addition several industrial projects such as new oil fields, modernization of hydro power and aluminium plants as well as infrastructure projects will bolster demand in the region.

Clean Tech East Holding

Clean Tech East (previously SystemSeparation) was transformed during 2009 with a new strategic plan to establish a group with a clear focus on clean energy and environmental technology through investments in new business areas. At the end of March 2009 the first step was taken by acquiring the wood pellets producer Eastern Bio Holding (EBH) which was funded by a SEK 47 million rights issue. After the acquisition, operations are conducted within two business areas: Power Chemicals, which manufactures fuel additives for power plants; and Biomass Fuels, consisting of the acquired EBH. Following initial normal start up problems with the pellet plant commisioned in August 2009, production is expected to increase substantially during 2010 for which the company will receive better pricing following a buy-out of Fortum's 20 percent stake. Previously Fortum had received an equity stake in exchange for providing guarantees to buy the plant's initial output but at a fixed price below current market levels. The deal also included a termination of a supply contract that locked in the sales price for 5 years. The market for industrial wood pellets delivered in bulk has a favourable outlook as EU initiatives to battle climate change puts limitations on CO_2 emissions. One of the actions being taken is the co-firing of wood pellets in coal fired power plants which is a cost effective way to reduce emission without any need for investments to alter current power plants. The intention of Clean Tech East is to acquire additional activities in environmental technologies that either complement existing businesses or form new separate business areas. Potential acquisitions will be focused on Russia and Eastern Europe, as environmental issues in these regions are at an early stage and, therefore, competition is moderate.

Kazakhstan

Kazakhstan came through the economic downturn in better shape than Russia, despite having banking and property sectors that were far more reckless, and having allowed currency devaluation to take place only after Russia. GDP growth in 2009 is likely to be nearly flat, much better than in Russia, due to rapid growth in raw material extraction, more rapid and targeted government action, and a currency that was less expensive in the first place. The domestic sectors of the economy are also recovering following the debt and property bubble fuelled by foreign capital during the last years. With the banking sector split into a good part with healthy banks where non-performing loans have peaked and a bad part where the restructuring process is under way, recovery in the domestic economy can start materializing. The good banks are over liquid and are struggling to find good borrowers.

Kazakhstan is set to double oil production over the next decade, and increase it significantly for a series of other commodities. This provides strong macroeconomic underpinning and a foundation for growth. Links to China have grown stronger as Kazakhstan is building major new oil, gas, rail, and road links to China, and has a pipeline in place that will be capable of sending a quarter of its oil exports to China. During the crisis, China also provided the capital necessary to stabilize the country, and has been rewarded with an increasing share of its resources. The IMF forecasts 2 to 3 percent GDP growth for 2010 with inflation falling to 6 to 8 percent. With an oil price assumption of USD 70 per barrel the fiscal budget is expected to show a 1 percent surplus with a positive current account of 4 percent.

Steppe Cement is one of the largest cement producers located near Aktau in central Kazakhstan with an 18 percent market share. The company has its own limestone and clay quarries located adjacent to the production plant which gives the company ample supply. Other input supplies such as electricity, water, iron ore and coal are readily available from regional suppliers. In 2009, Steppe Cement produced 900 thousand tonnes of cement which is expected to increase with capacity additions waiting to be completed once the market rebounds. Cement consumption in Kazakhstan has fallen 36 percent from the peak in 2007 to 2009 with prices declining by 57 percent to around USD 64 per tonne. The 2009 financial results are expected to show revenues of USD 59.2 million with a 4 percent operating margin. With private construction activity picking up and major government financed infrastructure projects being implemented the outlook for 2010 looks supportive. With an experienced management team present as a large shareholder and cost efficient operations the company is developing into one of the most cost efficient cement producers in Central Asia with a close proximity to the high growth cities of Astana and Karaganda in Kazakhstan.

Caspian Services offers services to Oil and Gas companies active in the Caspian Sea region in western Kazakhstan. The company is active within three service sectors: marine vessel operations, offshore and onshore geophysical services as well as infrastructure development for the extraction of oil and gas. The activity in the Kazakhstani oil services sector by the Caspian Sea is growing steadily as the enormous Kashagan project, entailing total capital expenditures of USD 136 billion and operational expenditures of USD 100 billion over 40 years, as well as other large offshore projects are to be developed. This activity will drive demand for seismic services, marine vessels as well as other supporting infrastructure services which Caspian Services is well positioned to deliver on. Its main customers are Saipem, a contractor on the Kashagan field, the Ministry of Energy and Mineral Resources to shoot seismic on open Caspian Sea acreage and CMOC/Shell for development of the Oman Pearls field. Exploration and production expenditures in the area leave Caspian Services well positioned to win a substantial part of future contracts, given their focus on quality and safety enabling the company to work with major international oil and gas companies.

Ukraine

Viktor Yanukovych is Ukraine's new president elect after winning a narrow victory over Prime Minister Yulia Tymoshenko in the second round of the presidential elections. Yanukovych inherits the Tymoshenko-led cabinet until the new coalition majority is formed in the Rada. Fiscal adjustment and the resumption of IMF financing remain the key priorities post the election. After the crisis-spurred and politically motivated expansion of the fiscal deficit to the low double digits as a percentage of GDP in 2009, the authorities now have to resort to tighter fiscal policy in the coming years to keep the Sovereign debt repayment schedule manageable and regain access to international debt markets. It remains to be seen what policy options the authorities will choose (depending on the post-election political configuration), but there seems to be a general understanding that the country is reliant on external financing and needs to strengthen international investor confidence.

Gradual economic recovery continued in December 2009, led largely by export industries. According to National Bank estimates, output in basic sectors grew 0.4 percent year-on-year in December, after rising 0.1 percent year-on-year in November. Consumer inflation is down to 11.1 percent year-on-year in January. The major underlying factors behind the annual inflation deceleration are the high base effect from 2009, subdued consumer demand and relatively stable foreign exchange market.

Poltava GOK was founded in 1970 as a State-owned company but is the principal asset of Ferrexpo, the twelfth largest iron ore producer in the world and listed on LSE, who owns a controlling 97 percent stake. Poltava is one of the largest mining companies in Ukraine and the country's foremost exporter of iron ore pellets. The company maintains an installed capacity of 9 million tonnes of iron ore pellets per year. During 2009 the company produced 8.8 million tonnes of pellets while it had 3.7 billion tonnes of reserves. 85 percent of the company's production is exported to eastern and central Europe as well as to China. Ferrexpo bears logistic and marketing expenses while Poltava sells its output to Ferrexpo trading houses at discounts to market prices.

The company's 2009 output was down 3 percent year-on-year, quite a modest cut considering last year's difficult operating environment. The company's focus on Europe and China has kept its capacity load at close to 100 percent since March 2009 and maintained positive cash flows. Net income for the first half of 2009 was USD 8.5 million on revenues of USD 240.5 million. Ferrexpo's actual excess profit per tonne of pellets over Poltava has been reduced from USD 15.5 per tonne in 2009 to USD 4.8 per tonne for the first half of 2009. The outlook for iron ore prices is favorable due to global deficits and contract negotiations for 2010 between major suppliers and buyers are mentioning up to 70 percent price increases compared to the 2009 benchmark price.

Dakor is a sugar and crop producer with a 163 thousand hectares land bank and 4 sugar plants with a total capacity of 200 thousand tonnes annually. The company is fully self sufficient in sugar beet and has a sugar storage capacity of 95 thousand tonnes. Wheat, rapeseed, barley and corn are also included in Dakor's crop rotation. During 2009 Dakor agreed to merge with Land West, both controlled by majority shareholder Danilo Korylkevych who will own 76 percent of the new company Dakor Agro Holding with minorities in Dakor and Land West owning 19 and 5 percent respectively. Vostok Nafta had an ownership stake of 4.8 percent in Dakor prior to the merger which will be transferred to a 4.0 percent stake in Dakor Agro Holding when converted. Management plans to seek a listing on a European bourse in 2010, with Warsaw the likeliest option. With sugar prices at multi year highs Dakor Agro Holding is one of the cheapest agricultural stocks in Ukraine at EV/EBITDA of 2.4 based on the company's projected EBITDA of USD 42 million for 2009.

Share information

All the shares carry one vote each. The shares are traded as depository receipts (SDR) in Stockholm, where E. Öhman J:or Fondkommission AB is the custodian bank. The shares are not subject to trading in Bermuda. A depository receipt carries the same dividend entitlement as the underlying share and the holder of a depository receipt has a corresponding voting right at shareholders meetings. The holder of a depository receipt must, however, follow certain instructions from the custodian bank in order to have the right to participate in shareholders meetings.

Dividend policy

The Board of Vostok Nafta considers it highly desirable and important to be able to issue dividends to the shareholders. Although no dividend has been proposed for the year, it is the company's intention in the long term to create a well balanced disposition of profits betweend dividends and reinvestments in the company.

Information about the net asset value

Vostok Nafta publishes a monthly estimated net asset value. This value is issued to the market via press releases and is also distributed via e-mail. In addition it is available on Vostok Nafta's webpage: www.vostoknafta.com. A more exact net asset value is published in the quarterly reports.

Potential net asset discount

With a view to limiting a possible net asset discount, the Vostok Nafta articles of association provide that the Company may buy back its own shares. Such purchases may be made within the stipulated capital limits, provided that the bought back shares are immediately cancelled.

During the year, no shares were repurchased.

The market

The Vostok Nafta share (SDR) is traded on the NASDAQ OMX Nordic Exchange Stockholm (previously the Stockholm Stock Exchange), Mid Cap segment since July 4, 2007.

Share turnover

The average daily turnover during the period January 1, 2009 to December 31, 2009, was 345,000 shares. During the quarter October 1, 2009 to December 31, 2009, the average daily turnover was 284,000 shares. Trading has been conducted 100% of the time.

Codes Assigned to Vostok Nafta's Share

Recent and historic quotes for Vostok Nafta's share are easily accessible on a number of business portals as well as via professional financial and real-time market data providers. Below is a list of the symbols and codes under which the Vostok Nafta share can be found.

ISIN Code	SE0002056721
NASDAQ OMX Nordic Exchange short name (ticker)	VNIL SDB
Reuters	VNILsdb.ST
SAX/Ecovision	VNIL SDB
Bloomberg	VNIL:SS

Largest shareholders as per December 30, 2009

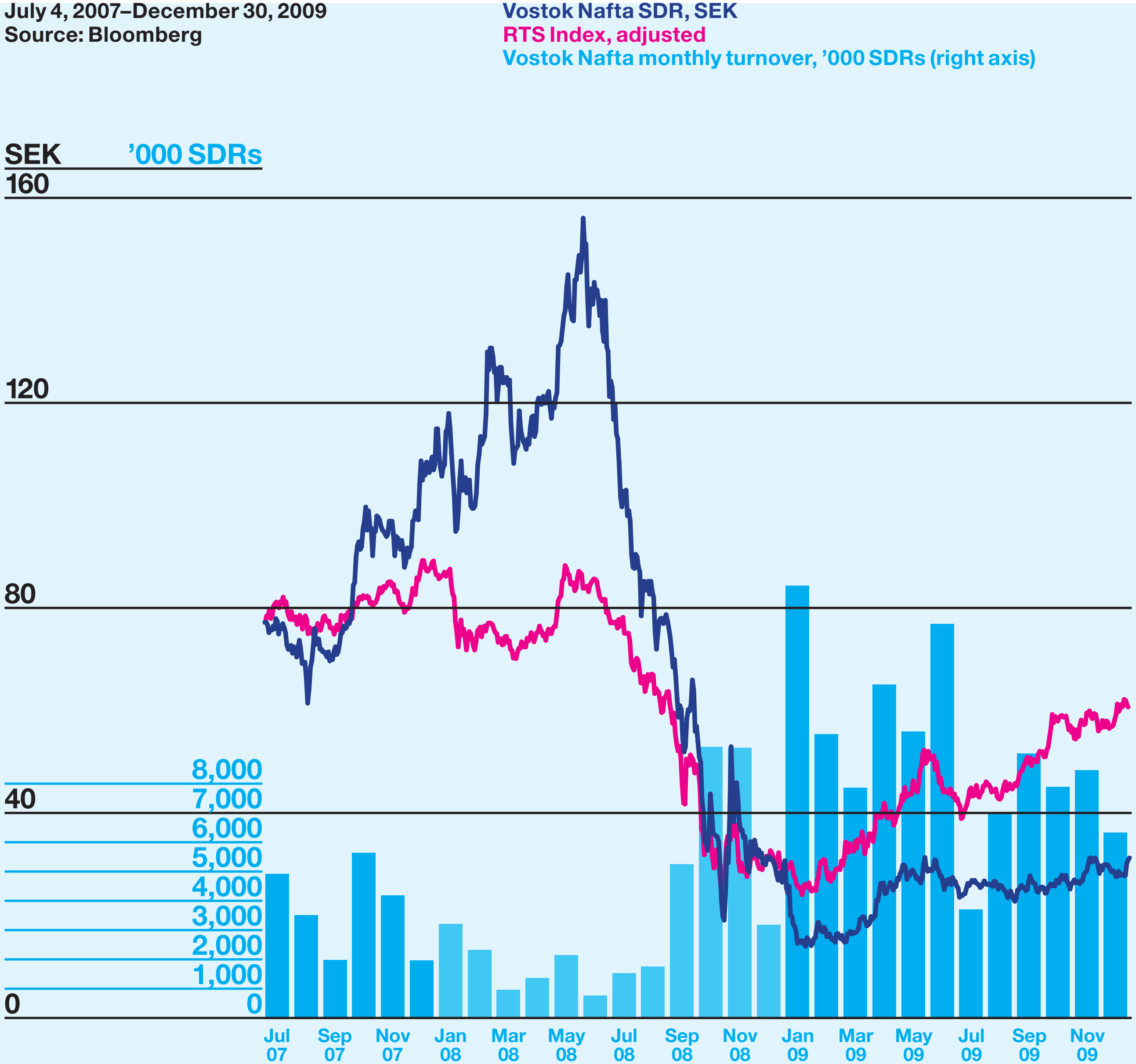
The shareholder list below as at December 30, 2009, shows the ten largest owners at that time. The number of shareholders in Vostok Nafta on December 30, 2009 amounted to around 17,000.

Owner	Holding, SDRs	Holding, percent
Lorito Holdings (Guernsey) Ltd*	28,000,000	27.73%
Alecta Pension Insurance	7,000,000	6.93%
4th Swedish National Pension Fund	5,874,817	5.82%
Länsförsäkringar Funds	4,587,281	4.54%
HQ Funds	4,073,323	4.03%
AFA Insurance	3,566,360	3.53%
Avanza Pension Insurance	2,289,383	2.27%
Skandia Liv	1,722,861	1.71%
Nordea Funds	1,569,307	1.55%
Swedbank Robur Funds	1,158,182	1.15%
10 largest owners	59,841,514	59.25%
Other foreign owners and nominees	17,036,615	16.87%
Other Swedish owners and nominees	24,112,846	23.88%
Total	100,990,975	100.00%

Source: Euroclear Sweden AB and holdings known to Vostok Nafta.

* Lorito Holdings (Guernsey) Ltd is an investment company wholly owned by a trust whose settler is the Lundin family.

The Vostok Nafta share



Vostok Nafta share price development

The Vostok Nafta share

Company information

Background

Vostok Nafta Investment Ltd (“Vostok Nafta”, the “Company”) was incorporated in Bermuda on April 5, 2007 with corporate identity number 39861. The Swedish Depository Receipts (SDR) representing the Vostok Nafta shares are listed on the NASDAQ OMX Nordic Exchange Stockholm, Mid Cap segment, ticker: VNIL SDB. There were approximately 17,000 shareholders as at the end of December 2009.

Group structure

As of December 31, 2009, the Vostok Nafta Group consisted of the Bermudian parent company Vostok Nafta Investment Ltd; one wholly-owned Bermudian subsidiary, Vostok Holding Ltd; three wholly-owned Cypriot subsidiaries, Vostok Komi (Cyprus) Limited, Premline Holdings Limited and Dodomar Ventures Limited; four wholly-owned Russian subsidiaries, ZAO Baikal Energy, OAO Resurs-Invest, OOO Resursniye Investitsii and OOO Volga – Nash Dom; and one wholly-owned Swedish subsidiary, Vostok Nafta Sverige AB.

Vostok Komi (Cyprus) Limited is responsible for the group’s portfolio management.

Operating policy

Business concept

The Company’s business concept is to use experience, expertise and an existing network to identify and invest in assets with considerable value growth potential, with the focus on Russia and the other CIS states.

Mission

The Company’s overriding aim is to create value for its shareholders through good long-term returns on its investments and a strong growth in its net asset value.

Strategy

The Company shall create value through professional investing activities, building on a structured process for continuous analysis of both current and prospective acquisitions. As far as possible, the Company is to be an active owner and, as such, help to create further value by leveraging its experience, expertise, network and strong brand. The Company is to have a long-term investment horizon.

Investment strategy

The bulk of the portfolio holdings are to be shares in listed companies, but this does not rule out investments in unlisted companies. The Company will evaluate and invest primarily, but not exclusively, in countries from the former Soviet Union. The principal geographical focus will be on Russia. The composition of the portfolio holdings is not to follow any particular index, nor will there be any precise sector weights or weight restrictions for individual holdings. Positions may depart from customary index weights. The portfolio must normally contain good distribution of risk. There will be no formal restrictions on the distribution between liquid and less liquid assets. Normally, however, the portfolio is to be fully invested, which generally entails transaction liquidity of 1–5 percent of the portfolio’s value.

Organisation of activities

The Board of Directors meets in person at least twice a year and more frequently if needed. In addition to this, meetings are conducted by telephone conference when necessary. Between meetings, the Managing Director has regular contact with the Chairman of the Board and several other Board members. The Board of Directors adopts decisions on overall issues affecting the Vostok Nafta group.

The Managing Director manages the company’s day-to-day activities and prepares investment recommendations in cooperation with the other members of the Investment Committee. The Chairman also holds an executive position and takes part in the work of the company on a daily basis.

Recommendations on investments are made by the Investment Committee, made up of three representatives from the Board of Directors. Two members of the Investment Committee (i.e., a majority) can together issue recommendations. The Board of Directors of Vostok Komi (Cyprus) Limited subsequently takes the investment decisions.

More information on the organisation of the Company’s activities is provided in the Administration Report and the Corporate Governance Report below.

Vostok Nafta Group

Company information

Income statement in brief

(Expressed in USD thousand)	Jan 2009– Dec 2009 (12 months)	Jan 2008– Dec 2008 (12 months)	Jan 2007– Dec 2007 (12 months)	Jan 2006– Dec 2006 (12 months)	Oct 2004– Dec 2005 (15 months)
Result from financial assets	141,582	–550,917	282,157	61,908	126,066
Other operating income	10,021	10,673	10,355	12,541	4,726
Total income	151,603	–540,244	292,512	74,449	130,792
Operating expenses	–5,897	–8,716	–5,705	–3,441	–3,821
Russian dividend withholding tax expenses	–1,367	–1,381	–1,499	–1 897	–691
Other operating expenses	–	–15	–	–	–
Operating result	144,339	–550,356	285,309	69,111	126,280
Net financial items	–4,501	–6,988	–2,155	610	3,209
Result before tax	139,838	–557,344	283,154	69,721	129,488
Tax	8	956	–389	–88	–502
Net profit for the period	139,846	–556,388	282,765	69,633	128,986

Balance sheet in brief

(Expressed in USD thousand)	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
Non current fixed assets	1,948	510	545	316	92
Non current financial assets	472,402	266,874	822,394	387,182	185,138
Current financial assets	3,180	27,847	4,197	–	995
Cash and cash equivalents	8,935	29,198	27,528	5,124	7,212
Other current receivables	2,580	2,727	4,568	969	16,631
Total assets	489,045	327,156	859,232	393,591	210,068
Equity	487,624	247,893	803,954	385,043	209,532
Deferred tax liability	–	19	1,358	11	–
Current tax liability	516	498	106	585	509
Other current liabilities	905	78,746	53,814	7,952	27
Total equity and liabilities	489,045	327,156	859,232	393,591	210,068

Financial summary

Cash flow in brief

(Expressed in USD thousand)	Jan 2009– Dec 2009 (12 months)	Jan 2008– Dec 2008 (12 months)	Jan 2007– Dec 2007 (12 months)	Jan 2006– Dec 2006 (12 months)	Oct 2004– Dec 2005 (15 months)
Cash flow used in/from operating activities	–6,231	–22,607	–162,982	–108,225	76,079
Cash flow used in/from investing activities	68	–146	–300	–264	–97
Cash flow used in/from financing activities	–10,856	26,119	185,673	106,375	–73,880
Cash flow for the period	–17,019	3,366	22,391	–2,114	2,102
Exchange rate differences in cash and cash equivalents	–3,244	–1,696	13	26	–8
Cash and cash equivalents at the beginning of the period	29,198	27,528	5,124	7,212	5,118
Cash and cash equivalents at the end of the period	8,935	29,198	27,528	5,124	7,212

Key ratios

(Expressed in USD thousand if not stated otherwise)	Jan 2009– Dec 2009 (12 months)	Jan 2008– Dec 2008 (12 months)	Jan 2007– Dec 2007 (12 months)	Jan 2006– Dec 2006 (12 months)	Oct 2004– Dec 2005 (15 months)
Equity ratio, percent	99.71	75.77	93.57	97.83	99.74
Return on equity, percent	38.03	–105.79	47.56	20.88	70.88
Return on capital employed, percent	34.68	–97.23	46.04	20.88	70.88
Debt/equity ratio, multiple	–	31.42	6.21	–	–
Interest coverage ratio, multiple	76	–81	77	–	–
Net asset value, MUSD	488	248	804	385	210
SEK/USD	7.1568	7.8644	6.4683	6.85	7.94
Net asset value, MSEK	3,490	1,950	5,200	2,638	1,667
Net asset value development in USD, percent	97	–69	109	84	35
RTS Index	1,474	632	2,291	1,922	1,126
Development RTS Index, percent	133	–72	19	71	78
Dividends	–	–	–	–	–
Dividend/share	–	–	–	–	–
Yield, percent	–	–	–	–	–
Share data					
Earnings per share, USD	1.40	–10.32	5.24	1.29	2.39
Diluted earnings per share, USD	1.40	–10.32	5.24	1.29	2.39
Net asset value per share, USD	4.83	5.39	17.47	8.34	4.55
Net asset value per share, SEK	34.56	42.36	113.00	57.31	36.15
Number of shares outstanding at year-end	100,990,975	46,020,901	46,020,901	46,020,901	46,020,901
Weighted average number of shares outstanding	100,052,565	53,936,496	53,936,496	53,936,496	53,936,496
– diluted	100,052,565	53,936,496	53,936,496	53,936,496	53,936,496
Employees					
Average number of employees during the period	16	15	9	10	9

Share data
The company was incorporated in 2007 and had, until the initial public offering in July 2007 only one share. The number of shares used for showing meaningful per share data for all periods has been the number of shares achieved after the initial public offering.

In accordance with IAS 33, the weighted average number of shares has been adjusted as a consequence of the preferential issue, which was carried out in February 2009. The number of shares outstanding before the issue has been adjusted, as if the issue had occurred at the beginning of the earliest period reported. In the computation, the number of ordinary shares to be used in calculating the earnings per share is the number of shares outstandning prior to the issue, multiplied by an adjustment factor of 1.172.

Definitions of the key ratios
Equity ratio, percent Equity ratio is defined as Shareholders' equity in relation to total assets.
Return on equity, percent Return on equity is defined as result for the year divided by average equity.
Return on capital employed, percent Return on capital employed is defined as net result 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 year).
Debt/equity ratio, multiple Debt/equity ratio, multiple is defined as interest-bearing liabilities in relation to Shareholders' equity.
Interest coverage ratio Interest coverage ratio is defined as net result plus interest and taxes divided by interest expenses.
Net asset value development in USD, percent Change in net asset value in USD per share compared with previous accounting year, in percent.
RTS Index A Russian stock market index consisting of Russia's 50 most liquid and capitalized shares. The RTS Index is denominated in USD.
Development of RTS index Change in index compared to previous accounting year.
Net asset value Net asset value is defined as shareholders' equity.
Net asset value per share, USD Shareholders' capital divided by the number of shares outstanding at year-end.
Earnings/share, USD is defined as result for the period divided by the adjusted average weighted number of shares for the period.
Diluted earnings/share, USD is defined as result for the period divided by the adjusted average weighted number of shares for the period calculated on a fully diluted basis.

The Vostok Nafta Group was formed during 2007 in connection with the restructuring of Vostok Gas Ltd Group. In addition to a sale of Vostok Komi (Cyprus) Limited and Vostok Nafta Sverige AB to Vostok Nafta Investment Ltd, the restructuring of the Vostok Gas Group also entailed a transfer of non-Gazprom related assets to the Vostok Nafta Group and a sale of the shares in RusForest Ltd and RusForest (Cyprus) Ltd to Vostok Komi and a third party.

The financial statements have been prepared as if the restructuring of Vostok Gas was carried out on September 30, 2003, and comprises the consolidated accounts of the companies that are (or would have been) included in the Vostok Nafta Group; i.e. Vostok Komi (Cyprus) Limited, Vostok Nafta Sverige AB, RusForest Ltd and RusForest (Cyprus) Ltd. The restructuring of the Group further implies that items of the income statement and the balance sheet that relate to non-Gazprom assets, which formerly have been recognized in the accounts of other companies of the Vostok Gas Group, are now included in the consolidated financial statements of Vostok Nafta.

The transactions by which Vostok Nafta acquired the companies mentioned above and the non Gazprom related assets, which have been recognized in other companies of the Vostok Gas Group, comprises transactions between companies under common control. These transactions are being recognized to the same values as they were in the selling company, in accordance with the predecessor accounting method. For further information, see note 1 in the notes to the Financial statements 2008.

Board of Directors

Lukas H. Lundin

Chairman

Swedish citizen, born 1958. Member of the board since 2007. Committee assignments in Vostok Nafta: compensation committee, investment committee. Professional and educational background: Senior Director of Lundin Oil AB and president of International Musto Exploration Limited for over 12 years. Mr. Lundin holds a degree in mining engineering from The New Mexico Institute of Mining and Technology. Mr. Lundin is Managing Director of Namdo Management Services Ltd. Other significant board assignments: Chairman of Lundin Mining Corporation, Denison Mines Corp., Red Back Mining Inc., NGEx Resources Inc. and Atacama Minerals Corp. Member of the boards and/or the senior management of Lundin Petroleum AB, Bannockburn Resources Ltd., Fortress Minerals Corp., Lucara Diamond Corp. and Black Pearl Resources Inc. Holdings in Vostok Nafta: 40,000 depository receipts. Salary and remuneration: USD 229 thousand. No agreement regarding severance pay or pension.

Al Breach

Board member

British citizen, born 1970.Member of the board since 2007. Professional and educational background: From the beginning of 2003 until October 2007 Al Breach held, among other positions, the position of Managing Director and Analysis Manager at the Brunswick UBS/UBS in Moscow's Research Department. Al Breach has been Russia and CIS economist at Goldman Sachs, and Fund Manager at Rothschild Asset Management in London. Al Breach holds a degree in economics from the London School of Economics and a degree in mathematics from the University of Edinburgh. From February 2008 until the present Al Breach holds the position of Managing Partner at The Browser, an Internet start-up which he is helping to set up, in New York/London. Holdings in Vostok Nafta: none. Salary and remuneration: USD 15 thousand. No agreement regarding severance pay or pension.

Per Brilioth

Managing Director and board member

Swedish citizen, born 1969. Member of the board and Managing Director since 2007. Committee assignments in Vostok Nafta: investment committee. Professional and educational background: Between 1994 and 2000, Per Brilioth was head of the Emerging Markets section at Hagströmer & Qviberg and he has worked close to the Russian stock market for a number of years. Per Brilioth is a graduate of Stockholm University and holds a Master of Finance from the London Business School. Other significant board assignments: Chairman of Black Earth Farming Ltd, member of the boards of Kontakt East Holding AB, X5 Group AB and Konsthandels Aktiebolaget Nybroviken. Holdings in Vostok Nafta: 160,000 depository receipts and 638,000 call options. Salary and remuneration: USD 468 thousand. Agreement regarding severance pay and pension: Brilioth has the right of twelve months full salary in the event of termination of appointment on the part of the company. Should he himself decide to resign, he must observe six months notice of termination. Brilioth also has a pension plan in accordance with the Swedish ITP standards.

Paul Leander-Engström

Board member

Swedish citizen, born 1966. Member of the board since 2007. Committee assignments in Vostok Nafta: compensation committee, investment committee. Professional and educational background: Co-founder and former Managing Director of Prosperity Capital Management (SE) AB and former partner/co-head of research at Brunswick Warburg Moscow. Paul Leander-Engström holds a degree in business administration from the Stockholm School of Economics and a law degree from Stockholm University. Other significant board assignments: member of the boards of Talking People AB, Ture Invest AB, Maskrosen Invest AB and Ture Promotion Capital AB. Holdings in Vostok Nafta: 37,000 depository receipts. Salary and remuneration: USD 22 thousand. No agreement regarding severance pay or pension.

Torun Litzén

Board member

Swedish citizen, born 1967. Member of the board since 2007. Committee assignments in Vostok Nafta: audit committee. Professional and educational background: Director of Investor Relations at Investment AB Kinnevik. Torun Litzén holds a degree in business administration from the Stockholm School of Economics. Other significant board assignments: Vosvik AB and Transcom Worldwide S.A. Holdings in Vostok Nafta: 400 depository receipts. Salary and remuneration: USD 22 thousand. No agreement regarding severance pay or pension.

Board, management and auditors

Ian H. Lundin
Board member
Swedish citizen, born 1960. Member of the board since 2007. Committee assignments in Vostok Nafta: audit committeee, nominating committee. Professional and educational background: Former Managing Director of Lundin Petroleum AB and Lundin Oil AB and Managing Director and CEO of International Petroleum Corporation. Ian H. Lundin holds a petroleum engineering degree from the University of Tulsa. Other significant board assignments: Chairman of Lundin Petroleum AB. Holdings in Vostok Nafta: 40,000 depository receipts. Salary and remuneration: USD 22 thousand. No agreement regarding severance pay or pension.

William A. Rand
Board member
Canadian citizen, born 1942. Member of the board since 2007. Committee assignments in Vostok Nafta: audit committee. Professional and educational background: President of Rand Edgar Investment Corp. and member of the boards of a number of public companies including NGEx Resources Inc., Denison Mines Corp., Dome Ventures Corporation, Lundin Mining Corp., Lundin Petroleum AB, New West Energy Services Inc., Pender Financial Group Corporation and Suramina Resources Inc. William A. Rand holds a degree in Commerce from McGill University, a law degree from Dalhousie University and a Masters in International Law from the London School of Economics. Holdings in Vostok Nafta: 85,000 depository receipts. Salary and remuneration: USD 26 thousand. No agreement regarding severance pay or pension.

Robert J. Sali
Board member
Canadian citizen, born 1962. Member of the board since 2007. Committee assignments in Vostok Nafta: compensation committee. Professional and educational background: Mr. Sali has been active in the financial world since 1987 at the brokerage firms of Lévesque Beaubien Inc. and BMO Nesbitt Burns. In 1999 Robert J. Sali established the operation of Dundee Securities Corporation in western Canada, where he directed operations in the Equity Sales and Trading departments. Mr. Sali is currently employed by Dundee Securities Corporation as senior investment adviser. Holdings in Vostok Nafta: 15,000 depository receipts. Salary and remuneration: USD 18 thousand. No agreement regarding severance pay or pension.

Group management
Per Brilioth: Managing Director. See also heading “Board of Directors” above.

Anders Sjöberg: Chief Financial Officer. Swedish Citizen, born 1970. Employed since 2007. Holdings in Vostok Nafta (including family): 15,330 depository receipts and 62,560 call options.

Anders F. Börjesson: Legal Counsel. Swedish citizen, born 1971. Employed since 2008. Holdings in Vostok Nafta: 1,500 depository receipts and 50,000 call options.

Auditors
PricewaterhouseCoopers AB
Klas Brand, born 1956. Authorised public accountant, Lead Partner. Auditor in the Company since 2007. PricewaterhouseCoopers AB, Gothenburg, Sweden.
Bo Hjalmarsson, born 1960. Authorised public accountant, Partner. Auditor in the Company since 2007. PricewaterhouseCoopers AB, Stockholm, Sweden.

The Board of Directors and the Managing Director of Vostok Nafta Investment Limited hereby present the annual report for the financial year January 1, 2009–December 31, 2009.

Group structure and operations

Vostok Nafta Investment Ltd ("Vostok Nafta", or "the Company") was incorporated in Bermuda on April 5, 2007 with corporate identity number 39861.

As of December 31, 2009 the 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. The group's portfolio management activities are performed through Vostok Komi (Cyprus) Limited.

Group Result

During the period, the result from financial assets at fair value through profit or loss amounted to USD 139.84 (–363.26) mln. Result from investments in associated companies was USD –5.30 (–180.56) mln. Dividend income, net of withholding tax expenses, was USD 7.74 (8.27) mln. Result from loan receivables was USD 7.04 (–7.09) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD –4.99 (–7.69) mln.

Net financial items were USD –4.50 (–6.99) mln.

Net result for the period was USD 139.85 (–556.39) mln.

Portfolio performance

During the period January 1, 2009–December 31, 2009, Vostok Nafta's net asset value per share has decreased by 10.36%. The main cause of the decrease in the NAV per share during the period is the issue of a total of 54,970,074 new shares at an average price (net of transaction costs) of USD 1.81 per share. Excluding the effects from the new share issues the development would have been +40.34%. During the same period the Russian RTS index increased by 133.24% in USD terms.

During the period January 1, 2009–December 31, 2009, the net asset value (NAV) has increased from USD 247.89 mln to USD 487.62 mln.

During the period January 1, 2009–December 31, 2009, net investments in financial assets were USD 8.30 (22.26) mln. As at December 31, 2009, Vostok Nafta's three biggest investments are Black Earth Farming (20.61%), Kuzbassrazrezugol (10.41%) and Egidaco/Tinkoff Credit Systems (10.03%).

Major events of the year

New share issues

In February 2009, the Company completed a preferential share issue whereby 46,020,901 new shares were issued for a consideration of SEK 12 each. Net of transaction costs the proceeds from the new share issue was USD 66,201 thousand. The majority of the proceeds from the rights issue were used for repayment of outstanding borrowings.

In June 2009, the Company completed a directed share issue whereby 8,949,173 new shares were issued for a consideration of USD 3.84 each, payable by in-kind contribution of publicly traded shares in companies whose main business activities are conducted in Russia and the C.I.S. Net of transaction costs the proceeds from the new share issue was USD 33,373 thousand.

Asset swaps and other portfolio transactions

RusForest/Varyag

On May 25, 2009 an Extraordinary General Meeting held in RusForest AB (formerly Varyag Resources AB) 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 Rusforest 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 807.0 mln (USD 26.4 million). Through the asset swap the Group increased its stockholdings in RusForest AB from 492,350 shares to 10,195,802 shares. Subsequent to the asset swap, Vostok Nafta has added another 692,601 shares to its shareholding in the company, and holds per December 31, 2009 10,888,403 shares, representing 49.9% of total outstanding shares in RusForest AB.

Eastern Bio Holding/Clean Tech East Holding (SystemSeparation)

During 2009, 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.

Share data

Vostok Nafta Investment Ltd was incorporated in Bermuda on April 5, 2007 as a limited liability company with a share capital of USD 1 on April 5, 2007.

Administration report

In July 2007, 46,020,900 new shares were issued in exchange for the same amount of warrants in Vostok Nafta and a cash consideration of SEK 22 per share.

Therefore, at the end of December 2007, the number of outstanding shares in the company was 46,020,901, with a par value of USD 1 per share.

There were no changes in the share capital of the company during 2008. Therefore, at the end of December 2008, the number of outstanding shares in the company was 46,020,901, with a par value of USD 1 per share.

During 2009, the Company completed two share issues. 46,020,901 new shares were issued in a preference rights issue in February 2009, and 8,949,173 shares were issued in a directed issue in June 2009. Therefore, at the end of December 2009, the number of outstanding shares in the company was 100,990,975, with a par value of USD 1 per share.

All shares carry one vote each. The Vostok Nafta share (depository receipt) is quoted on the NASDAQ OMX Nordic Exchange Stockholm; Mid Cap segment.

Board meetings

The board of directors of Vostok Nafta comprises eight members. During the financial year ten board meetings have been held and three resolutions have been passed by circulation. The directors represent a number of nationalities. Board meetings are conducted in English. The Company's Board of Directors has three sub-committees: the Investment Committee, the Audit Committee and the Compensation Committee. The work and the composition of the Board and its sub-committees are described in detail in the Corporate Governance Report.

In compliance with the Code, a nomination committee has been established to make recommendations to the AGM 2010 regarding:

- Election of Chairman
- Election of board members
- Fees for the Chairman
- Fees for board members
- Fees for board committee work
- Election of auditors
- Auditors fees
- Election of the Chairman at the AGM
- Principles for appointment of the Nomination Committee for the AGM in 2010.

The Nomination Committee has the following members: Ian H. Lundin, appointed by Lorito Holdings Ltd and Member of the Board of Vostok Nafta Investment Ltd; Leif Törnvall, Alecta Pension Insurance; and Arne Lööw, the 4th Swedish National Pension Fund (Fjärde AP-fonden).

Remuneration principles for the senior management

The Board of Directors proposes that the management remuneration principles adopted at the Extra General Meeting held on May 18, 2007 shall continue to apply. At the Extra General Meeting, it was resolved to approve the following management remuneration principles etc. The remuneration to the managing director and other members of the senior management shall consist of fixed salary, variable remuneration, other benefits and pension benefits. Except for the managing directors, the senior management currently includes two individuals. The total remuneration shall correspond to the prevailing market conditions and be competitive. The fixed and variable remuneration shall correspond to the respective individual's responsibility and authority. The variable component should, in the first instance, be covered within the parameters of the company's option plan and shall, where payable in other instances, be subject to an upper limit in accordance with market terms and specific objectives for the company and/or the individual. The period of notice of termination of employment shall be three to six months in the event of termination by the member of the senior management. In the event of termination by the company, the total of the period of notice of termination and the period during which severance compensation is payable shall not exceed 12 months. Pension benefits shall be either benefit-based or contribution-based or a combination thereof, with individual retirement ages. Benefit-based pension benefits are conditional on the benefits being earned during a pre-determined period of employment. The Board of Directors shall be entitled to deviate from these guidelines in individual cases should special reasons exist.

Corporate governance report

A complete report on Vostok Nafta's application of the Swedish Code of Corporate Governance, together with a Report on the Internal control, is included in this Annual Report. The Corporate Governance Report and the Report on the Internal control have not been subject to review by the Company's auditors.

Personnel

At year-end, Vostok Nafta had seven persons employed in Sweden and seven persons employed in Russia. During the year, the Representative office in London has been closed.

Treatment of retained earnings

The group's total retained earnings amount to USD 194,933 thousand.

The board of directors and the managing director propose that the retained earnings of the parent company USD 194,713 thousand, which include the year's profit of USD 139,215 thousand, be brought forward, and that no dividends be paid for the year.

The Board of Directors and the Managing Director declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with IFRS and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory Administration Report and the other parts of the Annual Report of the Group and the Parent Company provide a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describe material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 24, 2010

Lukas H. Lundin
Chairman

Al Breach
Board member

Paul Leander-Engström
Board member

Torun Litzén
Board member

Ian H. Lundin
Board member

William A. Rand
Board member

Robert J. Sali
Board member

Per Brilioth
Managing Director and board member

Income statements – Group

(Expressed in USD thousands)	Note	Jan 1, 2009– Dec 31, 2009	Jan 1, 2008– Dec 31, 2008
Result from financial assets at fair value through profit or loss	5,15	139,835	–363,261
Result from investments in associated companies	6,16	–5,296	–180,563
Result from loan receivables	8,17,18	7,043	–7,093
Dividend income	7	9,111	9,646
Other operating income	9,28	910	1,027
Total operating income		151,603	–540,244
Operating expenses	10,27,28	–5,897	–8,716
Russian dividend withholding tax expenses	7	–1,367	–1,381
Other operating expenses		–	–15
Operating result		144,339	–550,356
Financial income and expenses			
Interest income		109	2,072
Interest expense	22,28	–1,868	–6,823
Currency exchange gains/losses, net		–2,745	–1,511
Other financial income		22	–
Other financial expenses		–19	–726
Net financial items		–4,501	–6,988
Result before tax		139,838	–557,344
Taxation	11	8	956
Result of the year		139,846	–556,388
Earnings per share (in USD)	12	1.40	–10.32
Diluted earnings per share (in USD)	12	1.40	–10.32

STATEMENT OF COMPREHENSIVE INCOME

Net result for the financial period		139,846	–556,388
Other comprehensive income for the period			
Currency translation differences		–58	–81
Total other comprehensive income for the period		–58	–81
Total comprehensive income for the period		139,788	–556,469

Balance sheets – Group

(Expressed in USD thousands)	Note	Dec 31, 2009	Dec 31, 2008
NON CURRENT ASSETS			
Tangible non current assets			
Office equipment	13	1,948	510
Total tangible non current assets		1,948	510
Financial non current assets			
Financial assets at fair value through profit or loss	14,15	301,607	134,180
Investment in associated companies	14,16	148,084	115,296
Loan receivables	17	22,602	17,384
Deferred tax assets	11	109	14
Total financial non current assets		472,402	266,874
CURRENT ASSETS			
Cash and cash equivalents	20	8,935	29,198
Loan receivables	18	3,180	27,847
Receivables from related parties	28	375	60
Tax receivables		155	129
Other current receivables	19	2,050	2,538
Total current assets		14,695	59,772
TOTAL ASSETS		489,045	327,156
SHAREHOLDERS' EQUITY (including result of the year)	21	487,624	247,893
NON CURRENT LIABILITIES			
Deferred tax liabilities	11	–	19
Total non current liabilities		–	19
CURRENT LIABILITIES			
Interest bearing current liabilities			
Borrowings	22	–	77,887
Non-interest bearing current liabilities			
Liabilities to related parties	28	211	–
Tax payables		516	498
Other current liabilities	23	61	171
Accrued expenses		633	688
Total current liabilities		1,421	79,244
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		489,045	327,156

Statement of Changes in Equity – Group

(Expressed in USD thousands)	Attributable to owners of parent			
	Share Capital	Additional paid in capital	Retained earnings	Total
Balance at January 1, 2008	46,021	146,476	611,457	803,954
Net result for the period				
January 1, 2008 to				
December 31, 2008	–	–	–556,388	–556,388
Other comprehensive income for the period				
Currency translation differences	–	–	–81	–81
Total comprehensive income				
for the period January 1, 2008				
to December 31, 2008	–	–	–556,469	–556,469
Transactions with owners				
Employees share option scheme:				
– value of employee services	–	408	–	408
	–	408	–	408
Balance at December 31, 2008	46,021	146,884	54,988	247,893
Balance at January 1, 2009	46,021	146,884	54,988	247,893
Net result for the period				
January 1, 2009 to				
December 31, 2009	–	–	139,856	139,856
Other comprehensive income for the period:				
Currency translation differences	–	–	–58	–58
Total comprehensive income				
for the period January 1, 2009				
to December 31, 2009	–	–	139,788	139,788
Transactions with owners				
Proceeds from new share issues,				
net of transaction costs	54,970	44,604	–	99,574
Employees share option scheme:				
– value of employee services	–	212	–	212
Proceeds from issue of warrants	–	–	157	157
	54,970	44,816	157	99,943
Balance at December 31, 2009	100,991	191,700	194,933	487,624

Cash flow statements – Group

(Expressed in USD thousands)	Jan 1, 2009– Dec 31, 2009	Jan 1, 2008– Dec 31, 2008
OPERATING ACTIVITES		
Result before tax	139,838	–557,344
Adjustment for:		
Interest income	–109	–2,072
Interest expenses	1,868	6,823
Currency exchange losses	2,745	1,511
Depreciations and write-downs	174	136
Result from financial assets at fair value		
through profit or loss	–139,835	363,261
Result from investments in associated companies	5,296	180,563
Result from loan receivables	–7,043	7,093
Dividend income	–9,111	–9,646
Other non-cash items	1,578	2,509
Change in current receivables	8	2,214
Change in current liabilities	–76	–2,493
Cash used in operating activities	–4,667	–7,444
Investments in financial assets	–90,665	–350,516
Sales of financial assets	84,795	370,471
Increase in loan receivables	–2,431	–42,219
Investments in subsidiaries	–51	–
Dividends received	7,744	8,265
Interest received	989	4,942
Interest paid	–1,868	–6,073
Tax paid	–45	–33
Net cash flow used in operating activities	–6,199	–22,607
INVESTING ACTIVITIES		
Investments in office equipment	–2	–146
Sales of office equipment	38	–
Net cash flow from/used in investing activities	36	–146
FINANCING ACTIVITIES		
Proceeds from borrowings	–	128,119
Repayments of borrowings	–77,214	–102,000
Proceeds from new share issue	66,201	–
Proceeds from issue of warrants	157	–
Net cash flow used in/from financing activities	–10,856	26,119
Change in cash and cash equivalents	–17,019	3,366
Cash and cash equivalents at beginning of the period	29,198	27,528
Exchange losses on cash and cash equivalents	–3,244	–1,696
Cash and cash equivalents at end of period	8,935	29,198

Key financial ratios – Group

	2009	2008
Return on capital employed, % (01)	34.68	–97.23
Equity ratio, % (02)	99.71	75.77
Shareholders' equity/share, USD (03)	4.83	5.39
Earnings/share, USD (04)	1.40	–10.32
Diluted earnings/share, USD (05)	1.40	–10.32
Net asset value/share, USD (06)	4.83	5.39
Adjusted weighted average number of shares for the financial period*	100,052,565	53,936,495
Adjusted weighted average number of shares for the financial period (fully diluted)	100,052,565	53,936,495
Number of shares at balance sheet date	100,990,975	46,020,901

* In accordance with IAS 33, the weighted average number of shares has been adjusted as a consequence of the preferential issue, which was carried out in February 2009. The number of shares outstanding before the issue has been adjusted, as if the issue had occurred at the beginning of the earliest period reported. In the computation, the number of ordinary shares to be used in calculating the earnings per share is the number of shares outstanding prior to the issue, multiplied by an adjustment factor; 1.172 (see note 12).

01. Return on capital employed is defined as the Group's result plus interest expenses plus/less exchange differences on financial loans divided by the average capital employed (the average total assets less non-interest bearing liabilities over the period).
02. Equity ratio is defined as shareholders' equity in relation to total assets.
03. Shareholders' equity/share USD is defined as shareholders' equity divided by total number of shares.
04. Earnings/share USD is defined as result for the period divided by the adjusted average weighted number of shares for the period.
05. Diluted earnings/share USD is defined as result for the period divided by the adjusted 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)	Note	Jan 1, 2009– Dec 31, 2009	Jan 1, 2008– Dec 31, 2008
Operating income		–	184
Operating expenses	10	–4,187	–4,614
Write downs/reversals of write-downs on shares in subsidiaries	26	124,562	–288,692
Operating result		**120,375**	**–293,122**
Financial income and expenses			
Interest income	28	21,431	14,327
Interest expenses	28	–1,436	–655
Currency exchange gains/losses, net		–1,153	–386
Other financial expenses		–2	–
Net financial items		**18,840**	**13,286**
Net result for the financial year		**139,215**	**–279,836**

Balance sheet – Parent

(Expressed in USD thousands)	Note	Dec 31, 2009	Dec 31, 2008
NON CURRENT ASSETS			
Financial non current assets			
Shares in subsidiaries	26	226,865	102,253
Receivables from group companies	28	261,044	175,550
Total financial non current assets		487,909	277,803
CURRENT ASSETS			
Cash and cash equivalents		29	3
Receivables from related parties		219	49
Other current receivables	19	382	280
Total current assets		630	332
TOTAL ASSETS		488,539	278,135
SHAREHOLDERS' EQUITY			
(including net result for the financial year)	21	487,404	248,246
CURRENT LIABILITIES			
Interest bearing current liabilities			
Borrowings	22	–	27,790
Non-interest bearing current liabilities			
Liabilities to group companies	28	569	1,480
Other current liabilities	23	–	2
Accrued expenses		566	617
Total current liabilities		1,135	29,889
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		488,539	278,135

Statement of Changes in Equity – Parent

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
Balance at January 1, 2008	46,021	146,476	335,177	527,674
Profit for the period	–	–	–279,836	–279,836
Total recognized income for the financial period January 1, 2008 to December 31, 2008	–	–	–279,836	–279,836
Transactions with owners				
Employees share option scheme:				
– value of employee services	–	408	–	408
	–	408	–	408
Balance at December 31, 2008	46,021	146,884	55,341	248,246
Balance at January 1, 2009	46,021	146,884	55,341	248,246
Profit for the period	–	–	139,215	139,215
Total recognized income for the financial period January 1, 2009 to December 31, 2009	–	–	139,215	139,215
Transactions with owners				
Proceeds from new share issue, net of transaction costs	54,970	44,604	–	99,574
Employees share option scheme:				
– value of employee services	–	212	–	212
Proceeds from issue of warrants	–	–	157	157
	54,970	44,816	157	99,943
Balance at December 31, 2009	100,991	191,700	194,713	487,404

Note 1
General information

Introduction

Vostok Nafta Investment Ltd ("Vostok Nafta", or "the Company") was incorporated in Bermuda on April 5, 2007 with corporate identity number 39861.

The Vostok Nafta Group was formed in 2007, in connection with the restructuring of the Vostok Gas Group. Vostok Nafta's business concept is to use experience, expertise and its existing network to identify and invest in assets with considerable value growth potential, with a focus on Russia and the other CIS states.

These group consolidated financial statements were authorised for issue by the board of directors on March 24, 2010.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Note 2
Significant accounting policies

Accounting basis

The consolidated and the parent company financial statements are prepared in accordance with International Financial Reporting Standards, IFRS, as at December 31, 2009. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

The Group has adopted the following new and amended IFRSs as of January 1, 2009:

IFRS 7 'Financial instruments – Disclosures' (amendment) – effective January 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IAS 1 (revised). 'Presentation of financial statements' – effective January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'nonowner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 2 (amendment), 'Share-based payment' (effective January 1, 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with emloyees and others providing similiar services; they would not impact the number of awards expected to vest or valuation there ofsubsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group and company has adopted IFRS 2 (amendment) from January 1, 2009. The amendment does not have a material impact on the group or company's financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after January 1, 2010 or later periods, but the group has not early adopted them:

IFRIC 17, 'Distribution of non-cash assets to owners'. The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The group and company will apply IFRIC 17 from January 1, 2010. It is not expected to have a material impact on the group or company's financial statements.

IAS 27 (revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from January 1, 2010.

IFRS 3 (revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (revised) prospectively to all business combinations from January 1, 2010.

IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the group and company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the group or company's financial statements.

IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The group and company will apply IFRS 5 (amendment) from January 1, 2010. It is not expected to have a material impact on the group or company's financial statements.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The group and company will apply IAS 1 (amendment) from January 1, 2010. It is not expected to have a material impact on the group or company's financial statements.

IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guiance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the group's financial statements.

Books and accounts
The books and accounts of the Parent are maintained in USD, which is also the functional currency of the Group.

Financial period
The financial year comprises the period January 1–December 31.

Principles of consolidation
Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. No goodwill was recognized in the consolidated balance sheet as of December 31, 2009, and December 31, 2008, respectively.

All inter-company profits, transactions and balances are eliminated on consolidation.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. In the interenal reporting of the company, there is only one operating segment.

Functional currency
The functional and presentational currency of the Parent Company and its Bermudan and Cypriot subsidiaries is USD, which is also considered to be the presentational currency of the Group. Transactions in currencies other than USD are therefore translated into USD at the rate of exchange that was in effect at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange prevailing at the balance sheet date. Realized and unrealized exchange gains/losses on portfolio investments, which include loan receivables, investments in associated companies, and financial assets at fair value through profit or loss are recognized in profit or loss as part of the result from each of the categories of financial assets, which are included in the investment portfolio. Realized and unrealized exchange gains/losses on other assets and liabilities are reported among financial items.

As at the reporting date, the assets and liabilities of subsidiaries that have note the same functional currency as the Parent Company are translated into the presentation currency of the Group at rates of exchange prevailing at the balance sheet date. Their income statements are translated at the average exchange rate for the year. The exchange differences arising on the translation are recognized as a separate component of equity.

Property, land and equipment
Land comprises unexploited land and is shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers. All other property, plant and equipment is stated at historical cost less accumulated depreciation.

Land is not depreciated. Depreciation on furniture, fittings and equipment is based on cost on a straight-line basis of estimated useful life of three and five years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Financial Assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and loans and receivables.

Financial assets at fair value through profit or loss
This category has two subcategories:

– *Designated.* The first includes any financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss.

– *Held for trading.* The second category includes financial assets that are held for trading. All derivatives (except those designated as hedging instruments) and financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking are held for trading.

The Group classifies all its financial assets at fair value through profit or loss in the subcategory designated.

Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Thereafter they are subsequently 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. Dividend income from financial assets at fair value through profit of loss is recognized in the income statement as "Dividend income" when the Group's right to receive payments is established.

Investments in associated companies
Investments where the Company has the right to exercise significant influence, which is normally the case when the Company holds between 20 per cent and 50 per cent, are accounted for as investments in associated companies by applying fair value. At the application of fair value, the investments are designated on initial recognition as assets to be measured at fair value with fair value changes in profit or loss. Changes in the fair value are accounted for in the income statement as "Result from associated companies".

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'Non current loan receivables', 'Current loan receivables', 'Other short term receivables', 'Receivables from related parties' and 'Cash and cash equivalents' in the balance sheet.

Investments in loans and receivables are recognized at fair value plus transaction costs. Loans and receivables are carried at amortized cost using the effective interest method. 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.

A financial asset or group of assets is impaired, and impairment losses are recognised, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset. An entity is required to assess at each balance sheet date whether there is any objective evidence of impairment. If any such evidence exists, the entity is required to do a detailed impairment calculation to determine whether an impairment loss should be recognised.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the financial asset's original effective interest rate. Impairment losses on portfolio investments are presented in the income statement within 'Result from financial assets at fair value through profit or loss', 'Result from associated companies' or 'Result from loan receivables', depending on from what category of assets the impairment losses relate. Impairment losses on other financial assets are recognized in the income statement as 'Other financial expenses' among financial items.

Purchases and sales of financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group have transferred substantially all risks and rewards of ownership.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Cash and cash equivalents

Cash and bank include cash, bank balances, and deposits held at call with banks.

Share capital

Share issue costs associated with the issuance of new equity are treated as a direct reduction of the proceeds. Buy back of own shares is, after cancellation of the shares, recorded as a reduction of the share capital with the nominal value of shares bought back, and as a reduction of the additional paid in capital or the retained earnings with the amount paid after reduction of transaction costs for the shares in excess of the nominal value.

Borrowings

Borrowings are recognized initially at fair value, net of transaction cost incurred. Borrowings are subsequently recognized at amortised cost: any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Employee benefits

Pension obligations

The Group has a defined benefit pension plan, according to Swedish ITP-standards. There is a lack of information to permit the reporting of the Group's proportional share of the defined benefit commitment and of the plan assets and costs associated with this plan. Consequently, the plan is reported as if it were a defined contribution plan, which means that the expenses incurred are reported as a cost.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and additional paid in capital when the options are exercised.

Revenue recognition

Revenue comprises the fair value of the consideration received in the ordinary course of the group's activities.

For investments held at both the start and end of year, the change in value consists of the difference in the market value between these dates. For investments acquired during the year, the change in value consists of the difference between cost and the market value at the end of the year. For investments sold during the year, the change in value consists of the difference between the sales price received and the value of investments at the start of the year. All changes in value are reported in the income statement within 'Result from financial assets at fair value through profit or loss', 'Result from associated companies' or 'Result from loan receivables', depending on from what category of assets the changes in value relate.

Dividend income is recognised when the right to receive payment is established. Furthermore, dividend income is accounted for inclusive of withholding taxes. These withholding taxes are shown either as an expense in the income statement, or as a current receivable, depending on whether or not the withholding tax is refundable.

Interest income on non-current loan receivables is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired non-current loan receivables is recognised using the original effective interest rate.

Interest income on current loan receivables and other receivables is recognised taking into account accrued interest on the balance sheet date.

Other consideration received in the ordinary course of the group's activities is reported as "other income" in the income statement.

Unless otherwise stated, the accounting principles are unchanged compared to previous year.

Note 3
Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including currency risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk.

Risk management is carried out by management under policies approved by the board of directors.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects currency risk, price risks and interest rate risk.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, mainly with respect to the Swedish Krona (SEK), the Russian Rouble (RUB), and Euro (EUR).

At December 31, 2009, if the USD had weakened by 15.7% against the SEK with all other variables held constant, post-tax profit for the year would have been USD 28.57 mln higher (2008: +18.09), mainly as a result of foreign exchange gains on translation of SEK-denominated investments in associated companies. Profit is more sensitive to movement in SEK/USD exchange rates in 2009 than 2008 because of the increase in SEK-denominated financial assets.

At December 31, 2009, if the USD had weakened by 14.3 % against the RUB with all other variables held constant, post-tax profit for the year would have been USD 3.85 mln higher (2008: +7.33), mainly as a result of foreign exchange gains on translation of RUB-denominated long term and short term loan receivables. Profit is less sensitive to movement in RUB/USD exchange rates in 2009 than 2008 because of the swap of RUB-denominated current loan receivables into SEK-denominated shares in associated companies.

At December 31, 2009, if the USD had weakened by 9.0% against the EUR with all other variables held constant, post-tax profit for the year would have been USD 2.00 mln higher (2008: +1.77), mainly as a result of foreign exchange gains on translation of EUR-denominated financial assets at fair value through profit or loss.

Price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet as financial asset at fair value through profit or loss.

The majority of the shares in Group's share portfolio are publicly traded. Given the geographical focus on investments in Russia, the Company's portfolio performance is often compared to the development of the Russian RTS-index. The price risk associated with Vostok Nafta's portfolio may be illustrated by stating that a 47.4% per cent increase in the price of the quoted shares in the Group's portfolio at December 31, 2009 would have affected post-tax profit by approximately USD 194.19 mln.

Market interest rate risk

The group is exposed to a market interest rate risk because of outstanding loan receivables which are carried at fixed interest rate. Since the fair value of the loan receivables are not estimated using valutation models based on market rate inputs, the Groups consolidated accounts are not significantly exposed to market interest risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.

Within the Group's portfolio investments operations, credit risk arises from non current and current loan receivables. See further note 17 and 18. For the investments in loan receivables, there are no formal restrictions with respect to the counterparty's credit rating.

The Group is also exposed to counterparty credit risk on cash and cash equivalents and deposits with banks and financial institutions.

Liquidity risk

Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities. As at December 31, 2009, the Group did not have any financial liabilities.

For the Group, prudent liquidity risk management implies maintaining sufficient cash and marketable securities. As at December 31, 2009 approximately 26% of the Group's investment portfolio comprises liquid assets.

The table below analyses the Group's financial liabilities into relevant maturing groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Comparative information have been restated as permitted by the amendments to IFRS 7 for the liquidity risk disclosures.

At December 31, 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other current liabilities	61	–	–	–

At December 31, 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	77,887	–	–	–
Other current liabilities	171	–	–	–

Cash flow interest rate risk

The majority of the Group's financial assets are non-interest bearing, and the majority of outstanding interest-bearing liabilities carry a fixed interest. As a result, the Group is not subject to significant amount of risk due to fluctuations in the prevailing levels of market interest rates.

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Up to 2009, this has implied financial leverage to the portfolio. Given the current market conditions, the Company's view is that it is not in the shareholders best interest that the Group's investments are financed through debt. The Group will therefore continue to work with financial leverage only on a restrictive basis during shorter periods of time.

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.

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 less broad in terms of publishing information than in more developed markets. In addition, access to external analysis, reliable statistics and historical data is inadequate. The effects of inflation can, moreover, be difficult for external observers to analyse. Although special expanded accounts are prepared and auditing is undertaken in accordance with international standard, no guarantees can be given with regard to the completeness or dependability of the information. Inadequate information and weak accounting standards may be imagined to adversely affect Vostok Nafta in future investment decisions.

Corporate governance risk

Misuse of corporate governance remains a problem in Russia. Minority shareholders may be badly treated in various ways, for instance in the sale of assets, transfer pricing, dilution, limited access to Annual General Meetings and restrictions on seats on boards of directors for external investors. In addition, sale of assets and transactions with related parties are common. Transfer pricing is generally applied by companies for transfer of value from subsidiaries and external investors to various types of holding companies. It happens that companies neglect to comply with the rules that govern share issues such as prior notification in sufficient time for the exercise of right of pre-emption. Prevention of registration of shares is also widespread. Despite the fact that independent authorised registrars have to keep most share registers, some are still in the hands of the company management, which may thus lead to register manipulation. A company management would be able to take extensive strategic measures without proper consent from the shareholders. The possibility of shareholders exercising their right to express views and take decisions is made considerably more difficult.

Inadequate accounting rules and standards have hindered the development of an effective system for uncovering fraud and increasing insight. Shareholders can conceal their ownership by acquiring shares through shell company structures based abroad which are not demonstrably connected to the beneficiary, which leads to self-serving transactions, insider deals and conflicts of interest. The role of the Russian financial inspectorate as the regulator of the equity market to guarantee effective insight and ensure that fraud is uncovered is complicated by the lack of judicial and administrative enforcement instruments.

Deficiencies in legislation on corporate governance, judicial enforcement and corporate legislation may lead to hostile takeovers, where the rights of minority shareholders are disregarded or abused, which could affect Vostok Nafta in a detrimental manner.

Dependence on key individuals

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

Investments in growth markets

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

International capital flows

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

Political instability

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

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

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

Fair value estimation

Effective January 1, 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements 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 December 31, 2009.

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	277,600	–	24,007	301,607
Investments in associated companies	129,791	–	18,293	148,084
Non current loan receivables	–	22,602	–	22,602
Current loan receivables	–	3,180	–	3,180
Total assets	407,391	25,782	42,300	475,473

As at December 31, 2009, the group did not have any qualifying liabilities.

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 maximise 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.

The following table presents the changes in level 3 instruments for the year ended December 31, 2009.

	Financial assets at fair value through profit or loss	Investments in associated companies	Total
Opening balance	26,123	41,163	67,286
Additions	1,292	–	1,292
Gains or losses for the period recognized in profit or loss			
– "Result from financial assets at fair value thorugh profit or loss"	–3,408	–	–3,408
Gains or losses for the period recognized in profit or loss			
– "Result from investments in associated companies"	–	355	355
Transfers out of level 3	–	–23,225	–23,225
Closing balance	24,007	18,293	42,300

In 2009, the Group participated in an asset swap, whereby the Group received 8,537,640 shares in RusForest AB (formerly Varyag Resources AB, listed on First North) in exchange for, inter alia, 50% of the shares in RusForest Ltd (with a carrying value of USD 23.23 mln) and claims on RusForest Ltd Group, which as per December 31, 2008 amounted to RUB 806.97 mln (USD 26.43 mln). As a consequence from the asset swap, transfers from level 3 into level 1, and from level 2 into level 1have been carried out in the amount of USD 23.23 mln, and USD 26.43 mln, respectively.

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

Tinkoff Credit Systems (Egidaco)

Value in use is used for Tinkoff Credit Systems estimated by discounting the Group's share of the cash flows from an eventual divestment of the company. An exit multiple valuation is used as the intention to sell the company to a strategic buyer within 3 to 5 years is outspoken among the majority shareholders. Management's forecasts for total loan portfolio, revenues and net income is based on two different scenarios which varies depending on the ability to raise external funding. As a conservative measure the projections have been reduced by 20 percent reflecting the relative inexperience in accurate forecasting and the difficulty of forecasting so far out in the future. This in turn affects the growth rate of the loan portfolio and the net income earned in the final year of the holding period.

The key parameters thus include the probability of available new funding, discount rate and assumptions regarding an exit multiple. A 20 percent probability of obtaining external funding reflects the current difficulty of raising debt finance, particularly the absence of securitization markets for the foreseeable future which originally represented the main funding source. The required rate of return on equity is currently set at 40 percent given existing indications from potential investors and advisors suggesting that the yield to maturity of TCS senior debt should be 25–30 percent. Cost of equity takes into account the presence of subordinated debt commanding a higher return than the senior debt, as well as the risks of the business including an uncertain exit. The exit multiple has been based on a comparable group of traded peers.

Sensitivity analysis – Tinkoff Credit Systems (Egidaco)

(USD mln)	Cost of Equity, %				
	30	35	40	45	50
Tinkoff Credit Systems	168.8	145.2	125.5	109.1	95.2
Shares held	23.8	20.5	17.7	15.4	13.4
Warrants	3.4	2.9	2.5	2.2	1.9
Total	27.2	23.4	20.2	17.6	15.3

(USD mln)	Exit P/E multiple				
	6	8	10	12	14
Tinkoff Credit Systems	75.3	100.4	125.5	150.6	175.7
Shares held	10.6	14.2	17.7	21.2	24.8
Warrants	1.5	2.0	2.5	3.0	3.5
Total	12.1	16.2	20.2	24.2	28.3

(USD mln)	Probability of scenario with external funding, %				
	0	10	20	30	40
Tinkoff Credit Systems	51.9	88.7	125.5	162.3	199.2
Shares held	7.3	12.5	17.7	22.9	28.1
Warrants	1.0	1.8	2.5	3.2	4.0
Total	8.3	14.3	20.2	26.1	32.1

Vosvik (Kontakt East)

Value in use for Kontakt East is estimated by Vostok Nafta's share of the value from a discounted cash flow model. As the holding period of the investment is estimated to be extensive with no clear exit under a foreseeable future, a continuing value based on an infinite growth rate has been estimated. Assessments of future cash flows are based on the most recent management forecasts covering a forecasting period of 5 years. Thereafter the continuing value is based on an assumption of an unchanged future growth rate deemed appropriate for the industry. The present value is calculated using a weighted average cost of capital as a discount rate.

Key parameters include sales growth, profitability, continuing growth rate and the discount rate. Average annual sales growth of 32 percent and profitability on the EBITDA level of 15 percent is estimated by management and evaluated by Vostok Nafta as reasonable. The continuing growth rate of 3 percent after the forecast period is in line with estimated overall economic growth. The weighted average cost of capital (WACC) of 14.1 percent is based on market rates for Russian sovereign bonds and corporate lending as well as company specific risk premiums.

Sensitivity analysis – Vosvik (Kontakt East)

(USD mln)	WACC, %				
	10	12	14.1	16	18
Vosvik (Kontakt East), total	64.2	48.3	36.9	29.3	23.3
Group's share	32.1	24.2	18.4	14.7	11.7

(USD mln)	Annual average sales growth 2010–2014, %				
	28	30	32	34	36
Vosvik (Kontakt East), total	25.6	30.7	36.9	43.0	49.0
Group's share	12.8	15.3	18.4	21.5	24.5

(USD mln)	Average EBITDA margin 2010–2014, %				
	11	13	15	17	19
Vosvik (Kontakt East), total	31.4	34.3	36.9	40.4	42.8
Group's share	15.7	17.2	18.4	20.2	21.4

Custos

Custos is valued based on comparable multiples as the entity is an investment vehicle for Baltic forestry estates with no current intention of generating annual cash flows from operations. Forecasts of cash flows are therefore considered irrelevant and would be subject to a very high level of uncertainty. Thus the forestry assets that the company owns are valued based on comparable market transactions for forestry estates in the geographic vicinity.

Key parameters are market sales prices implying price per hectare of forestry land and price per m^3 of forest on that land. The latest market transactions for forest estates in the region imply a price of SEK 225 per m^3 and 11,000 SEK per hectare.

TKS Concrete

Value in use for TKS Concrete is estimated by Vostok Nafta's share of the value from a discounted cash flow model. As the holding period of the investment is estimated to be extensive with no clear exit under a foreseeable future, a continuing value based on an infinite growth rate has been estimated. Assessments of future cash flows are based on Vostok Nafta estimates covering a forecasting period of 6 years. Thereafter the continuing value is based on an assumption of an unchanged future growth rate deemed appropriate for the industry. The present value has been calculated using a weighted average cost of capital as a discount rate.

Key parameters include plant additions, capacity utilization, price of concrete, profitability and the discount rate. An increase of the current 4 plants to 12 along with a ramp up capacity utilization to 80 percent is estimated by management and evaluated by Vostok Nafta as reasonable. An average concrete price of USD 80 per m^3 and an average operating margin of 17 percent are considered realistic given the company's future prospects. The weighted average cost of capital of 19.5 percent is based on market rates for Ukrainian sovereign bonds and corporate lending as well as company specific risk premiums.

Critical accounting estimates and assumptions

The management of Vostok Nafta Investment Ltd has to make estimates and judgements when preparing the Financial Statements of the Group. Uncertainties in the estimates and judgements could have an impact on the carrying amount of assets and liabilities and the Group's result. The most important estimates and judgements in relation thereto are:

Fair value of unlisted financial assets

The estimates and judgements when assessing the fair value of unlisted investments in associated companies and financial assets at fair value through profit or loss are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. For further information on fair value estimation, see above.

Note 4
General

Incorporation and legal structure

Vostok Nafta Investment Ltd (the Company or the Parent Company) is an investment company with its focus on portfolio investments mainly in the CIS-country block. The Company was incorporated in Bermuda on April 5, 2007, as a tax exempted limited liability company. The Swedish Depository Receipts of Vostok Nafta (SDB) are listed on the NASDAQ OMX Nordic Exchange Stockholm, Mid Cap section. Ticker: VNIL SDB.

As at December 31,2009, the Vostok Nafta group (the Group) consists of a Bermudan parent company, Vostok Nafta Investment Ltd, one wholly owned Bermudan subsidiary, Vostok Holding Limited, three wholly owned Cypriot subsidiaries; Vostok Komi (Cyprus) Ltd, Dodomar Ventures Limited and Premline Holdings Limited; one Swedish subsidiary; Vostok Nafta Sverige AB, and four wholly owned Russian subsidiaries, OAO Resurs-Invest, OOO Resursniye Investitsii, ZAO Baikal Energy, and OOO Volga – Nash Dom.

The registered office of the Company is in Hamilton, Bermuda (Codan Services Ltd, 2 Church Street, Hamilton, Bermuda). Vostok Nafta Sverige AB's registrered office is at Hovslagargatan 5, 111 48 Stockholm, Sweden.

Note 5
Result from financial assets at fair value through profit or loss

	Group 2009	Group 2008
Proceeds from sale of financial assets at fair value through profit or loss	84,795	370,473
Carrying value of sold financial assets at fair value through profit or loss	–126,818	–233,000
Change in fair value of undisposed financial assets at fair value through profit or loss	181,858	–500,734
Result from financial assets at fair value through profit or loss	139,835	–363,261

During 2008 and 2009, result from financial assets at fair value through profit or loss comprises the result from fair value changes of financial assets that have been designated on initial recognition as assets to be measured at fair value with fair value changes in profit or loss.

Note 6
Result from investments in associated companies

	Group 2009	Group 2008
Change in fair value of undisposed investments in associated companies	–5,296	–180,563
Result from investments in associated companies	–5,296	–180,563

During 2008 and 2009 result from associated companies comprises the result from fair value changes of financial assets that have been designated on initial recognition as assets to be measured at fair value with fair value changes in profit or loss.

Note 7
Dividend income

	Group 2009	Group 2008
Dividend income recognized in the income statement	9,111	9,646
whereof unsettled at balance sheet date	–	–
Tax withheld on dividends	–1,367	–1,381
Net proceeds from dividends, net of tax, recognized in the income statement during the year	7,744	8,265

Note 8
Result from loan receivables

	Group 2009	Group 2008
Interests income	6,507	5,399
Impairments	–8	–1,465
Foreign exchange rate gains/losses	544	–11,027
Total	7,043	–7,093

Note 9
Other operating income

	Group 2009	Group 2008
Reimbursed expenses (see also note 28)	498	887
Rental income (see also note 28)	178	132
Other	234	8
Total	910	1,027

Note 10
Operating expenses by nature

	Group 2009	Group 2008	Parent Company 2009	Parent Company 2008
Employee benefit expense (Note 27)	3,090	3,514	715	892
Depreciation and write down of property, plant and equipment	174	136	–	–
Operating lease expenses	441	748	107	383
Other expenses	2,192	4,318	3,364	3,339
Total operating expenses	5,897	8,716	4,187	4,614

Lease rentals amounting to TUSD 441 (2008: 748) relating to rent of office space in Stockholm, Moscow and London have been recognized in the income statement.

Note 11
Tax

Corporate income tax – general

The parent company, Vostok Nafta Investment Ltd, and its Bermudan subsidiary Vostok Holding Ltd, are exempted and therefore not liable for tax in Bermuda.

The Group's Cypriot entities are subject to corporate tax on taxable profits at the rate of 10%. Under certain conditions interest income may be subject to special defence contribution tax at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax rate burden of approximately 15%. Any gains from disposal of qualified securities are not subject to corporate tax in Cyprus. In certain cases, however, dividends received from abroad may be subject to special defence contribution tax at a rate of 15%.

The Russian subsidiaries' profits during 2009 are subject to Russian income tax at the rate of 20 % (2008: 24%).

During 2009, the Swedish subsidiary's profits are subject to Swedish income tax at the rate of 26.3% (2008: 28%).

Income tax expense

	Group 2009	Group 2008
Current tax	–20	–63
Deferred tax	28	1,372
Special defence contribution tax	–	–353
Taxation	8	956

The tax on the Group's result before tax differs from the theoretical amount that would arise using the tax rate of the countries where the Group operates as follows:

	Group 2009	Group 2008
Result before tax	139,838	–557,344
Tax parent company (0%)	–	–
Expected tax Cyprus (10%)	–11,980	54,452
Expected tax Russia (20%/24%)	–1,086	5,402
Expected tax Sweden (26.3%/28%)	8	-51
Expected tax, total	–13,058	59,604
Income not subject to income tax	20,677	15,905
Expenses not deductible	–8,205	-68,999
Utilization of previously unrecognized tax losses	733	-
Tax losses for which no deferred income tax was recognized	–147	–5,203
Remeasurement of deferred tax – change in the Swedish tax rate	1	–
Prior year adjustments	7	1
Special defence contribution tax	–	–353
Taxation	8	956

Deferred tax

	Group Dec 31, 2009	Group Dec 31, 2008
Deferred tax assets relating to – tax losses	109	14
Deferred tax liabilities relating to – untaxed reserves	–	–19
Total	109	–5

The gross movement on the deferred income tax account is as follows

	Group 2009	Group 2008
Beginning of the year	–5	–1,358
Acquired deferred tax asset	85	–
Charged to income statement	28	1,372
Currency translation differences	1	–19
End of the year	109	–5

Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred tax assets of USD 2.69 mln (2008: 5.20) in respect of losses amounting to USD 15.74 mln (2008: 23.97) that can be carried forward against future taxable income.

Note 12
Earnings per share

Basic earnings per share have been calculated by dividing the net result for the financial year by the weighted average number of shares in issue during the year.

For the period ended December 31, 2009, the weighted average number of shares has been affected by two new share issues, which have been completed during the year. On February 6, 2009, the Company completed a prefential share issue whereby 46,020,901 new shares were issued for a consideration of SEK 12 each, and on June 25, 2009, the Company completed a directed share issue whereby 8,949,173 new shares were issued for a consideration of USD 3.84 each, payable by in-kind contribution of publicly traded shares in companies whose main business activities are conducted in Russia and the C.I.S. As at December 31, 2009, the unadjusted weighted average number of shares in issue during the year was 92,136,970 (2008: 46,020,901).

In accordance with IAS 33, the weighted average number of shares in issue during the year has been adjusted to reflect the discounted value of shares issued in the preferential issue. The number of shares outstanding before the issue has been adjusted, as if the issue had occurred at the beginning of the earliest period reported. In the adjustment, the number of ordinary shares outstanding prior to the issue has been multiplied by an adjustment factor, which has been derived by using the following inputs:

Fair value of outstanding shares immediately prior to the exercise of the rights:	SEK 782,355,317
Proceeds from rights issue:	SEK 552,250,812
Number of shares outstanding after exercise:	92,041,802
Total theoretical ex-rights fair value/share:	SEK 14.50
Fair value/share immediately prior to the exercise of the rights:	SEK 17
Adjustment factor:	1.172

Diluted earnings per share have been calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares. Share options are the only category of dilutive potential ordinary shares for the company. For the share options, a calculation is made in order to determine the number of shares that would have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the options.

	2009	2008
Profit attributable to the equity holders of the company	139,846	–556,388
Weighted average number of ordinary shares on issue	100,052,565	53,936,495
Earnings per share, basic	1.40	-10.32
Adjustment for dilution effect of incentive options	–	–
Weighted average number of ordinary shares for diluted	100,052,565	53,936,495
Earnings per share, diluted	1.40	–10.32

Note 13
Property, plant and equipment

Group	Land and buildings	Furniture, fittings and equipment	Total
At January 1, 2008			
Cost or valuation	–	720	720
Accumulated depreciation	–	–174	–174
Net book amount	–	546	546
Year ended December 31, 2008			
Opening net book amount	–	546	546
Additions	–	146	146
Depreciation charge	–	–184	–184
Exchange differences	–	2	2
Closing net books amount	–	510	510
At December 31, 2008			
Cost or valuation	–	873	873
Accumulated depreciation	–	–363	–363
Net book amount	–	510	510
Year ended December 31, 2009			
Opening net book amount		510	510
Acquisition of subsidiary (note 29)	1,520	–	1,520
Revaluations	201	–	201
Additions	–	2	2
Disposals	–	–32	–32
Write downs	–	–30	–30
Depreciation charge	–	–144	–144
Exchange differences	1	–80	–79
Closing net books amount	1,722	226	1,948
At December 31, 2009			
Cost or valuation	1,722	640	2,362
Accumulated depreciation	–	–414	–414
Net book amount	1,722	226	1,948

Depreciations and write downs amounting to net USD –174 thousand (–136) for the Vostok Nafta Group have recognized among operating expenses in the income statement (see also note 10).

Note 14
Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

December 31, 2009 – Group

Assets as per balance sheet	Loans and receivables	Assets at fair value through the profit and loss – designated	Total
Financial assets at fair value through profit or loss	–	301,607	301,607
Investments in associates	–	148,084	148,084
Loan receivables	22,602	–	22,602
Cash and cash equivalents	8,935	–	8,935
Total	31,537	449,691	481,228

December 31, 2008 – Group

Assets as per balance sheet	Loans and receivables	Assets at fair value through the profit and loss – designated	Total
Financial assets at fair value through profit or loss	–	134,181	134,181
Investments in associates	–	115,296	115,296
Loan receivables	45,231	–	45,231
Cash and cash equivalents	29,198		29,198
Total	74,429	249,477	323,906

Liabilities as per balance sheet	Other financial liabilities	Total
Borrowings	77,887	77,887
Total	77,887	77,887

Note 15
Non-current financial assets at fair value through profit or loss

	Group Dec 31, 2009	Group Dec 31, 2008
Beginning of the year	134,181	565,043
Additions	115,063	302,871
Reclassifications	–2,677	–
Disposals	–126,818	–233,000
Change in fair value	181,858	–500,734
End of the year	301,607	134,181

The assets specified in the table below are investments in financial assets at fair value through profit or loss. Except for the securities/companies mentioned below, all assets are listed ́and valued on the basis of the bid price as per the balance sheet date.

- Agrowill Group. The company is listed and the share was last traded at LTL 0.33 on December 30, 2009. Due to the financial problems experienced by the company during 2009 and continuing into 2010, the value of the holdings was recognized at 0 in the Group's consolidated accounts at December 31, 2009.
- Custos. The company is unlisted and the fair value as per December 31, 2009 is estimated using comparable multiples as the entity is an investment vehicle for Baltic forestry estates with no current intention of generating annual cash flows from operations. For further information, see Note 3 – Fair Value Estimation.
- Egidaco Investment Limited (Tinkoff Credit Systems), equity and warrants. The company is unlisted and the fair value as per December 31, 2009 is estimated using an exit multiple valuation, since the intention to sell the company to a strategic buyer within 3 to 5 years is outspoken by the company's major shareholders. For further information, see Note 3 – Fair Value Estimation.
- TKS Concrete. The company is unlisted and the fair value as per December 31, 2009 is estimated using a discounted cash flow model. For further information, see Note 3 – Fair Value Estimation.

Security/Company name	Number of shares held Dec 31, 2009	Fair value (USD), Dec 31, 2009	Ownership share %	Number of shares held Dec 31, 2008	Fair value (USD), Dec 31, 2008	Ownership share %
Group						
Agrowill Group	1,765,000	0	6.75%	1,765,000	925,071	6.75%
Alrosa	1,159	7,243,750	0.42%	966	2,898,000	0.48%
Bekabadcement	3,000	450,000	5.36%	3,000	300,000	5.36%
Caspian Services	5,364,850	3,165,262	10.48%	4,924,850	699,329	9.62%
Custos AB	547,000	2,292,920	13.68%	200,000	764,662	13.80%
Dakor	272,106	3,007,078	4.76%	272,107	3,492,399	4.76%
Egidaco 18% 2011	5,000,000	6,073,821	–	5,000,000	5,220,188	–
Egidaco Investment Limited (Tinkoff Credit Systems), equity	885,934	17,697,000	15.00%	885,934	20,889,000	15.00%
Egidaco Investment Limited (Tinkoff Credit Systems), warrants		2,510,000	2.00%		2,963,000	2.00%
Fortress Minerals Corp	6,000,000	2,335,519	0.48%	6,000,000	974,818	0.48%
Gaisky GOK	31,274	8,131,240	5.06%	31,274	4,691,100	5.06%
Gazprom Neft ADR	189,300	5,300,400	0.02%	–	–	–
Gornozavodsk Cement	39,000	5,460,000	5.03%	39,000	780,000	5.03%
Kamkabel	1,600,000	128,000	4.12%	1,600,000	176,000	4.12%
KazMunaiGas	–	–	–	16,667	210,004	0.41%
Kherson Oil Refinery	5,789,903	7,196	4.40%	5,789,903	7,345	4.40%
Kuzbass Fuel Company	50,000	20,000,000	2.96%	25,000	8,750,000	1.48%
Kuzbassrazrezugol	133,752,681	49,488,492	2.18%	107,812,491	8,894,531	1.74%
Kyrgyzenergo	2,618,241	168,688	0.27%	2,618,241	168,688	0.27%
Lukoil ADR	258,000	14,757,600	0.03%	–	–	–
Novoil Ord	1,620,000	1,425,600	0.20%	–	–	–
Novoil Pref	1,122,705	366,002	1.42%	–	–	–
Orsk Refinery Ord	–	–	–	2,025	21,769	0.06%
Orsk Refinery Pref	–	–	–	538	3,228	0.05%
Podolsky Cement	85,332	106,058	0.01%	6,564	41,637	0.10%
Poltava GOK	3,154,498	10,218,589	1.65%	1,849,088	2,728,464	1.31%
Priargunsky Ind Ord	98,242	19,157,190	5.62%	66,674	6,667,400	3.81%
Priargunsky Ind Pref	11,709	1,077,228	2.82%	11,709	187,344	2.82%
Progress Capital	–	–	–	35,498	138,442	0.17%
RSC Energia	–	–	–	17,000	595,000	1.51%
RusHydro Ord	–	–	–	551,273,416	11,080,596	0.22%
RusHydro ADR	4,678,734	17,919,551	0.17%	–	–	–
Shalkiya Zinc GDR	1,442,400	57,696	2.55%	1,442,400	72,120	2.55%
Sibirsky Cement	322,767	5,971,190	1.06%	40,000	600,000	0.13%
Steppe Cement Ltd	10,156,113	10,180,650	6.59%	7,523,047	2,951,976	6.60%
Surgutneftegaz Pref	785,000	3,728,750	0.10%	–	–	–
TKS Concrete	187	1,506,750	10.00%	187	1,506,750	10.00%
TKS Real Estate (Waymore Holding)	623,800	894,124	6.93%	623,800	8,683,608	6.93%
TNK BP Holding Pref	27,096,616	40,644,924	6.02%	45,596,616	20,837,654	10.13%
Transneft Pref	19,730	15,389,400	1.27%	18,730	4,120,600	1.20%
Tuimazy Concrete Mixers	1,215,000	7,290,000	14.78%	1,200,000	4,800,000	14.60%
Uchalinsky GOK	–	–	–	1,444,045	4,332,135	3.79%
Ufa Refinery	10,300,000	9,270,000	1.89%	–	–	–
Ufaneftekhim	1,715,000	5,102,125	0.62%	–	–	–
Ufaorgsintez	670,000	2,378,500	0.69%	–	–	–
Varyag Rescources AB	–	–	–	1,434,880	2,006,974	10.79%
Varyaganneftgas Pref	41,500	705,500	0.17%	–	–	–
Yakutgazprom	–	–	–	100,000	1,000	0.01%
Total non current financial assets at fair value through profit or loss		301,606,793			134,180,832	

Note 16
Investment in associated companies

	Group Dec 31, 2009	Group Dec 31, 2008
Beginning of the year	115,296	248,213
Additions	8,974	47,646
Reclassifications	29,110	–
Change in fair value or share of income	–5,296	–180,563
End of the year	148,084	115,296

The shares specified in the table below are investments in associated companies. Black Earth Farming Ltd, RusForest AB, and Clean Tech East Holding AB are listed companies and valued on the basis of the bid price as per the balance sheet date. Vosvik AB/Kontakt East is an unlisted company. For information on the value assessment of this investment; see note 3 – Fair Value Estimation.

On May 25, 2009 an Extraordinary General Meeting held in RusForest AB (formerly Varyag Resources AB) 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 Rusforest 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 807.0 mln (USD 26.4 million). Through the asset swap the Group increased its stockholdings in RusForest AB from 492,350 shares to 10,195,802 shares. Subsequent to the asset swap, Vostok Nafta has added another 692,601 shares to its shareholding in the company, and holds per December 31, 2009 10,888,403 shares, representing 49.9% of total outstanding shares in RusForest AB.

During 2009, 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.

Name	Number of shares held	Interest held, per cent	Fair value	Revenues Jan 1, 2009–Dec 31, 2009	Profit/Loss Jan 1, 2009–Dec 31, 2009	Assets Dec 31, 2009	Liabilities Dec 31, 2009
2009							
Black Earth Farming Ltd	30,888,704	24.8	97,973	79,180	–44,613	365,350	76,238
Clean Tech East Holding AB,							
shares	42,254,295	31.3	3,367	3,143	–3,114	23,332	15,035
Clean Tech East Holding AB,							
granted call options	–4,000,000		–139				
Vosvik AB (Kontakt East)	50,000	50.0	18,432	8,462	–19,176	32,453	3,203
RusForest AB	10,888,403	49.9	28,450	27,310	15,729	133,436	27,297
Total			148,084				

Name	Number of shares held	Interest held, per cent	Fair value	Revenues Jan 1, 2008–Dec 31, 2008	Profit/Loss Jan 1, 2008–Dec 31, 2008	Assets Dec 31, 2008	Liabilities Dec 31, 2008
2008							
Black Earth Farming Ltd	30,888,704	24.8	71,090	23,109	–24,257	414,730	82,284
Eastern Bio Holding AB	1,139	43.4	2,389	318	–2,525	7,045	5,586
Vosvik AB (Kontakt East)	50,000	50.0	17,938	21,423	–9,018	45,332	9,729
RusForest Ltd	23,035,197	50.0	23,225	38,371*	–7,740*	103,794*	61,397*
SystemSeparation AB	7,139,701	23.8	654	5,182	191	5,685	1,147
Total			115,296				

* According to the financial statements of RusForest Ltd for the financial year October 1, 2007–September 30, 2008.

Note 17
Non-current loan receivables

	Group Dec 31, 2009	Group Dec 31, 2008
Beginning of the year	17,384	9,138
Additions	1,157	12,462
Interest income	5,323	1,188
Impairments	–	–1,465
Reclassifications	–1,465	–
Exchange differnces	203	–3,940
End of the year	22,602	17,384

Counterparty	Credit rating Dec 31, 2009	Nominal value Dec 31, 2009	Nominal value Dec 31, 2008	Carrying value Dec 31, 2009	Carrying value Dec 31, 2008	Terms of interest	Maturity
Tinkoff Credit Systems Bank (TCS)	–	21,125	16,384	21,389	15,919	24.5%/26.5%	Sep 2011
RusForest (Cyprus) Limited	–	1,003	–	996	–	8%	Jan 2012/Mar 2013
Loans to personnel	–	1,250	–	200	–	7%	–
Murrayföretagen AB			2,930	–	1,465	10%	–
Other	–	17	–	17	–		
Total		23,395	19,314	22,602	17,384		

During the financial year, the terms of the RUB 500 mln loan receivable from Closed Joint Stock Company Tinkoff Credit Systems Bank (TCS), were amended, so that no interest payments will be made until the date of maturity, which was determined to September 26, 2011. Instead interest will be capitalised with an interest rate of 24.5% up to December 22, 2010, and with 26.5% up to the date of maturity. Interest income on the loan is being recognized in the income statement over the maturity of the loan, using the effective interest rate method. During 2009, interest income in relation to the loan, using the effective interest method, has been recognized in the amount of USD 5,267 thousand (2008: 1,188).

During 2009, the Group 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 (Note 29). 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 was 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.

In July 2009, Vostok Holding Ltd acquired from Vostok Gas Ltd two interest bearing unsecured loans to employees of the Vostok Nafta Group for a total consideration of USD 200,000. As at December 31, 2009, the outstanding loans including accrued interest amounted to nominally USD 1,250 thousand.

Note 18
Current loan receivables

	Group Dec 31, 2009	Group Dec 31, 2008
Beginning of the year	27,847	4,197
Additions	1,292	29,986
Repayments	–	–229
Reclassifications	–26,595	–360
Interest income	326	1,340
Write-offs	–8	–
Exchange differences	319	–7,087
End of the year	3,180	27,847

Counterparty	Credit rating Dec 31, 2009	Nominal value Dec 31, 2009	Nominal value Dec 31, 2008	Carrying value Dec 31, 2009	Carrying value Dec 31, 2008	Terms of interest	Maturity
Clean Tech East Holding AB	–	3,153	1,279	3,153	1,279	18%	Feb 2010
Bogouchansky LPK		–	9,458	–	9,458		
IVLPS-Nebelsky LPCH		–	4,751	–	4,751		
OOO Lesprom		–	5,541	–	5,541		
BAMlesstroy ZAO		–	221	–	221		
PIK-89 OOO		–	1,466	–	1,466		
Tuba Les ZAO		–	1,681	–	1,681		
Transsibirskaya Lesnaya Kompania OOO		–	3,313	–	3,313		
Other short term receivables	–	27	137	27	137		
Total		3,180	27,847	3,180	27,847		

On May 25, 2009 an Extraordinary General Meeting held in RusForest AB (publ) (formerly Varyag Resources AB (publ)) approved a proposed acquisition of Vostok Nafta's interests in the RusForest Ltd Group in exchange for 8,537,640 newly issue shares in Rusforest AB. The asset swap ratio was based on the Net Assets Value of RusForest AB Group as per December 31, 2008, and the fair value of Vostok Nafta's interests in RusForest, which as per the same date comprised 50% of the shares in RusForest Ltd (with a carrying value of USD 23.2 million) and claims on companies in the RusForest Ltd Group, amounting to RUB 807.0 mln (USD 26.4 million). In the consolidated accounts, the exchange of loan receivables for shares in RusForest AB has been recognized as a reclassification of assets from current loan receivables to investments in associated companies.

Note 19
Other current receivables

	Group Dec 31, 2009	Group Dec 31, 2008	Parent Company Dec 31, 2009	Parent Company Dec 31, 2008
Prepayments and accrued income	1,350	950	73	8
Sundry debtors	700	1,588	309	271
Total	2,050	2,538	382	279

Note 20
Cash and cash equivalents

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group Dec 31, 2009	Group Dec 31, 2008
Cash and cash equivalents	8,935	29,198
Total	8,935	29,198

Note 21
Share capital and additional paid in capital

Group and Parent Company	Number of shares held	Share capital	Additional paid in capital
At January 1, 2008	46,020,901	46,021	146,476
Employees share option scheme:			
– value of employee services	–	–	408
At December 31, 2008	46,020,901	46,021	146,884
Preferential share issue, February 2009	46,020,901	46,021	20,180
Directed share issue, June 2009	8,949,173	8,949	24,424
Employees share option scheme:			
– value of employee services	–	–	212
At December 31, 2009	100,990,975	100,991	191,700

In February 2009, the Company completed a prefential share issue whereby 46,020,901 new shares were issued for a consideration of SEK 12 each. Net of transaction costs the proceeds from the new share issue was USD 66,201 thousand.

In June 2009, the Company completed a directed share issue whereby 8,949,173 new shares were issued for a consideration of USD 3.84 each, payable by in-kind contribution of publicly traded shares in companies whose main business activities are conducted in Russia and the C.I.S. Net of transaction costs the proceeds from the new share issue was USD 33,373 thousand.

There are currently 1,533,920 ordinary shares available under the employee share option scheme. Each option entitles the holder to one new share (SDR) in Vostok Nafta Investment Ltd. For more information on the options, see Note 27.

An Extra General Meeting held on June 25, 2009, approved a resolution to increase the authorised share capital of the Company from USD 100,000,000 to USD 110,000,000. As at December 31, 2009, the number of outstanding shares was 100,990,975 at a par value of USD 1 each, all of which have been paid in full. Additional paid in capital is defined as the difference between the net proceeds from the issue of share capital and the par value of that share capital. Each ordinary share carries one vote.

Note 22
Borrowings

Current	Group Dec 31, 2009	Group Dec 31, 2008	Parent Company Dec 31, 2009	Parent Company Dec 31, 2008
Bank borrowings	–	50,097	–	–
Debentures and other loans	–	27,790	–	27,790
Total borrowings	–	77,887	–	27,790

During the period ended December 31, 2009, all bank borrowings, debentures and other loans were repaid in full. Interest expenses in relation to the repaid borrowings have been recognized in the amount of USD 1,857 thousand.

Note 23
Other current liabilities

	Group Dec 31, 2009	Group Dec 31, 2008	Parent Company Dec 31, 2009	Parent Company Dec 31, 2008
Other current liabilities	61	171	–	2
Total	61	171	–	2

Note 24
Financial guarantee

In July 2009, Vostok Komi (Cyprus) Limited entered into an agreement with Bohusman AB and Clean Tech East Holding AB, under which Vostok Komi guaranteed a SEK 1,368,872 debt of Bohusman AB to Eastern Bio Holdings AB, a wholly owned subsidiary of Clean Tech East Holding AB. The guarantee undertaking was secured by the pledge by Bohusman AB of shares in Clean Tech East Holding AB, and the value of the undertaking itself expressly limited to the value of the pledged shares. The underlying debt matured on February 9, 2010, and Clean Tech East Holding AB is currently in talks with Bohusman AB regarding final settlement.

Note 25
Pledged assets and contingent liabilities

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 ended December 31, 2009, 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 December 31, 2009 or as per December 31, 2008.

Note 26
Shares in subsidiaries

Parent Company	Country	Number of shares	Share of capital and votes, %	Book value Dec 31, 2009, USD thousand	Book value Dec 31, 2008, USD thousand
Vostok Komi (Cyprus) Ltd	Cyprus	150,000	100	226,805	102,243
Vostok Holding Ltd	Bermuda	10,000	100	60	10
Other subsidiaries of the Group					
Vostok Nafta Sverige AB	Sweden		100		
Dodomar Ventures Limited	Cyprus		100		
Premline Holdings Limited	Cyprus		100		
OOO Volga – Nash Dom	Russia		100		
ZAO Baikal Energy	Russia		100		
OAO Resurs-Invest	Russia		100		
OOO Resursniye Investitsii	Russia		100		
Total				226,865	102,253

All the companies are included in the consolidated financial statements from the time of acquisition.

During the period ended December 31, 2009, a reversal of write downs on shares in subsidiaries has been made in the amount of USD 124.56 mln. During the period ended December 31, 2008, the Company wrote down the value of the shares in its subsidiary Vostok Komi (Cyprus) Limited in the amount of USD 288.69 mln.

Note 27
Employee benefit expense

	Group 2009	Group 2008	Parent Company 2009	Parent Company 2008
Wages and salaries	2,373	2,563	477	434
Social security costs	355	366	21	44
Share based compensations	212	408	212	408
Pensions costs	126	135	–	–
Other employee benefit expenses	24	41	5	5
Total employee benefit expense	3,090	3,514	715	892

	Group 2009	Group 2008	Parent Company 2009	Parent Company 2008
Salaries and other remunerations to the management and the board of directors of the parent and its subsidiaries	1,505	1,376	549	607
Salaries to other employees	1,230	1,736	146	240
Total salaries	2,735	3,112	695	847

Decisions regarding remuneration to managers are made by the Company's compensation committee made up of three of the board members. The managing director has the right to 12 months salary in the event of the termination of appointment on part of the company. He must himself observe 6 months notice of termination. The rest of the management has a notice period of one month, which also applies to the company in the event of termination on part of the company. No notice period applies to the Board of Directors. The average number of persons employed by the Group, excluding members of the Board of Directors, during the year was 16 (15), of which 9 were men (10). The average number of persons in the management was 4 (4).

Group, 2009	Base salaries/ board fee	Variable compensations	Other benefits	Pension expenses	Shares based compensations	Other remunerations	Total
Lukas H. Lundin	40	–	–	–	–	189*	229
Al Breach	15	–	–	–	–	–	15
Paul Leander-Engström	22	–	–	–	–	–	22
Torun Litzén	22	–	–	–	–	–	22
Ian H. Lundin	22	–	–	–	–	–	22
William A. Rand	26	–	–	–	–	–	26
Robert J. Sali	18	–	–	–	–	–	18
Per Brilioth	297	125	–	46	–	–	468
Other management and							
board members of subsidiaries	490	44	6	56	87	–	683
Total	952	169	6	102	87	189	1,505

* Remuneration to Namdo Management for management and investor relations services rendered. Namdo Management is a company controlled by the chairman of the Board Lukas H. Lundin.

Group, 2008	Base salaries/ board fee	Variable compensations	Other benefits	Pension expenses	Shares based compensations	Other remunerations	Total
Lukas H. Lundin	76	–	–	–	–	–	76
Al Breach	29	–	–	–	–	–	29
Paul Leander-Engström	41	–	–	–	–	–	41
Torun Litzén	43	–	–	–	–	–	43
Ian H. Lundin	43	–	–	–	–	–	43
William A. Rand	50	–	–	–	–	–	50
Robert J. Sali	34	–	–	–	–	–	34
Per Brilioth	361	–	–	70	–	–	431
Other management and							
board members of subsidiaries	427	–	6	25	171	–	629
	1,104	–	6	95	171	–	1,376

Parent, 2009	Base salaries/ board fee	Variable compensations	Other benefits	Pension expenses	Shares based compensations	Other remunerations	Total
Lukas H. Lundin	40	–	–	–	–	189*	229
Al Breach	15	–	–	–	–	–	15
Paul Leander-Engström	22	–	–	–	–	–	22
Torun Litzén	22	–	–	–	–	–	22
Ian H. Lundin	22	–	–	–	–	–	22
William A. Rand	26	–	–	–	–	–	26
Robert J. Sali	18	–	–	–	–	–	18
Other management and							
board members of subsidiaries	103	–	6	–	87	–	195
	267	–	6	–	87	189	549

* Remuneration to Namdo Management for management and investor relations services rendered. Namdo Management is a company controlled by the chairman of the Board Lukas H. Lundin.

Parent, 2008	Base salaries/ board fee	Variable compensations	Other benefits	Pension expenses	Shares based compensations	Other remunerations	Total
Lukas H. Lundin	76	–	–	–	–	–	76
Al Breach	29	–	–	–	–	–	29
Paul Leander-Engström	41	–	–	–	–	–	41
Torun Litzén	43	–	–	–	–	–	43
Ian H. Lundin	43	–	–	–	–	–	43
William A. Rand	50	–	–	–	–	–	50
Robert J. Sali	34	–	–	–	–	–	34
Other management and board members of subsidiaries	115	–	5	–	171	–	291
	431	–	5	–	171	–	607

1. No termination or post-employment benefits have been paid out during the year.
2. The managing director has a pension plan according to Swedish ITP standards. There is a lack of information to permit the reporting of the Group's proportional share of the defined benefit commitment and of the plan assets and costs associated with this plan. Consequently, the plan is reported as if it were a defined contribution plan, which means that the expenses incurred are reported as a cost. The pension is not tied to the managing director's employment and is based on the managing director's base salary.

Incentive programme

The Extra General Meeting held on August 29, 2007 decided in accordance with the proposal from the board of directors to adopt an incentive programme in Vostok Nafta Investment Ltd which entitles present and future employees to be allocated call options, which entitle the holder to acquire shares represented by Swedish Depositary Receipts in Vostok Nafta Investment Ltd.

The incentive programme shall be governed by the following terms and conditions:

- The exercise price for the options shall correspond to 120 percent of the market value of the Swedish Depositary Receipts at the time of the granting of the options.
- The options may be exercised not earlier than two years and not later than three years from the time of the granting.
- For employees resident outside of Sweden the following conditions shall apply. No premium shall be paid for the options and the options may only be exercised if the option holder at the time of exercise is still employed within the group. If an Optionholder ceases to be an employee of or, as the case may be, consultant to any Member of the Group for any of the reasons set out below, then his or her Options will not lapse but may be exercised to the extent notified to the Optionholder on the Date of Grant provided all applicable Performance Conditions being relevant at date of cessation are satisfied or waived. The reasons are; ill-health, injury, and disability; retirement; early retirement by written agreement with the Optionholder's employer; his or her employing company ceasing to be under the control of the Company, or, as a result of a transfer of the undertaking in which the Optionholder works, transfer to a company which is neither under the control of the Company nor a Member of the Group; any other reason specified by the Directors in their absolute discretion.
- For employees resident in Sweden the following conditions shall apply. The options are offered to a purchase price corresponding to the market value of the options at the time of the offer. The options shall be fully transferable and will hereby be considered as securities. Among other things this entails that the options are not contingent upon employment and will not lapse should the employee leave his or her position within the group.
- Options may be issued by Vostok Nafta Investment Ltd or by other group companies.

Preparation and administration

The Board of Directors, or a designated committee appointed by the Board of Directors, shall be authorised to determine the detailed terms and conditions for the incentive scheme in accordance with the approved principal conditions and guidelines. The Board of Directors may in connection thereto make necessary adjustments to satisfy certain regulations or market conditions abroad. The Board of Directors shall also be authorised to resolve on other adjustments in conjunction with material changes affecting the group or its business environment, which would mean that the authorised conditions for the incentive scheme would no longer be appropriate.

Allocation

The incentive scheme is proposed to include granting of not more than 1 million options. Allocation of options to the Managing Director shall not exceed 500,000 options and allocation to each member of the executive management or to other key employees shall not exceed 200,000 options.

The allocation of options shall be decided by the Board of Directors, or by the Compensation Committee, whereby inter alia the performance of the employee and his or her importance to the group will be considered. In connection with allocation of options to employees resident outside of Sweden as well as resident in Sweden, the following criteria shall inter alia be considered: the employee's ability to manage and develop the existing portfolio, identify new investment opportunities and evaluate conditions of new investments, and also return on capital or estimated return on capital in various object of investments. The employees will not initially be offered the maximum allocation of options and a performance related allocation system will be maintained since allocation of additional options within the mandate given by the general meeting will require fulfilment of stipulated requirements and targets. The Compensation Committee shall be responsible for the evaluation of the performance of the employees. The outcome of stipulated targets shall, if possible, be reported on afterwards.

Directors who are not employed by the group shall not be able to participate in the scheme.

Possible future bonus for employees resident in Sweden

In order to stimulate the participation in the scheme, the company has the intention to arrange for a subsidy in the form of a bonus payment which after tax corresponds to the option premium. Half of the bonus is intended to be paid in connection with the purchase of the options and the remaining half in connection with the exercise of the options. The latter bonus payment is subject to the requirement that the holder is still an employee of the group at the time of exercise of the options. If the options are not exercised, the latter bonus payment will not be paid. For employees in Sweden, the participation in the scheme will thus include a risk-taking element.

Purpose

The purpose of the proposed incentive scheme is to create conditions to retain and recruit competent employees to the group as well as promote long-term interests of the company by offering its employees the opportunity to participate in any favourable developments in the value of the Company. The Board of Directors is of the opinion that the adoption of an incentive scheme is particularly justified as a consequence of employees of the Company not being subject to any variable bonus scheme.

Personnel options	Issued 2007[1,2,3]	Issued 2009[1,3]	Total Dec 31, 2009	Total Dec 31, 2008
Management and board members of subsidiaries				
Per Brilioth	438,000	200,000	638,000	250,000
Sergei Glaser	262,800	–	262,800	150,000
Anders F. Börjesson	–	50,000	50,000	–
Anders Sjöberg	52,560	10,000	62,560	30,000
Robert Eriksson	35,040	10,000	45,040	20,000
Fabienne Pfyffer	17,520	–	17,520	10,000
Other	438,000	20,000	475,520	260,000
Total	1,243,920	290,000	1,533,920	710,000
Strike price, SEK	48.33	35.17		
Market value per issue at the time of issue, SEK[3]	11.34	3.98		
Option life	August 30, 2007– August 30, 2010	June 19, 2009– June 19, 2012		
Exercise period	August 30, 2009– August 30, 2010	June 19, 2011– June 19, 2012		

1. The strike price for the options has been calculated as 120% of the average last paid of the ten trading days leading up to the day of issue in line with the rules of Vostok Nafta's Option plan.
2. In order to reflect the change in the value per share of the Company after the share issue, which was carried out in February 2009, the strike price and the number of outstanding options issued in 2007 have been adjusted. The number of granted options was increased by 533,920 options, and strike price was decreased by SEK 36.33 to SEK 48.33.
3. The market value at the time of issue for the options issued in 2007 was calculated with the help of the Black & Scholes options valuation model. The significant inputs into the model were share price at the grant date; exercise price shown above; standard deviation of expected share price returns, based on an analysis of historical share prices; option life disclosed above; and Swedish market interest rate at the grant date. As a consequence of the modified conditions of the options granted in 2007, the fair value of the options has been measured immediately before and immediately after the modification. In the measurements, the significant inputs into the Black & Scholes model have been:

	Before	After
Share price	17.70	17.70
Exercise price	84.66	48.33
Volatility (standard deviation in %)	106.0%	85.0%
Remaining option life	1.56	1.56
Swedish market interest rate	3.10%	3.10%

A comparison of the fair value of the options immediately before and immediately after the modification has resulted in that no incremental fair value is recognized in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified instruments vest. The amount based on the grant date fair value of the options has continued to be recognized over the remainder of the original vesting period.

The fair value of the options granted during the period determined using the Black & Scholes valuation model was SEK 3.98 per option. The significant inputs into the model was a share price of SEK 27.80, a volatility of 30%, a dividend yield of 0%, an expected option life of three years and an annual risk-free interest rate of 2.23%.

Movements in the number of share options outstanding and their weighted average prices are as follows:

	Average exercise price in SEK/share	Options Dec 31, 2009	Options Dec 31, 2008
At opening balance day	84.66	710,000	710,000
Modified	–36.33	533,920	–
Granted	35.17	290,000	–
At closing balance day	45.84	1,533,920	710,000

Out of the 1,533,920 options (2008: 710,000) 1,243,920 options (2008: –) were exercisable.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price, SEK	Share options 2009	Share options 2008
August 30, 2010	48.33	1,243,920	710,000
June 19, 2012	35.17	290,000	–
At the end of the financial year		1,533,920	710,000

Note 28
Related-party transactions

The Group is controlled by Lorito Holdings (Guernsey) Ltd which holds 27.73 per cent of the shares.

The Group has identified the following relatied parties:
The Vostok Gas Limited Group, including Vostok Gas Limited, Vostok Energo Investment Limited and Austro (Cyprus) Limited and Vostok Gas Sverige AB
Associated companies with subsidiaries: Black Earth Farming Limited, RusForest AB, CleanTech East Holding AB and Vosvik AB (Kontakt East).

The Lundin family and the Lundin Group of Companies; including Lukas H. Lundin, Ian H. Lundin, Lundin Mining AB, Lundin Petroleum AB, Fortress Mining Corp and Bukowskis.
Key Management, including members of the Board and Management, and members of the Board of subsidiaries.

During the period, the Group has recognized the following related party transactions:

USD thousand	2009 Vostok Gas	2009 Associated companies	2009 Lundin family and group of companies	2009 Key Management	2008 Vostok Gas	2008 Associated companies	2008 Lundin family and group of companies	2008 Key Management
Items of the income statement								
Income from loan receivables	–	953	–	–	–	–5,746	–	–
Other operating income	123	325	108	–	7	610	221	–
Operating expenses	–	–	–252	–1,221	–	–	–119	–1,257
Interest expenses	–	–	–419	–254	–	–	–313	–190
Balance sheet items								
Non current loan receivables	–	996	–	–	–	–	–	–
Current loan receivables	–	3,153	–	–	–	27,711	–	–
Other current receivables	23	335	17	–	60	–	–	–
Retained earnings	–	–	–	–157	–	–	–	–
Current borrowings	–	–	–	–	–	–	–8,564	–5,190
Other current liabilities and accrued expenses	–211	–	–268	–110	–	–	–119	–197

Income for loans to associated companies

During the period ended December 31, 2009, the Group has recognized return from loans till RusForest (Cyprus) Limited in the amount of USD 56 thousand. As at December 31, 2009, outstanding loan receivables to RusForest (Cyprus) Limited were recognized with an amount of USD 996 thousand. During the same period, the Group has also recognized USD 325 thousand (2008: 30) as return from loans provided to Clean Tech East Holding AB, which as per December 31, 2009 amounted to correspondingly USD 3,153 thousand (2008: 1,279).

During 2009 the Group has provided Vosvik AB with a convertible loan amounting to SEK 26.0 million. The loan was converted into equity in November, 2009. In the Income Statement for the period ending December 31, 2009, the Group has recognized income from the convertible loan in the amount of correspondingly USD 255 thousand.

Other operating income

USD thousand	2009 Vostok Gas	2009 Associated companies	2009 Lundin group of companies	2008 Vostok Gas	2008 Associated companies	2008 Lundin family and group of companies
Reimbursed expenses	123	316	80	7	549	221
Office Rent	–	9	28	–	61	–
Total	123	325	108	7	610	221

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.

Acquired Loans to employees
In July 2009, Vostok Holding Ltd 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 December 31, 2009, the consideration for the acquired receivables was still outstanding.

Key management compensation
Key management includes members of the management of the Company and members of the Board of Directors of the Company or its subsidiaries. The compensation to key management for employee services is shown in Note 27.

Transactions between Parent and Subsidiaries
The Parent company provides financing to its subsidiaries' operations on market terms. Interest income recognized during 2009 was USD 21.40 mln (2008: 14.32). As at December 31, 2009, outstanding net receivables from Group companies amounted to USD 260.47 mln (2008: 174.07).

Vostok Nafta Sverige AB provides administration services to the Parent on market terms. During 2009, USD 2,190 thousand (2008: 2,017) of service fees were charged from Vostok Nafta Sverige AB to Vostok Nafta Investment Ltd, whereof USD 568 thousand (2008: 1,478) was unpaid as at December 31, 2009.

Note 29
Business combinations

a) Acquisition of Premline Holdings Limited and OOO Volga – Nash Dom
On April 8, 2009, the Group has acquired 100 per cent of the shares in Premline Holdings Limited and its subsidiary OOO Volga – Nash Dom, and interest bearing loan receivables from OOO Volga – Nash Dom in the amount of RUB 34,337 million (USD 1,143 million). Purchase consideration for the acquired assets was SEK 285 thousand (USD 51 thousand). The principal assets of the acquired group of companies are a number of land plots situated by the Volga River. The acquisition was part of a settlement reached with the bankruptcy receiver of the previous owner, Murrayföretagen AB. Vostok Nafta previously had an outstanding loan receivable from Murrayföretagen AB in the nominal amount of USD 2,930 thousand, which in the balance sheet as per December 31, 2008 was recognized at a book value USD 1,465 thousand due to write downs based on the financial condition of the borrower. The claims on the seller were completely written off under the terms of the settlement agreement. Subsequent to the acquisition of Premline Holdings Limited, the book value of the loan receivable from the seller has, together with the consideration paid in cash, been included in the total cost of acquisition of the companies.

The assets and liabilities arising from the acquisition are as follows (USD thousand):

	Acquiree's carrying value	Fair value
Land	631	1,520
Other assets	103	103
Liabilities	–1,414	–1,414
Net assets	–471	209
Purchase consideration settled through		
conversion of debt		349
Purchase consideration settled in cash		51
Cash and cash equivalents in acquired subsidiaries		0
Cash outflow on acquisition		51

Upon acquisition, the Group recognized a write-down of USD 150 thousand in the value of the investment. Following a revaluation of the land held by the acquiree, the write-down has been reversed in the consolidated accounts per December 31, 2009.

The acquired group contributed net profit of USD 12 thousand for the period April 8, 2009 to December 31, 2009. If the acquisition had occurred on January 1, 2009, the Group's revenue and profit would not have been significantly affected.

b) Acquisition of Dodomar Ventures Limited
During the period, Vostok Nafta has acquired 100 per cent of the shares in Dodomar Ventures Limited (resident in Cyprus) for a total consideration of EUR 2,000. As per date of acquisition the company did not hold any identifiable assets or liabilities.

Note 30
Events after the balance sheet date
No significant events have taken place efter the balance sheet date.

Note 31
Adoption of annual report
The annual report has been submitted by the Board of Directors on March 24, 2010, see page 41. The balance sheet and profit and loss accounts are to be adopted by the company's shareholders at the annual general meeting on May 5, 2010.

Independent Auditors' Report

To the shareholders of Vostok Nafta Investment Ltd

We have audited the accompanying consolidated and parent company financial statements of Vostok Nafta Investment Ltd, appearing on pages 42–64, which comprise balance sheets as at December 31, 2009 and 2008, and income statements, statements of changes in equity and cash flow statements for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Vostok Nafta Investment Ltd as of December 31, 2009 and 2008, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Stockholm, March 24, 2010

PricewaterhouseCoopers AB

Klas Brand
Authorised public accountant
Lead Partner

Bo Hjalmarsson
Authorised public accountant
Partner

The Swedish Code of Corporate Governance ("the Code") came into force on July 1, 2008. The rules of the code are a supplement to the main provisions of the Swedish Companies Act (2005:551) regarding a company's organisation, but also to the relatively extensive self-regulation that exists for corporate governance. The Code is based on the principle of "comply or explain". According to this principle a company may choose whether it wants to follow a clause in the Code, or choose to explain why the company chose not to follow it.

Corporate Governance Code Application

The Company is a limited liability company registered in Bermuda. In the absence of a Bermudan Code of Corporate Governance, the Company applies the Code. The Company will apply the Code in full to the extent it is compliant with the Bermudian Companies Act, or, where applicable, explain deviations from it. The principles of corporate governance in the Company are described below.

Shareholders' meetings

The Annual General Meeting ("AGM") is the highest decision-making body of the Company, in which all shareholders are entitled to attend in person or by proxy. The AGM of the Company is held in Stockholm, Sweden, in the Swedish language, once per year, no later than six months after the end of the financial year. The task of the AGM is to report on the financial results and take decisions on corporate matters, including payment of dividend and amendments to the Articles of Association. The AGM also appoints members of the Board of Directors and auditors, and establishes the remuneration of the Board of Directors and the auditors.

Appointment and Remuneration of the Board of Directors and the Auditors

Shareholders in the Company have the right to nominate members of the Board of Directors, and auditors, to the AGM. The AGM elects members of the Board of Directors for a term of one year and auditors for a period of one year. The shareholders also propose remuneration for the Board of Directors and auditors, which is to be resolved by the AGM. In accordance with the Code, the Company has a nomination committee which prepares proposals for the election and remuneration of members of the Board of Directors and auditors for the AGM. The nomination committee consists of three members, of whom one is appointed from the Board of Directors and two by the Company's major shareholders.

The Board of Directors

The 2009 Board of Directors

The Board of Directors consists of eight Directors, all of whom were re-elected at the AGM on May 14th 2009: namely Lukas H. Lundin, Paul Leander-Engström, Per Brilioth, Al Breach, Ian H. Lundin, William A. Rand, Robert J. Sali and Torun Litzén. Further, the AGM appointed Lukas H. Lundin as Chairman of the Board of Directors. For a detailed presentation of the current Board, see "Board of Directors, group management and auditors".

Board meetings

The Board of Directors meets at least twice per year in person, and more frequently when necessary. In addition, meetings are conducted by telephone if considered necessary. The Managing Director has a regular contact with the Chairman of the Board of Directors and several other members of the Board of Directors.

Work and Responsibilities

The Board of Directors adopts decisions on overall issues affecting the Group. However, the Board of Directors' primary duties are the organisation of the Company and the management of the Company's operations including:

- Decisions regarding the focus of the business and adoption of Company policies;
- Supply of capital;
- Appointment and regular evaluation of the work of the Managing Director and Company management;
- Approval of the reporting instructions for the Company management;
- Ensuring that the Company's external communications are open, objective and appropriate for target audiences;
- Ensuring that there is an effective system for follow-up and control of the Company's operations and financial position vis-à-vis the established goals; and
- Follow-up and monitoring that the operations are carried out within established limits in compliance with laws, regulations, stock exchange rules, and customary practice on the securities market.

Sub-committees of the Board

The Board of Directors has established three sub-committees: the audit committee, the compensation committee and the investment committee.

Audit committee

The Audit Committee's task, on behalf of the Board, is to review the Company's quarterly reports for the first and third quarters, examine and make proposals to the Board regarding the Company's six-month and annual reports, review the audit fees, ensure that the Company's internal control system is maintained

Corporate Governance Report

and enforced, and keep in contact with the Group's external auditors in connection with the annual audit process.

Duties of the Audit Committee

The duties of the Audit Committee are to handle critical accounting issues and check the financial reports the Company publishes. Among other issues and reports to be addressed are:

- Issues concerning internal control and application of relevant accounting policies and laws;
- Discuss uncertainties in the reported figures, changes in estimates and valuations;
- Significant events after the reporting period;
- Treat determined anomalies;
- The Company's annual and interim financial reports, which are presented four times per year, shall be examined;
- Discuss any other issues other than the above, which can have effects on the Company's financial reporting;
- Periodically (at least once a year) meet with the company's auditors and provide information on the focus and extent of the audit. The Audit Committee and auditors will also discuss co-ordination between internal control and external audits and auditors' views on the potential risks in the quality of the company's reports;
- The Audit Committee shall provide guidelines for other services than auditing services that the Company may require from the auditors;
- The Audit Committee shall annually, in connection with the year-end, evaluate the auditors' work. They must notify the Nominating Committee of its results, which must be taken into account when nominating auditors for the AGM;
- Assisting the Nominating Committee in preparation of nomination of auditors and remuneration of the auditors;
- The Audit Committee shall examine the annual and interim financial reports and make recommendations to the Board with respect to these; and

During 2009, the Audit Committee met four times where all members were present. The Audit Committee consists of William A. Rand, Torun Litzén and Ian H. Lundin.

Compensation committee

The function of the Compensation Committee is to receive information on, and determine matters regarding, compensation and other employment matters to the Group Management.

Duties of the Compensation Committee

The Compensation Committee presents to the AGM a proposal for the principles for remuneration and other terms of employment for the Company's Management, which is subject to the approval of the AGM. Establishing principles for remuneration and other conditions of employment is therefore included as an item on the agenda of the AGM. The proposals are published on the Company's website in connection with the notice for the AGM. In assessing the details of the proposed principles, the Compensation Committee always ensures that the total compensation for Group Management represents current market conditions and is competitive. The proposed principles include the following considerations:

- The relationship between fixed and variable compensation, as well as the link between performance and compensation;
- The main conditions for bonus and stock option programmes;
- The main conditions for non-monetary benefits, as well as retirement, dismissal and redundancy payments; and
- Which individuals from Group Management are to be covered by the proposed principles for compensation.

Proposed principles that differ significantly from the original principles and the Board's procedure of preparation and resolution on the decision of remuneration for Group Management shall be reported to the AGM. The Compensation Committee also reviews the annual remuneration of the Managing Director, Management Team and other key employees. During 2009, the Compensation Committee met twice where all members were present. The Compensation Committee includes Lukas H. Lundin, Robert J. Sali and Paul Leander-Engström.

Investment committee

The function of the Investment Committee is to make suitable investment recommendations to the Cypriot subsidiary Vostok Komi (Cyprus) Ltd. These recommendations must at all times be in line with the overall strategy of the Company as decided by the Board of Directors and communicated from time to time to the Investment Committee. A majority of the Investment Committee i.e. two directors can make recommendations to the Board of Vostok Komi (Cyprus) Ltd, which will then resolve the matter. The Investment Committee consists of three of the board members, namely Lukas H. Lundin, Per Brilioth and Paul Leander-Engström.

The committees' representation at the Annual General Meeting

If one or more proposals to the AGM have been prepared by any of the sub-committees of the Board of

Directors, the Chairman or other members should attend the AGM so as to present their justification for the proposal. If no member of the committee concerned is physically represented at the AGM, the committee shall appoint another member from the Board of Directors to represent the committee.

Nominating Committee
At the Company's AGM on May 14, 2009 it was resolved to establish a Nominating Committee, consisting of representatives of the three largest shareholders of the Company, as at the last banking day of August 2009. The Nomination Committee for the 2010 Annual General Meeting consists of the following members: Ian H. Lundin appointed by Lorito Holdings Ltd, Leif Törnvall appointed by Alecta and Arne Lööw appointed by Fjärde AP-fonden (The 4th Swedish National Pension Fund). At the Nomination Committee's first meeting Ian H. Lundin was elected Chairman of the Committee. The Nomination Committee's task is to prepare proposals for the following resolutions at the 2010 AGM: (i) election of the chairman of the AGM, (ii) the election of Board members, (iii) the election of the Chairman of the Board, (iv) the remuneration to the directors of the Board, (v) election of auditors and remuneration of the Company's auditors, and (vi) proposals on how the nomination process for the AGM 2011 will be implemented.

Management
The Managing Director, who is a member of both the Board of Directors as well as of group management, manages the Company's day-to-day activities and prepares investment recommendations in co-operation with the other members of the Investment Committee. For a detailed presentation of the management, see the section "Board of Directors, group management and auditors".

Group Management in 2009
Per Brilioth: Managing Director.
Anders Sjöberg: Chief Financial Officer.
Anders F. Börjesson: Legal Counsel.

Investor Relations
The Investor Relations function of the Company is managed by Robert Eriksson, who is Head of Investor Relations of the Company. Robert Eriksson devotes a significant part of his time to the Company, while simultaneously being engaged in Investor Relations activities for a number of other companies within the Lundin group of companies.

Remuneration of the Board of Directors and group management
Guidelines for the remuneration of the senior management
At the Company's AGM held on May 14th 2009 resolved on the following guidelines for the remuneration of the Board of Directors and group management. Remuneration of the Managing Director and other members of the group management consist a fixed salary, variable remuneration, other benefits and pension. Except for the Managing Director, the group management currently includes two individuals. The total remuneration shall correspond to prevailing market conditions and be competitive. The fixed and variable remuneration shall correspond to the respective individual's responsibility and authority. The variable remuneration should, in the first instance, be covered within the parameters of the Company's option plan and shall, where payable in other instances, be subject to an upper limit in accordance with market terms and specific objectives for the Company and/or the individual. The period of notice of termination of employment shall be three to six months in the event of termination by a member of senior management. In the event of termination by the Company, the total of the period of notice of termination and the period during which severance compensation is payable shall not exceed 12 months. Pension benefits shall be either benefit-based or contribution-based or a combination thereof, with individual retirement ages. Benefit-based pension benefits are conditional on the benefit being earned during a predetermined period of employment. The Board of Directors shall be entitled to deviate from these guidelines in individual cases should special reasons exist.

Remuneration of the Company's Board of Directors
At the AGM on May 14, 2009 it was resolved that the remuneration of the Board of Directors (including work in the committees) be set at a total of SEK 1,260,000, of which SEK 230,000 is for the Chairman of the Board and SEK 115,000 for each of the other members of the Board of Directors. For work on the Audit Committee, remuneration of SEK 85,000 is paid to the Chairman and SEK 55,000 to each member and for work on the Compensation Committee, remuneration of SEK 30,000 is paid to the Chairman and SEK 20,000 to each member. In addition, remuneration for work on the Investment Committee, SEK 45,000 is paid to the Chairman and SEK 30,000 to each member. There is no remuneration to the Managing Director for work on the Board of Directors.

In addition, a maximum amount of SEK 1,440,000 (approximately USD 180,000) shall be allocated to the Board for remuneration of Namdo Management for management and investor relations services rendered. Namdo Management is a company controlled by the chairman of the Board Lukas H. Lundin.

Remuneration to the Managing Director and other senior executives

The Managing Director received a fixed annual salary of approximately USD 297,000 and a bonus payment of approximately USD 125,000, which was paid out in accordance with the Company's incentive programme (see below). The Managing Director has a pension plan under the Swedish ITP standard, which is accounted for as a defined contribution plan in accordance with IAS 19.30. The pension is calculated on the basis of the Managing Director's base salary. No additional payments have been made to the Managing Director during 2009. The Managing Director is entitled to 12 months' of full salary in the event of termination by the Company. Should he choose to resign the notice period is six months. Other senior executives' fixed annual salary amounted to a total of approximately USD 382,000, and bonus paid in accordance with the Company's incentive programme amounted to approximately USD 37,000. The other members of the group management have a notice period of three months and the same applies in case of termination by the Company.

Incentive programme

Incentive programme for the Company

It was decided at the Extra General Meeting held on August 29, 2007, in accordance with a proposal from the Board of Directors, to adopt an incentive programme in the Company which entitles present and future employees to be allocated call options, entitling the holder to acquire SDRs in the Company. The purpose of the proposed incentive scheme is to create conditions to retain and recruit competent employees to the Group as well as promote the long-term interests of the Company, by offering its employees the opportunity to participate in any favourable developments in the value of the Company. The Company's employees are not party to any variable bonus programme. The exercise price for the options shall correspond to 120 percent of the market value of the SDRs at the time of the granting of the options which amounted to approximately SEK 86. The options may be exercised no earlier than two years and not later than three years from the time of the grant. For employees and consultants resident outside of Sweden no premium shall be paid for the options and the options may only be exercised if the option holder, at the time of exercise, is still employed or is a consultant within the Group. For employees and consultants resident in Sweden the options are offered at a purchase price corresponding to the market value of the options at the time of the offer. The options shall be fully transferable and will be considered as securities. Among other things this means that the options are not contingent upon employment and will not lapse should the employee leave his or her position within the Group. The Company may grant not more than 1 million options. Allocation of options to the Managing Director shall not exceed 500,000 options and allocation to each member of the senior management or to other key employees shall not exceed 200,000 options. The allocation of options shall be decided by the Board of Directors whereby among other things the performance of the employee and his or her position in and importance to the Group will be considered. Directors who are not employed by the Group shall not be able to participate in the scheme. In order to stimulate the participation in the scheme, the Company has the intention to arrange for a subsidy in the form of a bonus payment, which after tax, corresponds to the option premium. Half of the bonus is intended to be paid in connection with the purchase of the options and the remaining half in connection with the exercise of the options. The latter bonus payment is subject to the requirement that the holder is still an employee or consultant of the Group at the time of exercise of the options. If the options are not exercised the latter bonus payment will not be paid. For employees resident in Sweden the participation in the programme therefore contains a risk. On 30 August 2007 it was decided to grant 710,000 of the authorised 1,000,000 options under the Company's incentive programme to a group of employees. As a consequence of the Preferential Issue, the options have been recalculated in accordance with the recalculation provision of the option terms. The number of granted options was increased by 533,920 options, and strike price was decreased by SEK 36.33 to SEK 48.33.

In June 2009, 290,000 new options were granted to employees under the incentive scheme each entitling the owner to subscribe to one SDR with a strike price of SEK 35.17. Employees resident in Sweden were offered to purchase the warrants at a price corresponding to the market value prevailing at the time of the offer. The options may be exercised no earlier than two years and not later than three years from the time of the grant.

Incentive program for the Company's portfolio companies

At an Extra General Meeting held on August 29, 2007, an incentive scheme was adopted which entails that the Company may issue and transfer call options to members of the executive management and other employees related to investments in non-listed portfolio companies to create opportunities for employees to take part in any future increase in value. By enabling the Company's employees to subscribe for call options of shares in portfolio companies' opportunities are created for employees to take part in any future increase in value, in a similar mode as for individuals that are working within so called private equity companies. The options shall entitle the holder to acquire shares in the portfolio company from Group companies at a certain exercise price corresponding to 110–150 percent of the market value of the shares in the portfolio company at the time of the transfer of the options. The term of the options shall be no longer than five years. The Company shall be entitled to repurchase the options at market value if the holder ceases to be an employee of the Group. The number of options issued can correspond to no more than 10 percent of the underlying shares in a portfolio company owned by Vostok Nafta. The Directors of the Board who are not employed by the Company shall not be entitled to participate in the programme. As of yet no call options have been transferred to any employees within the Group. This is to a large extent due to the longer lead times associated with investments in non-listed portfolio companies.

Other matters related to remuneration

The Board of Directors may be dismissed without a notice period. There are no agreements on severance payment or pensions for the Board of Directors with the exception for the Managing Director in his capacity as Managing Director, see "Remuneration to the Managing Director and other senior executives" above. Except as otherwise stated there are no reserved or accrued amounts in the Company for pensions or other post-employment remunerations or post-assignment for members of the Board of Directors or the senior executives.

Auditors

At the Company's AGM held on May 14, 2009, the audit firm PricewaterhouseCoopers AB, Sweden, was appointed as auditor for the period up to the next AGM.

Klas Brand, born 1956. Authorised Public Accountant, Lead Partner. Auditor in the Company since 2007. PricewaterhouseCoopers AB, Gothenburg, Sweden.

Bo Hjalmarsson, born 1960. Authorised public accountant, Partner. Auditor in the Company since 2007. PricewaterhouseCoopers AB, Stockholm, Sweden.

During the year the auditing firm has not had any other assignments from Vostok Nafta in addition to auditing work specified in the section "Independent Auditors' Report" on page 65.

Internal control

The Board of Directors has overall responsibility for setting up effective internal control systems. Responsibility for maintaining and carrying out effective control has been delegated to the Managing Director. Internal control is a process which should be applied to ensure that goals such as effective and profitable operation are attained, financial reporting is reliable and laws and ordinances are complied with. The Board of Directors has also, as described above, set up an audit committee which is responsible for continuously reviewing the Company's control in relation to financial reporting.

Composition of the Board of Directors, elected on May 14, 2009, including meeting attendance 2009

Name	Elected to the board	Position	Connection to the company	Audit committee	Compensation committee	Investment committee	Attended board meetings	Board fee, SEK thousand
Lukas H. Lundin	2007	Chairman	Main Owner		X	X	100%	305
Al Breach	2007	Member	Independent				69%	115
Per Brilioth	2007	Member	Management			X	100%	–
Paul Leander-Engström	2007	Member	Independent		X	X	54%	165
Torun Litzén	2007	Member	Independent	X			85%	170
Ian H. Lundin	2007	Member	Main owner	X			62%	200
William A. Rand	2007	Member	Independent	X			92%	170
Robert J. Sali	2007	Member	Independent		X		100%	135
Number of meetings				4	2		13	

Board of Directors' report on internal control

The board of directors is responsible for the Company's organisation and administration of the Company's activities, which includes internal control. Internal control in this context regards those measures taken by Vostok Nafta Investment Ltd ("Vostok Nafta" or the "Company") board of directors, management and other personnel, to ensure that bookkeeping, asset management and the Company's economic condition in general are controlled in a reliable fashion and in compliance with relevant legislation, applicable accounting standards and other requirements for publicly listed companies. Vostok Nafta has an Audit Committee, consisting of three members of the board, charged with the special responsibility to review and discuss internal and external audit matters. This report has been established in accordance with the Swedish Code of Corporate Governance, sections 3.7.2 and 3.7.3, which govern internal control over the financial reporting. In addition this report has been prepared in accordance with the guidance provided by FAR SRS, the institute for the accounting profession in Sweden, and the Confederation of Swedish Enterprise. This report does not constitute part of the formal Annual Report and has therefore not been reviewed by the Company's auditors. Vostok Nafta is an investment company and hence the Company's main activities is the management of financial transactions and the Company's internal control over financial reporting is focused primarily on ensuring an efficient and reliable process for managing and reporting on purchases and sales of securities and holdings of securities. The board of directors has decided not to implement any particular review function (internal audit) in addition to the internal control functions already in place. The system of internal control is normally described in terms of five different areas that are a part of the internationally recognised framework which was introduced in 1992 by The Committee of Sponsoring Organizations in the Treadway Commission (COSO). These areas, described below, are control environment, risk assessment, control activities, information and communication and monitoring. The management continuously monitors the Company's operations in accordance with the guidelines set out below. Monthly reports are produced for internal use, which later act as the basis for a quarterly review by the board of directors. During the year the board of directors and management have also examined possible additions to the internal control functions already in place within the organisation. Documents describing internal work procedures are being established in order to mitigate the dependence of one single person within the Company.

Control environment

The control environment, which forms the basis of internal control over financial reporting, to a larger extent exists of the core values which the board of directors communicate and themselves act upon. Vostok Nafta's ambition is that values such as, precision, professionalism and integrity should permeate the organization. Another important part of the control environment is to make sure that such matters as the organisational structure, chain of command and authority are well defined and clearly communicated. This is achieved through written instructions and formal routines for division of labour between the board of directors on the one hand, and management and other personnel on the other. The board of directors establishes the general guidelines for Vostok Nafta's core business, which are purchases and sales of securities and holdings of securities. To ensure a reliable and easily foreseeable procedure for purchases and sales of securities the Company has established a sequential process for its investment activities. A specific Investment Committee has been instituted whose members are appointed by the board of directors, and charged with the task of identifying and reviewing potential investments or divestments. After review, a committee majority is needed to issue a recommendation for sale or purchase, upon which investment decisions are formally made by the Board of Directors of Vostok Komi (Cyprus) Ltd., and an execution order is issued. As for the investment process, as for all other company activities they are governed by internal guidelines and instructions. The organizational structure of Vostok Nafta is characterised by a close and flat organisation. The Company's limited number of staff members and close cooperation amongst them contribute to high transparency within the organisation, which complements fixed formal control routines. Vostok Nafta's Financial Controller is responsible for the control and reporting of the Company's consolidated economic situation to management and board of directors.

Risk assessment

The board of directors of Vostok Nafta is responsible for the identification and management of significant risks for errors in the financial reporting. The risk assessment specifically focuses on risks for irregularities, unlawful benefit of external part at Vostok Nafta's expense and risks of loss or embezzlement of assets. It is the ambition of Vostok Nafta to minimize the risk of errors in the financial reporting by continuously identifying the safest and most effective reporting routines. A internal control report is reviewed by the board of directors on a quarterly basis. The Company's flat organizational structure and open internal communication facilitates the work to identify potential shortcomings in the financial reporting, and also simplifies implementation of new, safer routines. The board of directors puts most effort into ensuring the reliability of those processes, which are deemed to hold the greatest risk for error, alternatively whose potential errors would have the most significant negative effect. Among other things this includes establishing clearly stated requirements for the classification and description of income statement and balance sheet items according to generally accepted accounting principles, pertinent legislation. Another example is the routine of a sequential procedure for investment recommendations and approvals of the same.

Control activities
This risk assessment leads to a number of control activities in place to verify compliance with set requirements and established routines. The purpose of the control activities is hence to prevent, detect and rectify any weaknesses and deviations in the financial reporting. For Vostok Nafta's part such control activities include the establishment of verifiable written decisions at every instance in the investment procedure. Thereto, after every completed transaction, purchase or sale, the whole process is examined to verify the validity of the transaction, from recommendation to approval and execution. Bank and custody reconciliations are also performed and compared to reported financial statement items. Control activities also include permanent routines for the presentation and reporting of company accounts, for example monthly reconciliations of Vostok Nafta's assets and liabilities, as well as portfolio changes. Special focus is also put on making sure that the requirements and routines for the accounting procedure, including consolidation of accounts and creation of interim and full year reports comply with pertinent legislation as well as generally accepted accounting principles and other requirements for publicly listed companies. Controls have also been carried out to ensure that the IT-/computer systems involved in the reporting process have a sufficiently high dependability for its task.

Information and communication
Vostok Nafta has tried to ensure an efficient and accurate provision of information internally and externally. For this purpose the Company has established fixed routines and invested in reliable technical applications to guarantee a fast and reliable way of sharing information throughout the organisation. Internal policies and general guidelines for financial reporting are communicated between the board of directors, management and other personnel through regular meeting and e-mails. Vostok Nafta's flat organizational structure and limited number of staff members further contributes to the efficient sharing of accurate information internally. To ensure the quality of the external reporting, which is the extension of the internal, there is a written communication policy which governs what and how information shall be communicated.

Monitoring
The board of directors receives monthly NAV reports and detailed quarter reports on Vostok Nafta's financial position and changes in its holdings. The Company's financial situation and strategy are discussed at every board meeting, as well as any problems in the activities and financial reporting since the last board meeting. The Audit Committee has a particular responsibility to review and bring any problems with the internal control of financial reporting to the board of directors' attention. Potential reported shortcomings are followed up via management and the Audit Committee. The Company prepares interim reports four times annually which are reviewed by the board and Audit Committee. Meetings with the Company's auditors are also held in connection with every quarterly reporting. A review of the Company's accounts is also performed at least once a year in addition to the comprehensive audit in connection with the Annual Report. Vostok Nafta is in full compliance with the NOREX member rules for issuers, which are rules and regulations for members and trading in the SAXESS system for each exchange in the NOREX-alliance, i.e. the NASDAQ OMX in Copenhagen, Helsinki, Iceland, Stockholm and Oslo Börs. Neither has there been any infringement to the fair practices on the Swedish stock market.

ADR American Depository Receipt
bbl Barrel
bcm Billon cubic metres
bcmpa Billion cubic metres per annum
bln Billion
boe Barrels of oil equivalents
boepd Barrels of oil equivalent per day
bopd Barrels of oil per day, i.e. the number of barrels of oil produced (or transported) per day
Capex Capital Expenditures: expenditures by a company to acquire or upgrade physical assets such as equipment, property and industrial buildings
CIS Commonwealth of Independent States (former Soviet Union)
cm Cubic meters
Downstream Refining of crude oil and the marketing and distribution of oil products that occur after refining, as opposed to upstream.
E Estimate
EBITDA Earnings Before Interest, Taxes, Depreciation and Amortization
EV Enterprise Value, i.e. stock exchange value + net liability
Extractable reserves An estimate of the volume of extractable oil reserves held by the relevant oil company
F Forecast
FSU Former Soviet Union
Holding company The parent company in the vertically integrated Russian oil groups
kbpd Thousand barrels per day
kWh Kilowatt-hour, equal to 1,000 watts of electricity used for one hour. A measure of electric power consumption.
KZT Kazakhstani Tenge
lb English pound – unit of weight (454 grammes)
LNG Liquified Natural Gas
mcm Thousand cubic metres
mln or mm Million
mmboepd Million barrels of oil equivalent per day
mmbopd Million barrels of oil per day
mtpa Million tonnes per annum
MW Megawatt
MWh Megawatt-hour, equal to 1,000,000 watts of electricity used for one hour. A measure of electric power consumption.
n/a Not available
Neft or Neftegas Russian for oil company
Netback A measure of oil and gas sales net of royalties, production and transportation expenses.
nm Not material
NPP Nuclear Power Plant
pa Per annum
P/BV Relationship between stock exchange value and entered equity capital
P/barrel reserves The stock exchange value divided by the number of barrel reserves (oil) in the ground
P/Cash flow Stock exchange value divided by cashflow, which in many cases relates to net profit after tax with the setting back of the depreciation
P/E Price/Earnings, i.e. the relationship between the stock exchange value and net profit
P/EBIT The relationship between the stock exchange value and the operating profit
P/prod Stock exchange value divided by number of barrels (oil) produced a year
P/S Price/Sales, i.e. the relationship between the stock exchange value and sales
RTS Russian Trading System, the leading trading place for Russian shares
RUB Rouble
SDR Swedish Depository Receipt
SEK Swedish kronor
Tcm Trillion cubic metres
Throughput The amount of crude oil processed by a refinery in a given period
T Thousand
tn Tonne
UAH Ukrainian hryvnia
Upstream Upstream covers the exploration, production and transport prior to refining
USD American dollar
Vertically Integrated When applied to oil and gas companies, it indicates that the firm operates in both the upstream and downstream sectors.
Y-o-Y Year-on-Year

Conversion factors

1 tonne oil = 7.33 barrels of oil
1 tonne condensate = 8.5 barrels of condensate

Glossary of terms and acronyms used in the annual report

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