Vostok Nafta Investment Ltd

Six Months Report I

January–June 2013

- **Net result for the period was USD –24.68 million (mln) (January 1, 2011–June 30, 2012: 31.27). Earnings per share were USD –0.28 (0.33). Net result for the quarter was USD –48.47 mln (–13.20). Earnings per share for the quarter were USD –0.55 (–0.14).**

- **The net asset value of the Company was USD 239.99 mln on June 30, 2013 (December 31, 2012: 329.58), corresponding to USD 2.72 (December 31, 2012: 3.67) per share. Given a SEK/USD exchange rate of 6.7136 the values were SEK 1,611.19 mln (December 31, 2012: 2,147.43 mln) and SEK 18.27 (December 31, 2012: 23.94), respectively.**

- **The group's net asset value per share in USD decreased by 25.94% or by 7.35% excluding the effect of the distribution of shares held in Black Earth Farming Ltd and RusForest AB over the period January 1, 2013–June 30, 2013. During the same period the RTS index decreased by 16.47% in USD terms. During the quarter April 1, 2013–June 30, 2013 the group's net asset value per share in USD decreased by 31.18% or by 13.90% excluding the effect of the distribution of shares held in Black Earth Farming Ltd and RusForest AB (RTS index: –12.64%).**

- **The number of outstanding shares at the end of the period was 88,210,000.**

- **The reported net asset value per share of Vostok Nafta as of July 31, 2013 was USD 2.71 (SEK 17.67).**

- **On May 21, 2013 Vostok Nafta announced that the Company's largest shareholders, Lorito Holdings (Guernsey) Limited ("Lorito") and Zebra Holdings and Investments (Guernsey) Limited ("Zebra") had sold all of their SDRs in Vostok Nafta, representing 31.1% of the total number of SDRs in the Company. All of the SDRs sold by Lorito and Zebra were acquired by Luxor Capital Group, L.P. ("Luxor"), a New York-based investor. After the above described transaction Luxor controls 33.69% of the total number of outstanding SDRs in Vostok Nafta.**

- **A Special General Meeting in Vostok Nafta held on May 24, 2013 approved the distribution of shares held in Black Earth Farming Ltd and RusForest AB through a share split with a mandatory redemption programme. The distribution took place on June 26, 2013 for a total amount of USD 60.25 mln net of transaction costs.**

- **On May 27, 2013 Vostok Nafta announced that Lukas H. Lundin and C. Ashley Heppenstall had notified the Company that they resign from the board of directors of Vostok Nafta. Lars O Grönstedt has been appointed interim chairman.**

Management report

In the quarter ended June 30th, Vostok Nafta received a new shareholder in Luxor Capital. Luxor acquired the Lundin Family's stake and now owns approximately 34% of the company. Luxor Capital is a New York-based investor with USD 5.5 bln under management and also own 9% of Schibsted, the global online classifieds leader. At Vostok Nafta, this ownership change does not alter our focus or our intent of creating a high-quality portfolio of private assets. I feel our new shareholders share our bullish view of long term potential of our holdings given the attractive secular forces at work.

As always we will continue to look at deals that will compare well to the existing portfolio both in terms of structure (read: non-listed) and risk reward with a special emphasis on upside potential.

The negative result for the first half of 2013 is related to decreases in the prices of Black Earth, Rusforest and the remaining portfolio of listed shares (all of which have either been exited or distributed to our shareholders) as well as higher operating expenses for the period most of which are of a one-off nature.

Avito

Avito continues to perform very well operationally and financially. Due to a combination of greater listings and price increases in value-added services which indicated limited price elasticity, revenues in March were USD 6 mln, representing almost 200% y/y growth. Moreover, as measured by monthly unique visitors, Avito has climbed to become now the fourth largest site in Russia (source: Liveinternet.ru), clearly indicative of its popularity within Russia, and also indicative of its dominant position in online classifieds (a position solidified by Avito's combination with #2 competitor Slando.ru and #3 competitor olx.ru earlier this year).

Looking forward, Avito will increasingly focus on growing and monetizing its general goods traffic, while also seeking to increase its dominance in the classic verticals of the online classified space: auto, real estate and jobs. During the Spring, the company concluded a TV advertisement campaign aimed solely at growing mind and market share in the auto segment ("auto.avito.ru"). With more than 5,000 used car dealers now listing their inventory on Avito.ru (more than 2.5x its nearest competitor) (source: AutoBiz), Avito has now developed a strong and sizable lead in the auto vertical, and is focused on further expanding this lead going forward and increasing its monetization in the category with the establishment of professional dealer platforms.

We thus continue to believe the future of Avito is bright and believe it is on the right path towards achieving monetization rates in-line with those achieved by dominant classified sites in other markets. Avito's business model was initially based on emulating Blocket.se, which currently generates more than EUR 10 for every Internet user in Sweden. This monetization rate surpassed by Norway's Finn.no (EUR 35/user) and New Zealand's TradeMe.co.nz (EUR 24/user), matched by The Netherlands's Marktplaats.nl (EUR ~10/user), and targeted by France's Leboncoin.fr). There are an estimated 75 MM Internet users in Russia today, and this is generally expected to grow to 95MM or more over the intermediate term, as Internet penetration within Russia's population of 145 MM increases.

Avito continues to be on a clear path towards achieving the 70% EBITDA margins associated with mature classifieds sites. EBITDA margins at Avito in 1H 2013 exceeded 30%; EBITDA margins excluding marketing expenses were substantially higher. In 1H 2013, the single largest cost at Avito was marketing spend, although the company reduced both its online and offline marketing spending significantly in 2Q as competitive circumstances changed.

TCS

Over the past period the market for consumer loans in Russia is going through a phase where the cost of risk is on the rise. Even though this is natural after the strong growth witnessed in the market overall over the past years, short term profitability of banks with a consumer lending focus can come under pressure, especially lower quality names who entered the market only recently. It is natural to expect a consolidation period where provisions rise, albeit from a very low base so that the growth of credit over the past years can be digested. TCS is yet to report for H1 2013 but has issued Q1 numbers painting a picture of higher provisions compared to Q4 2012. Nonetheless, TCS remains very profitable and we believe that earlier profitability guidance is well within reach. According to the company, the main reason for the increase in provisions is TCS's continuing migration from offline customer acquisition channels to online channels where the cost of risk is higher but the profitability per customer is higher (because acquisition and servicing costs are lower). TCS's tight underwriting, strong collections and, above all, low limits religion, are key mitigants should there be any issues in the consumer lending market. TCS is arguably the best run consumer lender in Russia and hence best positioned to not only weather a rough period but also to continue to gain relative to competitors. Management is also in the process of diversifying the business by developing its own insurance and payments platforms to cross-sell to its already large customer base and attract new non-credit business.

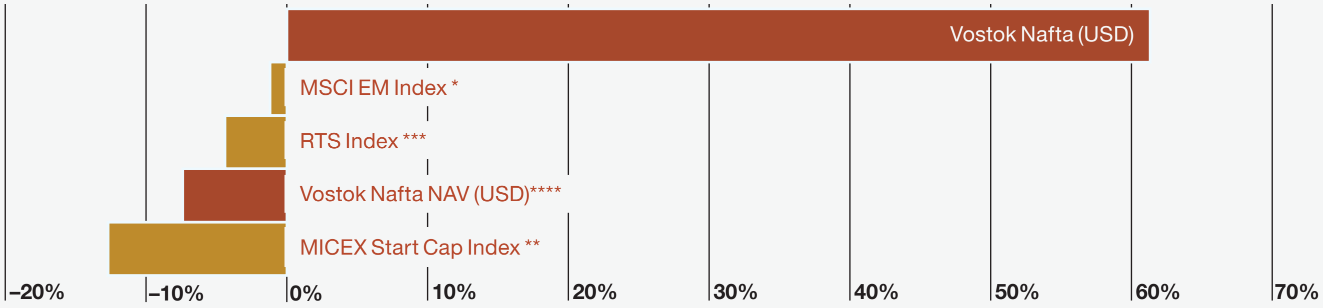
During the past period the company has also continued its successful financing program by issuing a tap of USD 75 mln of its LTII subordinated Eurobond and USD 100 mln in rouble bonds with a 10.25% coupon which is even lower than the cost of its deposit program. The company has also attracted funding through its European Commercial Paper Programme, and continues to further diversify its funding through bilaterals and other instruments.

August 2013,
Per Brilioth

Vostok Nafta's portfolio development

The group's net asset value per share in USD decreased by 25.94% or by 7.35% excluding the effect of the distribution of shares held in Black Earth Farming Ltd and RusForest AB over the period January 1, 2013–June 30, 2013. During the same period the RTS index decreased by 16.47% in USD terms. During the quarter April 1, 2013–June 30, 2013 the group's net asset value per share in USD decreased by 31.18% or by 13.90% excluding the effect of the distribution of shares held in Black Earth Farming Ltd and RusForest AB (RTS index: –12.64%).

Percent development January 1–June 30, 2013 *(last price paid on relevant stock exchange)*



Percent development April 1–June 30, 2013 *(last price paid on relevant stock exchange)*

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

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

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

**** Excluding the effect of the distribution of shares held in Black Earth Farming Ltd and RusForest AB

Portfolio structure

The investment portfolio stated at market value as at June 30, 2013 is shown to the right.

Number of shares	Company	Fair value, USD June 30, 2013	Percentage weight	Value per share, USD June 30, 2013	Value per share, USD Dec 31, 2012
902,667	Tinkoff Credit Systems (Egidaco) 3	131,000,000	53.8%	145.13	145.13 1
5,975,579	Avito 3,4	78,941,797	32.4%	13.21	13.21 2
	Other, including cash	33,423,758	13.7%		
	Total	**243,365,555**	**100.0%**		

1. This investment is shown in the balance sheet as financial asset at fair value through profit or loss.
2. This investment is shown in the balance sheet as investment in associated companies.
3. Private equity investment.
4. The shares in Avito are owned through the holding company Vosvik AB

Avito

Avito is the largest and fastest growing online trading platform in Russia, and the number of monthly unique visitors continued to grow at a satisfying pace during H1 2013. The company has obtained a leading position in terms of visitors and number of ads, distancing itself from its competitors. Once a firm market-leading position is achieved the business model has great potential in terms of profitability judging by the experience of peers in other countries. Avito is already the leading brand and has the highest brand awareness in Moscow and St. Petersburg and the recently completed merger with Naspers-owned Slando.ru and OLX.ru has significantly reaffirmed this #1 position in the Russian market. Compared to western countries, Russia still has a low proportion of internet users in relation to the large total population. By the end of 2016 the number of internet users in Russia is expected to reach around 100 million compared to 70-75 million in 2013. The market for internet related services is expected to grow significantly in correlation with an increased internet penetration and the number of Russians who want to buy things online grew strongly over the past year. The Russian E-commerce market was worth some USD 12 bn in 2012, an increase of 9% compared to USD 11 bn in 2011. In March 2013, Avito attracted over 30 million monthly unique users who browsed a total of more than 3 billion pages and more than 10 million new items were listed.

- In May 2013 Avito announced the completion of Avito's integration with Slando.ru and OLX.ru.
- Avito continues to grow at a rapid pace; revenues in 1Q13 were USD 13 million compared to full year 2012 of around USD 30 million. Monthly revenues in March 2013 were approximately USD 6 million.
- In 2Q13, Avito had an average of 37 million unique visitors and 10.7 million new listings per month.
- At the end of 2Q13 Avito had approx. USD 100 mln in cash which will be used to further strengthen Avito's position in the key auto and real estate categories.

Avito*

Vostok Nafta's number of shares as at June 30, 2013	5,975,579
Total Value (USD)	**78,941,797**
Share of total portfolio	32.4%
Share of total shares outstanding	13.8%
Value development April 1–June 30, 2013 (in USD)	0.0%
Value development January 1–June 30, 2013 (in USD)	0.0%

During the second quarter 2013 Vostok Nafta purchased 0 shares and sold 0 shares in Avito.

* *The shares in Avito are owned through the holding company Vosvik AB.*

Tinkoff Credit Systems

Tinkoff Credit Systems (TCS Bank) is Russia's first and only dedicated credit card lending institution. Based in Moscow, TCS Bank issues credit cards to customers in all of Russia's regions. TCS's senior management consists of a team of experienced professionals formerly employed by Visa, McKinsey and several top Russian banks. The bank operates a branchless business model using online and direct mail as its main customer recruitment and distribution channels. The company is singularly focused on issuing and servicing consumer credit cards. By combining a purpose-built platform with dedicated staff, TCS Bank can serve millions of customers. The advanced underwriting process and customer acquisition by invitation only limits the risk of fraud and exposure to less desirable customers, thus reducing the credit risk. The low-cost business model is flexible with a proven ability to rapidly grow and effectively service the credit card portfolio. Russian consumer lending is expected to reach new heights due to a growing middle class and increasing consumer spending. Since 2010, after the financial crisis in 2008–09, the Russian credit card market has grown by 25–40 per cent a year. TCS Bank's focus and unique business model enable the company to tap into this growth and to grow significantly faster than the market. Even though credit card lending is the fastest growing consumer debt category, Russia's current penetration rates are still at a fraction of the levels typical for developed and emerging markets. Detailed financial information and other news updates on TCS Bank as well as reports on the Russian credit card industry in general, can be accessed through http://news.cision.com/egidaco-investments-plc/Press-releases/ and http://www.scribd.com/tcsbank.

- Tinkoff Credit Systems has continued to deliver record high financial results in 1Q13. Retail deposits have increased by 90% y-o-y, from USD 510.5 mln in 1Q12 to USD 971.7 mln in 1Q13. The loan portfolio increased by 14% since 4Q12, to USD 1.96 bn. Net income in 1Q13 amounted to USD 31.4 mln compared to USD 25.4 in the same period 2012.

- During 1Q13 TCS Bank increased its market share and is now the third largest credit card bank in Russia (#4 in 4Q12) measured by credit card portfolio size.

- As of July 1, 2013, TCS Bank's market share had increased to 7.7% compared to 7.4% as of 1Q13.

- On May 31, 2013, TCS Bank announced an early redemption of SEK 550 mln 2011/2013 bonds.

Tinkoff Credit Systems

Vostok Nafta's number of shares as at June 30, 2013	902,667
Total Value (USD)	**131,000,000**
Share of total portfolio	53.8%
Share of total shares outstanding	13.1%
Value development April 1–June 30, 2013 (in USD)	0.0%
Value development January 1–June 30, 2013 (in USD)	0.0%

During the second quarter 2013 Vostok Nafta purchased 0 shares and sold 0 shares in Tinkoff Credit Systems.

Investments

During the second quarter, gross investments in financial assets were USD 0.02 (11.25) mln and proceeds from sales were USD 8.74 (96.24) mln.

Major changes of shares in the portfolio during the second quarter:

Apart from the holdings in Tinkoff Credit Systems and Avito, all portfolio holdings were sold during the second quarter.

Group – results for the period and net asset value

During the period, the result from financial assets at fair value through profit or loss amounted to USD –3.84 (59.27) mln. Result from investments in associated companies was USD –16.14 (–30.74) mln. Result from loan receivables was USD 0.78 (2.36) mln. Dividend income, net of withholding tax expenses, was USD 0.47 (4.34) mln.

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

Net financial items were USD –0.04 (–0.36) mln.

Net result for the period was USD –24.68 (31.27) mln.

Total shareholders' equity amounted to USD 239.99 mln on June 30, 2013 (December 31, 2012: 329.58).

Group – results for the quarter

During the quarter, the result from financial assets at fair value through profit or loss amounted to USD –2.34 (3.00) mln. Result from investments in associated companies was USD –41.75 (–16.62) mln. Result from loan receivables was USD 0.11 (0.56) mln. Dividend income, net of withholding tax expenses, was USD 0.47 (1.43) mln.

Net operating expenses (defined as operating expenses less other operating income) amounted to USD –4.95 (–1.24) mln, which includes variable compensation paid to the employees of the Company in the amount of USD 2.89 mln (including social taxes) and ex-gratie payment to the General Manager of RusForest AB, Garrett Soden, in the amount of USD 1 mln.

Net financial items were USD –0.01 (–0.34) mln.

Net result for the quarter was USD –48.47 (–13.20) mln.

Liquid assets

The liquid assets of the group, defined as cash and bank deposits adjusted for concluded but not yet settled share transactions, amounted to USD 28.07 mln on June 30, 2013 (December 31, 2012: 31.84).

(Expressed in USD thousands)	Jan 1, 2013–Jun 30, 2013	Jan 1, 2012–Jun 30, 2012	Apr 1, 2013–Jun 30, 2013	Apr 1, 2012–Jun 30, 2012
Result from financial assets at fair value through profit or loss 1	–3,842	59,270	–2,336	3,001
Result from investments in associated companies	–16,137	–30,739	–41,749	–16,615
Result from loan receivables 1	778	2,358	114	561
Dividend income	493	1,510	493	1,510
Other operating income	255	189	126	118
Total operating income	–18,452	32,587	–43,352	–11,424
Operating expenses	–6,168	–2,496	–5,077	–1,354
Dividend withholding tax expenses	–27	2,830	–27	–75
Other operating expenses	–	–1,286	–	–
Operating result	–24,647	31,635	–48,457	–12,854
Financial income and expenses				
Interest income	15	144	11	130
Interest expense	–29	–1	–	–1
Currency exchange gains/losses, net	–21	–506	–23	–473
Net financial items	–35	–363	–12	–344
Result before tax	–24,683	31,272	–48,469	–13,198
Taxation	–	–	–	–
Net result for the financial period	–24,683	31,272	–48,469	–13,198
Earnings per share (in USD)	–0.28	0.33	–0.55	–0.14
Diluted earnings per share (in USD)	–0.27	0.33	–0.54	–0.14

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

Income statements – Group

(Expressed in USD thousands)	Jan 1, 2013–Jun 30, 2013	Jan 1, 2012–Jun 30, 2012	Apr 1, 2013–Jun 30, 2013	Apr 1, 2012–Jun 30, 2012
Net result for the financial period	–24,683	31,272	–48,469	–13,198
Other comprehensive income for the period				
Items that may be classified subsequently to profit or loss:				
Currency translation differences	–20	111	–19	–20
Total other comprehensive income for the period	–20	111	–19	–20
Total comprehensive income for the period	–24,703	31,383	–48,488	–13,217

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

Statement of comprehensive income

Balance sheets – Group

(Expressed in USD thousands)	Jun 30, 2013	Dec 31, 2012
NON CURRENT ASSETS		
Tangible non current assets		
Property, plant and equipment	16	23
Total tangible non current assets	16	23
Financial non current assets		
Financial assets at fair value through profit or loss	131,000	142,589
Investment in associated companies	78,942	151,204
Total financial non current assets	209,942	293,793
CURRENT ASSETS		
Cash and cash equivalents	28,065	31,841
Loan receivables	5,359	5,109
Tax receivables	272	218
Other current receivables	89	225
Total current assets	33,785	37,392
TOTAL ASSETS	243,742	331,207
SHAREHOLDERS' EQUITY (including net result for the financial period)	239,988	329,584
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Tax payables	284	288
Other current liabilities	2,159	986
Accrued expenses	1,311	350
Total current liabilities	3,754	1,624
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	243,742	331,207

Statement of Changes in Equity – Group

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Other reserves	Retained earnings	Total
Balance at January 1, 2012	98,470	185,382	–1,007	209,232	492,078
Net result for the period					
January 1, 2012 to June 30, 2012	–	–	–	31,272	31,272
Other comprehensive income for the period					
Currency translation differences	–	–	111	–	111
Total comprehensive income for the period January 1, 2012 to June 30, 2012	–	–	111	31,272	31,383
Transactions with owners:					
Employees share option scheme:					
- value of employee services	–	–	–	–	–
Buy back of own shares	–6,766	–21,302	–	–	–28,068
	–6,766	–21,302	–	–	–28,068
Balance at June 30, 2012	91,704	164,080	–896	240,505	495,393
Balance at January 1, 2013	44,860	157,757	88	126,879	329,584
Net result for the period					
January 1, 2013 to June 30, 2013	–	–	–	–24,683	–24,683
Other comprehensive income for the period					
Currency translation differences	–	–	–20	–	–20
Total comprehensive income for the period January 1, 2013 to June 30, 2013	–	–	–20	–24,683	–24,703
Transactions with owners:					
Redemption programme	–13,232	–	–	–47,018	–60,249
Employees share option scheme:					
- value of employee services	–	–	–	–	–
Buy back of own shares	–755	–3,889	–	–	–4,644
	–13,986	–3,889	–	–47,018	–64,893
Balance at June 30, 2013	30,874	153,868	68	55,179	239,988

Cash flow statements – Group

(Expressed in USD thousands)	Jan 1, 2013– Jun 30, 2013	Jan 1, 2012– Jun 30, 2012	Jan 1, 2012– Dec 31, 2012
OPERATING ACTIVITIES			
Result before tax	–24,683	31,272	119,801
Adjustment for:			
Interest income	–15	–144	–1,237
Interest expense	29	1	35
Currency exchange gains/-losses	21	506	–2,397
Depreciations and write downs	10	14	31
Result from financial assets at fair value through profit or loss	3,842	–59,270	–114,023
Result from investments in associated companies	16,137	30,739	9,057
Result from loan receivables	–778	–2,358	–2,817
Dividend income	–493	–1,510	–11,246
Other non-cash items	–	1,286	1,289
Change in current receivables	161	133	86
Change in current liabilities	1,680	–258	28
Net cash used in/from operating activities	**–4,088**	**413**	**–1,393**
Investments in financial assets	–3,979	–47,804	–87,226
Sales of financial assets	8,743	235,752	353,351
Increase/decrease in loan receivables	–15	–10,248	–2,963
Dividend received	493	1,510	11,246
Interest received	15	144	1,237
Interest paid	–29	–1	–35
Tax paid	–61	–75	–106
Net cash flow from operating activities	**1,079**	**179,691**	**274,110**
INVESTING ACTIVITIES			
Investments in office equipment	–11	–4	–17
Sale of office equipment	7	–	–
Net cash flow used in investing activities	**–3**	**–4**	**–17**
FINANCING ACTIVITIES			
Redemption programme	–	–	–246,121
Buy back of own shares	–4,644	–28,068	–36,259
Net cash flow used in financing activities	**–4,644**	**–28,068**	**–282,380**
Change in cash and cash equivalents	–3,569	151,619	–8,287
Cash and cash equivalents at beginning of the period	31,841	37,665	37,665
Exchange gains/losses on cash and cash equivalents	–207	–490	2,462
Cash and cash equivalents at end of period	**28,065**	**188,793**	**31,841**

Key financial ratios – Group

	6m 2013	6m 2012
Return on capital employed, % (01)	–8.67	6.33
Equity ratio, % (02)	98.46	99.73
Shareholders' equity/share, USD (03)	2.72	5.24
Earnings/share, USD (04)	–0.28	0.33
Diluted earnings/share, USD (05)	–0.27	0.33
Net asset value/share, USD (06)	2.72	5.24
Weighted average number of shares for the financial period (07)	88,276,708	95,796,110
Weighted average number of shares for the financial period (fully diluted)	89,994,088	95,796,110
Number of shares at balance sheet date	88,210,000	91,704,195

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

Income statement – Parent

(Expressed in USD thousands)	Jan 1, 2013– Jun 30, 2013	Jan 1, 2012– Jun 30, 2012	Apr 1, 2013– Jun 30, 2013	Apr 1, 2012– Jun 30, 2012
Result from investments in associated companies	–8,754	–	–8,754	–
Operating expenses	–5,963	–2,263	–4,964	–1,195
Operating result	**–14,717**	**–2,263**	**–13,718**	**–1,195**
Financial income and expenses				
Interest income	884	9,063	431	4,464
Currency exchange gains/losses, net	93	–70	83	11
Net financial items	**978**	**8,993**	**514**	**4,475**
Net result for the financial period	**–13,739**	**6,729**	**–13,204**	**3,279**

Statement of comprehensive income

(Expressed in USD thousands)	Jan 1, 2013– Jun 30, 2013	Jan 1, 2012– Jun 30, 2012	Apr 1, 2013– Jun 30, 2013	Apr 1, 2012– Jun 30, 2012
Net result for the financial period	**–13,739**	**6,729**	**–13,204**	**3,279**
Other comprehensive income for the period				
Items that may be classified subsequently to profit or loss:				
Currency translation differences	–	–	–	–
Total other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	**–13,739**	**6,729**	**–13,204**	**3,279**

Balance sheet – Parent

(Expressed in USD thousands)	Jun 30, 2013	Dec 31, 2012
NON CURRENT ASSETS		
Financial non current assets		
Shares in subsidiaries	225,749	294,507
Receivables from Group companies	24,880	34,282
Total financial non current assets	250,629	328,788
CURRENT ASSETS		
Cash and cash equivalents	723	716
Other current receivables	13	73
Total current assets	735	789
TOTAL ASSETS	251,365	329,577
SHAREHOLDERS' EQUITY (including net result for the financial period)	250,355	328,987
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Liabilities to group companies	335	268
Other current liabilities	65	75
Accrued expenses	610	247
Total current liabilities	1,010	590
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	251,365	329,577

Statement of Changes in Equity – Parent

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
Balance at January 1, 2012	98,470	185,382	206,308	490,160
Net result for the period				
January 1, 2012 to June 30, 2012	–	–	6,729	6,729
Other comprehensive income for the period				
Currency translation differences	–	–	–	–
Total comprehensive income for the period January 1, 2012 to June 30, 2012	–	–	6,729	6,729
Transactions with owners:				
Employees share option scheme:				
- value of employee services	–	–	–	–
Buy back of own shares	–6,766	–21,302	–	–28,068
	–6,766	–21,302	–	–28,068
Balance at June 30, 2012	91,704	164,081	213,038	468,821
Balance at January 1, 2013	44,860	157,757	126,370	328,987
Net result for the period				
January 1, 2013 to June 30, 2013	–	–	–13,739	–13,739
Other comprehensive income for the period				
Currency translation differences	–	–	–	–
Total comprehensive income for the period January 1, 2013 to June 30, 2013	–	–	–13,739	–13,739
Transactions with owners:				
Redemption programme	–13,232	–	–47,018	–60,249
Employees share option scheme:				
- value of employee services	–	–	–	–
Buy back of own shares	–755	–3,889	–	–4,644
	–13,986	–3,889	–47,018	–64,893
Balance at June 30, 2013	–30,874	153,868	65,613	250,355

Note 1 Accounting principles

This consolidated interim report is prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting principles and methods of calculations have been applied for the Group as for the preparations of the consolidated accounts for Vostok Nafta Investment Ltd 2012.

Distribution of shares in Black Earth Farming Ltd and RusForest AB are reported according to IFRIC 17 "Distribution of Non-Cash Assets to Owners".

Note 2 Related party transactions

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

USD thousand	1H 2013 Associated companies	1H 2013 Lundin family and group of companies	1H 2013 Key management and Board of Directors	1H 2012 Associated companies	1H 2012 Lundin family and group of companies	1H 2012 Key management and Board of Directors
Items of the income statement						
Income from loan receivables	305[1]	–	–	1,719[1]	–	–
Other operating income	19[2]	181[2]	–	15[2]	174[2]	–
Operating expenses	–	–169[3]	–2,450[4]	–	–90[3]	–551[4]
Interest expenses	–	–	–	–	–	–
Balance sheet items						
Non current loan receivables	–	–	–	–	–	–
Current loan receivables	5,359[1]	–	–	–	–	–
Other current receivables	3[1]	19[2]	–	–	13[2]	–
Retained earnings	–	–	–	–	–	–
Other current liabilities and accrued expenses	–	–	–9[4]	–9[2]	–5[2]	–36[4]

1) Loans to associated companies

Vostok Nafta has an outstanding short-term loan receivable from RusForest AB, which was recognized at a book value of USD 5.36 mln as per June 30, 2013. The bridge loan of USD 5 mln initially carried a 16 per cent interest rate and would mature on April 30, 2013. On February 8, 2013, the terms of this loan were amended to 9 per cent interest and the maturity term was extended to December 31, 2013. In February 2013 RusForest also secured an additional USD 3.94 mln bridge loan from Vostok Nafta at 9 per cent interest which was fully repaid in March 2013. In the Income Statement for the period ended June 30, 2013 Vostok Nafta has recognised interest income in the amount of USD 0.30 mln from RusForest AB for the both loans.

2) Other operating income from associated companies and Lundin companies and other current receivable

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

3) Operating expenses: Lundin companies

Vostok Nafta currently buys management and Investor Relations services regarding relations with the stock and financial markets from Namdo Management. The fee amounts to USD 15,000 per month. Vostok Nafta paid USD 78,972 (2012: 0) to Mile Holdings Ltd in respect of aviation services received.

4) Operating expenses: Key management and Board of Directors

Compensation paid or payable includes salary and bonuses to the management and remuneration to the Board members. Total variable compensation (excluding social taxes) paid to the management in 2Q 2013 amounted to USD 1.89 mln of which USD 1.41 mln were paid to the General Manager.

Note 3 Fair value estimation

Amendment in IAS34 due to implementation of IFRS13 effective from January 1, 2013 requires disclosure in the 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 June 30, 2013.

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	–	131,000	–	131,000
Investments in associated companies	–	78,942	–	78,942
Current loan receivables	–	5,359	–	5,359
Total assets	**–**	**215,301**	**–**	**215,301**

The following table presents the group's assets that are measured at fair value at December 31, 2012.

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	11,589	131,000	–	142,589
Investments in associated companies	72,262	78,942	–	151,204
Current loan receivables	–	5,109	–	5,109
Total assets	**83,851**	**215,051**	**–**	**298,902**

During the second quarter 2013 there have been no transfers between level 1, 2 and 3. The group's level 1 assets Black Earth Farming and RusForest were distributed to Vostok Nafta's shareholders during the second quarter.

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

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

The investments in Vostok Nafta's unlisted financial instruments Tinkoff Credit Systems and Avito are classified as level 2 investments since both investments are valued on the basis of recent transactions in the companies made at prevailing market conditions in close proximity to the year end 2012. See Vostok Nafta's Annual Report 2012, note 3, p. 38 for details. The validity of valuations based on a transaction is inevitably eroded over time, since the price at which the investment was made reflects the conditions that existed on the transaction date. The fair value of both Tinkoff Credit Systems and Avito is based on the transactions at year end 2012 and has been evaluated using peer multiple valuation models which have generated indicative valuations in close range to transaction based valuations. Given the sensitivity in any model and that both TCS and Avito have performed in line with the guidance and forward looking estimates used at the time of the two transactions at year end 2012, It has been concluded that the transaction based valuations still is the most appropriate determination of fair value. At each reporting date, possible changes or events subsequent to the relevant transaction are assessed and if this assessment implies a change in the investment's fair value, the valuations are adjusted accordingly.

Note 4 Share Split and Mandatory Redemption Programme

A Special General Meeting held on May 24, 2013 adopted a resolution to transfer assets of the Company having a value of approximately USD 66.25 million to its shareholders by way of redemption of all issued and outstanding Redemption Shares, whereby each even number of 100 RDR A entitles the holder to non-cash consideration consisting of 58 SDRs in Black Earth Farming Limited and each even number of 1,000 RDR B entitles the holder to non-cash consideration consisting of 111 shares in RusForest AB (publ).

The record date for the share redemption was June 24, 2013. Delivery of SDRs in Black Earth Farming Limited and shares in RusForest AB (publ) was made to shareholders and holders of RDR A's and RDR B's on June 26, 2013 via Euroclear Sweden AB.

Any RDR A or RDR B held on the record date for the redemption which do not constitute an even number of 100 RDR A or 1,000 RDR B is collected by a bank or securities broker appointed by the Company. SDRs in Black Earth Farming Limited and shares in RusForest AB (publ) received by such bank or securities broker were sold on behalf of the holders of such RDR A and RDR B and the sale proceeds, after deduction for commissions and other costs in relation to the sale, were paid to the holders via Euroclear Sweden AB on July 7, 2013.

Note 5 Events after the reporting date

On August 8, 2013 the Company issued 846,510 shares as a result of options exercise under the 2010 Incentive Programme.

Background

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

As of June 30, 2013 the Vostok Nafta Investment Ltd Group consists of the Bermudian parent company, one wholly-owned Bermudian subsidiary, one wholly-owned Cypriot subsidiary, one wholly-owned Cypriot subsidiary which is under liquidation, and one wholly owned Swedish subsidiary.

The financial year is January 1–December 31.

Parent company

The parent company finances the Cypriot subsidiaries' operations on market terms. The net result for the period was USD –13.74 (6.73) mln.

Financial and Operating risks

The Company's risks and risk management are described in detail in note 3 of the Company's Annual Report 2012. After the distribution of shares in Black Earth Farming Ltd and RusForest AB, the non-quoted investments represent a major part of the Company's assets, which increases financial risks even further.

Upcoming Reporting Dates

Vostok Nafta's nine month report for the period January 1, 2013–September 30, 2013 will be published on November 13, 2013.

August 14, 2013

Per Brilioth
Managing Director
Vostok Nafta Investment Ltd

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

Stockholm, August 14, 2013

Al Breach
Per Brilioth
Lars O Grönstedt

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

Vostok
Nafta
Investment
Ltd

Registered office
Codan Services
Clarendon House
2 Church Street
Hamilton HM1108
Bermuda

Vostok Nafta Sverige AB
Hovslagargatan 5
SE-111 48 Stockholm
Sweden
Phone +46 8 545 015 50
Fax +46 8 545 015 54

www.vostoknafta.com
info@vostoknafta.com

SANDSNAS COMMUNICATION, 2013