

Vostok
Nafta
Investment
Ltd

Three Months Report
January–March
2014



- Net result for the period was USD –67.02 million (mln) (January 1, 2013–March 31, 2013: 23.79). Earnings per share were USD –0.75 (0.27).
- The net asset value of the company was USD 515.79 mln on March 31, 2014 (December 31, 2013: 633.97), corresponding to USD 6.20 per share (December 31, 2013: 7.05). Given a SEK/USD exchange rate of 6.5068 the values were SEK 3,356.12 mln (December 31, 2013: 4,126.10 mln) and SEK 40.32 (December 31, 2013: 45.89), respectively.
- The group's net asset value per share in USD decreased by 12.13% over the period January 1, 2014–March 31, 2014. During the same period the RTS index decreased by 15.02% in USD terms.
- The number of outstanding shares at the end of the period was 83,244,280. During the first quarter 2014, Vostok Nafta repurchased 6,658,740 SDRs (shares). After the period, Vostok Nafta has repurchased an additional 8,403,491 SDRs for a grand total of 15,062,231 repurchased SDRs this year. As of the date of this report, all 15,062,231 repurchased SDRs and the underlying shares have been cancelled, and the total number of outstanding SDRs and underlying shares is 74,840,789.
- The reported net asset value per share of Vostok Nafta as of April 30, 2014 was USD 5.80 (SEK 38.11).

Management report

Western media have during the last quarter been totally preoccupied with the situation in Eastern Ukraine, Russia's potential involvement and the threat of sanctions against Russia by the US and EU. Beyond the headlines, the Russian economy is slowing down a little, although not because of sanctions. As 70% of the free float in Russian bonds and equities is held by foreigners the swings of Russian capital markets follow developments in Ukraine. On the ground operations of most Russian companies the developments in Ukraine mean very little.

Avito

A slowing economy does have an impact though – although again very little for our main holding of Avito as it is still in a penetration catch-up game. Internet penetration increases, more and more of the internet population starts to use online classifieds, more and more car dealers and real estate agents start to sell their inventory through Avito and, importantly, more and more of corporate advertisement budgets for the internet are directed towards Avito. Although total advertisement budgets might be shrinking on the back of a slowing economy, banner revenues etc. can still grow at Avito as it takes a larger share of the total pie. On the operational side, Avito continues with its efforts in the hero categories (real estate, auto and jobs and services) and in early 2014 the work with Domofond.ru, a real estate portal for the Russian market, commenced within a JV between Avito and a South African company. The venture is still in its early stages but we are very excited about real estate's and Domofond's long term potential.

The increasing paranoia with regards to Russia on the back of Ukraine has helped make some comments by Russian authorities on internet regulation into a total scare. There has for some time

been rumored discussions if to impose mass media licenses for social media sites and bloggers. There have also been discussions in the media of a potential requirement for Russian internet companies to have their servers located in Russia. What has actually happened so far is that the lower house of parliament (the Duma) has passed a law requiring bloggers with over 3k page views per day to have a mandatory registration. However, this law will need to be passed by the upper house and signed by the president before going into effect. In the unlikely event that something like this rumored new regulation actually goes into law it will in our view be a non-event and have no significant impact on Avito's operations and will if anything dent the scope of international internet companies' access to Russian users.

TCS

At TCS the slowing economy is naturally having a larger impact as the cost of risk rises with higher default rates. As always TCS is a very well-run company, arguably Russia's best run credit card issuer and online bank, and will weather the current soft patch in the economy well. In our view the market is too conservative in its pricing of TCS' future prospects. Although we are now in a position to sell our shares in TCS as the IPO lock-up is over, and though it is not part of our long term strategy to hold liquid listed companies no matter how well-run, we do not think it is in the interest of our shareholders to exit TCS at these levels given that we have liquid funds with which to pursue investment opportunities.

Capital structure

Currently the sizeable investment where we have put money to work is our own shares. In total we have spent some USD 114 mln, buying back just shy of 17% of the outstanding. Currently the sizeable

Three Months Report Covering the Period January 1, 2014–March 31, 2014

investment where we have put money to work is our own shares. In total we have spent some USD 114 mln, buying back just shy of 17% of the outstanding shares. We continue to believe that the current market pricing of our assets provides a good opportunity for further buy-backs in the light of the potentially significant upside in Avito. As such, the Board of Directors of Vostok Nafta has decided to give the management a renewed mandate to repurchase up to an additional 10% of the outstanding shares in Vostok Nafta in the market. Purchases of our own shares will continuously be evaluated in the light of the prospects for Avito, the liquidity at Vostok Nafta and alternative investment opportunities.

Future

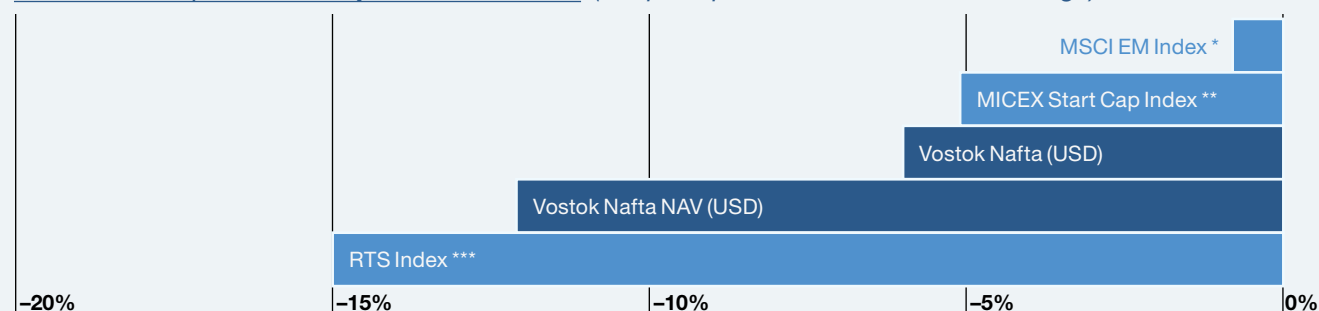
As always we continue to scan the market for new opportunities with a special interest in companies with network effect characteristics. Russia is of course historically our favorite hunting ground and will continue to be an important focus area, although we increasingly believe that we can leverage our experience from Russia and online businesses with network effects in other markets.

May 2014,
Per Brilioth

Vostok Nafta's portfolio development

The group's net asset value per share in USD decreased by 12.13% over the period January 1, 2014–March 31, 2014. During the same period the RTS index decreased by 15.02% in USD terms.

Percent development January 1–March 31, 2014 (last price paid on relevant stock exchange)



* The MSCI Emerging Markets Index is a free float weighted equity index that consists of indices in 26 emerging economies.

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

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

Portfolio structure

The investment portfolio stated at fair value as at March 31, 2014 is shown below.

Number of shares	Company	Fair value, USD March 31, 2014	Percentage weight	Value per share, USD March 31, 2014	Value per share, USD December 31, 2013
8,742,294	Tinkoff Credit Systems (TCS Group Holding PLC)	70,812,581	13.7%	8.1	15.7 1
6,159,130	Avito 2	241,374,892	46.6%	39.2	39.2 1
	Other, including cash	204,639,122	39.7%		
	Total	516,826,595	100.0%		

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

2. Private equity investment.

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Avito

Avito is the largest and fastest growing online classified platform in Russia, and the company continued to grow at a satisfying pace during the first three months of the year. 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, Avito's 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 merger with Naspers-owned Slando.ru and OLX.ru in the beginning of 2013 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 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 is expected to grow with the increasing internet

penetration to approximately USD 25 bln in 2016 according to Goldman Sachs Investment Research. According to LiveInternet.ru, Avito had 52 mln unique visitors during the last 31 days prior to this report measured by unique cookies. Avito also owns and operates the leading classified site in Morocco and has presence in Ukraine and Egypt. In February 2014, Schibsted announced a joint venture between its Moroccan site and Avito.ma to create a clear market leader and further strengthen the combined sites position on the Moroccan online classified market.

In early 2014 the work with Domofond.ru, a real estate portal for the Russian market, commenced within a JV between Avito and a South African company. The venture is still in its early stages and is aiming to further develop the real estate segment to make the process more efficient and convenient for all parties. The Russian real estate market is underdeveloped and holds great promise for the future. Some of the most profitable and highest valued international classifieds sites are real estate portals, including the likes of Rightmove, Zillow, REA Group and SeLogger.

Updated figures from Avito as per 4Q 2013

- Full year 2013 Revenues¹ of RUB 2.4 bln (USD 73.7 mln²), up 167% compared with full year 2012 (RUB 0.9 bln). Revenues¹ in 4Q 2013 amounted to RUB 803 mln (USD 24.5 mln²), up 131% compared with 4Q 2012 (RUB 347 mln).
- Full year 2013 EBITDA amounted to RUB 680 mln (USD 20.9 mln), which is equivalent to a 28% margin. The above figures are translated with the USD/RUB rate as per December 31, 2013. Using the average exchange rate for the period revenues and EBITDA amounted to USD 75.3 mln and 21.3 mln, respectively.

- Page views in December 2013 amounted to 4.6 bln, compared to 2.7 bln for the previous year.
- Page views for the full year 2013 amounted to 47 bln, compared to 26 bln for the previous year.
- Monthly audience³ in December 2013 according to TNS Russia and the Web Index project was 23.9 mln.
- During the first quarter, Vostok Nafta alongside some of the other Avito shareholders purchased shares from the founders of the company. The founders of Avito sold 10% of their holdings, which corresponds to approximately 1.7% of the total number of shares in Avito. The pricing in the transaction was SEK 255 per underlying Avito share, which equates to a valuation of approximately USD 1.8 bln for the whole company. Vostok Nafta's shareholding in the company increased from 13.3% to 13.7%. The transaction closed in February 2014 and as per March 31, 2014 Avito is valued on the basis of this transaction.
- At the end of 4Q13 Avito had more than USD 100 mln in cash, which will be used to further strengthen and develop Avito's position in the hero categories auto, jobs and services and real estate categories.

1. Unaudited figures from Avito.
2. Translated with official FX rate of 32.7292 as of December 31, 2013 quoted by the Central Bank of the Russian Federation.
3. Monthly audience is measured by a regular survey performed by TNS Russia. Details can be found at <http://en.tns-global.ru/services/media/media-audience/internet/description/>.

Avito

Vostok Nafta's number of shares as at March 31, 2014	6,159,130
Total Value (USD)	241,374,892
Share of total portfolio	46.6%
Share of total shares outstanding	13.7%
Value development January 1–March 31, 2014 (in USD)	0.0%

During the first quarter 2014 Vostok Nafta purchased 183,551 shares and sold 0 shares in Avito.

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Tinkoff Credit Systems

TCS Group Holding PLC is an innovative provider of online retail financial services operating in Russia through a high-tech branchless platform, which is supported by a “smart” courier network that covers around 600 cities and towns in Russia. TCS’s main offering is credit cards and had as of December 31, 2013 USD 2.3 bln in net loans and advances to customers. In addition to a market-leading credit card offering, the Group has developed a successful online retail deposits program and added Tinkoff Mobile Wallet to its portfolio of innovative online products and services for Russian consumers, including mobile financial services, payment solutions and insurance.

TCS’s senior management consists of a team of experienced professionals formerly employed by Visa, McKinsey and several top Russian banks. By combining a purpose-built platform with dedicated staff, TCS can serve millions of customers. The advanced underwriting process and customer acquisition by invitation only limits the risk of fraud and exposure to less desirable customers, thus reducing the credit risk. The low-cost business model is flexible with a proven ability to rapidly grow and effectively service the credit card portfolio.

TCS was listed on the main list of London Stock Exchange on October 25, 2013. Vostok Nafta sold down its stake in TCS in conjunction with the IPO, which comprised of both primary and secondary equity. Vostok Nafta sold a total of 13,824,381 shares at the offer price of USD 17.50 per share for a total purchase price of USD 241,926,667 before applicable fees. After the IPO, Vostok Nafta owns 4.82% of TCS Group Holding plc.

Following the IPO of the company in October 2013, TCS share price has been very volatile and primarily negatively affected by the speculation in the media on new banking regulations in November 2013, the current situation in Ukraine, a weakening ruble and the continued negative sentiment towards Russia in the market in general. TCS share price has declined some 48% YTD and as per March 31, 2014 TCS share price stood at USD 8.1.

Company website: www.tcsbank.ru/eng/

- Net income for the full year 2013 amounted to USD 181 mln up 48% y-o-y.
- Gross yield in 2013 was 51% compared to 56% in 2012.
- Average cost of funding in 2013 was 12% compared to 13% in 2012.
- The net loan portfolio increased to USD 2.3 bln as of December 31, 2013, up 44% since year end 2012. Market share of 7.5% as of December 31, 2013, placing TCS as the #3 credit card issuer in Russia by market share.
- Retail deposits increased to USD 1.3 bln as of December 31, 2013, up from 878.1 mln as of 4Q12 and as of December 31, 2013, cash amounted to 19% of total assets and 43.6% of retail deposits.
- In February 2014, TCS announced the mass market launch of its property insurance products through the Tinkoff Online Insurance platform, and later in April the dedicated website (www.tinkoff-insurance.ru) went live and travel insurance was added to the product portfolio.
- First quarter results are expected to be published in May 2014.

Tinkoff Credit Systems

Vostok Nafta’s number of shares as at March 31, 2014	8,742,294
Total Value (USD)	70,812,581
Share of total portfolio	13.7%
Share of total shares outstanding	4.8%
Value development January 1–March 31, 2014 (in USD)	–48.2%

During the first quarter 2014 Vostok Nafta purchased 0 shares and sold 0 shares in TCS.

Three Months Report Covering the Period January 1, 2014–March 31, 2014

Investments

During the first quarter 2014, gross investments in financial assets were USD 54.35 (2013: 4.49) mln and proceeds from sales were USD 11.82 (0) mln. Investments concern short-term cash placements and investment in Avito.

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 –66.79 (–1.51) mln. Result from investments in associated companies was USD 0 (25.61) mln. Result from loan receivables to portfolio companies was USD 0 (0.67) mln. Dividend and coupon income, net of withholding tax expenses, was USD 0.29 (0) mln.

Net operating expenses (defined as operating expenses less other operating income) amounted to USD –0.72 (–0.96) mln.

Net financial items were USD 0.21 (–0.02) mln.

Net result for the period was USD –67.02 (23.79) mln.

Total shareholders' equity amounted to USD 515.79 mln on March 31, 2014, (December 31, 2013: 633.97).

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 152.26 mln on March 31, 2014 (December 31, 2013: 246.57).

Three Months Report Covering the Period
January 1, 2014–March 31, 2014

(Expressed in USD thousands)	Jan 1, 2014– Mar 31, 2014	Jan 1, 2013– Mar 31, 2013
Result from financial assets at fair value through profit or loss ¹	-66,788	-1,505
Result from investments in associated companies	-	25,612
Result from loan receivables ¹	-	665
Dividend and coupon income	285	-
Other operating income	-	129
Total operating income	-66,504	24,900
Operating expenses	-721	-1,090
Operating result	-67,225	23,810
Financial income and expenses		
Interest income	143	4
Interest expense	-	-29
Currency exchange gains/losses, net	63	2
Net financial items	206	-23
Result before tax	-67,019	23,786
Taxation	-	-
Net result for the financial period	-67,019	23,786
Earnings per share (in USD)	-0.75	0.27
Diluted earnings per share (in USD)	-0.75	0.26

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.

(Expressed in USD thousands)	Jan 1, 2014– Mar 31, 2014	Jan 1, 2013– Mar 31, 2013
Net result for the financial period	-67,019	23,786
Other comprehensive income for the period		
Items that may be classified subsequently to profit and loss:		
Currency translation differences	-	-1
Total other comprehensive income for the period	-	-1
Total comprehensive income for the period	-67,019	23,786

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

Income statements – Group

Statement of comprehensive income

(Expressed in USD thousands) Mar 31, 2014 Dec 31, 2013

NON-CURRENT ASSETS**Tangible non-current assets**

Property, plant and equipment	10	11
Total tangible non-current assets	10	11

Financial non-current assets

Financial assets at fair value through profit or loss	359,565	383,828
Loan receivables	-	5,000
Total financial non-current assets	359,565	388,828

CURRENT ASSETS

Cash and cash equivalents	152,262	246,572
Loan receivables	5,000	-
Receivables from related parties	-	1,261
Tax receivables	386	315
Other current receivables	29	145
Total current assets	157,677	248,293

TOTAL ASSETS	517,252	637,133
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SHAREHOLDERS' EQUITY

(including net result for the financial period)	515,785	633,966
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CURRENT LIABILITIES**Non-interest bearing current liabilities**

Tax payables	402	402
Other current liabilities	875	1,998
Accrued expenses	191	766
Total current liabilities	1,467	3,166

TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	517,252	637,133
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(Expressed in USD thousands) Share Capital Additional paid in capital Other reserves Retained earnings Total

Balance at January 1, 2013	44,860	157,757	88	126,879	329,584
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Net result for the period

January 1, 2013 to March 31, 2013	-	-	-	23,786	23,786
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Other comprehensive income**for the period**

Currency translation differences	-	-	-1	-	-1
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Total comprehensive income

for the period January 1, 2013 to March 31, 2013	-	-	-1	23,786	23,786
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Transactions with owners:

Buy back of own shares	-755	-3,889	-	-	-4,644
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	-755	-3,889	-	-	-4,644
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Balance at March 31, 2013	44,105	153,868	87	150,665	348,726
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Balance at January 1, 2014	31,466	157,939	89	444,472	633,966
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Net result for the period

January 1, 2014 to March 31, 2014	-	-	-	-67,019	-67,019
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Other comprehensive income**for the period**

Currency translation differences	-	-	-	-	-
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Total comprehensive income

for the period January 1, 2014 to March 31, 2014	-	-	-	-67,019	-67,019
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Transactions with owners:

Buy back of own shares	-2,331	-48,831	-	-	-51,162
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	-2,331	-48,831	-	-	-51,162
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Balance at March 31, 2014	29,135	109,108	89	377,453	515,785
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Balance sheets

- Group

Statement of Changes

in Equity - Group

(Expressed in USD thousands)	Jan 1, 2014– Mar 31, 2014	Jan 1, 2013– Mar 31, 2013	Jan 1, 2013– Dec 31, 2013
OPERATING ACTIVITIES			
Result before tax	-67,019	23,786	364,807
Adjustment for:			
Interest income	-143	-4	-90
Interest expenses	-	29	29
Currency exchange gains/-losses	-63	-2	-87
Depreciations and write downs	1	7	15
Result from financial assets at fair value through profit or loss	66,788	1,505	-389,611
Result from investments in associated companies	-	-25,612	16,159
Result from loan receivables	-	-665	-958
Dividend and coupon income	-285	-	-627
Change in current receivables	1,377	72	175
Change in current liabilities	-1,702	-20	1,442
Net cash used in operating activities	-1,045	-902	-8,746
Investments in financial assets	-54,350	-3,960	-27,813
Sales of financial assets	11,824	-	252,041
Increase/decrease in loan receivables	138	-15	574
Dividend and coupon income	285	-	707
Interest received	5	4	40
Interest paid	-	-29	-29
Tax paid	-71	-21	-107
Net cash flow used in/from operating activities	-43,215	-4,923	216,667
INVESTING ACTIVITIES			
Investments in office equipment	-	-11	-11
Sale of office equipment	-	-	7
Net cash flow used in investing activities	-	-11	-4
FINANCING ACTIVITIES			
Redemption program transaction fees	-	-	-627
Proceeds from shares issued	-	-	3,342
Buy back of own shares	-51,162	-4,644	-4,644
Net cash flow used in financing activities	-51,162	-4,644	-1,929
Change in cash and cash equivalents	-94,377	-9,577	214,735
Cash and cash equivalents at beginning of the period	246,572	31,841	31,841
Exchange gains/losses on cash and cash equivalents	67	1	-4
Cash and cash equivalents at end of period	152,262	22,264	246,572

Cash flow statements – Group

	1Q 2014	1Q 2013
Return on capital employed, % (01)	-11.66	7.01
Equity ratio, % (02)	99.72	99.54
Shareholders' equity/share, USD (03)	6.20	3.95
Earnings/share, USD (04)	-0.75	0.27
Diluted earnings/share, USD (05)	-0.75	0.26
Net asset value/share, USD (06)	6.20	3.95
Weighted average number of shares for the financial period	88,903,702	88,344,158
Weighted average number of shares for the financial period (fully diluted)	88,928,062	89,803,658
Number of shares at balance sheet date	83,244,280	88,210,000

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

Key financial ratios – Group

(Expressed in USD thousands)	Jan 1, 2014– Mar 31, 2014	Jan 1, 2013– Mar 31, 2013
Result from financial assets at fair value through profit or loss		
Operating expenses	-948	-
Dividend and coupon income	285	-
Operating result	-1,435	-988
Financial income and expenses		
Interest income	176	454
Currency exchange gains/losses, net	63	10
Net financial items	239	464
Net result for the financial period	-1,196	-535

(Expressed in USD thousands)	Jan 1, 2014– Mar 31, 2014	Jan 1, 2013– Mar 31, 2013
Net result for the financial period	-1,196	-535
Other comprehensive income for the period		
<i>Items that may be classified subsequently to profit and loss:</i>		
Currency translation differences	-	-
Total other comprehensive income for the period	-	-
Total comprehensive income for the period	-1,196	-535

Income statement – Parent

Statement of com- prehensive income

(Expressed in USD thousands)	Mar 31, 2014	Dec 31, 2013
NON-CURRENT ASSETS		
Financial non-current assets		
Shares in subsidiaries	84,389	84,389
Financial assets at fair value through profit or loss	47,378	12,450
Loan receivables	-	5,000
Receivables from Group companies	6,801	110
Total financial non-current assets	138,567	101,949
CURRENT ASSETS		
Cash and cash equivalents	152,138	246,434
Loan receivables	5,000	-
Receivables from related parties	-	1,261
Other current receivables	-	126
Total current assets	157,138	247,820
TOTAL ASSETS	295,706	349,769
SHAREHOLDERS' EQUITY (including net result for the financial period)		
	294,986	347,344
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Liabilities to group companies	570	2,314
Other current liabilities	38	23
Accrued expenses	112	89
Total current liabilities	719	2,425
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	295,706	349,769

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
Balance at January 1, 2013	44,860	157,757	126,370	328,987
Net result for the period				
January 1, 2013 to March 31, 2013	-	-	-535	-535
Other comprehensive income for the period				
Currency translation differences	-	-	-	-
Total comprehensive income for the period January 1, 2013 to March 31, 2013	-	-	-535	-535
Transactions with owners:				
Buy back of own shares	-755	-3,889	-	-4,644
	-755	-3,889	-	-4,644
Balance at March 31, 2013	44,105	153,868	125,835	323,809
Balance at January 1, 2014	31,466	157,939	157,939	347,344
Net result for the period				
January 1, 2014 to March 31, 2014	-	-	-1,196	-1,196
Other comprehensive income for the period				
Currency translation differences	-	-	-	-
Total comprehensive income for the period January 1, 2014 to March 31, 2014	-	-	-1,196	-1,196
Transactions with owners:				
Buy back of own shares	-2,331	-48,831	-	-51,162
	-2,331	-48,831	-	-51,162
Balance at March 31, 2014	29,135	109,108	156,743	294,986

Balance sheet – Parent

Statement of Changes in Equity – Parent

Note 1 Accounting principles

This consolidated interim report is prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting principles and methods of calculations have been applied for the Group as for the preparations of the consolidated accounts for Vostok Nafta Investment Ltd 2013.

Note 2 Related party transactions

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

USD thousands	Operating expenses		Current liabilities	
	1Q 2014	1Q 2013	1Q 2014	1Q 2013
Key management and				
Board of Directors*	-297	-299	-90	-210

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

Note 3 Fair value estimation

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

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

The following table presents the group's assets that are measured at fair value at March 31, 2014.

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value				
through profit or loss	118,190	241,375	–	359,565
Investments in				
associated companies	–	–	–	–
Total assets	118,190	241,375	–	359,565

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

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

During the first quarter of 2014 no transfers between level 1, 2 and 3 have been done. The Group's investment in Avito AB was increased as per March 31, 2014 following the purchase of 183,551 warrants in the company at an underlying valuation of SEK 255 per share or approximately USD 1.8 bln for the whole company.

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 deter-

mined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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

The investment in the Group's unlisted holding Avito AB is classified as a level 2 investment as it is valued on the basis of recently completed transaction in the company. In January, 2014 Vostok Nafta and the other shareholders received an offer to purchase warrants in Avito AB from the company's management at an underlying valuation of SEK 255 per Avito share, which translates into a total company valuation of approximately USD 1.8 bln. The details of the offer were governed by the shareholders' agreement in Avito AB and guaranteed all current shareholders to purchase its pro-rata share of the total warrants offered for sale in a two-stage process. Vostok Nafta accepted this offer and as a result purchased 183,551 warrants in Avito corresponding to 0.4% of the total number of outstanding shares and warrants, bringing Vostok Nafta's total shareholding in Avito to 13.7%. The transaction was finalized at the end of February 2014.

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As this transaction was completed in such limited time period before the first quarter ending and no significant company-specific or sector related events occurred during this time frame, the underlying valuation of SEK 255 per Avito share is in our view the best fair value estimate of the investment in Avito as per March 31, 2014. As Avito currently is the largest asset in Vostok Nafta's portfolio, a change in the valuation of Avito would have a significant impact on Vostok Nafta's NAV. A 20% lower/higher valuation of Avito would result in and decrease/increase by USD 48.3mln or 9.3% of the total portfolio

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

Note 4 Events after the reporting period

After the end of the reporting period the Company has repurchased 8,403,491 SDRs (shares).

On May 14, Vostok Nafta announced that the Board of Directors had resolved to mandate the management to repurchase an additional 10 percent of the Company's SDRs.

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 March 31, 2014 the Vostok Nafta Investment Ltd Group consists of the Bermudian parent company, one wholly-owned Cypriot subsidiary, and one wholly owned Swedish subsidiary.

The financial year is January 1–December 31.

Parent company

The parent company finances the Cypriot subsidiaries' operations on market terms. The net result for the period was USD –1.20 (–0.54) mln.

Financial and Operating risks

The Company's risks and risk management are described in detail in note 3 of the Company's Annual Report 2013.

Upcoming Reporting Dates

Vostok Nafta's six month report for the period January 1, 2014–June 30, 2014 will be published on August 13, 2014.

May 14, 2014

Per Brilioth

Managing Director

Vostok Nafta Investment Ltd

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

Three Months Report Covering the Period January 1, 2014–March 31, 2014



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