

**Vostok  
Nafta  
Investment  
Ltd  
Nine Months  
Report**

**2010**



- Net result for the period was USD 46.44 mln (January 1, 2009–September 30, 2009: 103.61). Earnings per share was USD 0.46 (1.16). Net result for the quarter was USD 45.45 mln (75.17). Earnings per share for the quarter was USD 0.45 (0.74).
- The net asset value of the company was USD 534.47 mln (December 31, 2009: 487.62) on September 30, 2010, corresponding to USD 5.29 (4.83) per share. Given a SEK/USD exchange rate of 6.7375 the values were SEK 3,600.97 mln and SEK 35.65, respectively.
- The group's net asset value per share in USD increased by 9.60% over the period January 1, 2010–September 30, 2010. During the same period the RTS index increased by 2.30% in USD terms. During the quarter July 1, 2010–September 30, 2010 the group's net asset value per share in USD increased by 9.37% (RTS index: 12.57%).
- The number of outstanding shares at the end of the period was 100,990,975.
- The reported net asset value per share of Vostok Nafta as of October 31, 2010 was USD 5.29 (SEK 35.42).

## Management report

The dismal sentiment surrounding the Russian market is evident in many different ways. The low valuation of the index is significant versus its own historical levels, versus credit spreads, versus other emerging markets. It is also visible through a series of cancelled IPO's and capital raisings and for example on how outfits like our own company trade at historically high discounts to net asset value. Russian stories, be it corporates or funds, have not attracted any large crowds.

This sentiment, and consequently also the market, is to an extent driven by global macro (risk perception, liquidity, risk in the financial system etc) but arguably more by a set of Russia specific factors:

### 1. Perception of corporate governance in Russia

When meeting investors that can invest globally their unwillingness to talk about Russian equities seems first and foremost based on their perception that corporate governance abuse is so bad that it makes Russian companies un-investable. Over the past years a series of international companies have been portrayed as victims of the Russian environment (BP, Shell, Telenor, Ikea) which collectively has created the perception described above. While acknowledging that the Russian corporate environment is far from perfect it is nevertheless not much worse than most other emerging markets, especially the BRICs (short for Brazil, Russia, India and China). Also more thorough scrutiny (as usual very seldom provided by media) of the corporate situations from which the reputation of bad corporate governance is earned, reveals a more complex picture where the international companies are themselves, at least partly, to blame. All in all we believe that an underdeveloped legal system (and the subsequent risk of corporate governance abuse) is reason for a higher risk premium in emerging markets overall when compared to more developed markets (today compensated for by a superior growth outlook), but not one that justifies an undervaluation of Russia within the emerging market context.

### 2. Sustainability of Russian macro development

The Russian economy has rebounded strongly from the sharp contraction of early 2009 but has yet to return to the pre-crisis levels of 7–8%. There are concerns that sluggish export markets, ineffective institutions slowing the effect of Government spending and a banking system still worried about its funding and quality of their balance sheets will make the higher growth post crisis merely an inventory led catching up effect and that future years will produce low growth.

# Nine Months Report Covering the Period January 1, 2010–September 30, 2010

From what we learn from our portfolio companies, but which can also increasingly be seen from data, is that the Russian consumer will be an important driver of growth over the coming years funded by rouble liquidity through the banking system. We also see that rouble liquidity getting the construction and infrastructure spending going again. As Russia's export market is strongly tilted towards commodities we also see lackluster economic growth in the Western world as not a big concern for Russian macro, as demand for commodities is driven by the high growth in places like China and India.

### 3. Local election cycle

Russia is set for Duma (Parliamentary) elections in December 2011 and Presidential elections in March 2012. Political uncertainty ahead of these elections is sometimes given as the reason for staying away from Russian markets. Russia has over the past Parliamentary elections developed towards a two-party parliament with United Russia and Justice Party providing the typical right of centre and left of centre platforms (both with a pro-Kremlin base) essentially diminishing the importance of the once important Communist Party as well as smaller liberal factions. Duma elections will very unlikely give rise to any political uncertainty. With regards to the Presidential elections it still remains to be seen which of (or possible but unlikely both) Medvedev or Putin will run. The important factor though is that one of them will be Russia's next President and even though Medvedev is perceived to be the market friendlier of the two, actual politics will not change much with Putin as the President. All in all we believe political uncertainty is very much a perception and one that will diminish as we get closer to the actual dates.

More importantly the ushering out of Moscow Mayor Luzhkov is a positive political development as it effectively ends one of the last remnants of the Soviet Era, a politician who remained powerful partly due to an effective handling of the country's capital but also because of the enormous wealth this created.

Us being long term bulls on Russia we do not worry about the sentiment swings that have come and gone over the past two decades. At the moment we see contrarian bets being opened on the Russian market and believe they will be followed by a wider global as well as domestic investor audience. Although it is difficult to time the turning points we believe the combination of macro (global liquidity, oil price) and the micro described above are getting us there in the not too distant future. The current IPOs turning successful and a positive decision on continued privatization could well be the trigger that starts the next Russian rally.

### Vostok portfolio

We feel the companies in our portfolio are in good shape and that the amount of upside and the roadmap to that upside is clear. With one or two exceptions all our portfolio companies are fully funded to capture these upsides.

Most recently the interest for RusForest's rights issue was indeed large which is especially encouraging in the light of the sentiment described above. RusForest now has the equity needed to capture the full potential in its historical assets through add-on investments and the removal of bottlenecks and to finance its entry into Northwest Russia through the Archangelsk based LDK-3.

Steppe Cement has carried out a rights issue which was fully taken up (we took our part) to restructure its balance sheet. The cement market typically rebounds late in the cycle and on top of that the Kazakh economy has been sluggish in its rebound mainly due to a severely battered up banking system during the crisis. As the banking system improves, so will the economy and eventually the cement market. The valuation of Steppe Cement does not reflect that outlook and hence we are buyers.

Finally, Clean Tech East will require more equity to start production of pellets in Russia (although not for some time). The formal decision of a Russia entry is yet to be taken but the upside it provides catering to the transformation of the European energy market ahead of 2020 is of a company changing magnitude. In the meantime the new management are well on track to delivering the turnaround of the existing assets in Southern Sweden. The underlying investment theme for pellets is that it produces electricity at half the price of oil, and (if one can stomach Russian risk – and we love it...) is available in industrial size. On top of this, as you all know by now, we think the price for oil is going up...

As you will find in this quarterly the format of reporting is slightly altered. The five largest holdings are presented in a concise format that we hope will capture the essence of the investments as well as a brief update since the previous quarterly. A more complete run down will as usual be available in the annual report.

November 2010,  
Per Brilioth

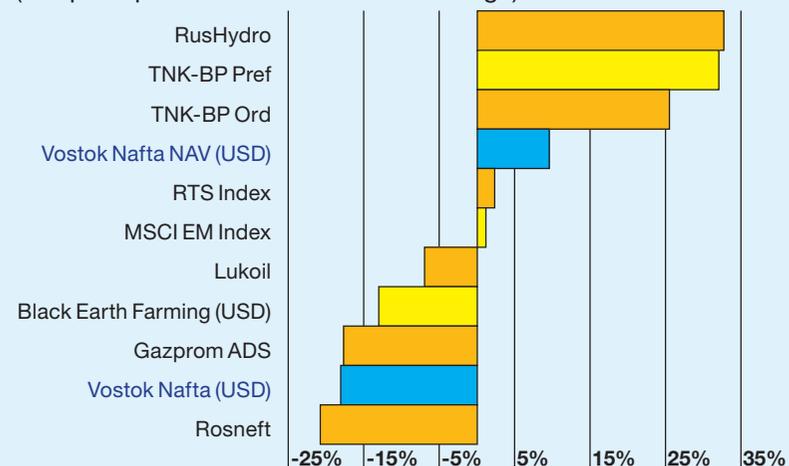
### Vostok Nafta's portfolio development

The group's net asset value per share in USD increased by 9.60% over the period January 1, 2010–September 30, 2010. During the same period the RTS index increased by 2.30% in USD terms. During the period July 1, 2010–September 30, 2010 the group's net asset value per share in USD increased by 9.37% (RTS index: 12.57%).

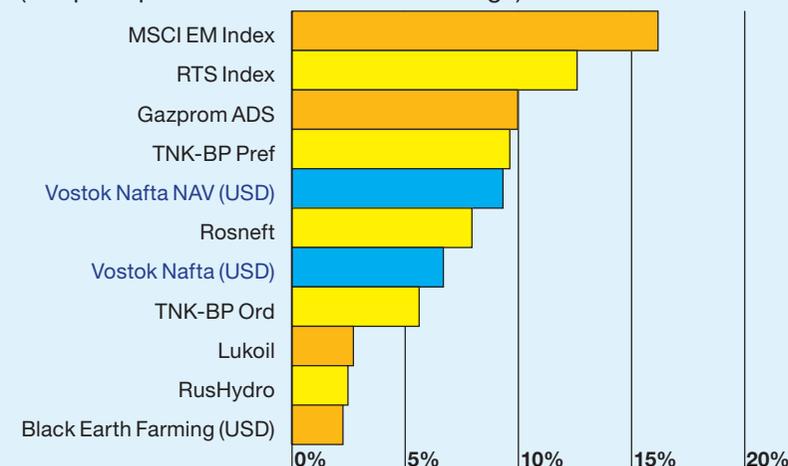
### Portfolio structure

The investment portfolio stated at market value as at September 30, 2010 is shown on next page. Vostok Nafta's three biggest investments are TNK-BP Holding (18.72%), Black Earth Farming (16.67%) and Tinkoff Credit Systems (TCS; 11.40%).

Percent development January 1–September 30, 2010  
(last price paid on relevant stock exchange)



Percent development July 1–September 30, 2010  
(last price paid on relevant stock exchange)



Number of shares	Company	Fair value, USD Sep 30, 2010	Per-centage weight	Value per share, USD Sep 30, 2010	Value per share, USD Dec 31, 2009
5,364,850	Caspian Services	1,072,970	0.21%	0.20	0.59 1
5,789,903	Kherson Oil Refinery	7,301	0.00%	0.001	0.001 1
19,245,000	TNK-BP Holding Ord	41,761,650	8.18%	2.17	1.73 1
28,186,616	TNK-BP Holding Pref	53,836,437	10.54%	1.91	1.47 1
1,620,000	Novoil	1,360,800	0.27%	0.84	0.88 1
1,122,705	Novoil Pref	432,241	0.08%	0.39	0.33 1
10,300,000	Ufa Refinery	14,935,000	2.92%	1.45	0.90 1
1,165,000	Ufaneftekhim	5,300,750	1.04%	4.55	2.98 1
88,500	Varyaganneftegaz Pref	1,725,750	0.34%	19.50	17.00 1
	<b>Oil, Total</b>	<b>120,432,899</b>	<b>23.59%</b>		
1,261	Alrosa	13,240,500	2.59%	10,500.00	6,250.00 1
6,000,000	Fortress Minerals	698,400	0.14%	0.12	0.39 1
31,434	Gaisky GOK	11,001,900	2.15%	350.00	260.00 1
3,154,498	Poltava GOK	17,119,476	3.35%	5.43	3.24 1
100,242	Priargunsky Ind Ord	21,552,030	4.22%	215.00	195.00 1
11,709	Priargunsky Ind Pref	983,556	0.19%	84.00	92.00 1
1,442,400	Shakiya Zinc GDR	158,664	0.03%	0.11	0.04 1
	<b>Other commodities, Total</b>	<b>64,754,526</b>	<b>12.68%</b>		
3,654	Bekabadcement	657,720	0.13%	180.00	150.00 1
178	TKS Concrete 5	1,506,750	0.30%	8,464.89	8,464.89 1
39,000	Gornozavodsk Cement	4,680,000	0.92%	120.00	140.00 1
1,600,000	Kamkabel	160,000	0.03%	0.10	0.08 1
85,332	Podolsky Cement	53,802	0.01%	0.63	1.24 1
10,156,113	Steppe Cement Ltd	6,702,913	1.31%	0.66	1.00 1
19,730	Transneft Pref	21,703,000	4.25%	1,100.00	780.00 1
1,215,000	Tuimazy Concrete Mixers	4,981,500	0.98%	4.10	6.00 1
	<b>Infrastructure, Total</b>	<b>40,445,685</b>	<b>7.92%</b>		
1,459,734	RusHydro ADR				
	(1 ADR = 100 Local shares)	7,481,137	1.47%	5.13	3.83 1
34,821,499	RusHydro Local shares	1,775,896	0.35%	0.05	0.04 1
3,500,000	Kuzbass Fuel Company	19,600,000	3.84%	5.60	8.50 1
133,752,681	Kuzbassrazrezugol	46,813,438	9.17%	0.35	0.37 1
2,618,241	Kyrgyzenergo	168,688	0.03%	0.06	0.06 1
	<b>Energy Sector Restructuring, Total</b>	<b>75,839,159</b>	<b>14.85%</b>		

Number of shares	Company	Fair value, USD Sep 30, 2010	Per-centage weight	Value per share, USD Sep 30, 2010	Value per share, USD Dec 31, 2009
1,765,000	Agrowill	800,736	0.16%	0.45	0.13 1
30,888,704	Black Earth Farming	85,145,330	16.67%	2.76	3.17 2
272,106	Dakor	2,965,302	0.58%	10.90	11.05 1
	<b>Agriculture, Total</b>	<b>88,911,369</b>	<b>17.41%</b>		
885,934	Egidaco Investment Limited (TCS), equity 5	41,739,618	8.17%	47.11	19.98 1
	<b>Egidaco Investment Limited (TCS), warrants</b>	<b>2,586,408</b>	<b>0.51%</b>		<b>1</b>
	<b>Tinkoff Credit Systems Bank, loan</b>	<b>13,868,900</b>	<b>2.72%</b>		<b>4</b>
50,000	Vosvik AB/Kontakt East 5	19,538,223	3.83%	390.76	358.76 2
9,388,403	RusForest AB	17,825,366	3.49%	1.90	2.61 2
	<b>RusForest, long-term loans</b>	<b>1,049,693</b>	<b>0.21%</b>		<b>3</b>
	<b>RusForest, short-term loans</b>	<b>12,265,000</b>	<b>2.40%</b>		<b>4</b>
284,856,095	Clean Tech East Holding AB	5,488,038	1.07%	0.02	0.09 2
	<b>Clean Tech East Holding AB, loans</b>	<b>3,602,782</b>	<b>0.71%</b>		<b>3</b>
623,800	TKS Real Estate	955,958	0.19%	1.53	1.43 1
3,095,952	Ruric AB	1,091,992	0.21%	0.35	1.19 1
	<b>What Works in the West, Total</b>	<b>120,011,978</b>	<b>23.50%</b>		
	<b>Other non current loan receivables</b>	<b>200,000</b>	<b>0.04%</b>		<b>3</b>
	<b>Other current loan receivables</b>	<b>26,659</b>	<b>0.01%</b>		<b>4</b>
	<b>Other loan receivables, Total</b>	<b>226,659</b>	<b>0.05%</b>		
	<b>Grand Total</b>	<b>510,622,275</b>	<b>100.00%</b>		

1. These investments are shown in the balance sheet as financial assets at fair value through profit or loss.

2. These investments are shown in the balance sheet as investments in associated companies.

3. These investments are shown in the balance sheet as non current loan receivables.

4. These investments are shown in the balance sheet as current loan receivables.

5. Private equity investment.

Vostok Nafta's portfolio as at September 30, 2010

Nine Months Report Covering the Period  
January 1, 2010–September 30, 2010

## INFORMATION ON SIGNIFICANT HOLDINGS

### TNK-BP Holding

TNK-BP is a leading Russian oil company and is among the top ten privately-owned oil companies in the world in terms of crude oil production. The company was formed in 2003 as a result of the merger of BP's Russian oil and gas assets and the oil and gas assets of Alfa, Access/Renova group. TNK-BP is a vertically integrated oil company with a diversified upstream and downstream portfolio in Russia and Ukraine. The company's total proved reserves amounted to 11.67 billion barrels of oil equivalents. Vostok Nafta sees a superior production outlook due to earlier investments into promising fields. The company is highly cash generative, well managed and cost efficient thanks to a competent management team, with staff from TNK's Russian business and BP's global operations.

- TNK-BP's Board of Directors has recommended 9 month dividends of USD 0.27/share. The dividend yield amounts to 12.3% on common shares and 13.6% on preferred shares.
- TNK-BP has reported EBITDA at USD 7.2 bn for the first 9 months of 2010, an increase by 9% compared to the first 9 months of 2009. Net income for the same period amounted to USD 3.9 bn, an increase by 5% compared to the same period 2009.
- TNK-BP and BP p.l.c. have reached an agreement for TNK-BP to acquire BP's upstream and pipeline assets in Vietnam and Venezuela for an overall consideration of USD 1.8 bn.

#### TNK-BP Holding

Vostok Nafta's number of shares	
Ordinary	19,245,000
Preferred	28,186,616
Value Ordinary	41,761,650
Value Preferred	53,836,437
Total Value (USD)	95,598,087
Portfolio percentage weight	18.7%
Share of total shares outstanding	0.3%
Share development Jul 1–Sept 30, 2010	
Ordinary	5.6%
Preferred	7.9%

During the third quarter 2010 Vostok Nafta has purchased 0 ordinary shares and 0 preferred shares and sold 0 shares in TNK-BP Holding.

### Black Earth Farming

Black Earth Farming (BEF) is a leading farming company, publicly listed in Stockholm and operating in Russia. It acquires, develops and farms agricultural land assets primarily 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 gained a strong market position in several Russian regions, controlling some 330,000 hectares of what perhaps is the world's most fertile soil. The registration of controlled land into full ownership continues successfully with the majority of land now under fully registered free holds. At the same time operating improvements are ongoing with substantial long term potential for increased production and profitability.

- Black Earth Farming Ltd. has successfully completed its winter crop campaign resulting in over 100,000 hectares seeded with winter wheat.
- Sales volume for the first 6 months of 2010 amounted to 197,892 tons compared to 311,455 tons for the first 6 months of 2009 affected by lower crop inventory carry-over in 2010.
- Crop Yields for wheat and barley was down 40–50% y-o-y for 2010 harvest due to this summer's weather conditions in Russia. Grain prices have however increased dramatically since early July 2010. Remains to be seen if price increases will compensate for BEF's volume shortfall.

#### Black Earth Farming

Vostok Nafta's number of shares	30,888,704
Total Value (USD)	85,145,330
Portfolio percentage weight	16.7%
Share of total shares outstanding	24.8%
Share development Jul 1–Sept 30, 2010 (in USD)	2.2%

During the third quarter 2010 Vostok Nafta has purchased 0 shares and sold 0 shares in Black Earth Farming.

# Nine Months Report Covering the Period January 1, 2010–September 30, 2010

## Tinkoff Credit Systems

Tinkoff Credit Systems (TCS) is Russia's first and only pure credit card lending institution. Based in Moscow, TCS Bank issues credit cards to customers in all of Russia's regions. TCS's senior management consists of a team of experienced professionals formerly employed by Visa, McKinsey and several top Russian banks. The business model is branch-less with customer recruitment and distribution handled via direct mail complemented by online services and a call centre. The advanced underwriting process and customer acquisition by invitation only limits the risk of fraud and exposure to less desirable customers, thus reducing the credit risk. Russian consumer lending is expected to grow at 47% through 2010 driven by a strong macro-economic performance and outlook. The recently carried out rouble bond and the early redemption of the company's Eurobond have given increased visibility on funding, which in our view was a clear pre-requisite for a higher equity valuation.

Vostok Nafta has re-valued its equity position in TCS, from USD 18.2 mln up to USD 41.7 mln, based on conservative assumptions that comprise Vostok Nafta's best assessment of the economic conditions that are expected to prevail. This valuation is Vostok Nafta's subjective valuation and may not reflect the real value of the business.

### Tinkoff Credit Systems (TCS)

Vostok Nafta's number of shares	885,934
Value shares	41,739,618
Value warrants	2,586,408
Value loan	13,868,900
<b>Total Value (USD)</b>	<b>58,194,925</b>
Portfolio percentage weight	11.4%
Share of total shares outstanding	16.1%
Value development Jul 1–Sept 30, 2010	32.1%

*During the third quarter 2010 Vostok Nafta has purchased 0 shares and sold 0 shares in Tinkoff Credit Systems.*

## Kuzbassrazrezugol

Kuzbassrazrezugol (KZRU) is Russia's second largest thermal coal producer representing over 20 percent of Russia's total exports of thermal coal. KZRU extracts its coal from 12 open mine pits, all located in the large coal district of Kuzbass in south-western Siberia, making it one of the lowest cost producers of high quality thermal coal. Reserves are estimated at 2.2 billion tons of coal implying a reserve life of at least 50 years. The majority of production consists of thermal coal which is mainly used in coal-fired power plants. The key driver of the Russian thermal coal market is the power sector liberalization and the transition from gas to coal as a fuel source. Domestic thermal coal prices are at a large discount to international prices due to the regulations of natural gas and electricity prices in Russia. The gradual liberalization of these markets will close that gap.

- The company's new coking coal washing plant was operating at an 87% run-rate in the second quarter of 2010. The plant is expected to reach full capacity by the end of 2010.
- EBITDA for the second quarter 2010 amounted to USD 125 mln.
- According to the company's 9 months production update, the production increased by 5.4% y-o-y to 35.98 million tonnes. Of the total, coking coal output totalled 3.3 million tonnes of coal, up 62.2% y o y.

### Kuzbassrazrezugol

Vostok Nafta's number of shares	133,752,681
<b>Total Value (USD)</b>	<b>46,813,438</b>
Portfolio percentage weight	9.2%
Share of total shares outstanding	2.18%
Share development Jul 1–Sept 30, 2010	–2.8%

*During the third quarter 2010 Vostok Nafta has purchased 0 shares and sold 0 shares in Kuzbassrazrezugol.*

## RusForest

RusForest is 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 Irkutsk region. Since then, RusForest has reached a considerable scale, both in terms of forest resources and sawmilling capacity, through strategic acquisitions and brownfield development projects. The company currently controls over 850 thousand hectares of forest land with an annual allowable cut (AAC) of 1.4 million cubic metres. By increasing its sawmilling capacity as well as adding other value-adding activities RusForest will continue to develop its vast resource and unlock its potential by delivering a good return to its shareholders.

- During the fourth quarter, RusForest has completed a rights issue that was oversubscribed by 46%. The new share issue has provided the company with approximately SEK 437 mln before issue costs. Vostok Nafta subscribed its share of the rights issue, contributing with approximately SEK 187,8 mln.
- The Board of Directors of RusForest has decided to acquire 86% of OAO “LDK-3” and 100% of OOO “Infra”, a sawmilling operation, a planning mill, forestry leases and an industrial port located in the city of Arkhangelsk, in North West Russia.
- For the purpose of creating a more well-balanced shareholder structure, Vostok Nafta has sold 1,500,000 shares of RusForest AB to Alecta, a large Swedish pension fund, representing 6.9% of the total number of shares outstanding. Vostok Nafta remains the largest shareholder of RusForest after this transaction, controlling 43% of the shares.

### RusForest

Vostok Nafta's number of shares	9,388,403
Value shares	17,825,366
Value loan	13,314,693
Total Value (USD)	31,140,060
Portfolio percentage weight	6.1%
Share of total shares outstanding	43.0%
Share development Jul 1–Sept 30, 2010 (in USD)	–20.3%

*During the third quarter 2010 Vostok Nafta has purchased 0 shares and sold 1,500,000 shares in RusForest.*

## Investments

During the third quarter gross investments in financial assets were USD 0.06 (38.51) mln and proceeds from sales were USD 11.80 (20.41) mln.

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

Purchases	Sales
+ 160 Gaisky GOK	– 1,500,000 RusForest
	– 1,500,000 RusForest
	– 580,000 Rushydro ADR
	– 550,000 Ufaneftekhim
	– 1,367,500 Custos AB

### 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 58.14 (99.32) mln. Result from investments in associated companies was USD –22.71 (1.93) mln. Result from loan receivables was USD 7.28 (5.46) mln. Dividend income, net of withholding tax expenses, was USD 7.36 (5.02) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD 3.83 (3.69) mln.

Net financial items were USD 0.26 (–4.30) mln.

Net result for the period was USD 46.44 (103.60) mln.

Total shareholders' equity amounted to USD 534.47 mln on September 30, 2010 (December 31, 2009: 487.62).

### Group – results for the quarter

During the quarter, the result from financial assets at fair value through profit or loss amounted to USD 43.75 (60.67) mln. Result from investments in associated companies was USD –1.33 (12.24) mln. Result from loan receivables was USD 3.52 (3.25) mln. Dividend income, net of withholding tax expenses, was USD 0.97 (–) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD 1.73 (1.23) mln.

Net financial items were USD 0.26 (0.39) mln.

Net result for the quarter was USD 45.44 (75.17) 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 21.09 mln on September 30, 2010 (December 31, 2009: 8.94).

(Expressed in USD thousands)	Jan 1, 2010– Sep 30, 2010	Jan 1, 2009– Sep 30, 2009	Jul 1, 2010– Sep 30, 2010	Jul 1, 2009– Sep 30, 2009
<b>Result from financial assets at fair value through profit or loss <sup>1</sup></b>	<b>58,144</b>	<b>99,321</b>	<b>43,754</b>	<b>60,669</b>
<b>Result from investments in associated companies</b>	<b>-22,710</b>	<b>1,933</b>	<b>-1,330</b>	<b>12,239</b>
<b>Result from loan receivables <sup>1</sup></b>	<b>7,275</b>	<b>5,464</b>	<b>3,523</b>	<b>3,251</b>
<b>Dividend income</b>	<b>8,648</b>	<b>5,903</b>	<b>1,136</b>	<b>-</b>
<b>Other operating income</b>	<b>371</b>	<b>525</b>	<b>39</b>	<b>213</b>
<b>Total operating income</b>	<b>51,728</b>	<b>113,146</b>	<b>47,122</b>	<b>76,372</b>
<b>Operating expenses</b>	<b>-4,206</b>	<b>-4,213</b>	<b>-1,770</b>	<b>-1,440</b>
<b>Russian dividend withholding tax expenses</b>	<b>-1,292</b>	<b>-885</b>	<b>-170</b>	<b>-</b>
<b>Write downs</b>	<b>-</b>	<b>-150</b>	<b>-</b>	<b>-150</b>
<b>Operating result</b>	<b>46,230</b>	<b>107,898</b>	<b>45,181</b>	<b>74,782</b>
<b>Financial income and expenses</b>				
<b>Interest income</b>	<b>5</b>	<b>99</b>	<b>3</b>	<b>7</b>
<b>Interest expense</b>	<b>-7</b>	<b>-1,868</b>	<b>0</b>	<b>-2</b>
<b>Currency exchange gains/losses, net</b>	<b>181</b>	<b>-2,531</b>	<b>258</b>	<b>387</b>
<b>Other financial income</b>	<b>83</b>	<b>22</b>	<b>0</b>	<b>-</b>
<b>Other financial expenses</b>	<b>-</b>	<b>-19</b>	<b>-</b>	<b>-</b>
<b>Net financial items</b>	<b>263</b>	<b>-4,297</b>	<b>260</b>	<b>392</b>
<b>Result before tax</b>	<b>46,493</b>	<b>103,601</b>	<b>45,442</b>	<b>75,174</b>
<b>Taxation</b>	<b>-51</b>	<b>8</b>	<b>3</b>	<b>-3</b>
<b>Net result for the financial period</b>	<b>46,442</b>	<b>103,609</b>	<b>45,445</b>	<b>75,171</b>
<b>Earnings per share (in USD)</b>	<b>0.46</b>	<b>1.16</b>	<b>0.45</b>	<b>0.74</b>
<b>Diluted earnings per share (in USD)</b>	<b>0.46</b>	<b>1.16</b>	<b>0.45</b>	<b>0.74</b>

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, 2010– Sep 30, 2010	Jan 1, 2009– Sep 30, 2009	Jul 1, 2010– Sep 30, 2010	Jul 1, 2009– Sep 30, 2009
<b>Net result for the financial period</b>	<b>46,442</b>	<b>103,609</b>	<b>45,445</b>	<b>75,171</b>
<b>Other comprehensive income for the period</b>				
<b>Currency translation differences</b>	<b>72</b>	<b>-206</b>	<b>11</b>	<b>-588</b>
<b>Total other comprehensive income for the period</b>	<b>72</b>	<b>-206</b>	<b>11</b>	<b>-588</b>
<b>Total comprehensive income for the period</b>	<b>46,514</b>	<b>103,403</b>	<b>45,456</b>	<b>74,583</b>

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

# Income statements – Group

# Statement of com- prehensive income

(Expressed in USD thousands)	Sep 30, 2010	Dec 31, 2009
<b>NON CURRENT ASSETS</b>		
<b>Tangible non current assets</b>		
Property, plant and equipment	1,877	1,948
<b>Total tangible non current assets</b>	<b>1,877</b>	<b>1,948</b>
<b>Financial non current assets</b>		
Financial assets at fair value through profit or loss	351,612	301,607
Investment in associated companies	127,997	148,084
Loan receivables	4,852	22,602
Deferred tax asset	57	109
<b>Total financial non current assets</b>	<b>484,519</b>	<b>472,402</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	21,090	8,935
Loan receivables	26,161	3,180
Receivables from related parties	26	375
Tax receivables	164	155
Other current receivables	1,743	2,050
<b>Total current assets</b>	<b>49,183</b>	<b>14,695</b>
<b>TOTAL ASSETS</b>	<b>535,579</b>	<b>489,045</b>
<b>SHAREHOLDERS' EQUITY</b> (including net result for the financial period)		
	534,466	487,624
<b>CURRENT LIABILITIES</b>		
<b>Non-interest bearing current liabilities</b>		
Liabilities to related parties	200	211
Tax payables	447	516
Other current liabilities	130	61
Accrued expenses	336	633
<b>Total current liabilities</b>	<b>1,113</b>	<b>1,421</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>535,579</b>	<b>489,045</b>

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
<b>Balance at January 1, 2009</b>	<b>46,021</b>	<b>146,884</b>	<b>54,988</b>	<b>247,893</b>
<b>Net result for the period</b>				
January 1, 2009 to September 30, 2009	-	-	103,609	103,609
<b>Other comprehensive income for the period</b>				
Currency translation differences	-	-	-206	-206
<b>Total comprehensive income for the period</b> January 1, 2009 to September 30, 2009	<b>-</b>	<b>-</b>	<b>103,403</b>	<b>103,403</b>
<b>Transactions with owners:</b>				
Proceeds from new share issue, net of transaction costs				
	54,970	44,604	-	99,574
Proceeds from issue of warrants				
	-	-	158	158
<b>Employees share option scheme:</b>				
- value of employee services				
	-	211	-	211
	<b>54,970</b>	<b>44,815</b>	<b>158</b>	<b>99,943</b>
<b>Balance at September 30, 2009</b>	<b>100,991</b>	<b>191,699</b>	<b>158,549</b>	<b>451,239</b>
<b>Balance at January 1, 2010</b>	<b>100,991</b>	<b>191,700</b>	<b>194,933</b>	<b>487,624</b>
<b>Net result for the period</b>				
January 1, 2010 to September 30, 2010	-	-	46,442	46,442
<b>Other comprehensive income for the period</b>				
Currency translation differences	-	-	72	72
<b>Total comprehensive income for the period</b> January 1, 2010 to September 30, 2010	<b>-</b>	<b>-</b>	<b>46,514</b>	<b>46,514</b>
<b>Transactions with owners:</b>				
<b>Employees share option scheme:</b>				
- value of employee services				
	-	328	-	328
<b>Balance at September 30, 2010</b>	<b>100,991</b>	<b>192,028</b>	<b>241,447</b>	<b>534,466</b>

## Balance sheets – Group

## Statement of Changes in Equity – Group

(Expressed in USD thousands)	Jan 1, 2010– Sep 30, 2010	Jan 1, 2009– Sep 30, 2009	Jan 1, 2009– Dec 31, 2009
<b>OPERATING ACTIVITIES</b>			
Result before tax	46,493	103,601	139,838
<b>Adjustment for:</b>			
Interest income	-5	-99	-109
Interest expenses	7	1,868	1,868
Currency exchange gains/-losses	-181	2,531	2,745
Depreciations and write downs	88	286	174
Result from financial assets at fair value through profit or loss	-58,144	-99,321	-139,835
Result from investments in associated companies	22,710	-1,933	5,296
Result from loan receivables	-7,275	-5,454	-7,043
Dividend income	-8,648	-5,903	-9,111
Other non-cash items	2	211	1,578
Change in current receivables	443	-226	8
Change in current liabilities	-83	17,727	-76
<b>Net cash from operating activities</b>	<b>-4,594</b>	<b>13,278</b>	<b>-4,667</b>
<b>Investments in financial assets</b>	<b>-75,297</b>	<b>-53,248</b>	<b>-90,665</b>
Sales of financial assets	80,799	41,700	84,795
Increase in loan receivables	57	-2,479	-2,431
Investments in subsidiaries	0	-53	-51
Dividend received	8,648	5,903	7,744
Interest received	1,992	724	989
Interest paid	-7	-1,868	-1,868
Tax paid	-68	-222	-45
<b>Net cash flow from/used in operating activities</b>	<b>11,530</b>	<b>3,735</b>	<b>-6,199</b>
<b>INVESTING ACTIVITIES</b>			
Investments in office equipment	-21	-6	-2
Sales of office equipment	0	31	38
<b>Net cash flow used in investing activities</b>	<b>-21</b>	<b>25</b>	<b>36</b>
<b>FINANCING ACTIVITIES</b>			
Repayments of borrowings	-	-77,214	-77,214
Proceeds from new share issue	0	66,201	66,201
Proceeds from issue of warrants	326	158	157
<b>Net cash flow from financing activities</b>	<b>326</b>	<b>-10,855</b>	<b>-10,856</b>
Change in cash and cash equivalents	11,835	-7,095	-17,019
Cash and cash equivalents at beginning of the period	8,935	29,198	29,198
Exchange gains/losses on cash and cash equivalents	320	-3,289	-3,244
Cash and cash equivalents at end of period	21,090	18,814	8,935

	2010	2009
Return on capital employed, % <b>1</b>	9.09	26.97
Equity ratio, % <b>2</b>	99.79	95.94
Shareholders' equity/share, USD <b>3</b>	5.29	4.47
Earnings/share, USD <b>4</b>	0.46	1.16
Diluted earnings/share, USD <b>5</b>	0.46	1.16
Net asset value/share, USD <b>6</b>	5.29	4.47
Weighted average number of shares for the financial period	100,990,975	89,142,233
Weighted average number of shares for the financial period (fully diluted)	100,990,975	89,142,233
Number of shares at balance sheet date	100,990,975	100,990,975

1. Return on capital employed is defined as the Group's result for the period plus interest expenses plus/less exchange differences on financial loans divided by the average capital employed (the average total assets less non-interest bearing liabilities over the period).
2. Equity ratio is defined as shareholders' equity in relation to total assets.
3. Shareholders' equity/share USD is defined as shareholders' equity divided by total number of shares.
4. Earnings/share USD is defined as result for the period divided by average weighted number of shares for the period.
5. 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.
6. Net asset value/share USD is defined as shareholders' equity divided by total number of shares.

## Cash flow statements – Group

## Key financial ratios – Group

(Expressed in USD thousands)	Jan 1, 2010– Sep 30, 2010	Jan 1, 2009– Sep 30, 2009	Jul 1, 2010– Sep 30, 2010	Jul 1, 2009– Sep 30, 2009
<b>Operating expenses</b>	-3,845	-2,826	-1,755	-1,259
<b>Reversals of write-downs on shares in subsidiaries</b>	-	93,062	-	93,062
<b>Operating result</b>	-3,845	90,236	-1,755	91,813
<b>Financial income and expenses</b>				
<b>Interest income</b>	18,358	15,452	6,314	5,860
<b>Interest expenses</b>	-	-1,436	-	0
<b>Currency exchange gains/losses, net</b>	-29	-1,026	-60	15
<b>Other financial expenses</b>	-	-2	-	-2
<b>Net financial items</b>	18,330	12,988	6,255	5,875
<b>Net result for the financial period</b>	14,484	103,224	4,499	97,678

(Expressed in USD thousands)	Sep 30, 2010	Dec 31, 2009
<b>NON CURRENT ASSETS</b>		
<b>Financial non current assets</b>		
<b>Shares in subsidiaries</b>	228,511	226,865
<b>Receivables from Group companies</b>	276,063	261,044
<b>Total financial non current assets</b>	504,574	487,909
<b>CURRENT ASSETS</b>		
<b>Cash and cash equivalents</b>	21	29
<b>Receivables from related parties</b>	2	219
<b>Other current receivables</b>	90	382
<b>Total current assets</b>	113	630
<b>TOTAL ASSETS</b>	504,688	488,539
<b>SHAREHOLDERS' EQUITY (including net result for the financial period)</b>		
	502,217	487,404
<b>CURRENT LIABILITIES</b>		
<b>Non-interest bearing current liabilities</b>		
<b>Liabilities to group companies</b>	2,265	569
<b>Other current liabilities</b>	2	-
<b>Accrued expenses</b>	204	566
<b>Total current liabilities</b>	2,470	1,135
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	504,688	488,539

**Income statement  
– Parent**

**Balance sheets  
– Parent**

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
<b>Balance at January 1, 2009</b>	<b>46,021</b>	<b>146,884</b>	<b>55,341</b>	<b>248,246</b>
<b>Net result for the period</b>				
January 1, 2009 to September 30, 2009	-	-	103,224	103,224
<b>Other comprehensive income for the period</b>				
Currency translation differences	-	-	-	-
<b>Total comprehensive income for the period</b>				
January 1, 2009 to September 30, 2009	-	-	103,224	103,224
<b>Transactions with owners:</b>				
<b>Proceeds from new share issue, net of transaction costs</b>	<b>54,970</b>	<b>44,604</b>	<b>-</b>	<b>99,574</b>
Proceeds from issue of warrants	-	-	158	158
<b>Employees share option scheme:</b>				
- value of employee services	-	211	-	211
	<b>54,970</b>	<b>44,815</b>	<b>158</b>	<b>99,943</b>
<b>Balance at September 30, 2009</b>	<b>100,991</b>	<b>191,699</b>	<b>158,723</b>	<b>451,413</b>
<b>Balance at January 1, 2010</b>	<b>100,991</b>	<b>191,700</b>	<b>194,713</b>	<b>487,404</b>
<b>Net result for the period</b>				
January 1, 2010 to September 30, 2010	-	-	14,484	14,484
<b>Other comprehensive income for the period</b>				
Currency translation differences	-	-	-	-
<b>Total comprehensive income for the period</b>				
January 1, 2010 to September 30, 2010	-	-	14,484	14,484
<b>Transactions with owners:</b>				
<b>Employees share option scheme:</b>				
- value of employee services	-	328	-	328
<b>Balance at September 30, 2010</b>	<b>100,991</b>	<b>192,028</b>	<b>209,197</b>	<b>502,217</b>

# 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 2009.

## Note 2 Related party transactions

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

USD thousand	Vostok Gas	2010 Associ- ated com- panies	Lundin family and group of com- panies	Key manage- ment	Vostok Gas	2009 Associ- ated com- panies	Lundin family and group of com- panies	Key manage- ment
<b>Items of the income statement</b>								
Income from loan receivables	-	552 <sup>1</sup>	-	-	-	685	-	-
Other operating income	-	12 <sup>2</sup>	80 <sup>2</sup>	-	99	192	28	-
Operating expenses	-	-	-66 <sup>3</sup>	-792 <sup>4</sup>	-	-	-138	-691
Interest expenses	-	-	-	-	-	-	-419	-254
<b>Balance sheet items</b>								
<b>Non current loan receivables</b>								
	-	4,652 <sup>1</sup>	-	-	-	996	-	-
<b>Current loan receivables</b>								
	-	12,265 <sup>1</sup>	-	-	-	3,153	-	-
<b>Other current receivables</b>								
	2	-	23 <sup>2</sup>	-	23	335	17	-
Retained earnings	-	-	-	-296 <sup>5</sup>	-	-	-	-157
<b>Other current liabilities and accrued expenses</b>								
	-200 <sup>6</sup>	-	-	-94 <sup>4</sup>	-211	-	-268	-110

### 1) Loans to associated companies

During the third quarter 2010 Vostok Nafta provided two short-term loans to RusForest AB in the total amount of USD 12 mln as an advance of Vostok Nafta's share in RusForest rights issue. The unsecured loans carry an interest rate of 15%. Interest income amounting to USD 0.27 mln has been recognized in the Income Statement. Loans were repaid by the way of set-off against shares in RusForest's right issue on November 1, 2010.

Vostok Nafta has an outstanding long-term loan receivable from Clean Tech East Holding AB and RusForest AB, which was recognized at a book value USD 3.60 mln and USD 1.05 mln, respectively as per September 30, 2010.

### 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 Mining Corporation.

### 3) Operating expenses: Lundin companies

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

### 4) Operating expenses: Key management

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

### 5) Retained earnings: Key management:

#### Issue of call options to a group of employees

On July 21, 2010 the Company authorized the issue of 695,000 of the authorized 2,000,000 options under the company's incentive Program (adopted at the AGM of Vostok Nafta on May 5, 2010) to a group of employees.

The call options may be exercised three years after the time of the granting, which in this case means during the period from August 1, 2013 to August 31, 2013.

The strike price is set as the average of the last price of the 10 trading days

prior to the decision plus 20%, which for the options above results in a strike price of SEK 31.41.

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 hereby be considered as securities.

6) Other current liabilities: Vostok Gas

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 September 30, 2010, the consideration for the acquired receivables was still outstanding.

7) Other related party transactions

In January 2010, the Company entered into consultancy agreements with Franz Bergstrand and Jerker Karlsson for services relating to evaluation and development of Vostok Nafta's shareholding within forestry and related sectors. Mr. Bergstrand was at the time and remains a board member in RusForest AB and in Clean Tech East Holding AB, both companies in which Vostok Nafta is the largest shareholder, and Mr Karlsson was appointed board member of RusForest AB in May 2010. During 2010, Vostok Nafta has also sold call options with respect to shares in RusForest AB to Mr Bergstrand and Mr Karlsson. All agreements are made on arms' length terms.

## **Background**

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

As at September 30, 2010 the Vostok Nafta Investment Ltd Group consists of one Bermudian parent company, one wholly owned Bermudian subsidiary, four wholly owned Cypriot subsidiaries, four wholly owned Russian subsidiaries and one wholly owned Swedish subsidiary.

The financial year is January 1–December 31.

## **Parent company**

The parent company finances the Cypriot subsidiaries' operations on market terms. The net result for the period was USD 14.48 (103.22) 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 2009.

## **Upcoming Reporting Dates**

Vostok Nafta's twelve month report for the period January 1, 2010–December 31, 2010 will be published on February 16, 2011.

November 17, 2010

Per Brilioth

Managing Director

Vostok Nafta Investment Ltd

**Introduction**

We have reviewed the accompanying balance sheets of Vostok Nafta Investment Ltd for the group and the parent company as of September 30, 2010 and the related statements of income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34.

Gothenburg, November 17, 2010

PricewaterhouseCoopers AB

[Klas Brand](#)

Authorised Public Accountant

[Bo Hjalmarsson](#)

Authorised Public Accountant

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# Report on Review of Interim Financial Information

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