Vostok Nafta Investment Ltd

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Press Release
August 20, 2008

Vostok Nafta Investment Ltd.
Six Months Report
Covering the Period
January 1, 2008–June 30, 2008

- Net result for the period was USD 157.49 mln (Jan 1, 2007–Jun 30, 2007: 39.52). Earnings per share was USD 3.42 (0.86). Net result for the quarter was USD –3.27 mln (36.11). Earnings per share for the quarter was USD –0.07 (0.78).

- The net asset value of the company was USD 961.75 mln (Dec 31, 2007: 803.95) on June 30, 2008, corresponding to USD 20.90 (12.13) per share. Given a SEK/USD exchange rate of 6.0132 the corresponding values were SEK 5,783.19 mln and SEK 125.66, respectively.

- The group's net asset value per share in USD increased by 19.63% over the period January 1, 2008–June 30, 2008. During the same period the RTS index increased by 0.52% in USD terms.

- The number of outstanding shares at the end of the period was 46,020,901.

- The net asset value per share of Vostok Nafta as of July 30, 2008 was USD 17.11 (SEK 103.54).

The company will host a telephone conference with an interactive presentation at 16:00 CET (10 am EST) today, Wednesday, August 20. For call-in details, see separate press release issued Monday, August 18 at www.vostoknafta.com.

Background

Vostok Nafta Investment Ltd was incorporated in Bermuda on April 5, 2007 with corporate identity number 39861.

As at June 30, 2008 the Group consists of one Bermudian parent company, one wholly owned Bermudian subsidiary, one wholly owned Cypriot subsidiary, two wholly owned Russian subsidiaries and one wholly owned Swedish subsidiary. The Swedish Depository Receipts of Vostok Nafta (SDB) are from July 4, 2007, listed on the OMX Nordic Exchange Stockholm (previously the Stockholm Stock Exchange), Mid Cap segment, with the ticker VNIL SDB.

The financial year is January 1–December 31.

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 154.46 (1.62) mln. Result from investments in associated companies was USD 0.75 (33.62) mln. Dividend income was USD 4.67 (8.07) mln. Interest income from loan receivables was USD 2.87 (–) mln.

Operating costs were USD –5.22 (–1.59) mln.

Net financial items were USD 0.35 (–1.75) mln.

Net result for the period was USD 157.49 (39.52) mln.

Total shareholders' equity amounted to USD 961.75 (803.95) mln on June 30, 2008.

Group – results for the quarter

During the quarter, the result from financial assets at fair value through profit or loss amounted to USD 68.14 (4.35) mln. Result from investments in associated companies was USD –69.71 (31.63) mln. Dividend income was USD 1.40 (2.13) mln. Interest income from loan receivables was USD 1.64 (–) mln.

Operating costs were USD –3.72 (–0.69) mln.

Net financial items were USD 0.02 (–1.75) mln.

Net result for the quarter was USD –3.27 (36.11) mln.

Parent company

The parent company finances the Cypriot subsidiary's operations on market terms. The net result for the period was USD 5.07 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 182.51 (29.02) mln on June 30, 2008.

Management report

The period covered by this report was one of relative strength for the Russian equity market. This stands in rather stark contrast to the period after the end of the reporting period. July saw the Russian market drop by some 18%. Why? Real fundamental reasons would include the falling oil price and the high level of inflation in the country (although the latter is not a phenomenon that is new to mid-summer). Other reasons that have led to a higher perceived risk premium attributable to Russian valuations include the shareholder conflict in TNK-BP (described in more detail later in the report), the fear that the State's accusation of Mechel that it is evading taxes would lead to a new Yukos situation and the military conflict in South Ossetia. The worst fears surrounding the Caucasus conflict look unlikely to be realised, but the full repercussions of it are yet to become clear as Russia's relations with the West come under further strain. We are confident, however, that the economic consequences will be small at worst, and the situation effect asset prices only through risk premia rather than results. The situation around TNK-BP and Mechel have been portrayed as signs of the Russian state's nationalisation of certain parts of these assets which is also a very shallow analysis and which any further scrutinizing proves simply unfounded.

The oil price reached USD 150 in early July before starting a descent which currently has taken magnitude of a 25 % drop. The direction and the momentum of the oil price is negative for the sentiment around the Russian equity market generally and the valuation of Russian hydrocarbon assets specifically. However bar absolute levels going south of USD 80 per bbl the Russian oil & gas universe offer upside of up to 150% above today's levels. As discussed before we believe the demand destruction created by a USD 150 per bbl oil price environment is a necessity in order to keep up with the supply issues created by geopolitical but most importantly geological constraints.

Macro

Russia has never been strong in its external communications, and recent events made it visible once and again. Prime Minister Putin's words regarding Mechel Steel Group using transfer prices in its business were taken by the nervous markets as a precursor of another Yukos-type case in the making. Never mind that the Russian government has been trying to put pressure on transfer prices practices that reduced taxable profits in Russia. Both the timing and the wording of Mr. Putin's public warning could hardly have been more awkward, with visible negative impact on the broad Russian equity market.

The armed conflict with Georgia also cannot claim to be a success of the Kremlin's public relations. To the best of our knowledge, it is far from being a black and white story that is presented in most of the Western media. The conflict between Georgia and Ossetia has deep cultural and historical roots, which might be only slightly less complex than the conflict between the Palestinians and the state of Israel, or than the case of Kosovo. However, the Russian side while winning the armed conflict has lost in the information war. As a result, Georgia looks like an innocent victim of the Russian aggression, a very questionable perception given that it was Georgia's bombardment of Ossetia that started the Russian military response.

Of course, poor communication is only partly behind the current tensions with the West. Another factor at play is that Russia started to pursue much more proactively its national interests on different fronts, from consolidation of control over strategic resources to foreign policy. Now it has greater resources to do so than in the past and makes the US, the only world's superpower much more concerned. On top of that, there is also fundamental distrust by the US and the EU of the current Russian paradigm of 'managed democracy' that is no longer pronounced publicly but still seems to be remaining in place.

As a result, tensions with the West are not likely to subside in the near future. However, we should not overestimate their impact on the economy. The US-Russian trade is relatively small, so any worsening of relations is unlikely to have a major impact on both sides. Russia's role of a leading energy supplier to the EU also leaves the EU with very limited economic power to threaten Russia.

The growing interdependence between the European and the Russian economies is likely to make any tensions shallow and short-lived. More importantly, we believe that the long-term trend of Russia's social, political and economic evolution continues to be primarily towards Western values. As a step in this direction, President Medvedev's announced recently a comprehensive plan to fight corruption, news of which went almost unnoticed amidst the events that followed. The plan is first of that kind and envisages a number of legislative and supervisory measures that over time can have a visible impact.

The ongoing difficulties on the global credit markets can have a far greater impact on the Russian economy than any worsening of relations with the West. The Central Bank seems to be well-positioned to cushion any difficulties in the banking system, and recently it expanded the scope of securities that can be used for repo auctions. We think that the difficulties in the banking system should be contained by the Central Bank, however small and medium sized full service banks may experience liquidity problems later this year.

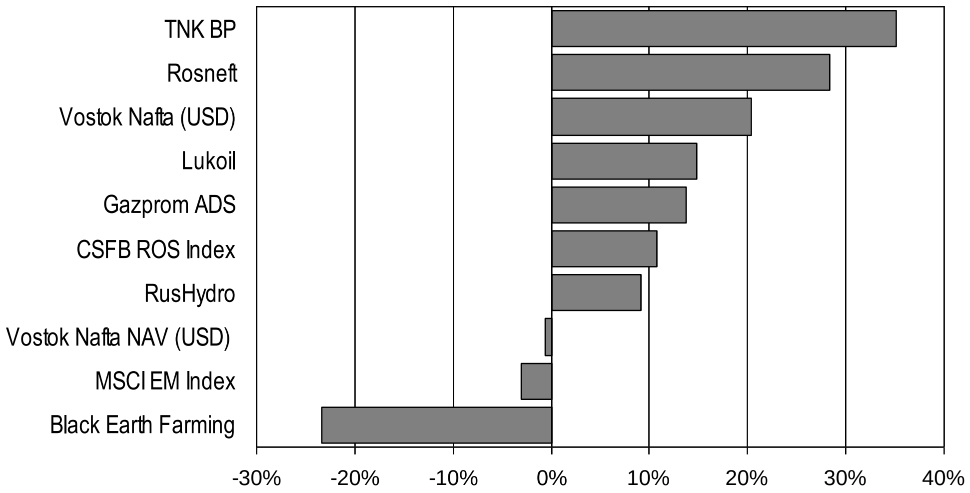
In the corporate sector, a significant number of companies were leveraged for fast growth and many expansion plans might be revised down this year, in particular in sectors not related to commodities. Among those companies that did not manage to attract good management talent, the credit squeeze and rising interest rates are starting to lead to first technical defaults on non-investment grade rouble bonds and on some loans.

How does all this affect our work at Vostok Nafta? We view two things as important for our shareholders. First, scaled down aggressive expansion plans are starting to make valuation expectations of private company owners more reasonable, and we are seeing that in our project pipeline and beyond. Second, there are companies where unreasonable expectations and bad management are starting to be hit hard by reality. Out of such destruction, there may come pieces of substantial value and we are on the lookout for those on behalf of our shareholders and the shareholders of our portfolio companies.

Vostok Nafta's portfolio development

Vostok Nafta's net asset value/share increased by 19.63% during January 1, 2008 and June 30, 2008 compared to the RTS index increase of 0.52% in USD terms.

Percent development, April 1–June 30, 2008



Black Earth Farming

Black Earth Farming Limited (BEF) was among the first foreign financed companies to make substantial investments in Russian agricultural land assets. BEF has thanks to its early establishment now gained a strong market position in the Kursk, Tambov, Lipetsk, Samara, Voronezh and Ryazan areas of Russia. In the first quarter of 2008, BEF completed a strategically important acquisition. The acquisition gave the company direct ownership of 21,200 hectares of land in the central Black Earth region, and also included for example administrative buildings, trucks, planters and a 60,000 tonne capacity grain elevator. The elevator marks the first step towards the creation of a network of elevators, which going forward is planned to have the capacity to efficiently store BEF's harvests. By using such elevators grain can be stored securely for longer periods, giving the company an opportunity to sell its produce in times of lower supply and higher prices.

In May, 2008, BEF announced the appointment of Michael Schneyderman as its new Chief Financial Officer. Mr. Schneyderman has more than 25 years of experience within strategic financial management, private equity and investment banking in both the United States and Russia.

During the first quarter of 2008 BEF increased its land under control by 36,000 hectares in total. As of March 31, 2008, BEF subsequently controlled around 325,000 hectares of the richly endowed farmland in the Black Earth region. The land under registered ownership amounted to approximately 69,000 hectares, land in ownership registration to around 251,000 hectares and land under long term leases to around 5,000 hectares. During the agricultural year 2005–2006 BEF cropped 5,900 hectares which resulted in a total harvest of 9,000 tonnes of crops. In 2007 these figures had grown to 53,000 hectares cropped and a marketable harvest of over 100,000 tonnes. In 2008, BEF plans to harvest approximately 150,000 hectares and as of May 22, 2008, BEF had seeded 96,130 hectares of spring crops.

BEF is currently focusing more on improving production costs and margins, than on growing its land under control.

Comparative valuation table

The following comparative valuation table compares Black Earth Farming to other listed companies within the agricultural sector. Apart from a series of companies with assets in Russia and Ukraine, SLC Agricola with assets in Brazil is included to provide an international comparison.

	Black Earth Farming	**Mriya**	**Sintal**	**LandWest**	**MCB Agricole**	**Landkom**	**Trigon Agri[2]**	**Alpcot Agro[2]**	**SLC Agricola**
Country	*Russia*	*Ukraine*	*Ukraine*	*Ukraine*	*Ukraine*	*Ukraine*	*Ukraine/ Russia*	*Russia*	*Brazil*
MCAP[1], MUSD	654	441	250	297	270	254	251	269	1,716
EV, MUSD	430	471	257	310	235	256	131	193	1,785
Land under control (last available), ha	325	102	78	180	71	101	134	129	217
Land in ownership (last available), ha	69	0	0	0	0	0	0	18	183
Harvested land 2008E, ha	148	86	65	52	60	14	65	53	171
Harvested land 2009E, ha	168	158	184	150	174	40	200	110	220
Net sales 2007, MUSD	21	15	16	7	16	0	8	3	172
EBITDA 2007, MUSD	0	16	5	1	6	-13	1	-4	62
EV/Controlled hectare, USD	1,322	4,615	3,295	1,722	3,311	2,546	984	1,496	8,209
EV/Owned hectare, USD	6,226	n/a	n/a	n/a	n/a	n/a	n/a	11,013	9,760
EV/ Harvested hectare 2008E, USD	2,897	5,505	3,954	5,960	3,931	18,276	2,021	3,657	10,462
EV/ Harvested hectare 2009E, USD	2,557	2,989	1,397	2,066	1,354	6,397	657	1,752	8,113
EV/Sales 2007	20	31	16	48	15	4,265	16	76	10
P/Book	1.4	16.3	17.9	6.9	18.8	2.2	2.5	2.0	4.8

Source: Company data & forecasts, Vostok Nafta estimates

1. As of July 30, 2008

2. Fund structure (discounted value of management/advisory fees included in Enterprise Value)

TNK-BP

Vostok Nafta's third largest position TNK-BP has been subject to intense media coverage over the past six months. The background is a disagreement between the two major shareholders in the company, British BP and Russian Alfa-Access-Renova (AAR). In our view this most likely stems from a newfound interest in the short term returns provided by the company from the side of the Russian shareholders that sprung to life after a failed attempt to sell their stake to another Russian oil company (most likely Gazpromneft). The inability to agree on price led AAR to refocus on the oil asset they owned and assert its rights as a major shareholder on it through the joint venture agreement they have with BP. Whereas AAR are interested in minimizing CAPEX to maximise short term dividends, BP's interest is to more long term build up the reserve base and production. A normal shareholder disagreement not uncommon in any part of the world like this has been interpreted by the Western press in the most perverse ways. The most common analysis is that the Russian State is pressing for a nationalisation of BP's assets by using the Russian shareholders and a wide array of pressure forms on the Westerns employees. We believe the, as per above, that the different strategic views of the two shareholders are the reason for the conflict which in itself is normal. Both parties are to blame for not being able to solve these differences before they took a public turn. However it is also our view that they will be solved and that the fundamentals of the company has not in any material way been altered by the conflict. As we have expressed numerous times before in our view the trigger point for a revaluation of company is the exit of the Russian shareholder base, something that we believe is still likely to happen in the not too distant future. In the meantime the Russian major shareholder's initiative of measure to boost shorter term dividends is not in any way unappealing for us.

Kontakt East Holding

Kontakt East Holding AB (KEH) is a Swedish holding company which invests in companies active within search and guidance media in Russia and associated markets. KEH currently has investments in the business segments Directory Services and Consumer eCommerce. Directory Services offers its customers both online and offline directories and is operated through a number of subsidiaries which together give KEH a leading market position in Russia. Directory Services publishes directories in Moscow, St. Petersburg and nine other Russian regions. Online services are also provided through the web sites www.yellowpages.ru, www.yell.ru and www.perm1.ru. KEH launched its first Consumer eCommerce offering, through the website Avito.ru, in 2007. The site provides an easy and accessible platform for companies and consumers who, through classifieds, wish to buy and sell goods and services over the Internet. In January 2008 online auctions was also added to the product range.

On May 26, 2008, Vostok Nafta and Investment AB Kinnevik announced a cash offer, of SEK 35 per share, for all the shares in KEH through their jointly owned Swedish company Vosvik AB. The total value of the Offer, calculated on the total amount of outstanding shares in Kontakt East, amounted to approximately SEK 493 million. When the acceptance period expired, on June 24, 97.6 percent of the shares and votes in KEH had been tendered and subsequently the offer was declared unconditional. Following this announcement the acceptance period was extended in order for remaining shareholders to tender their shares, and on July 7 shareholders representing, in total, 98.7 percent of the shares and votes in KEH had accepted the offer. On July 4 Vosvik AB called for compulsory acquisition of the remaining KEH shares, and on the same date KEH applied for the shares to be delisted from First North. The last day of trading in KEH shares on First North was July 28, 2008.

Background and reasons for the Offer

Kontakt East was created through Vostok Nafta's acquisition of Eniro's Russian catalogue business. The intention was to create a platform for growth on the Russian markets for Internet ads and catalogue services, which were considered to offer great potential. Apart from growth within established segments, the intention was also that Kontakt East should be a driving force in the consolidation of the industry. In conjunction with the listing in November 2006, Kinnevik became a major shareholder in addition to Vostok

Nafta. Vostok Nafta and Kinnevik estimate that the potential for Kontakt East is unchanged but that the time horizon until the potential can be materialized is long.

Since its listing in November 2006, the trading volume in Kontakt East's shares has been far below the average on the stock exchange. A de-listing would allow management to designate all its time to operational issues and allow for savings relating to listing costs. The demand for a long-term perspective, the expected need for financial resources to enable growth and expansion as well as the low liquidity in the share all suggest that Kontakt East's operations are best suited in a private environment.

Steppe Cement

Steppe Cement is one of the largest cement producers in Kazakhstan, with a sales volume of over 820 thousand tonnes of cement during 2007. In 2008 the company aims to start production from two refurbished dry-line facilities, boosting capacity and as a result making it the largest producer in the country.

The global financial crisis hit Kazakhstan in the autumn of 2007 and construction companies halted launches of new, and the completion of existing, projects – inevitably hurting domestic producers of cement. Cement prices fell considerably from around USD 200 per tonne to circa USD 110–120 per tonne. However, the market has seemingly started to recover during the spring of 2008, and cement prices have again risen gradually. Statistics also point to a significant upswing, of just under 27%, in the Kazakhstani construction sector during the first quarter of 2008.

The future demand and pricing for Kazakhstani cement should be supported by the Kazakhstani state housing program (which is expected to entail over 26 million square meters of housing to be built in upcoming years), accelerating investments in infrastructure and public housing projects along with the overall economic growth in the country. The supply shortage and higher prices in Russia, which we touched upon in our annual report 2007, can also play a part in securing the demand for Kazakhstani cement thanks to well developed transportation infrastructure between the two countries. These export opportunities can also act as protection for the Kazakhstani producers' margins if domestic cement demand and prices once more start to decrease.

Steppe Cement is in our eyes a well priced opportunity to ride the construction boom in Kazakhstan, and associated FSU (Former Soviet Union) markets.

Tinkoff Credit Systems

Bank Tinkoff Credit Systems (TCS) is Russia's first monoline bank specializing exclusively on the issuing and servicing of credit cards. Since the launch of its commercial operations a year ago, TCS has issued over 180,000 credit cards to consumers throughout Russia making it one of the fastest growing consumer finance business in Russia. By the end of June 2008, the bank managed to grow its loan book to USD 110 mln.

In December 2007 Vostok Nafta, along with a number of other investors, participated in the syndicated loan arrangement committing RUR 500 mln. At that time Vostok Nafta became entitled to warrants representing 2% of TCS's equity. In mid 2008, the parent company of TCS has issued a EUR 70 mln bond maturing on June 24, 2011 with a fixed annual coupon of 18%. Issuing a bond of EUR 70 mln under current challenging market conditions confirmed the attractiveness of TCS's strategy, business model and management team to the broad group of international investors. As a result of the bond issue, TCS has secured financing to grow its credit card portfolio in a rapidly growing and underserved Russian credit card market. Following the bond issue, Vostok Nafta subscribed for USD 30 mln of shares in TCS' parent company, becoming a 15% shareholder along with the founder Oleg Tinkoff and Goldman Sachs. Altogether USD230 mln of total funds has been raised by the bank.

In terms of operational results by the end of June 2008 the Bank's loan portfolio has grown almost two fold to USD 110 mln from USD 65 mln as of the beginning of 2008. Quality of the portfolio has improved with the first payment default level declining to 6% from the initial 13%. Response rate measured as percentage of responses from customers who received invitations went to 4–5%, up from 1.5% level. Gross interest yield (annualized monthly interest and fee income earned during each month to the beginning of month balance) was above 75% at each month of 2008.

According to TCS's IFRS report for the 1H of 2008, TCS's net interest income amounted to USD 12.5 mln, up from USD 3.65 mln in the 1st quarter of 2008; and fee and commission income totalled USD 2.5 mln, up from USD 0.9 mln in the 1st quarter of 2008. For the 1st half of 2008, TCS posted a net loss of USD 4.46 mln. When taken before loan loss provisions in the amount of USD 6.3 mln, TCS's net result for the 1H of 2008 was positive, amounting to USD 0.83 mln.

Investments

During the period net investments in financial assets were USD 74.28 (–25.37) mln.

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

Purchases (shares)

+	95,000,000	Hydro OGK
+	3,964,000	Steppe Cement Ltd
+	11,000	RSC Energia BRD

Sales (shares)

–	119,800,000	Kuzbassrazrezugol
–	554,700	Belon

Portfolio structure

The investment portfolio stated at market value as at June 30, 2008 is shown below. Vostok Nafta's three biggest investments are Black Earth Farming (22.25%), Kuzbassrazrezugol (9.83%) and TNK-BP Holding Pref (8.58%).

Vostok Nafta portfolio as at June 30, 2008

Number of shares	Company	Market price	Market value, USD	Percentage weight	
1,855,850	Caspian Services Inc	2.20	4,082,870	0.45%	
2,025	Orsk Refinery Ord	38.00	76,950	0.01%	
538	Orsk Refinery Pref	34.00	18,292	0.00%	
45,596,616	TNK-BP Holding Pref	1.70	77,514,247	8.58%	
5,789,903	Kherson Oil Refinery	0.05	316,994	0.04%	
100,000	Yakutskgazprom	0.05	5,000	0.00%	
	Oil price, Total		**82,014,353**	**9.08%**	
966	Alrosa Co Ltd	28,000.00	27,048,000	2.99%	
6,000,000	Fortress Mining Corp	1.08	6,474,079	0.72%	
31,274	Gaisky GOK	900.00	28,146,600	3.12%	
333,033	Poltava GOK	16.27	5,417,934	0.60%	
1,516,055	Poltava GOK	16.27	24,663,878	2.73%	
52,402	Priargunsky Ind Ord	570.00	29,869,140	3.31%	
5,013	Priargunsky Ind Pref	285.00	1,428,705	0.16%	
1,442,400	Shalkyia Zinc GDR	3.50	5,048,400	0.56%	
1,194,045	Uchalinsky GOK	17.00	20,298,765	2.25%	
	Commodities Super Cycle, Total		**148,395,501**	**16.43%**	
1,600,000	Kamkabel	5.00	8,000,000	0.89%	
7,523,047	Steppe Cement Ord	6.28	47,226,943	5.23%	
	Volga Nash Dom, debt		1,465,000	0.16%	2)
39,000	Gornozavodsk Cement	930.00	36,270,000	4.01%	
6,564	Podolsky Cement	107.44	705,255	0.08%	
40,000	Sibcement	165.00	6,600,000	0.73%	
1,200,000	Tuimazy Concrete Mixers	22.50	27,000,000	2.99%	
	Russian infrastructure, Total		**127,267,198**	**14.09%**	
551,273,416	Hydro OGK	0.076	41,896,780	4.64%	
100,634,053	Kuzbassrazrezugol	0.8825	88,809,552	9.83%	
2,618,241	Kyrgyzenergo	0.06	168,688	0.02%	
17,000	RSC Energia	667.00	11,339,000	1.26%	
7,139,701	Systemseparation	0.28	1,993,452	0.22%	1)
	Energy Sector Restructuring, Total		**144,207,472**	**15.96%**	

Vostok Nafta portfolio as at June 30, 2008 (continued)

Number of shares	Company	Market price	Market value USD	Percentage weight	
1,765,000	Agrowill Group	2.79	4,919,103	0.54%	
26,815,404	Black Earth Farming	7.50	200,991,306	22.25%	1)
272,106	Dakor	28.87	7,855,009	0.87%	
10,000,000	Tisko AB	0.10	997,166	0.11%	
382,970	Kemerovo Azot	29.25	11,201,872	1.24%	
4,410,000	Kontakt East	5.78	25,505,522	2.82%	1)
253,397	Lebedyan Exp Can Reg	81.75	20,715,205	2.29%	
11,004,813	Rusforest Ltd	1.00	22,364,301	2.48%	1,3)
623,800	Waymore Holding Ltd	22.79	14,215,430	1.57%	
	Tinkoff Credit Systems BTA		30,000,000	3.32%	
	Tinkoff Credit Systems WTS		2,000,000	0.22%	
	Tinkoff Credit Systems, debt		20,210,564	2.24%	2)
	Egidaco		7,874,375	0.87%	
	What works in the West..., Total		**368,849,853**	**40.83%**	
1,320,000	Bashneft Pref	11.45	15,114,000	1.67%	
13,200	Transneft Pref	1,330.00	17,556,000	1.94%	
	Short term trades, Total		**32,670,000**	**3.62%**	
	Grand Total		**903,404,377**	**100.00%**	

1. These investments are shown in the balance sheet as investments in associated companies.
2. These investments are shown in the balance sheet as Loan receivables.
3. This investment is recognized in the balance sheet at acquisition cost.

Income statements – Group

(Expressed in USD thousands)	Jan 1, 2008- June 30, 2008	Jan 1, 2007- June 30, 2007	Apr 1, 2008- Jun 30, 2008	Apr 1, 2007- Jun 30, 2007
Result from financial assets at fair value through profit or loss	154,463	1,615	68,142	4,352
Result from investments in associated companies	749	33,622	-69,705	31,633
Dividend income	4,669	8,074	1,396	2,125
Interest income from loan receivables	2,871	-	1,640	-
Other operating income	32	424	17	424
Total operating income	**162,784**	**43,736**	**1,490**	**38,534**
Operating expenses	-5,218	-1,588	-3,717	-689
Russian dividend withholding tax expenses	-706	-911	-611	-19
Operating result	**156,860**	**41,237**	**-2,838**	**37,826**
Financial income and expenses				
Interest income	1,325	104	792	104
Interest expense	-1,454	-1,758	-741	-1,758
Currency exchange gains/losses, net	562	-9	9	-6
Other financial expenses	-81	-91	-40	-91
Net financial items	**352**	**-1,754**	**20**	**-1,751**
Result before tax	**157,212**	**39,483**	**-2,818**	**36,075**
Taxation	276	41	-453	33
Net result for the financial period	**157,488**	**39,524**	**-3,271**	**36,108**
Earnings per share (in USD)	3.42	0.86	-0.07	0.78
Diluted earnings per share (in USD)	3.41	0.86	-0.07	0.78

Vostok Nafta Investment Ltd

Balance sheets – Group

(Expressed in USD thousands)	Note	Jun 30, 2008	Dec 31, 2007
NON CURRENT ASSETS			
Tangible non current assets			
Office equipment		595	545
Total tangible non current assets		**595**	**545**
Financial non current assets			
Financial assets at fair value through profit or loss		630,874	565,043
Investment in associated companies		250,855	248,213
Loan receivables		21,676	9,138
Total financial non current assets		**903,404**	**822,394**
CURRENT ASSETS			
Cash and cash equivalents		178,701	27,528
Receivables from related parties	2	25,491	4,894
Unsettled trades		4,562	3,172
Tax receivables		125	98
Other current receivables		1,385	601
Total current assets		**210,264**	**36,293**
TOTAL ASSETS		**1,114,263**	**859,232**
SHAREHOLDERS' EQUITY			
(including net result for the financial period)		**961,749**	**803,954**
NON CURRENT LIABILITIES			
Deferred tax liabilities		1,076	1,358
Total non current liabilities		**1,076**	**1,358**
CURRENT LIABILITIES			
Interest bearing current liabilities			
Borrowings		149,924	50,438
Non-interest bearing current liabilities			
Tax payable		112	106
Liabilities to related parties	2	-	586
Unsettled trades		752	1,677
Other current liabilities		242	141
Accrued expenses		408	972
Total current liabilities		**151,438**	**53,920**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,114,263**	**859,232**
PLEDGED ASSETS & CONTINGENT LIABILITIES			
Pledged assets		790,571	813,256
Contingent liabilities		-	-

Vostok Nafta Investment Ltd

Statement of Changes in Equity – Group

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
Balance at December 31, 2006	**-**	**-**	**385,043**	**385,043**
Profit for the period January 1, 2007 to December 31, 2007	-	-	282,765	282,765
Total recognized income for the period January 1, 2007 to December 31, 2007	-	-	282,765	282,765
Employees share option scheme:				
- value of employee services	-	125	-	125
Proceeds from issue of warrants	-	-	476	476
Non Gazprom related assets and liabilities provided through an issue in kind	-	-	-10,903	-10,903
Exercise of issued warrants	46,021	-	-46,021	-
Proceeds from new share issue, net of transaction costs	-	146,351	-	146,351
Currency differences	-	-	97	97
	46,021	146,476	-56,351	136,039
Balance at December 31, 2007	**46,021**	**146,476**	**611,457**	**803,954**
Profit for the period January 1, 2008 to June 30, 2008	-	-	157,488	157,488
Total recognized income for the period January 1, 2008 to June 30, 2008	-	-	157,488	157,488
Employees share option scheme:				
- value of employee services	-	199	-	199
Currency differences	-	-	108	108
	-	199	205	307
Balance at June 30, 2008	**46,021**	**146,675**	**769,053**	**961,749**

Cash flow statements – Group

(Expressed in USD thousands)	Jan 1, 2008- Jun 30, 2008	Jan 1, 2007- Jun 30, 2007	Jan 1, 2007- Dec 31, 2007
OPERATING ACTIVITES			
Result before tax	157,212	39,524	283,154
Adjustment for:			
Taxes	-	-453	-
Interest income	-1,325	1,758	-1,225
Interest expenses	1,454	-	3,709
Currency exchange gains	-562	10	-538
Depreciation	72	53	78
Result from financial assets at fair value through profit or loss	-154,463	-1,615	-158,407
Result from investments in associated companies	-749	-33,622	-123,693
Other non-cash items	201	62	1,127
Change in current receivables	-21,914	664	-8,444
Change in current liabilities	-2,064	-8,274	-59
Cash used in operations	**-22,138**	**-1,893**	**-4,298**
Investments in financial assets	-,212,810	-101,684	-361,505
Sales of financial assets	299,550	76,318	219,482
Increase of loan receivables	-12,462	-	-9,126
Acquisition of group companies	-	-	-6,181
Interest received	973	-	1,225
Interest paid	-1,692	-	-606
Tax paid	-118	-	-1,975
Net cash flow used in operating activities	**51,303**	**-27,259**	**-162,984**
INVESTING ACTIVITIES			
Investments in machinery and equipment	-89	-119	-303
Sales of machinery and equipment	-	-	3
Net cash flow used in investing activities	**-89**	**-119**	**-300**
FINANCING ACTIVITIES			
Proceeds from borrowings	149,635	49,750	49,750
Repayment of borrowings	-50,000	-	-
Proceeds from new share issue	-	-	146,350
Assets and liabilities provided through an owner's contribution	-	-11,300	-10,903
Proceeds from sale of warrants	-	-	476
Net cash flow from financing activities	**99,635**	**38,450**	**185,673**
Change in cash and cash equivalents	**150,850**	**11,072**	**22,389**
Cash and cash equivalents at beginning of the period	**27,528**	**5,124**	**5,124**
Exchange gains/losses on cash and cash equivalents	323	-	15
Cash and cash equivalents at end of period	**178,701**	16,186	27,528

Vostok Nafta Investment Ltd

Key financial ratios – Group

	Jan-Jun 2008	Jan-Jun 2007
Return on capital employed, % [1]	**16.11**	8.31
Equity ratio, % [2]	**86.31**	91.51
Shareholders' equity/share, USD [3]	**20.90**	12.13
Earnings/share, USD [4]	**3.42**	0.86
Diluted earnings/share, USD [5]	**3.41**	0.86
Net asset value/share, USD [6]	**20.90**	12.13
Weighted average number of shares for the financial period	**46,020,901**	46,020,901
Weighted average number of shares for the financial period (fully diluted)	**46,199,859**	46,020,901
Number of shares at balance sheet date	**46,020,901**	46,020,901

1. Return on capital employed is defined as the Group's result plus interest expenses plus/less exchange differences on financial loans divided by the average capital employed (the average total assets less non-interest bearing liabilities over the period).
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.

Vostok Nafta Investment Ltd

Income statement – Parent

(Expressed in USD thousands)	Jan 1, 2008-Jun 30, 2008	Apr 5, 2007-Jun 30, 2007
Operating expenses	-1,828	-178
Operating result	**-1,828**	**-178**
Financial income and expenses		
Interest income	6,996	-
Currency exchange gains/losses, net	-100	-
Net financial items	**6,896**	**-**
Net result for the financial period	**5,068**	**-178**

Balance sheet – Parent

(Expressed in USD thousands)	June 30, 2008	Dec 31, 2007
NON CURRENT ASSETS		
Financial non current assets		
Shares in subsidiaries	377,695	377,695
Receivables from Group companies	155,251	150,795
Total financial non current assets	**563,946**	**528,490**
CURRENT ASSETS		
Cash and cash equivalents	13	113
Receivables from related parties	20	6
Other current receivables	255	261
Total current assets	**287**	**379**
TOTAL ASSETS	**533,233**	**528,870**
SHAREHOLDERS' EQUITY (including net result for the financial period)	**532,942**	**527,674**
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Liabilities to group companies	-	188
Other current liabilities	50	152
Accrued expenses	242	855
Total current liabilities	**291**	**1,195**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**533,233**	**528,870**
PLEDGED ASSETS & CONTINGENT LIABILITIES		
Pledged assets	-	-
Contingent liabilities	-	-

Statement of Changes in Equity – Parent

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
Profit for the period	-	-	3,222	3,222
Total recognized income for the financial period April 5, 2007 to December 31, 2007	-	-	3,222	3,222
Employees share option scheme:				
– value of employee services	-	125	-	125
Proceeds from issue of options	-		476	476
New share issue	0	-	-	0
Exercise of issued warrants	46,021	-	331,479	377,500
Proceeds from new share issue, net of transaction costs	-	146,351	-	146,351
	46,021	146,476	331,955	524,452
Balance at December 31, 2007	**46,021**	**146,476**	**335,177**	**527,674**
Profit for the period	-	-	5,068	5,068
Total recognized income for the financial period January 1, 2008 to June 30, 2008	-	-	5,068	5,068
Employees share option scheme:	-	-		
– value of employee services	-	199	-	199
		199	-	199
Balance at June 30, 2008	**46,021**	**146,675**	**340,245**	**532,942**

Note 1 Accounting principles

This consolidated interim account 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 2007.

Note 2 Related party transactions

During the period Vostok Nafta has been involved in the following related party transactions:

- shared services expenses have been paid by Vostok Gas Sverige AB to Vostok Nafta Sverige AB in the amount of USD 201 thousand,
- Loans to associated companies (incl subsidiaries) increased by USD 20,538 thousand. Loans to other related parties decreased by USD 212 thousand. As at June 30, 2008, total receivables from related parties, which are either associated companies; companies controlled by employees of Vostok Nafta; or key personnel of the company or other related companies amounted to USD 25,491 thousand, the bulk of which is related to the company's investment into Rusforest and its subsidiaries.
- During the period, the total outstanding liability to Vostok Gas amounting to 97 thousand was paid in full.

Operating and sector-related risks

Country-specific risks

The risks associated with Russia and other CIS states are common to all investments in these countries and are not characteristic of any specific portfolio holding. An investment in Vostok Nafta will be subject to risks associated with ownership and management of investments and in particular to risks of ownership and management in Russia and other CIS states.

As these countries are still, from an economic point of view, in a phase of development, investments are affected by unusually large fluctuations in profit and loss and other factors outside the Company's control that may have an adverse impact on the value of Vostok Nafta's adjusted equity. Investors should therefore be aware that investment activity in Russia and other CIS states entails a high level of risk and requires special consideration of factors, including those mentioned here, which are usually not associated with investment in shares in better regulated countries.

Unstable state administration, both locally and federally, could have an adverse impact on investments. None of the CIS states has a fully developed legal system comparable to that in more developed countries. Existing laws and regulations are sometimes applied inconsistently and both the independence and efficiency of the court system constitute a significant risk. Statutory changes have taken place and will probably continue to take place at a rapid pace, and it remains difficult to predict the effect of legislative changes and legislative decisions for companies. Vostok Nafta will invest in or for market segments that the Company is active in or will be active in. It could be more difficult to obtain redress or exercise one's rights in CIS states than in some other states governed by law.

Foreign-exchange risk

The Company's investments are made in RUB or USD. The official exchange rate for RUB therefore directly or indirectly affects the value of investments, but it is impossible to quantify this effect as companies have differing foreign-exchange sensitivity. In addition, investors in the Company's Depository Receipts have differing base currencies. The Company's accounts are prepared up in USD as this is the functional currency. Taken together, this means that fluctuations in exchange rates may affect the net worth of the portfolio in various ways that do not necessarily reflect real economic changes in the underlying assets. Each investor is advised to make his or her own analysis of the foreign-exchange risk existing in the Company's portfolio.

Acquisition and disposal risk

Acquisitions and disposals are by definition a natural element in Vostok Nafta's activities. All acquisitions and disposals are subject to uncertainty. The Company's explicit exit strategy is to sell its holdings to strategic investors or via the market. There are no guarantees that the Company will succeed in selling its participations and portfolio investments at the price the shares are being traded at on the market at the time of the disposal. Vostok Nafta may therefore fail to sell its holdings in a portfolio company or be forced to do so at less than its maximum value or at a loss. If Vostok Nafta disposes of the whole or parts of an investment in a portfolio company, the Company may receive less than the potential value of the participations, and the Company may receive less than the sum invested.

Vostok Nafta operates in a market that may be subject to competition with regard to investment opportunities. Other investors may thus compete with Vostok Nafta in the future for the type of investments the Company intends to make. There is no guarantee that Vostok Nafta will not in the future be subject to competition which might have a detrimental impact on the Company's return from investments. The Company can partially counter this risk by being an active financial owner in the companies Vostok Nafta invests in and consequently supply added value in the form of expertise and networks.

Despite the Company considering that there will be opportunities for beneficial acquisitions for Vostok Nafta in the future, there is no guarantee that such opportunities for acquisition will ever arise or that the Company, in the event that such opportunities for acquisition arose, would have sufficient resources to complete such acquisitions.

Accounting practice and other information

Practice in accounting, financial reporting and auditing in Russia and other CIS states cannot be compared with the corresponding practices that exist in the Western World. This is principally due to the fact that accounting and reporting have only been a function of adaptation to tax legislation. The Soviet tradition of not publishing information unnecessarily is still evident. The formal requirements for Russian companies are to be restrictive in publishing information. In addition, access to external analysis, reliable statistics and historical data is inadequate. The effects of inflation can, moreover, be difficult for external observers to analyse. Although special expanded accounts are prepared and auditing is undertaken in accordance with international standard, no guarantees can be given with regard to the completeness or dependability of the information. Inadequate information and weak accounting standards may be imagined to adversely affect Vostok Nafta in future investment decisions.

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

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

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

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

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

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

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

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

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

Vostok Nafta Investment Ltd

Upcoming Reporting Dates

Vostok Nafta's nine-month report for the period January 1, 2008–September 30, 2008 will be published on November 19, 2008.

The Board of Directors and the CEO certify that this undersigned six month interim report provides a true and fair overview of the Parent Company and Group's operations, financial position and performance for the period, and describes the material risks and uncertainties facing the Parent Company and other companies in the Group.

August 20, 2008

Lukas H Lundin, *Chairman of the Board*
Al Breach
Paul Leander-Engström
Torun Litzén
Ian H Lundin
William A Rand
Robert J Sali
Per Brilioth, *CEO*

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