Vostok Nafta Investment Ltd

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Press Release
February 11, 2009

Vostok Nafta Investment Ltd.
Twelve Months Report
Covering the Period
January 1, 2008–December 31, 2008

- **Net result for the period was USD -556.39 mln (January 1, 2007–December 31, 2007: 282.77). Earnings per share was USD -12.09 (6.14). Net result for the quarter was USD -260.23 mln (October 1, 2007–December 31, 2007: 178.87). Earnings per share for the quarter was USD -5.65 (3.89).**
- **The net asset value of the company was USD 247.89 mln (Dec 31, 2007: 803.95) on December 31, 2008, corresponding to USD 5.39 (17.47) per share. Given a SEK/USD exchange rate of 7.8644, the corresponding values were SEK 1,949.53 mln and SEK 42.36, respectively. As per the end of the period, 40% of the portfolio were unlisted investments.**
- **The group's net asset value (NAV) per share in USD decreased by 69.39% over the period January 1, 2008–December 31, 2008. During the same period the RTS index decreased by 72.41% in USD terms. Over the period October 1, 2008–December 31, 2008, the Group's NAV per share decreased by 51.09% (RTS-index -47.86%).**
- **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 January 30, 2009, was USD 4.66 (SEK 38.88). Net debt as of January 30, 2009, amounted to USD 51.93 mln.**

Subsequent events:
Vostok Nafta recently completed a rights issue, which provided the Company with SEK 552 million (approximately USD 67 million at a USD/SEK exchange rate of 8.23). Each holder of a Swedish Depository Receipt ("SDR") of Vostok Nafta was entitled to subscribe to one (1) newly issued SDR for a consideration of SEK 12. The rights issue was oversubscribed by 30 percent and the proceeds will be used to pay off part of Vostok Nafta's debt, as well as to invest into new and existing parts of the Company's portfolio.

The company will host a telephone conference with an interactive presentation at 16.00 CET (10.00 am EST) today, Wednesday, February 11. For call-in details, see separate press release issued Monday, November 9, at www.vostoknafta.com.

Background

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

As at December 31, 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 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 -363.26 (157.58) mln. Result from investments in associated companies was USD -180.56 (124.52) mln. Dividend income was USD 9.65 (10.09) mln. Result from loan receivables was USD -6.01 (-) mln, which is mainly a foreign exchange loss when revaluating the loan receivables denominated in Russian Roubles into US dollars.

Operating costs were USD -8.68 (–5.71) mln.

Net financial items were USD -6.60 (–2.16) mln.

Net result for the period was USD -556.39 (282.77) mln.

Total shareholders' equity amounted to USD 247.89 (803.95) mln on December 31, 2008.

Vostok Nafta has in accordance with IAS 36 performed impairment tests of the carrying value of the Company's major unlisted investments; Tinkoff Credit Systems (TCS), Rusforest Ltd, and Vosvik/Kontakt East. The fair value has been appraised in order to assure that the investments are carried at no more than the recoverable amount. Vostok Nafta's assessment of the fair value of the equity held in TCS and Vosvik/Kontakt East has resulted in impairments of USD 8.15 mln and USD 18.53 mln, respectively. Vostok Nafta's assessment of the fair value of RusForest has resulted in that no reasonable changes in key assumptions will lead to the estimated recoverable amount being lower than the carrying amount.

Vostok Nafta's assessment of its other unlisted investments is that the current carrying amount at acquisition cost represents fair value. Given the current environment no reasonable changes in key assumptions will lead to the estimated recoverable amount being lower than the carrying amount.

Group – results for the quarter

During the quarter, the result from financial assets at fair value through profit or loss amounted to USD -205.81 (118.02) mln. Result from investments in associated companies was USD -43.04 (64.02) mln. Dividend income was USD 4.98 (0.54) mln. Result from loan receivables was USD -10.96 (-) mln, which is mainly a foreign exchange loss when revaluating the loan receivables denominated in Russian Roubles into US dollars.

Operating costs were USD -3.96 (–2.39) mln.

Net financial items were USD -0.36 (–0.50) mln.

Net result for the quarter was USD -260.23 (178.87) mln.

During October and November 2008, the Company raised USD 15.25 million in debt. The debts, which carry an interest rate of 18%, are subordinated to the loans which the Company's subsidiary Vostok Komi (Cyprus) Limited has undertaken and have a time to maturity of 12 months.

Furthermore, on December 16, 2008 the Company raised a short-term bond loan of EUR 10.0 million. The bond loan, which carries an interest rate of 20%, matures on April 15, 2009. In conjunction with the raising of the bond loan, USD 2.0 million was repaid on the loans raised in October and November 2008. On December 23, 2008, USD 100 million was repaid on the loan issued by Deutsche Bank.

Subsequent events

Vostok Nafta recently completed a rights issue, which provided the Company with SEK 552 million (approximately USD 67 million at a USD/SEK exchange rate of 8.23). Each holder of a Swedish Depository Receipt ("SDR") of Vostok Nafta was entitled to subscribe to one (1) newly issued SDR for a consideration of SEK 12. The rights issue was oversubscribed by 30 percent and the proceeds will be used to pay off part of Vostok Nafta's debt, as well as to invest into new and existing parts of the Company's portfolio.

The Company's assessment is that the majority of the net proceeds from the rights issue will be used for repayment of the Company's existing debt. It is also the Company's assessment that, following the rights issue, the Company will have sufficient working capital to meet present working capital needs.

Parent company

The parent company finances the Cypriot subsidiary's operations on market terms. Interest income recognized during the period was USD 14.32 mln.

By the end of the period the Company has impaired the value of the shares in its subsidiary Vostok Komi (Cyprus) Ltd. The write down amounts to USD 288.69 mln. Net result for the period was USD -279.84 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 29.20 (30.70) mln on December 31, 2008.

Vostok Nafta net debt as at January 30, 2009 (USD)

Gross Debt	77,097,667
Cash	25,163,274
Net debt	**51,934,393**

Following the recently completed rights issue, the amount of cash held by the Company exceeds the value of outstanding liabilities.

Management report

Rouble, credit markets and the real economy

The short to medium term trigger for the revaluation of Russian asset prices is for the rouble to find its right value. When commodities prices collapsed during the course of the autumn the Russian currency became overvalued and the subsequent pressure on the rouble to devalue intense. The uncertainty over where the rouble would find stability and the process by which it would get there led to a deep freeze for rouble credit markets. A global liquidity draught obviously has not helped. Frozen credit markets have had a very clear impact on the Russian real economy. Fourth quarter GDP contracted by 1.1% on a quarter-on-quarter basis. In Russia the stand still in the economy is further accentuated by the willingness of the corporate sector to play the rouble market. Whereas the banking sectors' activity within the forex market is relatively easy for the Central Bank to monitor and stop, the Russian corporate sector has a wider set of opportunities here. This has meant that the bulk of the short rouble trade actually comes from the corporate sector. Companies have ramped up their working capital (stopped paying suppliers etc) to maximize the capital they can put to use in effectively shorting the rouble, which clearly doesn't help the real economy.

The good thing is that the Central Bank has carried out a series of 20 steps of widening the trading band versus the euro and USD. The final step allowed for a larger widening of another 10% which all in all has allowed for a 36% devaluation of the rouble versus the USD since its peak in mid-summer 2008. Most people agree that at this oil price the rouble is at fair value and perhaps even relatively cheap at least in terms of getting a balanced current account. Rouble credit markets are slowly coming back to life but will need more certainty on the oil price to really kick off. However with the oil price having held steady at around the USD 40 per barrel level for nearly two months now, we would expect the rouble to find stability in the short-to-medium term. Stability means that the corporate sector pulls back their capital from the crowded short rouble trade and investing it back into their real businesses (which in the meantime have in general become more profitable with a lower rouble cost base).

Rouble stability bringing credit markets from a deep freeze will take some time to affect the economy though. 2009 will likely see negative growth to the order of 1–2%. The budget deficit may grow to around 10% as the State supports the economy. This looks like the right thing to do. If not spend the savings from the good years now then when do you? The challenge lies in if the oil price doesn't stabilise or recover beyond 2009. Then further fiscal stimulus will have to be financed by borrowing. Our view though would be that the risk on the oil price is on the upside as supply issues are serious beyond the current situation of uncertainly over the scale of demand destruction from the non-growing global economy.

Corporate governance

Another common worry concerning the Russian equity market are political and corporate governance risks. The recent period has not augmented political risk in any meaningful way. The odd protest over for example higher duties on foreign cars has had very little impact on the incumbent administration's ratings in opinion polls.

On the corporate governance front there have been a number of rather high profile cases of abuse most notably in OGK 3 and Sibir Energy. These are both a result of the major owner scrambling for cash during a time of very tight liquidity. There is also a worry that there is another Yukos style bankruptcy in the cards as the potential claims against the potash producer Uralkali over damages concerning a flood in one of its mines could outweigh the assets in its balance sheet. Fines will likely be charged and paid but unlikely to any different scale than would be the practice in most other countries.

While Russia is far from a place where corporate governance risk is low we would not put the recent activities as signs of a general slippage on this front. Many individual cases involve abuse and care will need to be taken when pricing assets with the same owners going forward. Over the broader equity market even improvements could be expected. We would argue that as in the years post the 1998 crisis many companies will improve their corporate governance standards and impose checks and balances in order to be able to efficiently raise money.

Valuations

In the meantime valuations are low. There is an obvious need to be humble about the timing of the market turning up in a sustained way but in our view the valuations are worth the wait e.g. 2009P/E of 5 (which is a 50% discount to GEMs), Gazprom's 10 year bond at 12%, TNK-BP's Eurobond at 20%, implied equity risk premium at historically high levels of 18%++ (depending on where you have the oil price).

Ukraine

Ukraine continued to stay in focus of the analysts and media recently. However, this was due to the wrong set of reasons: mainly because of a reignited gas conflict with Russia. This theme had overshadowed the real struggle of the Ukrainian authorities to keep the local currency, hryvnia, under control, the banking sector up and running (although slowly) and the economy still moving. Ukraine proved to be one of the countries having the most trouble in weathering the global economic storm – yet this statement does not provide enough information about the successes of the government and the National bank of Ukraine (NBU) to alleviate the pain.

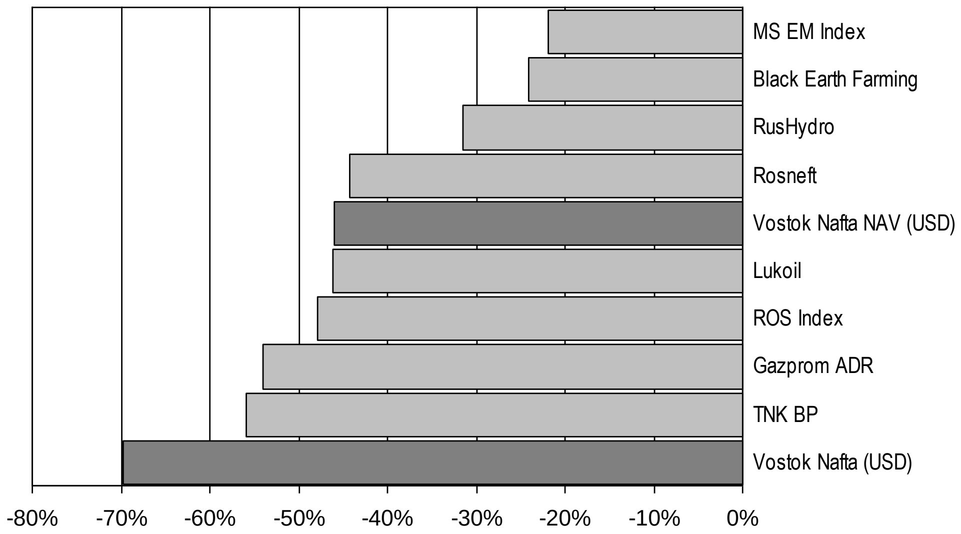
Ukraine's industrial production dropped 3.1% in 2008, following a monthly decline of 26.6% MoM in December – the largest drop in Europe. In 2008, output in the metallurgical sector fell 10.6% YoY, in chemicals 6.2% YoY and in mining by 2.4% YoY. The end-of-year decline was even more dramatic, with the metallurgical sector still being on average 50% down YoY, after some revival in the early 2009. However, the global downturn would have been more damaging to the country had it not been for the depreciation of the hryvnia. After a roller coaster ride in December, the Ukrainian hryvnia became relatively stable in January, fluctuating around 8.75 UAH/USD and ending at 7.85 UAH/USD by month's end. The FX market calmed down somewhat, supported by tighter monetary and fiscal policies, lower gas imports and regular central bank interventions. Still, the hryvnia's stabilization may prove to be only a temporary relief, as the political environment remains uncertain, with an increased possibility of monetary and fiscal loosening, especially in the run-up to the presidential elections in December 2009.

A weaker hryvnia has added to the inflation pressures, bringing end-2008 CPI to 22.3% YoY. As much of the exchange rate pass-through has already happened, the consumer inflation should slow to 14% YoY by end-2009.

Vostok Nafta's portfolio development

Vostok Nafta's net asset value/share decreased by 69.39% during January 1, 2008 and December 31, 2008 compared to the RTS index decrease of 72.41% in USD terms.

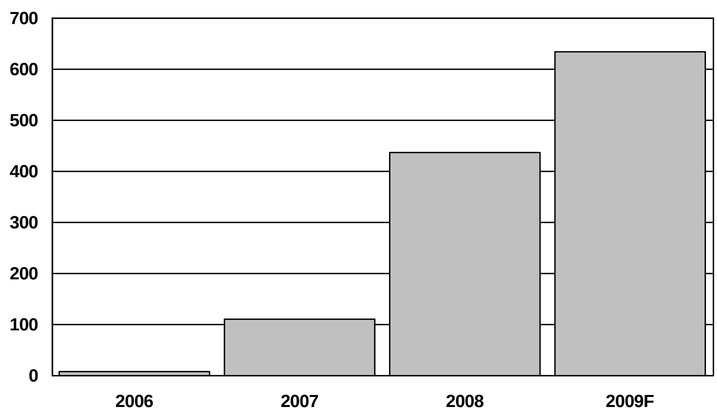
Percent development, October 1–December 31, 2008



Black Earth Farming

Black Earth Farming Ltd ("BEF") continues to focus on operational activities, as well as the registration of controlled land into ownership. Of the 332,000 hectares under control, over 100,000 hectares are now under full free hold ownership and 8,000 are under long term lease contracts. The market experienced substantial price falls for soft commodities last year. As a result, the Russian government stepped in and provided pricing support by purchasing 5 million tonnes of grain in total during November and December.

Commercial gross crop production, thousand tonnes



The 437,000 tonnes of commercial crops harvested in 2008 is forecast to grow by 45 percent in 2009, making BEF one of very few players in the region increasing production this year. The lower grain prices, along with extreme difficulty to obtain funding, will likely reduce overall industry production in 2009 as compared to 2008. A likely reduction in the use of expensive fertilisers will also add to these pressures. 95,000 hectares, mainly winter wheat, have so far been planted out of a planned total of 180,000 hectares for the 2008/2009 season.

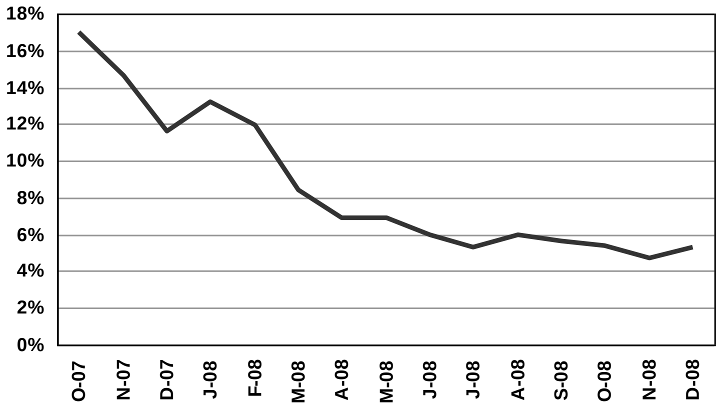
Russia lacks modern agriculture infrastructure, i.e. storing and drying facilities, seed production facilities, as well as port export capacity. In 2009, BEF plans to invest the majority of a capital expenditure programme in storage and drying capacity. This will increase the company's internal storage capacity from 150,000 to around 340,000 tonnes resulting in about 50 percent self-sufficiency in storage. As a result, the flexibility of timing sales will increase and also ensure a secure and cost effective handling of the company's assets. A substantial sum will also be invested in machines and equipment to improve operating efficiency and productivity per hectare.

Currency movements also have an effect on BEF. All costs, except for machinery, are denominated in Russian Roubles while local output prices, although set in the domestic currency, have a high correlation to world market USD prices. Thus, the company has benefited from the recent depreciation of the Rouble.

Tinkoff Credit Systems

By the end of 2008 Tinkoff Credit Systems ("TCS") had issued 300,000 credit cards of which over 80 percent were activated, giving the company a 2.5 percent market share. TCS's business model has proved to be highly successful in attracting new customers and gaining market share. The Russian market for credit cards has, however, slowed during the quarter, mainly affecting Russian Standard which is the market leader within consumer financing. Yet, the solid market fundamentals remain as the Russian consumer is highly underleveraged compared to other emerging markets. This is especially true in the regions outside Moscow and St. Petersburg, where TCS has its focus.

First payment default, October 2007–December 2008 (%)

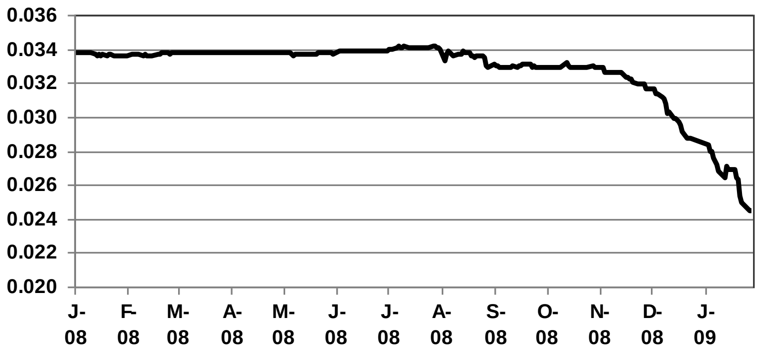


Source: TCS

The quality of the loan portfolio has shown an encouraging trend through 2008, albeit with a small reversal in December. The company has an advanced underwriting process and proceeds with pre-emptive actions at the first sign of default risk. Management is, however, aware of a potential deterioration and has stress tested its financial projections. In a worst case scenario, assuming a higher percentage of non-performing loans than ever before seen during previous consumer lending busts in various emerging markets, the company will still be in a satisfactory position given its high gross yield.

Credit card business logic is based on refinancing, as credit cards by nature are a permanent revolving credit line. Given the state of the credit markets, TCS is not in a position where it can fund additional growth of the loan portfolio. The absence of financing has resulted in the company turning the loan portfolio cash flow positive, i.e. it currently generates more cash (customer repayments) than what is put in (customer transactions). Focus at the moment is on operational performance, risk management and cash collection. Customer acquisitions have been halted, resulting in substantial variable cost reductions. A cost-cutting programme is also being implemented, in order to reduce operational expenses and maintain profitability.

Rouble vs. Dollar/Euro basket



Source: CBR

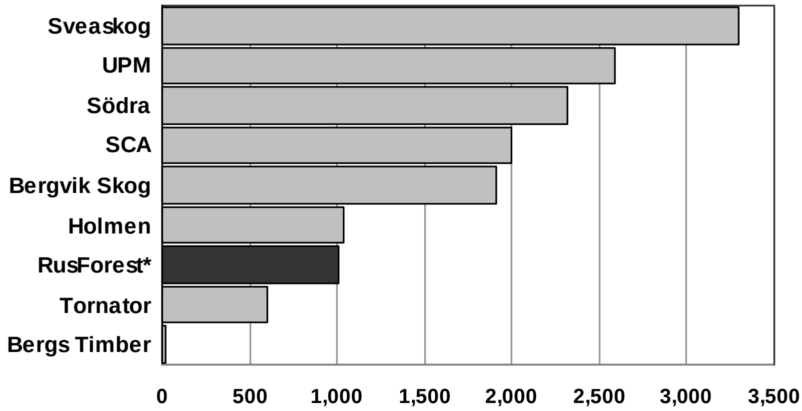
In January, TCS announced that based on preliminary figures for the fourth quarter 2008, the company expects to show accounting losses as a result of the depreciating Rouble. Consequently, there is a possibility that the company may find itself in breach of some of its undertakings to bondholders and other lenders. The problem has arisen by the fact that the covenant was fixed in USD. It is, however, worth emphasizing that TCS can withstand a significant fall in the Rouble and still honour its obligations to lenders on schedule by accumulating its high net portfolio yield.

Vostok Nafta's assessment of the fair value of the equity held in TCS has resulted in an impairment of USD 8.15 million. Prevailing factors have affected the key assumptions to the extent that the recoverable amount at this moment in time is estimated to be lower than the carrying amount. Factors such as an increased cost of equity as the equity risk premium has risen globally and in Russia specifically, as well as currency fluctuations have affected the fair value of TCS.

RusForest

RusForest has on a consolidated basis reached a considerable scale, controlling over 1,000,000 hectares of forest land with an annual allowable cut (AAC) of 1,654,000 m^3. The group's annual sawmilling capacity is also set to increase to over 350,000 m^3 within a year. 2008 has been challenging for RusForest mainly due to falling sawnwood prices during the first half of the year, the completion of the major investment project at the Bogouchanski sawmill and unfavourable weather conditions impeding harvesting and sawnwood production. 2009 is also expected to be demanding, but the company is all the while relatively well positioned.

Forest land owned or controlled, thousand hectares



* RusForest: Forest land controlled. Source: Company data for 2007

RusForest is a low cost producer and can consequently cope with a weaker price environment, and the recent depreciation of the rouble gives additional support to the company as an exporter with all costs being rouble based. RusForest is also well positioned in light of that none of its companies have any bank debt. Instead, the portfolio companies' financial liabilities predominantly relate to various leasing obligations, which will be covered by the operating cash flows.

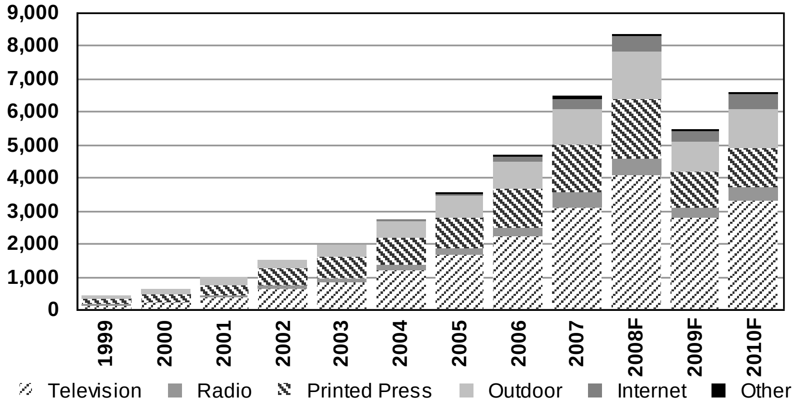
Conditions remain difficult in the forestry and sawnwood sector in general, and particularly on the markets in Europe, North Africa and the Middle East. Most developed markets for sawnwood have collapsed during the second half of 2008, and several producers have been facing capacity closures and/or curtailments in light of the financial crisis and subsequent softening demand. However, growth has remained relatively strong in Central Asia, which has become an increasingly important market for RusForest. Starting from negligible sales at the beginning of the year, this region now accounts for large parts of RusForest's total sales. The proximate Chinese market is also developing positively, with sawnwood imports to China increasing 8.6% YoY for the period Jan–Oct 08 with Russia as the largest single source of supply.

Vostok Nafta's assessment of the fair value of RusForest has determined that no reasonable changes in key assumptions will lead to the estimated recoverable amount being lower than the carrying amount.

Kontakt East Holding

Like many other sectors, Russian advertising suffered a severe downturn in the fourth quarter of 2008 with bleak outlooks for 2009. The brunt of the reduction in advertising spending is expected to come from large multinational companies hitting Radio, Print and Outdoor the hardest. TV and Internet will likely be the least affected. Kontakt East has felt the slowdown but not experienced the same dramatic drop as the industry at large. Its customers are mainly small companies who employ Kontakt East as their one and only marketing channel.

Russian ad market, 1999–2010, USD million



Source: AKAR, ING

The financial results expected for 2008 are disappointing, with a number of countering measures being taken. Among these are reductions in back office costs within Yellow Pages, administrative costs at the company's headquarters having been reduced by 50 percent since the de-listing and management will now reduce their fixed salaries in exchange for performance related remuneration.

Within Yellow Pages, a highly skilled management team is now in place. As of 2009, a new sales organisation will be established to boost sales, and at the same time increasing efficiency and focusing on cost control. 25 percent of the back office staff has been laid off at Yellow Pages, as business processes are continuously reviewed. The leaner organisation will enable the division to break even in a worst case scenario, assuming a 30 percent year-on-year drop in sales during 2009. Yellow Pages could feasibly show some relative strength in the current environment as it is somewhat crudely seen as "the poor company's marketing channel".

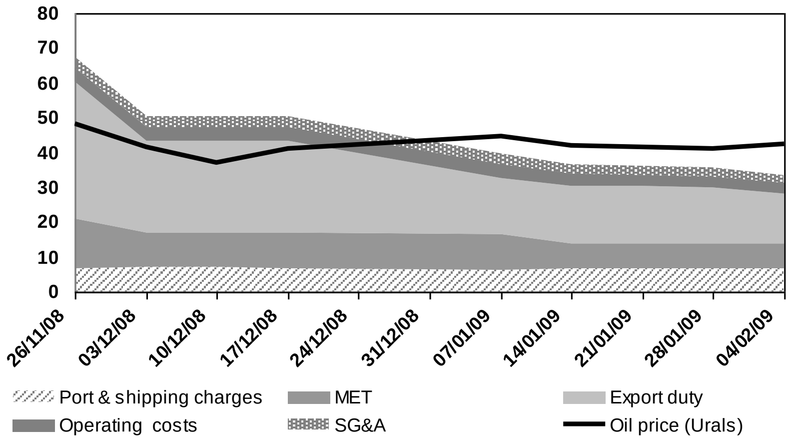
Within Consumer eCommerce revenue growth has been strong albeit from a low base. The online site fundamentals show encouraging signs and marketing costs are being optimized further. 30 percent of the staff within the division has been cut, as the technical platform has been put in place and launched. Going into 2009, Consumer eCommerce will be one of the few with the ability to invest while some of the competition perishes from funding difficulties. Potential media partnerships are also a possibility which will be evaluated during the year.

Vostok Nafta's assessment of the fair value of Kontakt East/Vosvik has resulted in an impairment of USD 18.53 million. Prevailing factors have affected the key assumptions to the extent that the recoverable amount at this moment in time is estimated to be lower than the carrying amount. Factors such as an increased cost of equity as the equity risk premium has risen globally and in Russia specifically has affected the fair value of Kontakt East.

TNK-BP

The weaker oil price crushed upstream earnings of Russian oil producers during the fourth quarter 2008, despite the Russian government scrambling to readjust export duties. Every barrel of oil extracted for exports was loss-making even before companies' operating and overhead costs were deducted. Relatively robust pricing for domestic crude products, especially at the retail level compensated integrated companies like TNK-BP somewhat. This was confirmed by BP's fourth quarter report, which implied that TNK-BP was loss-making during the quarter, although accounting adjustments makes the exact amount unclear. The upstream segment will, however, see substantial improvement during the first quarter of 2009, allowing for further crude price weakness. The bulk of the improvement will stem from a USD 10 per barrel cut in the government export duty fully feeding through. Rouble depreciation will also benefit the company as many of the cost exhibits are denominated in the local currency.

Urals price vs. costs per barrel, USD/barrel



(Estimate for February 4, 2009.) Source: Alfa Bank, FSUE

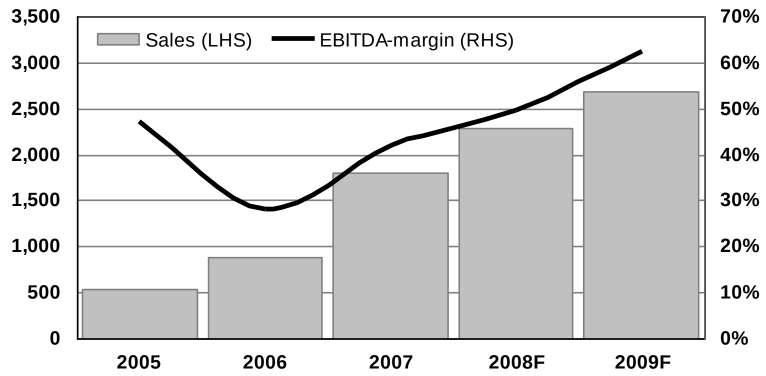
Cost cutting measures by TNK-BP during 2009 will primarily concern drilling at traditional operational areas involving projects that are currently at an initial stage. Sales are estimated to decline by 48 percent to USD 25.8 billion in 2009 on the back of a lower realized oil price. Still with a projected EBITDA-margin above 21 percent, TNK-BP has ample means to keep its dividend at a high level after catering to its capital expenditure needs forecasted in the range of USD 3.0–3.3 billion.

TNK-BP's oil production declined one percent year-on-year in the fourth quarter of 2008 in line with the Russian oil industry average. The main production subsidiaries of the Russian-British joint venture have overall showed relatively stable output from 2007 through 2008. The company is aiming at keeping production roughly flat this year as well, by putting more emphasis on its greenfield Uvat and Verkhnechonskoye projects.

RusHydro

RusHydro released its preliminary results for 2008 in January and management also gave an updated outlook for 2009. The company expects EBITDA for 2008 to come in at USD 1.24 billion, representing a 72 percent increase from 2007. RusHydro also pointed out that cash collection from customers stood solid at around 98 percent in 2008. Risks are that cash collection could deteriorate in 2009, yet the company takes swift actions to non-payers by turning off power supply.

Sales and EBIDTA margin



Source: UBS

For 2009, RusHydro gave a more cautious outlook than the market expected on the back of more conservative assumptions for the unregulated electricity price. There is upside potential, however, as gas tariffs will likely be raised further later this year, thus pushing up the costs of price-setting gas-fired generators and, ultimately, the electricity price. The company expects sales of USD 2.6 billion and a 10 percentage point improvement of the EBIDTA-margin from last year to 60 percent. Fuelled by confirmed regulated tariff hikes, the bulk of 2009's profits will be allocated to several capital expenditure projects estimated at USD 1.5–2 billion in total. The markets reacted positively to the news, as it shows proof of RusHydro's relative operating strength under difficult economic circumstances.

The long-term potential for RusHydro remains high, as an increasing portion of its output will be sold at unregulated prices. The difference between liberalised and regulated tariffs can be as much as ten-fold. Last year, RusHydro sold 17 percent of its electricity at the market price of about USD 24 per MWh and the rest at the regulated price of USD 2.7 per MWh. In 2009, RusHydro is expected to sell around 30 percent of its output at market prices and the rest at the regulated price.

Steppe Cement

The general economic conditions have impacted the cement industry in Kazakhstan causing substantial price reductions during the last quarter and the beginning of this year. During the winter local cement prices

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are expected to be in range of USD 70 per tonne with downside risks from headwinds in the real estate sector. As a result of the fading demand Steppe Cement's subsidiary has sent 50 percent of its employees on temporary leave because of production cuts on the less efficient wet lines. The move will help Steppe Cement to manage operating costs more efficiently. Further production levels from the wet lines will depend on the market environment going forward. The company has the viable option to shut down the wet lines permanently and still retain a 25–30 percent market share. With a high capacity in the more efficient dry lines, and using coal as the main fuel, Steppe Cement still has the potential to become the most competitive cement producer in Central Asia.

In February the Kazakh National Bank abandoned support of the local currency, sending the exchange rate to a level of KZT/USD 150 implying a devaluation of close to 20 percent. The Tenge devaluation will have a negative effect on Steppe Cement. The company has USD 65 million in dollar-denominated debt thus increasing the principal due in 2009 by USD 2.3 million to USD 13.8 million. The bulk of interest and repayments fall in the second and fourth quarter each year. Refinancing risks, while present, remain limited and would be augmented only by sustained depressed cement prices (i.e. no economic recovery within 3 years) as Steppe Cement generates annual operating cash flows of around USD 30 million even in the current environment. Cement prices will also likely be negatively impacted indirectly via demand in the real estate sector were prices are denominated in USD and where Kazakh banks practice mortgage lending in USD as well.

Ukraine

Poltava GOK announced that its 2008 output was down 0.6% YoY, quite a modest cut considering last year's generally deteriorating economic environment. The company's focus on Europe and China keeps its capacity load at 60–70% in 2009, even with a planned 10–20% production decline. The company's cash balance and operating cash flow make its debt repayment obligations this year look feasible. The stock was battered last year, and even after the 65% advance YTD it still trades at a discount of more than 50% to its peers.

Ukrainian sugar maker Dakor announced that its production in 2008 amounted to 88,000 mt of sugar (down 12% YoY), making the company a top-5 sugar producer (from 6th place in 2007) on the Ukrainian market, with a 6% market share. Last season the company increased its share of own sugar beets used in production to 89% from 76% in 2007. Dakor boosted its area sown with winter crops for harvest in 2009 by 10% YoY to 32,000 ha (19,400 ha of wheat, 9,800 ha of rapeseed, 1,800 ha of barley and 1,000 ha of rye).

TKS Real Estate (Waymore Holding) announced that it will focus on completing projects that are nearest to completion and developing its concrete business in 2009. TKS stated that it expect to commission a 2,900 m^2 shopping centre in Boryslav in 2Q09, a residential project (Lisova Pisnya) in Truskavets in July and a 13,500 m^2 shopping centre in Drohobych in 3Q09. All of the projects are located in the Lviv region of Western Ukraine.

Vostok Nafta Investment Ltd

Investments

During the period net investments in financial assets were USD -20.42 (151.82) mln.

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

Purchases (shares)

+	1,434,880	Varyag Recources

Sales (shares)

–	39,030,000	Surgutneftegas
–	1,320,000	Bashneft Pref
–	273,333	Kazmunaigas Ex GDR

Portfolio structure

The investment portfolio stated at market value as at December 31, 2008 is shown below. Vostok Nafta's three biggest investments are Black Earth Farming (24.1%), RusForest (16.9%) and Egidaco/Tinkoff Credit Systems (15.3%).

Vostok Nafta Investment Ltd

Vostok Nafta portfolio as at December 31, 2008

Number of shares	Company	Market price	Market value, USD	Percentage weight	
4,924,850	Caspian Services	0.14	699,329	0.2%	[1]
5,789,903	Kherson Oil Ref	0.00	7,345	0.0%	[1]
2,025	Orsk Refinery Ord	10.75	21,769	0.0%	[1]
538	Orsk Refinery Pref	6.00	3,228	0.0%	[1]
45,596,616	TNK BP Holding Pref	0.46	20,837,654	7.1%	[1]
100,000	Yakutgazprom	0.01	1,000	0.0%	[1]
	Oil price, Total		**21,570,325**	**7.3%**	
966	Alrosa	3,000.00	2,898,000	1.0%	[1]
6,000,000	Fortress Minerals	0.16	974,818	0.3%	[1]
31,274	Gaisky GOK	150.00	4,691,100	1.6%	[1]
1,849,088	Poltava GOK	1.48	2,728,464	0.9%	[1]
66,674	Priargunsky Ind Ord	100.00	6,667,400	2.3%	[1]
11,709	Priargunsky Ind Pref	16.00	187,344	0.1%	[1]
1,442,400	Shalkiya Zinc GDR	0.05	72,120	0.0%	[1]
1,444,045	Uchalinsky GOK	3.00	4,332,135	1.5%	[1]
	Commodities, Total		**22,551,381**	**7.7%**	
3,000	Bekabadcement	100.00	300,000	0.1%	[1]
187	Drascale		1,506,750	0.5%	[1]
39,000	Gornozavodsk Cement	20.00	780,000	0.3%	[1]
1,600,000	Kamkabel	0.11	176,000	0.1%	[1]
6,564	Podolsky Cement	6.34	41,637	0.0%	[1]
40,000	Sibirski Cement	15.00	600,000	0.2%	[1]
7,523,047	Steppe Cement Ltd	0.39	2,951,976	1.0%	[1]
18,730	Transneft Pref	220.00	4,120,600	1.4%	[1]
1,200,000	Tuimazy Concrete Mixers	4.00	4,800,000	1.6%	[1]
	Volga Nash Dom, loan		1,465,000	0.5%	[3]
	Infrastructure, Total		**16,741,963**	**5.7%**	
25,000	Kuzbass Fuel Company	350.00	8,750,000	3.0%	[1]
107,812,491	Kuzbassrazrezugol	0.08	8,894,531	3.0%	[1]
2,618,241	Kyrgyzenergo	0.06	168,688	0.1%	[1]
551,273,416	RusHydro	0.02	11,080,596	3.8%	[1]
7,139,701	SystemSeparation	0.09	653,651	0.2%	[2]
	Energy Sector Restructuring, Total		**29,547,466**	**10.0%**	

Vostok Nafta portfolio as at December 31, 2008 (continued)

Number of shares	Company	Market price	Market value USD	Percentage weight	
1,765,000	Agrowill	0.52	925,071	0.3%	1
30,888,704	Black Earth Farming Ltd	2.30	71,090,522	24.1%	2
272,107	Dakor	12.83	3,492,399	1.2%	1
	Agriculture, Total		**75,507,992**	**25.6%**	
	Egidaco bond		5,220,188	1.8%	1
885,934	Egidaco Investment Ltd		20,889,000	7.1%	1
1,139	European Bio Holding AB		2,389,108	0.8%	2
	European Bio Holding AB, loan		1,279,179	0.4%	4
35,498	Progress Captial	3.90	138,442	0.0%	1
17,000	RSC Energia	35.00	595,000	0.2%	1
11,004,813	RusForest Ltd		23,224,646	7.9%	2
	RusForest Ltd Group, loans		26,432,230	9.0%	4
	Tinkoff Credit Systems, WTS		2,963,000	1.0%	1
	Tinkoff Credit Systems, loan		15,918,832	5.4%	3
200,000	Tisko AB		764,662	0.3%	1
1,434,880	Varyag Rescources	1.40	2,006,974	0.7%	1
623,800	Waymore Holding	13.92	8,683,608	2.9%	1
	Vosvik AB/Kontakt East		17,937,842	6.1%	2
	What works in the West works in the East, Total		**128,442,740**	**43.6%**	
16,667	KazMunaiGas	12.60	210,004	0.1%	1
	Short term trades, Total		**210,004**	0.1%	
	Other short term loan receivables		**135,370**	0.0%	4
	Grand Total		**294,707,211**	**100.0%**	

1. These investments are shown in the balance sheet as financial assets at fair falue 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.

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Income statements – Group

(Expressed in USD thousands)	Jan 1, 2008– Dec 31, 2008	Jan 1, 2007– Dec 31, 2007	Oct 1, 2008– Dec 31, 2008	Oct 1, 2007– Dec 31, 2007
Result from financial assets at fair value through profit or loss	-363,261	157,579	-205,813	118,023
Result from investments in associated companies	-180,563	124,521	-43,039	64,021
Dividend income	9,646	10,087	4,977	543
Result from loan receivables	-6,014	-	-10,960	-
Other operating income	992	325	916	57
Total operating income	**-539,200**	**292,512**	**-253,919**	**182,641**
Operating expenses	-8,682	-5,705	-3,959	-2,385
Russian dividend withholding tax expenses	-1,381	-1,499	-648	-74
Other operating expenses	-1,480	-	-15	-
Operating result	**-550,743**	**285,309**	**-258,541**	**180,183**
Financial income and expenses				
Interest income	2,072	1,225	367	416
Interest expense	-6,823	-3,709	-1,887	-954
Currency exchange gains/losses, net	-1,124	538	328	96
Other financial expenses	-726	-210	824	-57
Net financial items	**-6,601**	**-2,155**	**-368**	**-498**
Result before tax	**-557,344**	**283,154**	**-258,909**	**179,684**
Taxation	956	-389	-1,322	-811
Net result for the financial period	**-556,388**	**282,765**	**-260,231**	**178,874**
Earnings per share (in USD)	-12.09	6.14	-5.65	3.89
Diluted earnings per share (in USD)	-12.09	6.14	-5.65	3.89

Vostok Nafta Investment Ltd

Balance sheets – Group

(Expressed in USD thousands)	Note	Dec 31, 2008	Dec 31, 2007
NON CURRENT ASSETS			
Tangible non current assets			
Office equipment		510	545
Total tangible non current assets		**510**	**545**
Financial non current assets			
Financial assets at fair value through profit or loss		134,180	565,043
Investment in associated companies		115,296	248,213
Loan receivables		17,384	9,138
Total financial non current assets		**266,860**	**822,394**
CURRENT ASSETS			
Cash and cash equivalents		29,198	27,528
Loan receivables		27,847	4,197
Receivables on related parties	2	60	674
Unsettled trades		-	3,172
Tax receivables		143	98
Other current receivables		2,538	601
Total current assets		**59,786**	**36,293**
TOTAL ASSETS		**327,156**	**859,232**
SHAREHOLDERS' EQUITY			
(including net result for the financial period)		**247,893**	**803,954**
NON CURRENT LIABILITIES			
Deferred tax liabilities		19	1,358
Total non current liabilities		**19**	**1,358**
CURRENT LIABILITIES			
Interest bearing current liabilities			
Borrowings	3	77,887	50,438
Non-interest bearing current liabilities			
Tax payable		498	106
Liabilities to related parties	2	-	586
Unsettled trades		-	1,677
Other current liabilities		171	141
Accrued expenses		688	972
Total current liabilities		**79,244**	**53,920**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**327,156**	**859,232**
PLEDGED ASSETS & CONTINGENT LIABILITIES			
Pledged assets		225,361	822,394
Contingent liabilities		-	-

Statement of Changes in Equity – Group

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
Balance at December 31, 2006 (note 1)	**-**	**-**	**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 December 31, 2008	-	-	-556,388	-556,388
Total recognized income for the period January 1, 2008 to December 31, 2008	-	-	-556,388	-556,388
Employees share option scheme:				
- value of employee services	-	408	-	408
Currency differences	-	-	-81	-81
	-	408	-556,469	-556,061
Balance at December 31, 2008	**46,021**	**146,884**	**54,988**	**247,893**

Vostok Nafta Investment Ltd

Cash flow statements – Group

(Expressed in USD thousands)	Jan 1, 2008-Dec 31, 2008	Jan 1, 2007-Dec 31, 2007
OPERATING ACTIVITES		
Result before tax	-557,352	283,154
Adjustment for:		
Taxes	-	-
Interest income	-2,072	-1,225
Interest expenses	6,823	3,709
Currency exchange losses/gains	1,053	-538
Depreciation	73	78
Result from financial assets at fair value through profit or loss	363,261	-158,407
Result from investments in associated companies	180,563	-123,693
Result from loan receivables	6,014	-
Other non-cash items	2,593	1,127
Change in current receivables	2,291	-8,428
Change in current liabilities	-2,428	-5,480
Cash used in operations	**819**	**-9,703**
Investments in financial assets	-350,516	-356,036
Sales of financial assets	370,471	219,482
Increase of loan receivables	-42,245	-9,126
Acquisition of group companies	-	-6,181
Interest received	4,942	1,225
Interest paid	-6,073	-668
Tax paid	-122	-1,975
Net cash flow used in operating activities	**-22,723**	**-162,982**
INVESTING ACTIVITIES		
Investments in machinery and equipment	-30	-303
Sales of machinery and equipment	-	3
Net cash flow used in investing activities	**-30**	**-300**
FINANCING ACTIVITIES		
Proceeds from borrowings	128,118	49,750
Repayment of borrowings	-102,000	-
Proceeds from new share issue	-	146,350
Assets and liabilities provided through an owner’s contribution	-	-10,903
Proceeds from sale of warrants	-	476
Net cash flow from financing activities	**26,118**	**185,673**
Change in cash and cash equivalents	**3,366**	**22,391**
Cash and cash equivalents at beginning of the period	**27,528**	**5,124**
Exchange losses/gains on cash and cash equivalents	-1,696	13
Cash and cash equivalents at end of period	**29,198**	**27,528**

Key financial ratios – Group

	Jan-Dec 2008	Jan-Dec 2007
Return on capital employed, % [1]	**-97.23**	46.06
Equity ratio, % [2]	**75.77**	93.57
Shareholders' equity/share, USD [3]	**5.39**	17.47
Earnings/share, USD [4]	**-12.09**	6.14
Diluted earnings/share, USD [5]	**-12.09**	6.14
Net asset value/share, USD [6]	**5.39**	17.47
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)	**46,020,901**	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.

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Income statement – Parent

(Expressed in USD thousands)	Note	Jan 1, 2008- Dec 31, 2008	Apr 5, 2007- Dec 31, 2007
Operating income		184	
Operating expenses		-4,614	-3,464
Write down on shares in subsidiaries	4	-288,692	-
Operating result		**-293,122**	**-3,464**
Financial income and expenses			
Interest income		14,327	6,735
Interest expense		-655	0
Currency exchange gains/losses, net		-386	-48
Net financial items		**13,286**	**6,687**
Net result for the financial period		**-279,836**	**3,222**

Vostok Nafta Investment Ltd

Balance sheet – Parent

(Expressed in USD thousands)	Note	Dec 31, 2008	Dec 31, 2007
NON CURRENT ASSETS			
Financial non current assets			
Shares in subsidiaries	4	102,253	377,695
Receivables from Group companies		175,550	150,795
Total financial non current assets		**277,803**	**528,490**
CURRENT ASSETS			
Cash and cash equivalents		3	113
Receivables from related parties		49	6
Other current receivables		280	261
Total current assets		**332**	**379**
TOTAL ASSETS		**278,135**	**528,870**
SHAREHOLDERS' EQUITY			
(including net result for the financial period)		**248,246**	**527,674**
CURRENT LIABILITIES			
Non-interest bearing current liabilities			
Borrowings		27,790	-
Liabilities to group companies		1,480	188
Other current liabilities		2	152
Accrued expenses		617	855
Total current liabilities		**29,889**	**1,195**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**278,135**	**528,870**
PLEDGED ASSETS & CONTINGENT LIABILITIES			
Pledged assets		102,243	-
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				
Total recognized income for the financial period January 1, 2008 to December 31, 2008			-279,836	-279,836
Employees share option scheme:			-279,836	-279,836
– value of employee services		408	-	408
	-	408	-279,836	-279,246
Balance at December 31, 2008	**46,021**	**146,884**	**55,341**	**248,246**

Vostok Nafta Investment Ltd

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.

The Vostok Nafta Investment Ltd Group was formed in connection with the restructuring of Vostok Gas Group, which was carried out in 2007. The restructuring entailed a purchase of Vostok Komi (Cyprus) Ltd and its subsidiary Vostok Nafta Sverige AB from Vostok Gas, and the subsequent transfer of non Gazprom assets from Vostok Gas Group to Vostok Nafta Group.

The transactions by which Vostok Nafta acquired the non Gazprom related assets, which have been recognized in other companies of the Vostok Gas Group, comprises transactions between companies under common control. These transactions are being recognized to the same values as they were in the selling company, in accordance with the so called predecessor accounting method.

The items of the income statement that have previously been recognized in other companies of the Vostok Gas Group than in the by now completely transferred subsidiaries and which are non-Gazprom related results from financial assets at fair value through profit or loss, results from investments in associated companies, dividend income (including withholding dividend taxes) as well as non-Gazprom related operating expenses.

The items of the balance sheet that have been recognized in other companies of the Vostok Gas Group than in the by now completely transferred subsidiaries and that are non-Gazprom related long term and short term financial assets at fair value through the profit or loss, investments in associated companies, unsettled share trades, and receivables from associated companies.

The transfer of these income statement items, transferred in the format of a total for recognised income and expenses, and assets has been made to shareholders' equity, i.e. as if the transfer of non-Gazprom related income statement items and assets to Vostok Nafta was carried out by way of an owners' contribution.

Investments in associated companies

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

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 440 (338) thousand,

- rent of Stockholm office space has been charged to Kontakt East Holding AB in the amount of USD 61 (114) thousand.

As at December 31, 2008, total receivables from Vostok Gas Ltd Group amounted to USD 60 thousand. As at December 31, 2007, outstanding liabilities to Vostok Gas amounted to USD 581 thousand.

In October 2008, the Company raised USD 15.25 million from a group of lenders including Simba Investments Ltd, Zebra Holdings Ltd. Paul Leander-Engström, and Ture Invest AB. Simba Investments Ltd. is majority-owned by Lorito Holdings (Guernsey) Ltd and Zebra Holdings Ltd. The latter two companies are owned by a trust, whose settler is the estate of Adolf H. Lundin, which includes Lukas H. Lundin, Chairman of the Board of Directors of the Company, and Ian H. Lundin, Board member. Paul Leander-Engström is a member of the Board of Directors of the Company and a shareholder and Chairman of the Board of Directors of Ture Invest AB. The debt is subordinated to the loans which the Company's subsidiary Vostok Komi (Cyprus) Limited has taken up and has a maturity period of 12 months. Öhman acted as agent in connection with raising the loan.

Note 3 Refinancing of outstanding debt

In addition to the loan described under note 2, the Company raised a short-term bond loan of EUR 10.0 million on December 16, 2008. The bond loan, which carries an interest rate of 20%, matures on April 15, 2009. In conjunction with the raising of the bond loan, USD 2.0 million was repaid to Zebra Holdings Ltd. On December 23, 2008, USD 100 million was amortised on the loan issued by Deutsche Bank

Note 4 Impairment of the value of subsidiary

By the end of the period the Company has impaired the value of the shares in its subsidiary Vostok Komi (Cyprus) Ltd. The write down amounts to USD 288.69 mln

Note 5 Post statement events

Vostok Nafta recently completed a rights issue, which provided the Company with SEK 552 million (approximately USD 67 million at a USD/SEK exchange rate of 8.23). Each holder of a Swedish Depository Receipt ("SDR") of Vostok Nafta was entitled to subscribe to one (1) newly issued SDR for a consideration of SEK 12. The rights issue was oversubscribed by 30 percent and the proceeds will be used to pay off part of Vostok Nafta's debt, as well as to invest into new and existing parts of the Company's portfolio.

Operating and sector-related risks

Country-specific risks

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

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

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

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 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

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.

Liquidity risk
The Russia market from time to time suffers from low liquidity. This is characterized by high volatility and high spreads between the bid and ask prices. Russian asset prices can be negatively affected by lack of liquidity.

Upcoming Reporting Dates

Vostok Nafta's three months report for the period January 1, 2009–March 31, 2009 will be published on May 20, 2009.

Annual General Meeting and Annual Report 2008

The annual general meeting is planned to take place on Thursday, May 14, 2009. The annual report will be available on the company's website (www.vostoknafta.com) from April 6, 2009.

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