Alliance Oil Company Ltd:
Interim report for the quarter ended 31 March 2011

- **Total revenue increased to MUSD 678.7 (Q1 2010: MUSD 501.1).**
- **EBITDA increased to MUSD 156.3 (Q1 2010: MUSD 100.7).**
- **Profit before tax increased to MUSD 113.1 (Q1 2010: MUSD 58.8).**
- **Net profit increased to MUSD 90.0 (Q1 2010: MUSD 45.5).**
- **Basic and diluted earnings per share increased to USD 0.51 and USD 0.47, respectively (Q1 2010: USD 0.26 and USD 0.26, respectively).**
- **6.1 mbbl (Q1 2010: 5.6 mbbl) of oil were refined and 4.1 mbbl (Q1 2010: 3.8 mbbl) produced.**
- **Rouble bond offering raised MUSD 170 in February 2011.**

Alliance Oil Company Ltd is a leading independent oil company with vertically integrated operations in Russia and Kazakhstan. Alliance Oil has proved and probable oil reserves of 638 million barrels and downstream operations that include the Khabarovsk refinery and the leading network of gas stations and wholesale oil products terminals in the Russian Far East. Alliance Oil's depository receipts are traded on the NASDAQ OMX Nordic under the symbol AOIL.

Dear Shareholders,

During the first quarter, the overall macro environment remained supportive for our activities. The price of crude continued to increase with Brent trading up to levels above USD 115 per barrel. Demand for oil products was strong, oil product prices increased, although at a slower rate than crude oil prices. Starting January 1, 2011 higher oil product excise taxes were applied, and the Euro-3 standard came into force. According to the new Russian taxation policy, export duties were reduced for light oil products and raised for heavy products. The Russian Rouble further strengthened against the US Dollar in the reporting period.

Alliance Oil Company produced 4.1 million barrels and refined 6.1 million barrels of oil. Focused on organic growth, efficiency and profitability, the Company's financial performance improved significantly and net income doubled from the first quarter last year. Compared to the fourth quarter of 2010, consolidated revenues increased by 17% with EBITDA and net income increasing by 32% and 47% respectively.

In the upstream segment, better netbacks in all markets resulted in EBITDA growth of 46% to MUSD 98.0 compared to the fourth quarter of 2010. In the first quarter of 2011, 14 new wells were drilled, including 6 wells at the Kolvinskoye oil field. Infrastructure development progressed towards the completion of the pipeline to Kharyaga terminal and facilities at the Kolvinskoye oil field in the third quarter 2011.

In the downstream segment, higher sales volumes and higher prices for oil products contributed to the revenue growth of 20% and stable EBITDA compared to the fourth quarter of 2010. The modernization of the Khabarovsk oil refinery remained on track for completion in 2012.

In the first quarter of 2011, the Company expanded its downstream presence in the Russian Far East by acquiring Gavanbunker, a sea terminal to further strengthen its growing bunkering operations.

The Company successfully placed Rouble bonds for a total amount of RUR 5 billion (approximately MUSD 170) in the first quarter of 2011. Our credit ratings remained unchanged with S&P (B+), outlook "Stable", and Fitch (B), outlook "Stable".

Outlook

The recent market developments keep up rather positive expectations for the upstream segment as crude prices have increased both internationally and domestically. In the downstream segment, despite further mounting demand for oil products, product pricing lags and potential fiscal initiatives present challenges going forward.

With properly balanced and integrated operations, the Company is well positioned to confirm the implementation of its key strategic projects. We reiterate our plans in exploration and production drilling activity. The Kolvinskoye oil field is expected to be launched in the third quarter this year when we plan to hook up the field's production wells to the pipeline. The completion of the Khabarovsk modernisation project is scheduled for 2012.

Today the Company produces about 43,000 bopd and refines 75,000 bopd. In 2011, Alliance Oil targets to produce in excess of 20 million barrels of crude oil and expects to benefit from an increased share of Mineral Extraction Tax exempt production when the Kolvinskoye field is launched. In the downstream segment, we plan to refine more than 23 million barrels of oil.

Our commitment to achieve organic growth, efficiency and improved financial performance is firm as we progress towards our long term targets and continuously evaluate opportunities to further add shareholder value.

Arsen Idrisov, Managing Director

Financial Highlights

(Expressed in USD thousands)	Quarter ended 31 March 2011	Quarter ended 31 December 2010	Quarter ended 31 March 2010
Revenue	678,681	582,192	501,050
Cost of sales	-461,780	-408,817	-353,872
Operating income	117,509	81,881	69,930
Finance costs, net	-7,209	-6,235	-7,929
Currency exchange gain/(loss), net	2,752	3,050	-3,190
Income tax expense	-23,009	-17,359	-13,322
Profit for the period	90,043	61,337	45,489
EBITDA	156,294	118,528	100,705
Operating cash flows before changes in working capital	158,763	121,832	101,273
Total cash flows from operations	91,395	155,198	-22,448
Total debt (at the end of the period)	1,324,624	1,039,605	958,532
Liquidity position (including restricted cash) (at the end of the period)	191,643	178,099	454,715
Net debt (at the end of the period)	1,132,981	861,506	503,817
Total equity (at the end of the period)	2,062,231	1,805,296	1,706,698

Revenue for the quarter ended 31 March 2011 amounted to MUSD 678.68 (Q1 2010: MUSD 501.05). Revenue includes sales of crude oil, oil products and other income.

Cost of sales for the quarter amounted to MUSD 461.78 (Q1 2010: MUSD 353.87). Cost of sales includes production costs for crude oil and oil products, depreciation, depletion and amortisation ("D,D&A") and cost of other sales.

Net finance costs for the quarter amounted to MUSD 7.21 (Q1 2010: MUSD 7.93). Currency exchange gain for the quarter amounted to MUSD 2.75 (Q1 2010: loss of MUSD 3.19). Currency exchange gains, related to intercompany loans, amounted to MUSD 57.00 net of tax (Q1 2010: MUSD 15.11) and were recorded in the statement of comprehensive income.

	Average for the quarter ended 31 March 2011	Average for the quarter ended 31 March 2010	At 31 March 2011	At 31 December 2010
Exchange rates of the Russian Rouble (RUB) to the USD	29.27	29.89	28.43	30.48

The Group's profit attributable to the owners of the parent company for the quarter amounted to MUSD 87.82 corresponding to USD 0.51 per share (Q1 2010: MUSD 44.30 and USD 0.26 per share).

Exploration and Production (Upstream)

Alliance Oil Company Ltd operates upstream assets in three Russian regions: Timano-Pechora, Volga-Urals, Tomsk and in Kazakhstan.

Consolidated revenue from sales of crude oil for the quarter amounted to MUSD 123.11, representing a 42% increase in comparison with the first quarter of 2010 (Q1 2010: MUSD 86.76). The increase of revenue from sales of crude oil was due to higher net prices. Consolidated revenue from sales of crude oil for the first quarter of 2011 was in line with the fourth quarter of 2010 (Q4 2010: MUSD 119.73).

In the first quarter, 60% of crude oil was exported (Q1 2010: 54%), 7% was sold in the CIS market (Q1 2010: 4%) and 33% was sold in the domestic market (Q1 2010: 42%).

Crude oil sales volumes and prices for export and domestic markets, excluding intragroup crude oil sales, are presented in the following tables:

	Quarter ended 31 March 2011			
	Export	**CIS**	**Domestic**	**Total**
Sold volume (barrels)	1,291,542	154,901	719,083	2,165,526
Gross price (USD/barrel)	103.84	57.85	56.93	84.98
Net price (USD/barrel)	61.58	57.32	48.25	56.85
Selling expenses (USD/barrel)	6.62	14.66	3.26	6.08
Netback price (USD/barrel)	54.96	42.66	44.99	50.77
Revenue from sales of crude oil (TUSD)	79,533	8,879	34,695	123,107

	Quarter ended 31 March 2010			
	Export	**CIS**	**Domestic**	**Total**
Sold volume (barrels)	1,241,611	101,310	965,491	2,308,412
Gross price (USD/barrel)	75.03	44.66	37.36	57.94
Net price (USD/barrel)	41.62	44.66	31.65	37.59
Selling expenses (USD/barrel)	5.76	16.66	1.75	4.56
Netback price (USD/barrel)	35.86	28.00	29.90	33.03
Revenue from sales of crude oil (TUSD)	51,677	4,525	30,560	86,762

The net prices are calculated by deducting VAT (for Russian domestic sales) or export duty (for export and CIS countries sales) from the gross prices. The netback prices are calculated by deducting VAT, railway and pipeline transportation costs (for Russian domestic sales) or transportation, export duty, brokers' commission and certain other costs (for export sales) or transportation, brokers' commission and certain other costs (for CIS countries sales) from the gross price.

Consolidated oil production costs for the quarter amounted to MUSD 88.08, which was 41% higher than in the first quarter of 2010 (Q1 2010: MUSD 62.46). The increase of costs was mostly due to costs of oil transportation from the Kolvinskoye oil field by trucks and higher production-related taxes. Upon the completion of the pipeline from the Musyushor terminal to the Kharyaga terminal Kolvinskoye oil field's production costs are expected to decrease. Production and other taxes increased from MUSD 42.13 in the first quarter of 2010 to MUSD 52.68 in 2011 due to higher crude oil prices. Compared to the fourth quarter of 2010 the consolidated oil production costs increased by 13% (Q4 2010: MUSD 77.61), which was mostly due to costs of oil transportation from the Kolvinskoye oil field.

The depletion charge for upstream assets for the quarter amounted to MUSD 29.00 (Q1 2010: MUSD 23.57). Oil and gas assets are depleted based on proved and probable reserves; the base for depletion includes management's best estimates of future development costs. The increase in the depletion charge resulted from the updated estimation of the future capital expenditures at the end of 2010 and production from the Kolvinskoye oil field.

The upstream segment's operational data is presented below:

	Quarter ended 31 March 2011	Quarter ended 31 March 2010
Sales volume (barrels)	4,162,481	3,797,696
to external customers	2,165,526	2,308,412
to intragroup companies	1,996,955	1,489,284
Revenue per barrel sold (USD/barrel)	51.17	34.85
Total production costs of crude oil per barrel sold (USD/barrel)	28.13	22.65
Production costs	8.50	5.35
Production and other taxes	12.66	11.09
Depreciation, depletion and amortisation	6.97	6.21
Selling, administrative and other income/expenses, net (USD/barrel)	6.46	5.24
EBITDA per barrel sold (USD/barrel)	23.55	13.17

The upstream segment's operational data is calculated on the basis of total volume of oil sold both to external customers and intragroup companies.

EBITDA per barrel sold is based on IFRS financial information.

The upstream segment's operating income for the quarter amounted to MUSD 69.58 (Q1 2010: MUSD 26.18).

The Group's crude oil reserves and production by regions are presented in the table below:

	Proved and probable oil reserves	**Crude oil production**	
(Expressed in barrels)	31 December 2010	Quarter ended 31 March 2011	Quarter ended 31 March 2010
Timano-Pechora region	394,757,000	1,574,737	1,103,197
Volga-Urals region	171,480,000	1,695,117	1,838,973
Tomsk region	56,105,000	713,977	748,700
Kazakhstan	15,922,000	147,588	129,243
Total	**638,264,000**	**4,131,419**	**3,820,113**

The average daily production for the quarter amounted to 45,905 barrels per day (Q1 2010: 42,446 barrels per day).

Timano-Pechora region

5 new production wells were drilled: 3 wells at the Lek-Kharyaga oil field and 2 wells at the North Kharyaga oil field. 2 wells were placed into production.

At the Kolvinskoye oil field 6 wells were drilled and 2 wells were completed during the quarter.

Volga-Urals region

2 production wells at the Novo-Kiyevskoe oil field were drilled and 2 wells were placed into production. Drilling of 1 more well commenced and is expected to be completed in the second quarter of 2011.

Tomsk region

1 well at the Middle Nyurola oil field was drilled and 1 well was placed into production.

Kazakhstan

1 new production well at the Zhanatalap oil field is being drilled and will be finished in the second quarter of 2011.

Refining and marketing (Downstream)

The Group operates the Khabarovsk Oil Refinery, the Alliance Oil gas stations network, the network of wholesale oil products terminals and the sea terminal, all located in the Russian Far East and Eastern Siberia.

Consolidated revenue from sales of oil products for the quarter amounted to MUSD 543.76, representing a 34% increase in comparison with the first quarter of 2010 (Q1 2010: MUSD 406.25) and a 20% increase in comparison with the fourth quarter of 2010 (MUSD 453.37). The increase was due to higher prices and higher sales volumes of oil products.

In the first quarter, 46% of oil products was exported (Q1 2010: 38%), 39% of products was sold in the domestic wholesale market (Q1 2010: 47%) and 15% was sold through the Group's retail network (Q1 2010: 15%).

External sales volumes and prices for oil products for export and domestic markets are presented in the following tables:

	Quarter ended 31 March 2011			
	Export	**Wholesale market**	**Retail market**	**Total**
Sold volume (barrels)	2,863,855	2,431,472	970,839	6,266,166
Net price (USD/barrel)	72.30	90.90	119.15	86.78
Revenue from sales of oil products (TUSD)	207,056	221,030	115,671	543,757

	Quarter ended 31 March 2010			
	Export	**Wholesale market**	**Retail market**	**Total**
Sold volume (barrels)	2,167,418	2,685,318	860,620	5,713,356
Net price (USD/barrel)	54.71	72.74	107.31	71.10
Revenue from sales of oil products (TUSD)	118,576	195,321	92,350	406,247

Refining volumes at the Khabarovsk Oil Refinery for the quarter amounted to 6.12 million barrels (Q1 2010: 5.63 million barrels).

Consolidated production costs for oil products for the quarter amounted to MUSD 333.94, representing a 29% increase in comparison with the first quarter of 2010 (Q1 2010: MUSD 259.45). The main cost drivers were increased oil prices and higher crude oil transportation tariffs, regulated by state managed monopoly. Consolidated production costs for oil products for the first quarter of 2011 were 14% higher than in the fourth quarter of 2010 (MUSD 292.65). The increase was primarily due to higher oil prices and excise tax.

Purchases of crude oil from third parties, included in production costs, for the quarter amounted to MUSD 234.15 (Q1 2010: MUSD 116.07). Transportation costs for the quarter amounted to MUSD 117.65 (Q1 2010: MUSD 95.99).

The cost of oil refining for the quarter amounted to MUSD 15.20 (Q1 2010: MUSD 11.69).

The depreciation charge for refining assets for the quarter amounted to MUSD 5.56 (Q1 2010: MUSD 3.61). The depreciation charge for marketing and other non-production assets for the quarter amounted to MUSD 4.25 (Q1 2010: MUSD 3.59).

The downstream segment operating income for the quarter amounted to MUSD 61.54 (Q1 2010: MUSD 54.48).

The downstream segment's operational data is presented below:

	Quarter ended 31 March 2011	Quarter ended 31 March 2010
Sales volume (barrels)	6,266,166	5,795,881
to external customers	6,266,166	5,713,356
to intragroup companies	-	82,525
Revenue per barrel sold (USD/barrel)	86.78	71.26
Production costs per barrel sold (USD/barrel)	67.65	53.70
Cost of refining	2.43	2.02
Transportation of crude oil for refining	18.78	16.56
Cost of crude oil purchased for refining	37.37	28.34
Cost of oil products purchased for re-sale	4.33	3.24
Taxes	3.85	2.92
Depreciation of refining assets	0.89	0.62
Selling, administrative and other income/expenses, net (USD/barrel)	8.72	7.59
EBITDA per barrel sold (USD/barrel)	11.30	10.59

The downstream segment's operational data is calculated on the basis of total volume of oil products sold both to external customers and intragroup companies.

EBITDA per barrel sold is based on IFRS financial information.

The refinery's modernisation program remains on schedule for completion in the second half of 2012.

In February, the Group acquired CJSC Gavanbunker, a sea terminal located in the Khabarovsk region to support its expanding bunkering activity. The acquired assets include railway discharge facilities and storage tanks with a total capacity of 23,000 cubic meters for light and heavy oil products. The annual turnover of CJSC Gavanbunker amounts to about 250 thousand tonnes of oil products.

Investments, Financing and Liquidity

Investments

Investments in oil and gas assets for the quarter amounted to MUSD 163.69 (Q1 2010: MUSD 85.34) and were made in the following regions: Timano-Pechora – MUSD 148.98 (Q1 2010: MUSD 51.27), Tomsk – MUSD 2.06 (Q1 2010: MUSD 2.56), Volga-Urals – MUSD 12.44 (Q1 2010: MUSD 29.99) and Kazakhstan – MUSD 0.21 (Q1 2010: MUSD 1.52).

Investments in refining assets for the quarter amounted to MUSD 125.94 (Q1 2010: MUSD 60.13). Investments in marketing and other non-production assets for the quarter amounted to MUSD 2.51 (Q1 2010: MUSD 1.81).

Capitalised and paid interest on loans and borrowings for the quarter amounted to MUSD 27.71 (Q1 2010: MUSD 9.40).

Financing

In February 2011, OJSC "Alliance" Oil Company, a wholly owned subsidiary of the Group, issued MRUB 5,000 (approximately MUSD 170 at the exchange rate on the date of the transaction) three-year bonds with a fixed coupon of 9.25% per annum maturing in February 2014.

Liquidity

As at 31 March 2011 and 31 December 2010, the Group's liquidity position amounted to MUSD 191.64 and MUSD 178.10, including restricted cash of MUSD 82.57 and MUSD 79.32, respectively.

As at the date of this report, 19 May 2011, the Group's liquidity position amounted to MUSD 161.70, including restricted cash of MUSD 61.03.

During the quarter ended 31 March 2011, the Group repaid loans in the amount of MUSD 142.83.

Key financial ratios

	31 March 2011	31 March 2010
EBITDA[1] for the last twelve months,TUSD	493,980	388,720
Return on shareholders' equity[2]	13%	20%
Return on capital employed[3]	12%	21%
Debt/equity ratio[4]	64%	56%
Equity ratio[5]	53%	56%
Risk-bearing capital[6]	58%	61%
Interest-coverage ratio[7]	3.36	6.10
Debt coverage ratio[8]	4.58	5.20
Debt/EBITDA[9]	2.68	2.47

EBITDA, net profit and interest expenses for the last twelve months are used for calculation of the key financial ratios.

Parent company

The parent company's net loss for the quarter amounted to MUSD 0.65 (Q1 2010: MUSD 7.61).

As at 31 March 2011 and 31 December 2010, the liquidity of the parent company amounted to MUSD 0.45 and MUSD 0.32, respectively.

Organisation

The Board of directors consists of Mr. Eric Forss (Chairman), Mr. Arsen Idrisov (Managing Director), Mr. Claes Levin, Mr. Fred Boling, Mr. Fernando Martinez-Fresneda, Mr. Raymond Liefooghe and Mr. Isa Bazhaev.

As at 31 March 2011 and 31 December 2010, the paid-in share capital of the parent company amounted to MUSD 171.5 represented by 171,528,414 issued and outstanding shares with a par value of USD 1 per share.

Key financial ratio definitions

1. Earnings before interest, tax, depreciation and amortisation ("EBITDA") is defined as the Group's operating result plus D,D&A, impairment of oil and gas assets and goodwill (if applicable), and less gain on disposal of shares in subsidiaries (if applicable) and other significant one-off items in the income statement.
2. Return on shareholders' equity is defined as the Group's result divided by the shareholders' equity at the end of the financial period.
3. Return on capital employed is defined as result before tax plus interest expenses, plus/less currency exchange gain/loss on loans and borrowings, divided by average total capital employed (the average total assets less non-interest bearing liabilities over the financial period).
4. Debt/equity ratio is defined as loans and borrowings, as shown in the consolidated statement of financial position, in relation to the shareholders' equity.
5. Equity ratio is defined as the proportion of the Group's shareholders' equity (including non-controlling interests) to total assets.
6. The percentage of risk-bearing capital is defined as the sum of shareholders' equity (including non-controlling interests) and deferred tax liabilities, divided by total assets.
7. Interest-coverage ratio is defined as result before tax plus interest expenses, plus/less currency exchange gain/loss on loans and borrowings, divided by interest expense (both capitalised and expensed in the income statement).
8. Debt-coverage ratio is defined as the Group's EBITDA divided by interest expense (both capitalised and expensed in the income statement).
9. Debt/EBITDA ratio is defined as loans and borrowings, as shown in the consolidated statement of financial position, divided by EBITDA.

Operational data definitions

Crude oil

- Revenue per barrel is defined as revenue from sale of crude oil divided by volume of crude oil sold both intragroup and to external customers.
- Production costs per barrel are based on volume of crude oil sold both intragroup and to the external customers excluding crude oil purchased for re-sale.
- Selling, administrative and other income/expenses, net per barrel include transportation costs and other selling expenses, administrative expenses and other operating income/expenses divided by volumes of crude oil sold both intragroup and to external customers.
- Depletion charges were calculated based on DeGolyer and MacNaughton's (D&M) PRMS classification of the Group's recoverable proved and probable reserves and estimates of future capital expenditures.

Oil products

- Revenue per barrel is defined as revenue from sale of oil products divided by volume of oil products sold both intragroup and to external customers.
- Production costs per barrel are defined as operating costs (including purchases of crude oil and other services from intragroup companies) divided by volume of oil products sold both intragroup and to external customers.
- Selling, administrative and other income/expenses, net per barrel include transportation cost for oil products and other selling expenses, administrative expenses and other operating income/expenses divided by volume of oil products sold both intragroup and to external customers.

Condensed consolidated interim financial information

INCOME STATEMENT

(Expressed in USD thousands)	**Note**	Quarter ended 31 March 2011	Quarter ended 31 March 2010
Revenue			
Revenue from sales of crude oil		123,107	86,762
Revenue from sales of oil products		543,757	406,247
Other income		11,817	8,041
		678,681	**501,050**
Cost of sales			
Production costs of crude oil		-88,079	-62,458
Production costs of oil products		-333,944	-259,449
Cost of other sales		-5,190	-4,782
Depletion and depreciation of oil and gas and refining assets		-34,567	-27,183
Gross profit		**216,901**	**147,178**
Selling expenses		-74,438	-58,961
Administrative expenses		-17,604	-13,412
Depreciation and amortisation of marketing and other non-production assets		-4,248	-3,592
Other operating expenses, net		-3,102	-1,283
Operating income		**117,509**	**69,930**
Finance costs, net		-7,209	-7,929
Currency exchange gain/(loss), net		2,752	-3,190
Profit before tax		**113,052**	**58,811**
Income tax expense	3	-23,009	-13,322
Profit for the period		**90,043**	**45,489**
Attributable to:			
Owners of the Company		87,815	44,299
Non-controlling interests		2,228	1,190
Earnings per share (USD per share)			
Basic	4	0.51	0.26
Diluted	4	0.47	0.26

STATEMENT OF COMPREHENSIVE INCOME

(Expressed in USD thousands)	Quarter ended 31 March 2011	Quarter ended 31 March 2010
Profit for the period	90,043	45,489
Other comprehensive income		
Currency exchange gain on intercompany loans	66,698	18,303
Exchange differences on translating foreign operations	109,569	39,271
Income tax relating to components of other comprehensive income	-9,698	-3,196
Other comprehensive income for the period, net of tax	166,569	54,378
Total comprehensive income for the period	**256,612**	**99,867**
Attributable to:		
Owners of the Company	254,384	98,677
Non-controlling interests	2,228	1,190

CONDENSED STATEMENT OF FINANCIAL POSITION

(Expressed in USD thousands)	**Note**	31 March 2011	31 December 2010
ASSETS			
Non-current assets:			
Property, plant and equipment	5	3,032,838	2,528,244
Intangible assets		3,503	3,840
Goodwill		12,572	11,728
Deferred tax assets	3	25,705	25,319
Other non-current assets		89,946	48,453
		3,164,564	**2,617,584**
Current assets:			
Inventories		157,881	141,316
Trade and other accounts receivable		94,444	117,135
Value added tax and other taxes receivable		174,121	135,766
Income tax receivable		6,833	9,876
Advances paid and prepaid expenses		86,664	98,003
Other financial assets		48,075	49,629
Restricted cash	7	82,573	79,322
Cash and cash equivalents		109,070	98,777
		759,661	**729,824**
TOTAL ASSETS		**3,924,225**	**3,347,408**
EQUITY AND LIABILITIES			
Capital and reserves:			
Share capital	8	171,528	171,528
Additional paid-in capital		1,103,855	1,103,845
Other reserves		-174,531	-341,100
Retained earnings		927,875	839,716
		2,028,727	**1,773,989**
Non-controlling interests		33,504	31,307
		2,062,231	**1,805,296**
Non-current liabilities:			
Loans and borrowings	9	1,202,151	912,471
Deferred tax liabilities	3	200,368	178,031
Provision for decommissioning and site restoration costs		25,863	15,960
Other long-term liabilities		2,148	-
		1,430,530	**1,106,462**
Current liabilities:			
Loans and borrowings	9	122,473	127,134
Payables and accrued expenses		231,441	248,281
Income tax payable		4,789	1,607
Other taxes payable		72,761	58,628
		431,464	**435,650**
TOTAL LIABILITIES		**1,861,994**	**1,542,112**
TOTAL EQUITY AND LIABILITIES		**3,924,225**	**3,347,408**

CONDENSED STATEMENT OF CASH FLOWS

(Expressed in USD thousands)	Quarter ended 31 March 2011	Quarter ended 31 March 2010
Operating activities		
Profit before tax	**113,052**	**58,811**
Adjustments for:		
Depreciation, depletion and amortisation	38,815	30,775
Finance costs, net	7,209	7,929
Currency exchange (gain)/loss, net	-2,752	3,190
Other non-cash items	2,439	568
Operating cash flows before changes in working capital	158,763	101,273
Changes in working capital	-42,652	-105,658
Cash generated from operations	116,111	-4,385
Interest paid	-8,934	-7,784
Income tax paid	-15,782	-10,279
Total cash generated from/(used in) operating activities	**91,395**	**-22,448**
Investing activities		
Investments in property, plant and equipment	-319,846	-156,677
Acquisition/disposal of investments in subsidiaries	-12,076	-
Other investing activities, net	-26,044	2,232
Total cash used in investing activities	**-357,966**	**-154,445**
Financing activities		
Proceeds from financing raised, net of issue costs	413,445	352,805
Repayment of loans and borrowings	-142,828	-112,742
Total cash generated from financing activities	**270,617**	**240,063**
Effects of exchange rate changes on cash balances held in foreign currencies and translation difference	9,498	-525
Change in cash, cash equivalents and restricted cash	**13,544**	**62,645**
Cash, cash equivalents and restricted cash at the beginning of the period	178,099	392,070
Cash, cash equivalents and restricted cash at the end of the period	**191,643**	**454,715**

STATEMENT OF CHANGES IN EQUITY

(Expressed in USD thousands)	Attributable to owners of the Company								
	Share capital	Additional paid-in capital	Currency exchange differences on intercompany loans, net of tax	Exchange differences on translating foreign operations	Option premium on convertible bonds	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2010	**171,528**	**1,105,848**	**-114,970**	**-224,214**	**22,271**	**616,644**	**1,577,107**	**29,651**	**1,606,758**
Profit for the period	-	-	-	-	-	44,299	44,299	1,190	45,489
Other comprehensive income	-	-	15,107	39,271	-	-	54,378	-	54,378
Total comprehensive income for the period	**-**	**-**	**15,107**	**39,271**	**-**	**44,299**	**98,677**	**1,190**	**99,867**
Changes in ownership of subsidiaries	-	-154	-	-	-	-	-154	-1	-155
Share option plan	-	-	-	-	-	228	228	-	228
Balance at 31 March 2010	**171,528**	**1,105,694**	**-99,863**	**-184,943**	**22,271**	**661,171**	**1,675,858**	**30,840**	**1,706,698**
Profit for the period	-	-	-	-	-	177,922	177,922	2,921	180,843
Other comprehensive income	-	-	-28,843	-49,722	-	-	-78,565	-	-78,565
Total comprehensive income for the period	**-**	**-**	**-28,843**	**-49,722**	**-**	**177,922**	**99,357**	**2,921**	**102,278**
Changes in ownership of subsidiaries	-	-1,849	-	-	-	-	-1,849	-2,403	-4,252
Disposal of subsidiaries	-	-	-	-	-	-	-	-51	-51
Share option plan	-	-	-	-	-	623	623	-	623
Balance at 31 December 2010	**171,528**	**1,103,845**	**-128,706**	**-234,665**	**22,271**	**839,716**	**1,773,989**	**31,307**	**1,805,296**
Profit for the period	-	-	-	-	-	87,815	87,815	2,228	90,043
Other comprehensive income	-	-	57,000	109,569	-	-	166,569	-	166,569
Total comprehensive income for the period	**-**	**-**	**57,000**	**109,569**	**-**	**87,815**	**254,384**	**2,228**	**256,612**
Changes in ownership of subsidiaries	-	10	-	-	-	-	10	-31	-21
Share option plan	-	-	-	-	-	344	344	-	344
Balance at 31 March 2011	**171,528**	**1,103,855**	**-71,706**	**-125,096**	**22,271**	**927,875**	**2,028,727**	**33,504**	**2,062,231**

SELECTED NOTES

Note 1 Accounting principles

The accounting principles used in this condensed consolidated financial information were the same as those used in the annual consolidated financial statements for the year ended 31 December 2010.

A number of revised and amended Standards and Interpretations from IFRIC became effective for the reporting period. The impact of adoption of these Standards and Interpretations in the preparation of condensed consolidated financial information was assessed by management as not relevant to the Group's operations.

Note 2 Segment information

Management determines its reporting segments based on the nature of operations of the Group's entities. As a result, two business segments are presented: the upstream segment which includes crude oil exploration, extraction and production, and the downstream segment which includes oil refining, transportation and sales of oil products. The Group's management reviews and evaluates the performance of these segments on a regular basis. All other subsidiaries are combined into one segment "Other companies" and include operations of the parent company and subsidiaries involved in non-core activities. Reconciliation of management accounts to the condensed consolidated financial information is presented below:

Quarter ended 31 March 2011

(Expressed in USD thousands)	**Upstream**	**Downstream**	**Other companies**	**Eliminations**	**Reconciling items**	**Total**
Total segment revenue	215,150	626,490	10,393	-172,189	-1,163	678,681
Less inter-segment revenue	-89,841	-71,955	-10,393	172,189	-	-
Revenue from external customers	125,309	554,535	-	-	-1,163	678,681
Segment operating income/(loss)	**69,579**	**61,536**	**-5,706**	**-232**	**-7,668**	**117,509**
Net financial items	-5,767	20,102	9,757	-4,461	-24,088	-4,457
Profit before tax	**63,812**	**81,638**	**4,051**	**-4,693**	**-31,756**	**113,052**
Income tax expense	-14,137	-13,546	357	-	4,317	-23,009
Profit for the period	**49,675**	**68,092**	**4,408**	**-4,693**	**-27,439**	**90,043**
Segment EBITDA	98,971	70,855	-5,600	-232	-7,700	**156,294**

Quarter ended 31 March 2010

(Expressed in USD thousands)	**Upstream**	**Downstream**	**Other companies**	**Eliminations**	**Reconciling items**	**Total**
Total segment revenue	132,919	460,310	7,642	-100,173	352	501,050
Less inter-segment revenue	-45,570	-47,053	-7,550	100,173	-	-
Revenue from external customers	87,349	413,257	92	-	352	501,050
Segment operating income/(loss)	**26,180**	**54,476**	**-5,076**	**-**	**-5,650**	**69,930**
Net financial items	-5,896	1,447	5,226	-	-11,896	-11,119
Profit before tax	**20,284**	**55,923**	**150**	**-**	**-17,546**	**58,811**
Income tax expense	-6,012	-11,298	22	**-**	3,966	-13,322
Profit for the period	**14,272**	**44,625**	**172**	**-**	**-13,580**	**45,489**
Segment EBITDA	50,023	61,231	-4,903	-	-5,646	**100,705**

Upstream and downstream segment revenue include revenue from sales of crude oil and oil products, respectively, and income from other non-core activities.

Upstream and downstream segment EBITDA is based on management accounts.

The reconciliation of segment results to the condensed consolidated financial information primary includes:

- Elimination of unrealised gains/losses on intra-segment operations.
- Currency exchange gains/losses related to intercompany loans treated as extended investments and classified within the statement of comprehensive income.
- Deferred tax accrued for the above mentioned adjustments.

Note 3 Income tax

(Expressed in USD thousands)	Quarter ended 31 March 2011	Quarter ended 31 March 2010
Current tax expense	22,405	14,657
Deferred tax expense/(benefit)	604	-1,335
Total	**23,009**	**13,322**

The movement in the Group’s deferred tax position:

(Expressed in USD thousands)	31 March 2011	31 December 2010
Net liabilities at the beginning of the period	152,712	137,442
Recognised in profit or loss	604	17,063
Effect of currency exchange differences on intercompany loans classified as net investments recognised in other comprehensive income	9,698	-1,299
Translation difference	11,649	-494
Net liabilities at the end of the period	**174,663**	**152,712**
Deferred tax liabilities	200,368	178,031
Deferred tax assets	-25,705	-25,319

Note 4 Earnings per share

Earnings per share have been calculated by dividing the result attributable to owners of the Company by the weighted average number of shares for the reporting period.

Numbers of shares for the period are presented below:

	Quarter ended 31 March 2011	Quarter ended 31 March 2010
Weighted average number of shares for the period	171,528,414	171,528,414
Weighted average number of shares for the period (diluted)	188,279,169	171,686,417
Number of shares at the period end	171,528,414	171,528,414

The Company has the following categories of dilutive potential ordinary shares: convertible bonds, share options and warrants. For the quarter ended 31 March 2011, convertible bonds and 487,700 share options with an exercise price ranging from SEK 81.80 to SEK 111.00 were the only financial instruments that affected diluted earnings per share.

Note 5 Property, plant and equipment

During the quarter ended 31 March 2011, additions in the construction and acquisition of production and other assets amounted to TUSD 369,137 (Q1 2010: TUSD 187,611), including TUSD 137,953 (Q1 2010: TUSD 69,952) related to OJSC Khabarovsk Oil Refinery and TUSD 229,058 (Q1 2010: TUSD 113,777) related to the development of oil fields.

Note 6 Acquisition of subsidiaries

In February 2011, the Group acquired 100% shares in CJSC “Gavanbunker”, a sea terminal in the Sovetskaya Gavan port located in the Khabarovsk region of the Russian Federation, for a cash consideration of TUSD 14,000. At the date of issuance of this condensed consolidated interim financial information the Group had not completed assessment of fair value of acquired assets, liabilities and contingent liabilities in accordance with IFRS 3 “Business Combinations”. Thus initial accounting for the acquisition of CJSC “Gavanbunker” has only been provisionally determined.

Provisional values of assets acquired and liabilities recognised at the date of acquisition are presented below:

(Expressed in USD thousands)	Acquisition date
Non-current assets:	
Property, plant and equipment	17,265
Deferred tax assets	124
Current assets:	
Cash and cash equivalents	805
Other assets	2,080
Non-current liabilities:	
Loans and borrowings	-2,055
Current liabilities:	
Loans and borrowings	-1,871
Payables and accrued expenses	-2,085
Other liabilities	-78
Net assets	**14,185**

Note 7 Restricted cash

Restricted cash is primarily represented by letters of credit on a special account with OJSC Bank VTB in accordance with the agreements for the reconstruction of OJSC Khabarovsk Oil Refinery.

Note 8 Share capital and share option plan

The shares of the Company are represented by SDRs listed on the NASDAQ OMX Nordic in Stockholm. Each share carries one vote.

No dividends were proposed during the quarter ended 31 March 2011.

At 31 March 2011 and the date of issuance of this report, the number of outstanding options amounted to 2,235,553 and 2,010,553, respectively. Each option gives the right to subscribe for 1 share of common stock at exercise prices ranging from SEK 81.80 to SEK 124.00. At the date of issuance of this report 1,066,550 options were exercisable out of which none have been exercised.

For the quarters ended 31 March 2011 and 2010, the share options charges amounted to TUSD 344 and TUSD 228, respectively.

Note 9 Loans and borrowings

(Expressed in USD thousands)	Currency	Interest rate	Principal	Interest	Total
					31 March 2011
Non-convertible interest bearing bonds	RUB	9.25-14%	357,775	5,053	362,828
Non-convertible interest bearing Eurobonds	USD	9.88%	344,950	1,920	346,870
Bank loans nominated in USD	USD	Libor 3m + 2.3%-Libor 6m+5.5%	272,506	1,067	273,573
Convertible interest bearing bonds	USD	7.25%	237,353	10,728	248,081
Bank loans nominated in EUR	EUR	Euribor 6m+5.5%	92,742	530	93,272
Total loans and borrowings			**1,305,326**	**19,298**	**1,324,624**
Current portion repayable within one year					122,473
Long-term loans and borrowings					**1,202,151**

(Expressed in USD thousands)	Currency	Interest rate	Principal	Interest	Total
					31 December 2010
Non-convertible interest bearing Eurobonds	USD	9.88%	344,697	10,561	355,258
Convertible interest bearing bonds	USD	7.25%	237,064	9,691	246,755
Bank loans nominated in USD	USD	Libor 3m + 2.3%-14%	228,852	1,604	230,456
Non-convertible interest bearing bonds	RUB	9.75-14%	171,317	6,942	178,259
Bank loans nominated in EUR	EUR	Euribor 6m+5.5%	27,750	1,127	28,877
Total loans and borrowings			**1,009,680**	**29,925**	**1,039,605**
Current portion repayable within one year					127,134
Long-term loans and borrowings					**912,471**

As at 31 March 2011, the loans and borrowings were collateralised by:

- 98.18% of the Group's shareholding in OJSC Khabarovsk Oil Refinery;
- 99.98% of the Group's shareholding in OJSC Tatnefteotdacha;
- 50.03% of the Group's shareholding in CJSC Saneco;
- Property, plant and equipment with a carrying value of TUSD 112,317.

The expected future cash outflows for the repayment of loans and borrowings are presented below. The interest payments were calculated based on the interest rate effective at 31 March 2011. The principal and interest payments denominated in RUB were converted into USD using the exchange rate as at 31 March 2011.

(Expressed in USD thousands)	Principal	Interest	Total
			31 March 2011
Within one year from 31 March 2011	103,175	107,718	210,893
Within second year from 31 March 2011	37,205	105,516	142,721
More than two years from 31 March 2011	1,255,767	196,793	1,452,560
Total amount estimated to be repaid	**1,396,147**	**410,027**	**1,806,174**

The currency exchange gain on intercompany loans, which are treated as a part of net investments in subsidiaries, in the amount of TUSD 66,698 for the quarter (Q1 2010: TUSD 18,303) before income tax was recognised in the statement of comprehensive income.

The most significant financing raised in the quarter included the following:

- TRUB 5,000,000 (approximately TUSD 170,248 at the exchange rate on the date of the transaction) three-year bonds maturing in February 2014;
- TUSD 107,316 under long-term project financing from Vnesheconombank maturing from 2012.

During the quarter ended 31 March 2011, the Group repaid loans in the amount of TUSD 142,828.

Note 10 Related party transactions

Related parties include shareholders, associates and other related parties representing entities under common ownership and control.

Included in the Group's consolidated statement of financial position as at 31 March 2011 and 31 December 2010 were the following significant balances with related parties:

(Expressed in USD thousands)	31 March 2011	31 December 2010
Other related parties		
Other non-current assets	20,000	20,000
Trade and other accounts receivable	22,489	869
Advances paid and prepaid expenses	2,080	1,729
Other financial assets	30,282	30,264
Cash and cash equivalents	5,058	546
Payables and accrued expenses	997	74,929

Included in the Group's consolidated income statement for the quarters ended 31 March 2011 and 2010 were the following significant transactions with related parties:

(Expressed in USD thousands)	Quarter ended 31 March 2011	Quarter ended 31 March 2010
Associates		
Purchase of oil products	3,553	4,609
Other related parties		
Revenue	216,596	134,138
Purchase of services	10,631	9,100
Charity contributions to the fund named by Z. Bazhaev (for participation in the Russian federal national projects)	2,587	1,334
Interest income	530	692

Note 11 Commitments and contingencies

Contractual commitments for the acquisition of property, plant and equipment as at 31 March 2011 and 31 December 2010 amounted to TUSD 555,909 and TUSD 610,901, respectively.

Financial calendar

Annual General Meeting

The Annual general meeting of the shareholders will be held in Stockholm on 19 May 2011.

Quarterly reports

Six months report (January – June 2011) is due on 19 August 2011.

Nine months report (January – September 2011) is due on 22 November 2011.

Twelve months report (January – December 2011) is due in February 2012.

Operational updates

Update for the second quarter 2011 is due on 7 July 2011.

Update for the third quarter 2011 is due on 7 October 2011.

Update for the fourth quarter 2011 is due in early January 2012.

Conference call

Date: Thursday, 19 May 2011
Time: 10.00 CET
To participate by telephone, please dial:
from Sweden +46 8 505 598 53
from Russia +7 495 745 72 98, pin code: 880797#
from other countries +44 203 043 24 36

The presentation will be webcasted live at www.allianceoilco.com.
A replay of the presentation will be available at www.allianceoilco.com.

Risks and uncertainties associated with this report

The Group's risk exposure is presented on pages 42-45 of the financial statements part of Alliance Oil Company Ltd's 2010 annual report. There are no general changes to this presentation of risk exposure.

19 May 2011

The Board of directors and the Managing Director certify that the interim financial report gives a fair view of the performance of the business, position and profit or loss of the company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group are exposed to.

Eric Forss
Chairman

Arsen Idrisov
Director and Managing Director

Claes Levin
Director

Fred Boling
Director

Raymond Liefooghe
Director

Fernando Martinez-Fresneda
Director

Isa Bazhaev
Director

This report has not been subject to an audit or a review by the Company's independent auditors.

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