Vostok Nafta Investment Ltd

Nine Months Report

January–September 2012

- **A Special General Meeting in Vostok Nafta, held on August 29, 2012 approved the distribution of SEK 18.00 per SDR for a total amount of SEK 1,619 million or USD 246 million through a share split in combination with a mandatory redemption programme. The programme was completed on October 2, 2012.**

- **Net result for the period was USD 37.27 million (mln) (January 1, 2011–September 30, 2011: –96.09). Earnings per share were USD 0.40 (2011: neg.). Net result for the quarter was USD 6.00 mln (–130.42). Earnings per share for the quarter were USD 0.07 (2011: neg.).**

- **The net asset value of the company was USD 247.81 mln on September 30, 2012 (December 31, 2011: 492.08), corresponding to USD 2.72 (December 31, 2011: 4.93) per share. Given a SEK/USD exchange rate of 6.5284 the values were SEK 1,617.78 mln (December 31, 2011: 3,406.84 mln) and SEK 17.98 (December 31, 2011: 34.12) , respectively.**

- **The group's net asset value per share in USD increased by 12.37% excluding the effect of the redemption programme over the period January 1, 2012–September 30, 2012 and decreased by 43.62% including the effect of the redemption programme. During the same period the RTS index increased by 6.79% in USD terms. During the quarter July 1, 2012–September 30, 2012 the group's net asset value per share in USD increased by 4.73% excluding the effect of the redemption programme and decreased by 47.47% including the effect of the redemption programme (RTS index: +9.27%).**

- **During the third quarter 2012, Vostok Nafta repurchased 1,750,822 SDRs (shares). The number of outstanding shares at the end of the period was 89,953,373 ordinary shares. During September, Vostok Nafta also issued 89,953,373 redemption shares as part of the share split and mandatory redemption programme. The 89,953,373 redemption shares were redeemed and cancelled on September 26, 2012. A redemption amount of SEK 18.00 for each Redemption SDR was paid out on October 2, 2012.**

- **After the end of the period, a USD 40 million secondary transaction in Tinkoff Credit Systems ("TCS") was announced. The transaction values TCS at USD 1 billion, which translates into a valuation of USD 131 million for Vostok Nafta's remaining share position. This transaction generated a positive result of USD 57 million, of which USD 6 million was a realized gain, which will be accounted for in the fourth quarter.**

- **The reported net asset value of Vostok Nafta as of October 31, 2012 was USD 318.55 million or USD 3.54 (SEK 23.49) per share. This figure takes into account the redemption of all redemption SDRs and the revaluation of TCS.**

Management report

The main event at Vostok Nafta during this quarter was the successful distribution of USD 246 mln to the shareholders through the issuance of redemption shares later redeemed into cash on October 2, 2012. Beyond this distribution four main holdings remain which are of a private equity nature. The management's task is to maximise the value of these investments. After the quarter we have revalued our main holding of TCS and done a partial exit of shares at this new valuation.

Going forward we will focus to report on the four main holdings to describe the situation at these companies and the macro around them.

TCS

TCS has displayed a very strong start to the year, cementing its place as one of Russia's top 5 credit card issuers. Its 1H 2012 results were released in early September showing a net income of USD 52.3 mln versus USD 68.4 mln for the entire 2011. The net credit card portfolio had grown by 57% to USD 1.1 bln during the first half (which equates to 87% growth year-on-year). NPLs (non-performing loans), defined as 90+ days delinquent accounts, are around 4%.

The company runs a conservative provisioning policy and maintains a high liquidity cushion.

Finally, as has been so clear over these past years, funding windows open and close. TCS has been able to produce a well diversified funding base through a mix of retail deposits and issuing both domestic bonds as well as Eurobonds. The most recent Eurobond was closed in early September when a total of USD 250 mln was raised in a 3-year Reg S bond with a 10.75% coupon.

We believe the company is well on track to roughly double its net profit in 2012 compared to 2011.

TCS has continued to attract interest from institutional investors on the equity side as well. Baring Vostok became a shareholder during the first half 2012. On October 31, Horizon Capital became the fifth shareholder in the group by investing a total of USD 40 mln through a secondary sale at a market capitalization of USD 1 bln providing a 23% positive boost to the Vostok Nafta NAV. Vostok did alongside some of the original shareholders participate in the sale which reduced our percentage in the company to just over 13% fully diluted.

Avito

Avito is developing into one of the most interesting opportunities within the Russian internet space. The sector overall has grown over the past years to currently encompass 60 mln internet users (Russia thus has the fifth largest online audience in the world) even though only at a 43% penetration, setting the stage for further growth going forward.

Avito is continuing to hold on to its number one position within general classifieds in Russia. It currently has 1.9 bn page views , 21 mln unique monthly visitors (UMVs), 6.0 mln new items only counting desktop users (and 2.2 bn page views, 29 mln UMVs, 6.1 mln new items when also including mobile users).

Non-listing fee monetization has commenced and is providing strong revenue growth. If investments into marketing were to be stopped Avito would indeed be profitable today. However it is expected that further investments will provide high returns during the coming years and hence profit at the bottom line is pushed further out.

We own 16.9% of Avito which is valued at USD 50.6 mln in turn putting a USD 300 mln price tag on the company.

Black Earth Farming

In mid October Black Earth Farming announced a strategic 3 year cooperation agreement with PepsiCo. Black Earth will thus become a significant supplier of potatoes, sunflower and sugar to Pepsi's Russian operations. This has a major positive impact on BEF as it offers the potential to lock in forward prices for a large part of its production while also diversifying into competitively advantaged higher margin irrigated crops. By 2015 the PepsiCo contract has the potential to represent some 30% of BEF's total revenues. Not only is this type of a contract with PepsiCo a huge stamp of approval for a young company like BEF, but it also lowers the risk profile of the company to an extent which is unique on the Russian agri arena.

The deal with PepsiCo will require investments and BEF simultaneously announced a USD 80 mln rights issue which will be completed during November and December. Its two largest shareholders Vostok Nafta and Kinnevik, together representing some 50% of the outstanding shares, will take up their part of the financing. Vostok Nafta's part of the rights issue is some USD 20 mln.

The company had by mid-October harvested 80% of the 2012 crop area. While the winter crops came in on par with 2011 levels, the company's spring crop yields grew by some 33% versus 2011. This has resulted in a cost per ton of production that for some of the spring crops are the lowest ever achieved in the company's history. The success of the spring crops is partly due to the initiatives to improve crop yields overall but also due to better execution and management and more favourable weather.

RusForest

RusForest delivered a very disappointing second quarter with production coming in well below expectations. Unfortunately, it does not matter that the company has world class assets if capacity utilization is below 50%. RusForest's unit costs are still too high to be able to produce a cash return, especially in today's tough pricing environment for sawnwood products. The poor second quarter clearly put a strain on the company's cash position and likely delayed previous guidance on achieving EBITDA breakeven this year. Even though operations improved during the third quarter, the company's liquidity situation remains tight.

In light of this disappointing performance, management changes have been executed. Garrett Soden has stepped in as CEO, Peter Nilsson has joined as Director of Sales and Production, and Kirill Pronin has been appointed CFO. Garrett has worked for many years with the Lundin Group. He worked in Russia in the nineties and has valuable experience managing public companies. Peter Nilsson was until recently CEO of Södra Timber and brings a lot of industry experience to RusForest. Kirill has been with the company in various positions since 2008 and has recently helped step-up the company's financial reporting to decent standards.

The new management's task at first is to help the company raise cash and to stop the cash outflow from operations by prioritizing between the company's different industrial platforms. In terms of raising cash, Plan A is to accelerate the sale of the company's non-core assets, but the company has also engaged Pareto Öhman as financial advisor to explore financial and strategic alternatives.

All in all, the situation remains seriously challenging for RusForest. The team in place is working very hard to improve operations, restore liquidity and regain credibility.

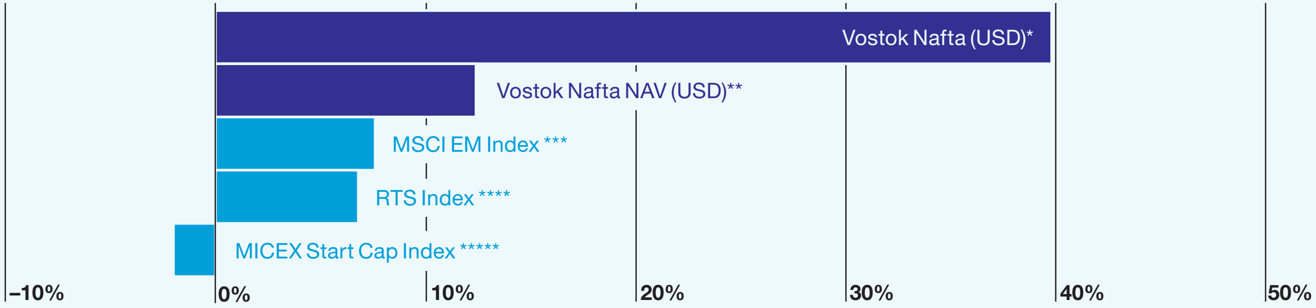
November 2012,

Per Brilioth

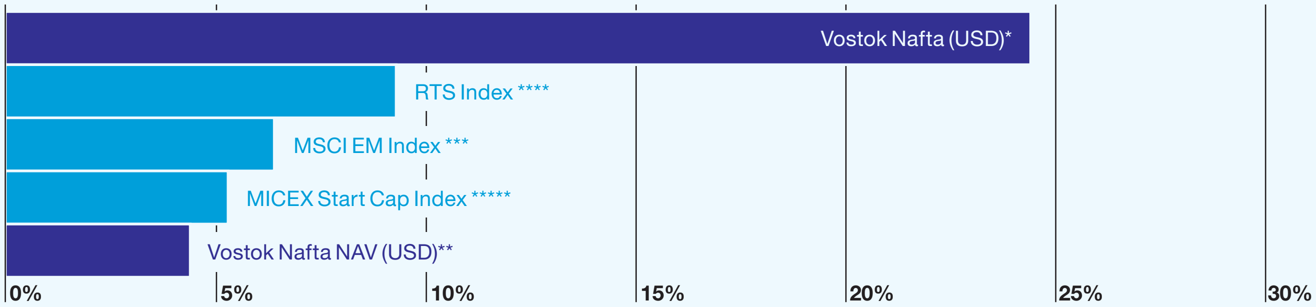
Vostok Nafta's portfolio development
The group's net asset value per share in USD increased by 12.37% excluding the effect of the redemption programme over the period January 1, 2012–September 30, 2012 and decreased by 43.62% including the effect of the redemption programme. During the same period the RTS index increased by 6.79% in USD terms. During the quarter July 1, 2012–September 30, 2012 the group's net asset value per share in USD increased by 4.73% excluding the effect of the redemption programme and decreased by 47.47% including the effect of the redemption programme (RTS index: +9.27%).

Portfolio structure
The investment portfolio stated at market value as at September 30, 2012 is shown below. Vostok Nafta's three largest investments are Tinkoff Credit Systems (38.7%), Black Earth Farming (25.0%) and Avito (21.9%).

Percent development January 1–September 30, 2012 *(last price paid on relevant stock exchange)*



Percent development July 1–September 30, 2012 *(last price paid on relevant stock exchange)*



* Corrected for redemption amount.
** Excluding effect of the redemption programme.
*** The MSCI EM Index (Morgan Stanley Capital International Emerging Markets Index) is a free float weighted equity index that consists of indices in 26 emerging economies.
**** The RTS Index (Russian Trading System Index) is a capitalization-weighted index. The index is comprised of stocks traded on the Russian Trading System and uses free-float adjusted shares.
***** The MICEX Start Cap Index is a real-time cap-weighted index of 50 stocks of Russian small cap companies.

Number of shares	Company	Fair value, USD Sep 30, 2012	Percent-age-weight	Value per share, USD Sep 30, 2012	Value per share, USD Dec 31, 2011
30,888,704	Black Earth Farming, equity	57,723,514	25.0%	1.87	1.99 [2]
	Black Earth Farming, loan	750,938	0.3%		[3]
406,156,995	Clean Tech East Holding	1,244,277	0.5%	0.00	0.00 [2]
1,006,513	Tinkoff Credit Systems (Egidaco) [4]	89,435,024 [5]	38.7%	88.86	46.25 [1]
140,826,045	RusForest, equity	7,765,666	3.4%	0.06	0.74 [2]
	RusForest, Issued call options	–53,627	0.0%		[2]
50,000	Vosvik (Avito) [4]	50,687,909	21.9%	1,013.76	755.80 [2]
	Growth Capital and Private Equity, Total	**207,553,701**	**89.8%**		

Number of shares	Company	Fair value, USD Sep 30, 2012	Percent-age-weight	Value per share, USD Sep 30, 2012	Value per share, USD Dec 31, 2011
1,765,000	Agrowill	351,333	0.2%	0.20	0.18 [1]
5,364,850	Caspian Services	160,946	0.1%	0.03	0.08 [1]
272,106	Dakor	108,842	0.0%	0.40	10.34 [1]
1,600,000	Kamkabel	80,000	0.0%	0.05	0.10 [1]
3,500,000	Kuzbass Fuel Company	10,500,000	4.5%	3.00	4.50 [1]
2,618,241	Kyrgyzenergo	168,688	0.1%	0.06	0.06 [1]
85,332	Podolsky Cement	104,788	0.0%	1.23	1.25 [1]
113,072	Priargunsky Ind Ord	9,045,760	3.9%	80.00	100.00 [1]
11,709	Priargunsky Ind Pref	362,979	0.2%	31.00	50.00 [1]
1,442,400	Shalkiya Zinc GDR	14,424	0.0%	0.01	0.07 [1]
623,800	TKS Real Estate	806	0.0%	0.00	0.83 [1]
1,215,000	Tuimazy Concrete Mixers	1,215,000	0.5%	1.00	2.27 [1]
154,334	Varyoganneftegaz Pref	1,389,006	0.6%	9.00	11.00 [1]
	Financial Portfolio Investments, Total	**23,502,571**	**10.2%**		
	Other current loan receivables	**44,034**	**0.0%**		[3]
	Grand Total	**231,100,306**	**100.0%**		

1. These investments are shown in the balance sheet as financial assets at fair value through profit or loss.
2. These investments are shown in the balance sheet as investments in associated companies.
3. These investments are shown in the balance sheet as current loan and other receivables.
4. Private equity investment.
5. Post balance sheet valuation would be USD 146 million.

Vostok Nafta's portfolio as at September 30, 2012

Black Earth Farming

Black Earth Farming (BEF) is a leading farming company, publicly listed in Stockholm and operating in Russia. The company's main products are wheat, barley, corn, sunflowers and rapeseeds. BEF's business concept is to acquire and consolidate zero or low yielding land assets in the Russian Black Earth region, which holds one of the most fertile soils in the world. Russian agricultural land is significantly undervalued, both in comparative terms and in relation to its inherent production potential. Unproductive land can currently be acquired at a significant discount in an international comparison, but with large appreciation potential. By introducing modern agricultural farming practices there is also a vast opportunity to significantly increase productivity in terms of crops yielded per hectare of land, thus increasing the land value. As of June 30, 2012, BEF held 251,000 hectares of land in full ownership, corresponding to 81% of the total controlled land bank of 310,000 hectares. 40,000 hectares are held under long-term lease. At the same time operating improvements are ongoing with substantial long term potential for increased production and profitability.

- Revenue from goods sold during 2Q12 increased by 156% y-o-y to approximately USD 17.9 million as 89,000 tons of crop were sold, up 108% y-o-y. EBITDA for the H1 2012 period adjusted for revaluation gains amounted to approximately USD 2.4 million versus USD –7.1 million in 2011. Net loss for 6m 2012 amounted to USD –13.3 million and includes depreciation charges of USD 6 million as well as a deferred tax expense of USD 1.9 million. Third quarter results will be released on November 23, 2012.

- As of 16 August 43% of the total 2012 crop area had been harvested, with 97% and 87% of the winter wheat and spring barley area respectively harvested. Average yields were 2.3 tons per hectare of wheat and 2.5 tons per hectare of barley. The total 2012 harvest area is expected at approximately 222,000 hectares.

- In October 2012, after the end of the period, Black Earth Farming announced a 3 year strategic partnership with PepsiCo and its subsidiaries in Russia. BEF will become a significant supplier of sunflower seeds and potatoes, both used in the production of Frito-Lay's potato crisps as well as beet for sugar to be used in other PepsiCo products. BEF intends to finance the expected capital need via a rights issue of SEK 530 million with preferential rights for current shareholders. The largest shareholders in Black Earth Farming, including Investment AB Kinnevik and Vostok Nafta Investment Ltd support the rights issue and have made commitments to subscribe for their respective pro rata shares in the rights issue. Vostok Nafta's share is SEK 131.4 million.

Black Earth Farming

Vostok Nafta's number of shares as at September 30, 2012	30,888,704
Total Value (USD)	**57,723,514**
Share of total Net Asset Value	25.0%
Share of total shares outstanding	24.8%
Share development January 1–September 30, 2012 (in USD)	–5.9%
Share development July 1–September 30, 2012 (in USD)	–4.8%

During the third quarter 2012 Vostok Nafta has purchased 0 shares and sold 0 shares in Black Earth Farming.

Avito

Avito is the largest and fastest growing online trading platform in Russia, and the number of monthly unique visitors continued to grow at a rapid pace during 2011. The company has obtained a leading position in terms of visitors and number of ads, distancing itself from its competitors. Once market dominance is achieved the business model has great potential in terms of profitability judging by the experience of peers in other countries. Avito is already the leading brand and has the highest brand awareness in Moscow and St. Petersburg. Compared to western countries, Russia has a very low proportion of internet users in relation to the total population. Although the growth rate is significant, the current internet penetration in Russia is low in relative terms but very high in absolute terms. By 2013 internet users in Russia are expected to reach over 90 million, with a penetration rate of 67%. The market for internet related services is expected to grow significantly in correlation with an increased internet penetration and the number of Russians who want to buy things online grew exponentially over the past year. A record 6.1 million Russians made online purchases last year, an increase of 16.5% compared to 5.2 million in 2010. Avito attracts close to 30 million monthly unique users who browse a total of more than 2 billion pages and spend on average one hour a month on the site. More than 6 million new items are added every month by over 3 million users.

- Since the capital increase in May 2012 Avito continues to grow at a satisfying pace and continues to improve their already leading market position. In September 2012 Avito reached over 10 million weekly unique visitors, which is close to twice as many as their closest competitor.

- Vostok Nafta's valuation of Avito is unchanged since last quarter and based on a transaction in May 2012 where Baring Vostok Private Equity, Accel Partners, and existing investors Kinnevik and Northzone invested USD 75 mln in Avito.

Avito*

Vostok Nafta's number of shares as at September 30, 2012	5,975,579
Total Value (USD)	**50,687,909**
Share of total Net Asset Value	21.9%
Share of total shares outstanding	16.9%
Value development January 1–September 30, 2012 (in USD)	34.2%
Value development July 1–September 30, 2012 (in USD)	0.0%

During the third quarter 2012 Vostok Nafta has purchased 0 shares and sold 0 shares in Avito.

* *The shares in Avito are owned through the holding company Vosvik AB.*

Tinkoff Credit Systems

Tinkoff Credit Systems (TCS) is Russia's first and only dedicated credit card lending institution. Based in Moscow, TCS Bank issues credit cards to customers in all of Russia's regions. TCS's senior management consists of a team of experienced professionals formerly employed by Visa, McKinsey and several top Russian banks. The bank operates a branchless business model using online and direct mail as its main customer recruitment and distribution channels. On the servicing side, TCS's call centre is one of the leaders in Russia. The advanced underwriting process and customer acquisition by invitation only limits the risk of fraud and exposure to less desirable customers, thus reducing the credit risk. The low-cost business model is flexible with a proven ability to rapidly grow and effectively service the credit card portfolio. Russian consumer lending is expected to reach new heights due to lower costs of risk and higher consumer spending, and the company is singularly focused on issuing and servicing consumer credit cards. By combining a purpose-built platform with dedicated staff and IT systems, TCS can serve millions of customers. During 2003–07, the Russian credit card market doubled in size every year. After slowing during the 2008–09 crisis, it started growing again in 2010.

- Tinkoff Credit Systems has continued to deliver record strong financial results in H1 2012. Retail deposits have increased by 61.8% in H1 2012, from USD 361.6 mln in 2011 to USD 584.9 mln. The net loan portfolio increased by 57% in H1 2012, to USD 1.1 bn and TCS has now issued a total of 2.243 mln cards. H1 2012 revenue amounted to USD 271.5 mln vs. USD 331.9 mln for the whole of 2011.

- In September 2012, TCS successfully placed a USD 250 mln 3-year eurobond with 10.75% coupon. The offering was oversubscribed and a well-diversified order book was achieved with sizable demand coming from more than 70 investors in Russia, Europe and Asia.

- Vostok Naftas's valuation of TCS is unchanged since last quarter and based on a transaction in May 2012 where Baring Vostok Private Equity invested USD 50 mln in TCS.

- On November 1, 2012 after the end of the period Tinkoff Credit Systems announced the conclusion of a secondary transaction whereby Horizon Capital paid a total of USD 40 million for 4 percent of the shares in TCS Bank. Vostok Nafta participated in the transaction, selling approx. 10% of its stake in TCS Bank. The transaction values TCS Bank at USD 1 billion, which translates into a valuation of USD 131 million for Vostok Nafta's remaining position. This transaction generated a positive result of USD 57 million, of which USD 6 million realized gain, which will be accounted for in the fourth quarter.

- The transaction with Horizon is subject to an adjustment of 10% thus resulting in a valuation of USD 900 mln versus USD 1 bln should TCS's profit for 2012 come in below USD 120 mln. We believe the risk of this is low and have hence valued the company at the prevailing transaction value of USD 1 bln.

Tinkoff Credit Systems	
Vostok Nafta's number of shares as at September 30, 2012	1,006,513
Total Value (USD)	**89,435,024[1]**
Share of total Net Asset Value	38.7%
Share of total shares outstanding	14.6%
Value development January 1–September 30, 2012	92.1%
Value development July 1–September 30, 2012	0.0%

During the third quarter 2012 Vostok Nafta has purchased 0 shares and sold 0 shares in Tinkoff Credit Systems.

1. Post balance sheet valuation would be USD 146 million.

RusForest

RusForest is active within the forestry sector in Eastern Siberia and the Arkhangelsk region of Russia. The company was established in 2006 through the acquisitions of Tuba-Les and PIK-89 in the Irkutsk region. Since then, RusForest has reached a considerable scale, both in terms of forest resources and sawmilling capacity, through strategic acquisitions and brownfield development projects. Through long term lease agreements the company controls approximately 3 million hectares of forest land with an AAC of around 3.6 million m³. Increases in controlled forest land come from the acquisition of NTG in Arkhangelsk, new forest leases in Magistralny as well as two acquired harvesting companies in Boguchany during 2011. RusForest's principal business concept is to refine the prime quality pine, spruce and larch logs from its forest leases into a wide range of sawnwood products of which a smaller share is attributable to planed products, including flooring and other interior products. The Group's total sawmilling capacity, which currently amounts to approximately 350,000 m³ of sawnwood, is expected to, after completion of ongoing investments, gradually increase to 500,000–550,000 m³ of sawnwood. There is significant potential (of up to 800,000–850,000 m³ of sawnwood) within the limit of the maximum allowable harvesting. By increasing its sawmilling capacity as well as adding other value-adding activities RusForest will continue to develop its vast resource and unlock its potential. The aim is to apply Scandinavian best practices to a Russian cost base, which should have the potential of offering among the lowest production costs in the world. RusForest's goal is to develop into a leading independent integrated forestry and sawmilling company in Russia, with an annual harvest of 2.7–2.9 million m³ and an annual sawnwood production of 800,000–850,000 m³ during the coming four to five years.

- On August 2, 2012, RusForest appointed Garrett Soden as CEO. Martin Hermansson, the previous President and CEO, continues to support the Company as General Director of RusForest Management in Moscow. In addition, Kirill Pronin, the previous interim CFO, was appointed CFO.

- Rusforest communicated in conjunction with the second quarter results that they are unlikely to meet their 2012 production, sales and EBITDA guidance. New CEO Mr Soden said he will focus on three key areas. 1. Selling non-core assets to raise additional cash; 2. Strengthening management to improve operational results; and 3. Exploring strategic and financial alternatives to create shareholder value.

- Total turnover for the quarter ended 30 June 2012 amounted to SEK 154.2 million compared to SEK 114.3 million in Q2 2012. The operating loss for the period amounted to SEK 140.0 million compared to SEK -62.4 million in Q2 2011. Despite the disappointing results, the Group's production volumes increased in Q2 2012 versus Q2 2011 both in harvesting and in sawmilling and during the summer 2012, both Magistralny and Boguchany sawmills was improved with new machinery and equipment which will increase capacity and efficiency. Third quarter results will be released on November 30, 2012.

- After the end of the period, Peter Nilsson was appointed as Director of Sales and Production. Peter was until recently CEO of Södra Timber and brings valuable industry experience to the company.

RusForest

Vostok Nafta's number of shares as at September 30, 2012	140,826,045
Total Value (USD)	**7,765,666**
Share of total Net Asset Value	3.4%
Share of total shares outstanding	29.4%
Share development January 1–September 30, 2012 (in USD)	–80.6%
Share development July 1–September 30, 2012 (in USD)	–76.7%

During the third quarter 2012 Vostok Nafta has purchased 0 shares and sold 0 shares in RusForest.

Investments
During the third quarter gross investments in financial assets were USD 19.75* (16.96) mln and proceeds from sales were USD 76.38 (29.68) mln.

Major changes of shares in the portfolio during the third quarter were:
Purchases
No major purchases were made during the quarter.

Sales (number of shares)
– 29,485,027 TNK-BP Pref
– 3,004,498 Poltava GOK

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 43.15 (–53.53) mln. The result from investments in associated companies was USD –23.22 (–57.84) mln. Result from loan receivables was USD 2.61 (1.18) mln. Dividend income, net of withholding tax expenses, was USD 14.29 (18.46) mln.

Net operating expenses (defined as operating expenses less other operating income) amounted to USD 3.38 (3.48) mln.

Net financial items were USD 5.11 (–0.87) mln.

The net result for the period was USD 37.27 (–96.09) mln.

Total shareholders' equity amounted to USD 493.93 mln on September 30, 2012 (December 31, 2011: 492.08).

Group – results for the quarter
During the quarter, the result from financial assets at fair value through profit or loss amounted to USD –16.12 (–75.50) mln. The result from investments in associated companies was USD 7.52 (–58.43) mln. Result from loan receivables was USD 0.25 (–0.25) mln. Dividend income, net of withholding tax expenses, was USD 9.95 (5.98) mln.

Net operating expenses (defined as operating expenses less other operating income) amounted to USD 1.08 (1.04) mln.

Net financial items were USD 5.47 (–1.18) mln.

The net result for the quarter was USD 6.00 (–130.42) 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 263.61 mln on September 30, 2012 (December 31, 2011: 37.67) or USD 17.49 mln after the cash distribution on October 2, 2012.

Share Split and Mandatory Redemption Programme
At a Special General Meeting held on August 29, 2012 in Stockholm, Sweden, the shareholders adopted a mandatory redemption programme, under which each outstanding share in the Company was divided into two shares, one of which was designated a Redemption Share. All holders of Swedish Depository Receipts ("SDRs") representing shares in the Company received one Redemption SDR ("Redemption SDR") for each SDR held on the record day September 6, 2012. The Company's share capital was then reduced by USD 44.98 million by way of redemption of all issued and outstanding Redemption Shares for a total consideration of SEK 1,619 million, or SEK 18.00 per Redemption Share, after which the Redemption SDRs and underlying Redemption Shares were cancelled. Following completion of the programme, the Company has a total of 89,953,373 shares outstanding.

The redemption was completed on September 26, 2012. As a result of the redemption of Redemption SDRs, the Company's cash position decreased by USD 246.12 million, of which USD 44.98 million was a reduction of share capital. The payment of the redemption amount was made on October 2, 2012.

* Investments in financial assets other than those included in the portfolio

Income statements – Group

(Expressed in USD thousands)	Jan 1, 2012– Sep 30, 2012	Jan 1, 2011– Sep 30, 2011	Jul 1, 2012– Sep 30, 2012	Jul 1, 2011– Sep 30, 2011
Result from financial assets at fair value through profit or loss 1	43,154	–53,533	–16,116	–75,499
Result from investments in associated companies	–23,220	–57,840	7,519	–58,426
Result from loan receivables 1	2,609	1,176	251	–251
Dividend income	11,033	21,697	9,523	7,014
Other operating income	312	223	122	87
Total operating income	**33,888**	**–88,278**	**1,301**	**–127,074**
Operating expenses	–3,692	–3,700	–1,197	–1,129
Dividend withholding tax repayments/expenses	3,260	–3,240	431	–1,038
Other operating expenses	–1,289	–	–3	–
Operating result	**32,167**	**–95,218**	**532**	**–129,241**
Financial income and expenses				
Interest income	161	80	17	35
Interest expense	–1	–	–	–
Currency exchange gains/losses, net	4,947	–983	5,453	–1,221
Other financial income	–	37	–	5
Net financial items	**5,107**	**–867**	**5,470**	**–1,181**
Result before tax	**37,274**	**–96,085**	**6,002**	**–130,422**
Taxation	–	–2	–	–
Net result for the financial period	**37,274**	**–96,087**	**6,002**	**–130,422**
Earnings per share (in USD)	0.40	neg.	0.07	neg.
Diluted earnings per share (in USD)	0.40	neg.	0.07	neg.

1. Interest on loan receivables which are considered parts of the investment portfolio is presented in the income statement as 'Result from loan receivables' among operating income items. Interest on other loans and receivables is presented in the income statement as 'Interest income' among financial items. Realized and unrealized exchange gains/losses on loan receivables which are considered parts of the investment portfolio are presented in the income statement as 'Result from loan receivables'. Financial assets at fair value through profit or loss (including listed bonds) are carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Result from financial assets at fair value through profit or loss' in the period in which they arise.

Statement of comprehensive income

(Expressed in USD thousands)	Jan 1, 2012– Sep 30, 2012	Jan 1, 2011– Sep 30, 2011	Jul 1, 2012– Sep 30, 2012	Jul 1, 2011– Sep 30, 2011
Net result for the financial period	**37,274**	**–96,087**	**6,002**	**–130,422**
Other comprehensive income for the period				
Currency translation differences	1,092	–91	980	–249
Disposals	–951	–	–951	–
Total other comprehensive income for the period	**140**	**–91**	**29**	**–249**
Total comprehensive income for the period	**37,415**	**–96,178**	**6,031**	**–130,671**

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

Balance sheets – Group

(Expressed in USD thousands)	Sep 30, 2012	Dec 31, 2011
NON CURRENT ASSETS		
Tangible non current assets		
Property, plant and equipment	31	36
Total tangible non current assets	**31**	**36**
Financial non current assets		
Financial assets at fair value through profit or loss	112,938	324,768
Investment in associated companies	117,368	120,416
Loan receivables	–	9,102
Deferred tax asset	–	35
Total financial non current assets	**230,305**	**454,321**
CURRENT ASSETS		
Cash and cash equivalents	263,607	37,665
Loan receivables	795	–
Receivables from related parties	69	–
Tax receivables	319	325
Other current receivables	177	1,447
Total current assets	**264,967**	**39,438**
TOTAL ASSETS	**495,303**	**493,794**
SHAREHOLDERS' EQUITY (including net result for the financial period)	**247,808**	**492,078**
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Tax payables	297	424
Other current liabilities	247,050 [1]	907
Accrued expenses	149	386
Total current liabilities	**247,495**	**1,717**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**495,303**	**493,794**

1. Includes liability to the shareholders for a total amount of USD 246 million for the mandatory redemption programme. The payment of the redemption amount was made on October 2, 2012.

Statement of Changes in Equity – Group

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Other reserves	Retained earnings	Total
Balance at January 1, 2011	**100,991**	**192,029**	**–924**	**333,334**	**625,430**
Net result for the period January 1, 2011 to September 30, 2011	–	–	–	–96,087	–96,087
Other comprehensive income for the period					
Currency translation differences	–	–	–91	–	-91
Total comprehensive income for the period January 1, 2011 to September 30, 2011	**–**	**–**	**–91**	**–96,087**	**–96,178**
Transactions with owners:					
Employees share option scheme:					
– value of employee services	–	12	–	–	12
	–	12	–	–	12
Balance at September 30, 2011	**100,991**	**192,041**	**–1,015**	**237,247**	**529,264**
Balance at January 1, 2012	**98,470**	**185,382**	**–1,007**	**209,232**	**492,078**
Net result for the period January 1, 2012 to September 30, 2012	–	–	–	37,274	37,274
Other comprehensive income for the period					
Currency translation differences	–	–	1,092	–	1,092
Disposals	–	–	–	–951	–951
Total comprehensive income for the period January 1, 2012 to September 30, 2012	**–**	**–**	**1,092**	**36,323**	**37,415**
Transactions with owners:					
Redemption programme	–44,977	–	–	–201,144	–246,121
Employees share option scheme:					
– value of employee services	–	–	–	–	–
Buy back of own shares	–8,517	–27,047	–	–	–35,564
	–8,517	–27,047	–	–	–35,564
Balance at September 30, 2012	**44,977**	**158,335**	**85**	**44,411**	**247,808**

Cash flow statements – Group

(Expressed in USD thousands)	Jan 1, 2012– Sop 30, 2012	Jan 1, 2011– Sep 30, 2011	Jan 1, 2011– Dec 31, 2011
OPERATING ACTIVITES			
Result before tax	37,274	–96,085	–124,239
Adjustment for:			
Interest income	–161	–80	–103
Interest expense	1	–	–
Currency exchange gains/-losses	–4,947	983	417
Depreciations and write downs	23	88	101
Result from financial assets at fair value through profit or loss	–43,154	53,533	53,876
Result from investments in associated companies	23,220	57,840	87,956
Result from loan receivables	–2,609	–1,176	–1,178
Dividend income	–11,033	–21,697	–27,893
Other non-cash items	1,289	–6	1,559
Change in current receivables	49	211	266
Change in current liabilities	–230	–904	48
Net cash used in operating activities	**–278**	**–7,292**	**–9,190**
Investments in financial assets	–67,554	–67,946	–102,942
Sales of financial assets	312,134	59,777	116,745
Decrease in loan receivables	1,149	11,346	5,312
Dividend received	11,033	21,697	27,893
Interest received	161	80	103
Interest paid	–1	–	–
Tax paid	–115	–57	–151
Net cash flow from operating activities	**256,529**	**17,605**	**37,769**
INVESTING ACTIVITIES			
Investments in office equipment	–17	–	–
Disposal, Group companies	–	–	40
Net cash flow used in/from investing activities	**–17**	**–**	**40**
FINANCING ACTIVITIES			
Proceeds from issue of warrants	–	10	–
Buy back of own shares	–35,564	–	–9,180
Net cash flow used in/from financing activities	**–35,564**	**10**	**–9,180**
Change in cash and cash equivalents	220,949	17,615	28,630
Cash and cash equivalents at beginning of the period	37,665	9,448	9,448
Exchange gains/losses on cash and cash equivalents	4,992	–959	–414
Cash and cash equivalents at end of period	**263,607**	**26,104**	**37,665**

Key financial ratios – Group

	9m 2012	9m 2011
Return on capital employed, % (01)	10.08	–16.64
Equity ratio, % (02)	50.03	99.84
Shareholders' equity/share, USD (03)	2.75	5.24
Earnings/share, USD (04)	0.40	neg.
Diluted earnings/share, USD (05)	0.40	neg.
Net asset value/share, USD (06)	2.75	5.24
Weighted average number of shares for the financial period (07)	93,917,826	100,990,975
Weighted average number of shares for the financial period (fully diluted) (07)	93,917,826	101,975,975
Number of shares at balance sheet date (07)	89,953,373	100,990,975

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

Income statement – Parent

(Expressed in USD thousands)	Jan 1, 2012– Sep 30, 2012	Jan 1, 2011– Sep 30, 2011	Jul 1, 2012– Sep 30, 2012	Jul 1, 2011– Sep 30, 2011
Operating expenses	–3,356	–3,329	–1,092	–1,052
Operating result	–3,356	–3,329	–1,092	–1,052
Financial income and expenses				
Interest income	11,647	12,089	2,584	4,120
Currency exchange gains/losses, net	5,284	116	5,354	60
Diviends income from Group companies	276	–	276	–
Net financial items	17,206	12,205	8,214	4,180
Net result for the financial period	13,851	8,876	7,122	3,128

Statement of comprehensive income

(Expressed in USD thousands)	Jan 1, 2012– Sep 30, 2012	Jan 1, 2011– Sep 30, 2011	Jul 1, 2012– Sep 30, 2012	Jul 1, 2011– Sep 30, 2011
Net result for the financial period	13,851	8,876	7,122	3,128
Other comprehensive income for the period				
Currency translation differences	–	–	–	–
Total other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	13,851	8,876	7,122	3,128

Balance sheet – Parent

(Expressed in USD thousands)	Sep 30, 2012	Dec 31, 2011
NON CURRENT ASSETS		
Financial non current assets		
Shares in subsidiaries	184,412	184,412
Receivables from Group companies	36,306	307,731
Total financial non current assets	220,719	492,143
CURRENT ASSETS		
Cash and cash equivalents	248,062	71
Other current receivables	23	83
Total current assets	248,084	154
TOTAL ASSETS	468,803	492,297
SHAREHOLDERS' EQUITY (including net result for the financial period)	222,326	490,160
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Liabilities to group companies	239	1,833
Other current liabilities	246,138 [1]	8
Accrued expenses	100	297
Total current liabilities	246,477	2,137
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	468,803	492,297

1. Includes liability to the shareholders for a total amount of USD 246 million for the mandatory redemption programme. The payment of the redemption amount was made on October 2, 2012.

Statement of Changes in Equity – Parent

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
Balance at January 1, 2011	100,991	192,029	214,152	507,172
Net result for the period January 1, 2011 to September 30, 2011	–	–	8,876	8,876
Total comprehensive income for the period January 1, 2011 to September 30, 2011	–	–	8,876	8,876
Transactions with owners:				
Employees share option scheme:				
– value of employee services	–	12	–	12
	–	12	–	12
Balance at September 30, 2011	100,991	192,041	223,028	516,060
Balance at January 1, 2012	98,470	185,382	206,308	490,160
Net result for the period January 1, 2012 to September 30, 2012	–	–	13,851	13,851
Total comprehensive income for the period January 1, 2012 to September 30, 2012	–	–	13,851	13,851
Transactions with owners:				
Redemption programme	–44,977	–	–201,144	–246,121
Employees share option scheme:				
– value of employee services	–	–	–	–
Buy back of own shares	–8,517	–27,047	–	–35,564
	–8,517	–27,047	–	–35,564
Balance at September 30, 2012	44,976	158,335	19,015	222,326

Note 1 Accounting principles

This consolidated interim report is prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting principles and methods of calculations have been applied for the Group as for the preparations of the consolidated accounts for Vostok Nafta Investment Ltd 2011.

Note 2 Related party transactions

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

USD thousand	Q3 2012 Associated companies	Q3 2012 Lundin family and group of companies	Q3 2012 Key management and Board of Directors	Q3 2011 Associated companies	Q3 2011 Lundin family and group of companies	Q3 2011 Key management and Board of Directors
Items of the income statement						
Income from loan receivables	1,970[1]	–	–	262[1]	–	–
Other operating income	25[2]	287[2]	–	29[2]	169[2]	–
Operating expenses	–	–330[3]	–834[4]	–	–282[3]	–856[4]
Interest expenses	–	–	–	–	–	–
Balance sheet items						
Non current loan receivables	–	–	–	–	–	–
Current loan receivables	751[1]	–	–	3,796[1]	–	–
Other current receivables	–	69[2]	–	–	–	–
Retained earnings	–	–	–	–	–	–12
Other current liabilities and accrued expenses	–9[2]	–5[2]	–95[4]	–12[2]	–9[2]	–91[4]

1) Loans to associated companies

Vostok Nafta has an outstanding short-term loan receivable from Black Earth Farming, a part of the total credit line of USD 12.5 mln, which was recognized at a book value of USD 0.75 mln as per September 30, 2012. In the Income Statement for the period ended September 30, 2012 Vostok Nafta has recognized interest income in the amount of USD 1.72 (0,04) mln from RusForest AB and USD 0.25 mln from Black Earth Farming. RusForest AB has fully repaid its loan during the second quarter. Vostok Nafta had an outstanding short-term loan receivable of USD 3.80 mln from Clean Tech East Holding AB as per September 30, 2011. In the Income Statement for the period ended September 30, 2011 Vostok Nafta had recognised interest income in the amount of USD 0.22 mln from Clean Tech East Holding AB.

2) Other operating income from associated companies and Lundin companies and other current receivable

Vostok Nafta has an office rental agreement with RusForest AB and Lundin Mining AB. Vostok Nafta provides head office facilities service to Lundin Petroleum AB and Investor Relations and Corporate Communication services to Lundin Mining Corporation, Lundin Petroleum AB, Africa Oil Corporation, Etrion Corporation, ShaMaran Petroleum Corp. and Lucara Diamond Corp.

3) Operating expenses: Lundin companies

Vostok Nafta buys management and Investor Relations services regarding relations with the stock and financial markets from Namdo Management. The fee amounts to USD 15,000 per month both in 2012 and in 2011. Vostok Nafta paid USD 195,294 (2011: 84,359) to Mile High Holdings Ltd in respect of aviation services received.

4) Operating expenses: Key management and Board of Directors

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

Note 3 Events after the reporting period

1. On November 1, 2012 after the end of the period Tinkoff Credit Systems announced the conclusion of a secondary transaction whereby Horizon Capital paid a total of USD 40 million for 4 percent of the shares in TCS Bank. Vostok Nafta participated in the transaction, selling approx. 10% of its stake in TCS Bank. The transaction values TCS Bank at USD 1 billion, which translates into a valuation of USD 131 million for Vostok Nafta's remaining position. This transaction generated a positive result of USD 57 million, of which USD 6 million realized gain.

   Following completion of the transaction, TCS continues to be Vostok Nafta's largest shareholding, representing some 41.8% of the total NAV as per October 31, 2012.
2. The redemption was completed on September 26, 2012. As a result of the redemption of Redemption SDRs, the Company's cash position decreased by USD 246.12 million, of which USD 44.98 million was a reduction of share capital. The payment of the redemption amount was made on October 2, 2012.

Background

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

As at September 30, 2012 the Vostok Nafta Investment Ltd Group consists of the Bermudian parent company, one wholly owned Bermudian subsidiary, one wholly owned Cypriot subsidiary, two wholly owned Cypriot subsidiaries which are under liquidation, and one wholly owned Swedish subsidiary.

The financial year is January 1–December 31.

Parent company

The parent company finances the Cypriot subsidiaries' operations on market terms. The net result for the period was USD 13.85 (8.88) mln.

Financial and Operating risks

During the period, the Company has exited most of its positions in Russian listed stock. After the cash distribution on October 2, 2012, the non-quoted investments represent a substantially larger part of the remaining portfolio. Other than that the Company's risks and risk management are described in detail in note 3 of the Company's Annual Report 2011.

Upcoming Reporting Dates

Vostok Nafta's twelve months report for the period January 1, 2012–December 31, 2012 will be published on February 13, 2013.

November 14, 2012

Per Brilioth
Managing Director
Vostok Nafta Investment Ltd

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying balance sheets of Vostok Nafta Investment Ltd for the group and the parent company as of September 30, 2012 and the related statements of income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Gothenburg, November 14, 2012

PricewaterhouseCoopers AB

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