

Corporate Governance Code Application

Vostok Nafta is a limited liability company registered in Bermuda. In the absence of a Bermudian Code of Corporate Governance, Vostok Nafta applies the Swedish Code of Corporate Governance (“the Code”). The Company will apply the Code in full or, where applicable, explain deviations from it. The principles of corporate governance in Vostok Nafta are described below. This report has not been subject for review by the Company’s auditors.

Shareholders meetings

The Annual General Meeting (“AGM”) is the highest decision-making body of Vostok Nafta, in which all shareholders are entitled to attend in person or by proxy. The Annual General Meeting of Vostok Nafta is held in Stockholm, Sweden, in the Swedish language, once per year, no later than six months after the end of the financial year.

The task of the Annual General Meeting is to report on the financial results and take decisions on corporate matters, including payment of dividend and amendments to the Articles of Association. The Annual General Meeting also appoints members of the board of directors and auditors, and establishes the remuneration to the board of directors and the auditors.

During 2007, Vostok Nafta held two extra general meetings on May 18 and August 29. The extra general meeting held on May 18, 2007 resolved upon the remuneration to the board of directors and auditors, and approved the guidelines regarding remuneration to the management. At the extra general meeting held on August 29, 2007 it was, among other things, resolved to approve the board of directors proposal regarding the Company’s incentive scheme. The same meeting also approved the transfer of call options at market value in connection with investments in portfolio companies in accordance with the board’s proposal (with an adjustment put forth by Lorito Holding Limited).

Appointment and Remuneration to the Board of Directors and the Auditors

Shareholders in the Company have the right to nominate members of the board of directors, and auditors, to the Annual General Meeting. The AGM elects members of the board of directors for a term of one year and auditors for a period of one year. The sharehold-

ers also propose remuneration to the board of directors and auditors, which is to be resolved by the AGM. In accordance with the Code, the Company has established a nomination committee which prepares proposals for the election of and remuneration to members of the board of directors and auditors for the Annual General Meeting. The nomination committee is to consist of three members, of whom one is appointed among the board of directors and two members are to be appointed by the Company’s major shareholders. The nomination committee before the Annual General meeting 2008 consists of Ian H Lundin – member of the board, Åsa Nisell – Swedbank Robur Fonder and Lars Öhrstedt – AFA Insurance.

The Board of directors

The 2007 Board of directors

Through the sole member’s written resolution, made on April 10, 2007, pursuant to the Bye-laws of the Company it was resolved that the Company shall have eight Directors. The directors elected where: Al Breach, Paul Leander-Engström, Torun Litzén, Lukas H Lundin, Ian H Lundin, Per Brilioth, William A Rand and Robert J Sali. For a detailed presentation of the current Board, until the Annual General Meeting 2008, see section “Board, management and auditors” in the formal annual report.

Board meetings

The board of directors is to meet at least twice a year in person and more frequently when necessary. In addition, meetings are to be conducted by telephone if considered necessary. The Managing Director has regular contact with the Chairman of the board of directors and several other members of the board of directors.

During the financial year ended 31 December, 2007, six board meetings have been held, whereof two where held with personal attendance.

Work and Responsibilities

The Board of Directors adopts decisions on overall issues affecting the Vostok Nafta group. However, the Board of Directors’ primary duties shall be the organization of the Company and the management of the Company’s operations including:

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- Decisions regarding focus of the business and adoption of Company policies;
- Supply of capital;
- Appointment and regular evaluation of the work of the Managing Director and Company management;
- Approval of the reporting instructions for the Company management;
- Ensuring that the Company's external communications are open, objective and appropriate for target audiences;
- Ensuring that there is an effective system for follow-up and control of the Company's operations and financial position vis-à-vis the established goals;
- Follow-up and monitoring that the operations are carried out within established limits in compliance with laws, regulations, stock exchange rules, and customary practice on the securities market.

Chairman of the Board of Directors

The Board of Directors has appointed a chairman amongst themselves. The chairman shall not be employed by the Company and shall not receive any salary nor be eligible for participation in the Company's incentive program. In Vostok Nafta, the Chairman holds an executive position and takes part in the work of the Company on a daily basis. Lukas H Lundin was elected chairman of the board as of the first meeting of the board of directors held on April 10, 2007.

Sub Committees of the Board

The board of directors has established three sub-committees: the audit committee, the compensation committee and the investment committee.

Audit committee

The function of the Audit Committee is to review on behalf of the Board, the Company's quarterly (Q1 and Q3) interim financial statements, review and make recommendations to the Board in relation to the Company's six month and yearly accounts, review audit fees, ensure maintenance of, and compliance with, the Company's internal control systems and liaise with the Group's external auditors as part of the annual audit process.

Audit committee in 2007

The audit committee consists of three of the board members, namely William A Rand, Torun Litzén and Ian H Lundin. In 2007, three meetings were held by the audit committee.

Compensation committee

The function of the Compensation Committee is to receive information on and determine matters regarding compensation to the Group Management. The guiding philosophy of the Committee in determining compensation for executives is the need to provide a compensation package that is competitive and motivating, will attract and retain qualified executives, and encourage and motivate performance.

Composition of the Board of Directors, elected on April 10, 2007, including meeting attendance 2007

Name	Elected to the board	Position	Connection to the company	Audit committee	Compensation committee	Investment committee	Attendance meetings	Board fee, TUSD
Lukas H Lundin	2007	Chairman	Main owner		x	x	100%	76
Al Breach	2007	Member	Independent				67%	29
Per Brilioth	2007	Member	Management			x	100%	-
Paul Leander-Engström	2007	Member	Independent		x	x	83%	41
Torun Litzén	2007	Member	Independent	x			100%	43
Ian H Lundin	2007	Member	Main owner	x			100%	43
William A Rand	2007	Member	Independent	x			100%	50
Robert J Sali	2007	Member	Independent		x	x	100%	34
Number of meetings				3	2		6	

Compensation committee in 2007

The compensation committee consists of three of the board members, namely Lukas H Lundin, Robert J Sali and Paul Leander-Engström. In 2007, two meetings were held by the compensation committee.

Investment committee

The function of the Investment Committee is to make suitable investment recommendations to the Cypriot subsidiary Vostok Komi (Cyprus) Ltd. These recommendations must at all times be in line with the overall strategy of the Company as decided by the Board of Directors and communicated from time to time to the Investment Committee. A majority of the Investment Committee i.e. two directors can together make recommendations to the Board of Vostok Komi (Cyprus) Ltd, which will then resolve the matter.

Investment committee in 2007

The investment committee consists of three of the board members, namely Lukas H Lundin, Per Brilioth and Paul Leander-Engström.

Management

The Managing Director, who is a member of both the Board of Directors as well as of group management, manages the Company's day-to-day activities and prepares investment recommendations in cooperation with the other members of the Investment Committee.

Group management in 2007

Per Brilioth: Managing Director. Employed since 2007.
Sergei Glaser: Analyst and member of group management. Employed since 2007.

Anders Sjöberg: Chief Financial Officer. Employed since 2007.

For a detailed presentation of the management, see section "Board, Management and Auditors" in the formal annual report. The Investor Relations function of Vostok Nafta is managed by Robert Eriksson, who is "Head of Investor Relations" of Vostok Nafta. Robert Eriksson devotes a significant part of his time to Vostok Nafta, while simultaneously being engaged in Investor Relations activities for a number of other companies within "The Lundin Group of Companies".

Compensation to the board and management

The extra general meeting held on May 18, 2007 resolved that the remuneration to the board of directors shall, in total, amount to USD 322,000, of which USD 57,000 shall be paid to the chairman of the board and USD 29,000 shall be paid to each of the members of the board. For work in the Audit Committee, USD 21,000 shall be paid to the chairman and USD 14,000 to each of the members. For work in the Compensation Committee, USD 8,000 shall be paid to the chairman and USD 5,000 to each of the members. For work in the Investment Committee, USD 11,000 shall be paid to the chairman and USD 7,000 to each of the members. It was resolved that no fee shall be paid to the Managing Director.

The extra general meeting held on May 18, 2007 also approved the guidelines regarding remuneration to the management. The remuneration to the managing director and other members of the senior management shall consist of fixed salary, variable remuneration, other benefits and pension benefits. Except for the managing director, the senior management currently includes two individuals. The total remuneration shall correspond to the prevailing market conditions and be competitive. The fixed and variable remuneration shall correspond to the respective individual's responsibility and authority. The variable component should, in the first instance, be covered within the parameters of the Company's option plan and shall, where payable in other instances, be subject to an upper limit in accordance with market terms and specific objectives for the Company and/or the individual. The period of notice of termination of employment shall be three to six months in the event of termination by the member of the senior management. In the event of termination by the Company, the total of the period of notice of termination and the period during which severance compensation is payable shall not exceed 12 months. Pension benefits shall be either benefit-based or contribution-based or a combination thereof, with individual retirement ages. Benefit-based pension benefits are conditional on the benefits being earned during a pre-determined period of employment. The board of directors shall be entitled to deviate from these guidelines in individual cases should special reasons exist.

In advance of the annual general meeting in 2008, the compensation committee shall present a detailed

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proposal for management remuneration principles for the coming year including a determination of the management positions that shall be subject to the remuneration principles.

Incentive programme

The Extra General Meeting held on August 29, 2007 decided in accordance with the proposal from the board of directors to adopt an incentive programme in Vostok Nafta Investment Ltd which entitles present and future employees to be allocated call options, which entitle the holder to acquire shares represented by Swedish Depositary Receipts in Vostok Nafta Investment Ltd.

The incentive programme shall be governed by the following terms and conditions:

– The exercise price for the options shall correspond to 120 percent of the market value of the Swedish Depositary Receipts at the time of the granting of the options.

– The options may be exercised not earlier than two years and not later than three years from the time of the granting.

– For employees resident outside of Sweden the following conditions shall apply. No premium shall be paid for the options and the options may only be exercised if the option holder at the time of exercise is still employed within the group. If an option holder ceases to be an employee of or, as the case may be, consultant to any member of the Group for any of the reasons set out below, then his or her options will not lapse but may be exercised to the extent notified to the option holder on the date of grant provided all applicable performance conditions being relevant at date of cessation are satisfied or waived. The reasons are; ill-health, injury, and disability; retirement; early retirement by written agreement with the option holder's employer; his or her employing company ceasing to be under the control of the Company, or, as a result of a transfer of the undertaking in which the option holder works, transfer to a company which is neither under the control of the Company nor a member of the Group; any other reason specified by the directors in their absolute discretion.

– For employees resident in Sweden the following conditions shall apply. The options are offered to a purchase price corresponding to the market value of the options at the time of the offer. The options shall

be fully transferable and will hereby be considered as securities. Among other things this entails that the options are not contingent upon employment and will not lapse should the employee leave his or her position within the group.

– Options may be issued by Vostok Nafta Investment Ltd or by other group companies.

Preparation and administration

The Board of Directors, or a designated committee appointed by the Board of Directors, shall be authorised to determine the detailed terms and conditions for the incentive scheme in accordance with the approved principal conditions and guidelines. The Board of Directors may in connection thereto make necessary adjustments to satisfy certain regulations or market conditions abroad. The Board of Directors shall also be authorised to resolve on other adjustments in conjunction with material changes affecting the group or its business environment, which would mean that the authorised conditions for the incentive scheme would no longer be appropriate.

Allocation

The incentive scheme is proposed to include granting of not more than 1 million options. Allocation of options to the Managing Director shall not exceed 500,000 options and allocation to each member of the executive management or to other key employees shall not exceed 200,000 options.

The allocation of options shall be decided by the Board of Directors, or by the Compensation Committee, whereby inter alia the performance of the employee and his or her importance to the group will be considered. In connection with allocation of options to employees resident outside of Sweden as well as resident in Sweden, the following criteria shall inter alia be considered: the employee's ability to manage and develop the existing portfolio, identify new investment opportunities and evaluate conditions of new investments, and also return on capital or estimated return on capital in various object of investments. The employees will not initially be offered the maximum allocation of options and a performance related allocation system will be maintained since allocation of additional options within the mandate given by the general meeting will require fulfilment of stipulated requirements and targets. The Compensation Com-

mittee shall be responsible for the evaluation of the performance of the employees. The outcome of stipulated targets shall, if possible, be reported on afterwards.

Directors who are not employed by the group shall not be able to participate in the scheme.

Possible future bonus for employees resident in Sweden

In order to stimulate the participation in the scheme, the company has the intention to arrange for a subsidy in the form of a bonus payment which after tax corresponds to the option premium. Half of the bonus is intended to be paid in connection with the purchase of the options and the remaining half in connection with the exercise of the options. The latter bonus payment is subject to the requirement that the holder is still an employee of the group at the time of exercise of the options. If the options are not exercised, the latter bonus payment will not be paid. For employees in Sweden, the participation in the scheme will thus include a risk-taking element.

Purpose

The purpose of the proposed incentive scheme is to create conditions to retain and recruit competent employees to the group as well as promote long-term interests of the company by offering its employees the opportunity to participate in any favourable developments in the value of the Company. The Board of Directors is of the opinion that the adoption of an incentive scheme is particularly justified as a consequence of employees of the Company not being subject to any variable bonus scheme.

Issuance

On August 30, 2007 it was decided to issue 710,000 of the authorized 1,000,000 options under the company's incentive program to a group of employees.

Transfer of call options

The Extra General Meeting held on August 29, 2007 also decided in accordance with the proposal from the board of directors to approve the transfer of call options, during the period up to the next Annual General Meeting in Vostok Nafta Investment Ltd, by group companies to members of the executive management and other employees related to investments in non-

listed portfolio companies to create opportunities for employees to take part in future rise in value. Directors of the Company who are not employed by the group shall not be entitled to participate in the scheme.

The following guidelines shall apply in connection with transfer of call options:

– The options shall entitle the holder to acquire shares in the portfolio company at a certain exercise price corresponding to 110–150 percent of the market value of the shares in the portfolio company at the time of the transfer of the options.

– The term of the options shall be not longer than five years.

– The options shall be sold at market value. The price for the options shall be determined by an independent valuation institute or auditing firm in accordance with the Black & Scholes valuation model. Investment in the options thus implies a risk-taking element for the employee.

– The number of options should amount to not more than a number that corresponds to ten percent of the underlying shares in a portfolio company owned by a company in the group.

– The Company shall be entitled to repurchase the options at market value if the holder ceases to be an employee of the group.

– If the shares in a portfolio company are sold or listed prior to the last day for exercise of the options, the options shall be exercised at the latest in connection with the trade sale or the listing of the shares. If the options have been exercised prior to the company's sale of the shares in the portfolio company, the employee shall be obliged if so required to sell the shares in connection with the company's disposal. In case of special circumstances, the Board of Directors shall be entitled to deviate from the guidelines above.

By offering employees to acquire options in respect of shares in portfolio companies, employees will be given the opportunity to participate in a future increase in value similar to the opportunities open for persons acting for private equity entities. The Board of Directors is of the opinion that this proposal significantly improves the possibility to retain and recruit competent personnel to the group.

Issuance

As of yet no call options have been transferred to any

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employees within the group. This is to a large extent due to the longer lead times associated with investments in non-listed portfolio companies.

Auditors

Auditors in 2007

Through the sole member's written resolution, made on April 10, 2007, the audit firm PricewaterhouseCoopers AB, Sweden was appointed as auditor for the period up to the next AGM.

Klas Brand, born 1956. Authorised Public Accountant, Lead Partner. Auditor in the Company since 2007. PricewaterhouseCoopers AB, Gothenburg, Sweden.

Bo Hjalmarsson, born 1960. Authorised public accountant, Partner. Auditor in the Company since 2007. PricewaterhouseCoopers AB, Stockholm, Sweden.

During the year the auditing firm has not had any other assignments from Vostok Nafta in addition to auditing work specified in the section "Independent Auditors' Report" on page 87, and the review of the new, revised historical financial statements presented in the prospectus relating to the restructuring of Vostok Nafta Investment Ltd.

Internal control

The board of directors has overall responsibility for setting up effective internal control systems. Responsibility for maintaining and carrying out effective control has been delegated to the Managing Director. Internal control is a process which should be applied to ensure that goals such as effective and profitable operation are attained, financial reporting is reliable and laws and ordinances are followed. The board of directors has also, as described above, set up an audit committee which is responsible for continuously reviewing the Company's control in relation to financial reporting.