



## **Alliance Oil Company Ltd: Interim report for the quarter and nine months ended September 30, 2009\***

- Total revenue amounted to MUSD 489.9 (MUSD 893.7) for the quarter and MUSD 1,181.7 (MUSD 2,311.9) for the nine months period.
- EBITDA amounted to MUSD 112.3 (MUSD 226.2) for the quarter and to MUSD 297.7 (MUSD 578.8) for the nine months period.
- The quarterly net result amounted to MUSD 59.6 (MUSD 131.6) and the nine months net result amounted to MUSD 156.7 (MUSD 336.9).
- Earnings per share amounted to USD 0.34 (USD 0.80) per share for the quarter and to USD 0.94 (USD 2.44) per share for the nine months period.
- 5.9 million barrels were refined and 3.9 million barrels produced for the quarter and 16.2 million barrels were refined and 12.2 million barrels produced for the nine months period.
- Convertible bond offering raised MUSD 265.0 in the third quarter.
- Acquisition of gas stations expanded retail network in the Amur region.
- A successful exploration well was drilled in the Timano-Pechora region.

*"In the third quarter 2009, our solid operating performance continued. We report significant revenue growth compared to the second quarter. The operating margin increased as upstream and downstream margins improved. The two segments contributed equally to EBITDA",* said Arsen Idrisov, Alliance Oil Company's Managing Director.

*\*Comparisons reflect Alliance Oil Company Ltd (former West Siberian Resources Ltd) financial and other information for the nine months and quarter ended September 30, 2008.*

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**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 487 million barrels, oil production of approximately 43,300 barrels per day, refining capacity of 70,000 barrels per day and a network of gas stations and wholesale oil products terminals. Alliance Oil's depository receipts are traded on the NASDAQ OMX Nordic under the symbol AOIL.**

Dear Shareholders,

In the third quarter 2009, our solid operating performance continued. The company produced 3.9 million barrels and refined 5.9 million barrels of oil which were in line with our targets. We report significant revenue growth compared to the second quarter. The operating margin increased as upstream and downstream margins improved and the two segments contributed equally to EBITDA.

Our operations benefitted from further improvements in the pricing environment. While international crude prices remained flat, domestic and CIS crude oil netbacks increased compared to the second quarter. Retail, wholesale and export product prices increased steadily during the quarter. Positive pricing effects were partly offset by the impact of the appreciating Russian Rouble.

The 2009 upstream capital expenditures program has been increased from MUS\$ 58 to MUS\$ 72. As a result, daily production rates are now increasing again after gradually declining in the past few quarters. Drilling activity increased in all regions with the main focus on the Timano-Pechora region where a successful exploration well was drilled in the Lek-Kharyaga field. The discovery is expected to result in a considerable increase in the company's oil reserves.

In the downstream segment, we saw further signs of growth in the domestic wholesale market. Seasonal demand for light products was combined with corporate customers rebuilding their oil product inventories. The retail market showed continued solid performance as volumes were stable and product prices increased. Downstream margins improved as pricing and volume effects outweighed increasing crude oil and transportation costs which were also affected by the Russian Rouble/USD exchange rate.

We have expanded our retail network in the Amur region by acquiring 10 filling stations and 5 modern tank trucks. The stations will be rebranded under the Alliance Oil brand increasing the company's retail volumes in the region by approximately 30%.

Our financial position remains solid. In the third quarter the company received proceeds from the MUS\$ 265 placement of convertible bonds which further strengthened our liquidity and balance sheet.

## **Outlook**

As we are intensifying our upstream activity to enhance reserves and facilitate output growth, we are reviewing further investment in the coming years. The discovery at the Lek-Kharyaga and further evaluation of our Timano-Pechora fields indicate significantly improved organic growth opportunities. Consequently, we are revising our long-term drilling and development plans.

In the downstream segment, our primary investment focus remains the ongoing upgrade of the Khabarovsk Oil refinery, with a scheduled completion in 2012. We also continue to evaluate opportunities for further expansion of our retail network.

In the fourth quarter we continue to see improvements in oil and products markets. The current oil production now runs at 43,300 barrels per day and we are currently refining 65,700 barrels per day. We comfortably expect to meet our targets of producing 16 million barrels and refining 21 million barrels this year.

Arsen Idrisov  
*Managing Director*

## Results – the Group

All comparative financial information refers to Alliance Oil Company Ltd's (formerly West Siberian Resources Ltd) consolidated financial statements for the nine months ended September 30, 2008 which included OJSC "Alliance" Oil Company's financial information for the nine months of 2008 and Alliance Oil Company Ltd's (formerly West Siberian Resources Ltd) financial information for the period starting from April 10, 2008, unless otherwise indicated.

(Expressed in USD thousand)	9 months 2009	3 <sup>rd</sup> quarter 2009	2 <sup>nd</sup> quarter 2009	1 <sup>st</sup> quarter 2009	9 months 2008	3 <sup>rd</sup> quarter 2008
Revenue	1 181 698	489 913	364 219	327 566	2 311 928	893 696
EBITDA	297 699	112 322	85 534	99 843	578 822	226 190
Total cash flow from operations	151 324	23 149	71 915	56 260	225 260	220 431
Result for the period	156 663	59 633	46 565	50 465	336 900	131 622
Production volume, bbl	12 184 750	3 909 974	4 028 492	4 246 284	12 868 753*	4 550 885
Refining volume, bbl	16 221 361	5 887 544	5 040 880	5 292 937	19 630 520	6 766 467
Total debt (at the end of the period)	706 547	706 547	666 228	629 707	919 152	919 152
Liquidity position (excluding restricted cash) (at the end of the period)	288 797	288 797	265 744	104 390	226 287	226 287
Net debt (at the end of the period)	417 750	417 750	400 484	525 317	692 865	692 865
Total equity (at the end of the period)	1 439 650	1 439 650	1 299 337	1 029 235	1 734 327	1 734 327

\* Based on pro forma AOC and OJSC "Alliance" Oil Company production for the period

Group revenue for the quarter ended September 30, 2009 was MUS\$ 489.91 (MUS\$ 893.70) and MUS\$ 1,181.70 (MUS\$ 2,311.93) for the nine months period. Revenues include sales of oil products, crude oil and other income.

Cost of sales (including production costs for crude oil and oil products and costs of other sales and depletion and depreciation) were MUS\$ 337.31 (MUS\$ 625.39) for the quarter and MUS\$ 780.41 (MUS\$ 1,613.52) for the nine months period.

EBITDA amounted to MUS\$ 112.32 (MUS\$ 226.19) for the quarter and MUS\$ 297.70 (MUS\$ 578.82) for the nine months period. Cash flows from operations amounted to MUS\$ 23.15 (MUS\$ 220.43) for the quarter and MUS\$ 151.32 (MUS\$ 225.26) for the nine months period.

The operating income amounted to MUS\$ 87.52 (MUS\$ 182.54) for the quarter and MUS\$ 219.64 (MUS\$ 483.07) for the nine months period.

Net finance expenses were MUS\$ 10.21 (MUS\$ 4.70) for the quarter and MUS\$ 26.11 (MUS\$ 32.63) for the nine months period.

Currency exchange gain amounted to MUS\$ 1.14 (loss of MUS\$ 11.27) for the quarter and currency exchange loss amounted to MUS\$ 1.05 (MUS\$ 1.44) for the nine months period. The exchange rate differences for the period were mainly represented by exchange rate differences on the external borrowings denominated in dollars obtained by the Group's Russian subsidiaries (with exchange rate differences arising due to Russian Rouble being the functional currency of the Russian subsidiaries) and on export related accounts receivable. The exchange rates used regarding the Russian Rouble to the USD at September 30, 2009, June 30, 2009, March 31, 2009 and December 31, 2008 were 30.09, 31.29, 34.01 and 29.38. Currency exchange losses related to intercompany loans of MUS\$ 13.93 (MUS\$ 38.44) net of tax for the nine months were recorded in the statement of comprehensive income.

Income tax expense was MUS\$ 18.83 (MUS\$ 34.95) for the quarter and MUS\$ 35.82 (MUS\$ 112.10) for the nine months of 2009.

For the quarter ended September 30, 2009 the Group reports a net result after tax of MUS\$ 58.76 corresponding to USD 0.34 per share (MUS\$ 129.62 and USD 0.80 per share, respectively). The net result for the nine months ended September 30, 2009 was MUS\$ 156.43 corresponding to USD 0.94 per share (MUS\$ 332.17 and USD 2.44 per share, respectively).

## Exploration and Production (Upstream)

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

Revenues from sales of crude oil for the quarter were MUS\$ 89.28 (MUS\$ 146.60) and MUS\$ 221.84 (MUS\$ 396.85) for the nine months period. In the third quarter, revenues from export of crude oil amounted to MUS\$ 47.57, revenues from export to CIS countries amounted to MUS\$ 23.47 and revenues from domestic sales amounted to MUS\$ 18.24.

Crude oil sales volumes and prices for export and domestic markets excluding intra-group crude oil sales of 1,439,910 barrels (1,530,196 barrels) for the quarter and 5,395,491 barrels (2,640,903 barrels) for the nine months period are presented in the following table:

<b>Nine months ended September 30, 2009</b>				
	<b>Export</b>	<b>CIS</b>	<b>Domestic</b>	<b>Total</b>
Sold volume (barrels)	4 122 803	1 608 158	1 274 482	7 005 443
Gross price (USD/barrel)	52.00	39.60	33.38	45.76
Net price (USD/barrel)	32.66	31.79	28.29	31.67
Selling expenses (USD/barrel)	4.60	9.24	2.84	5.35
Netback price (USD/barrel)	28.06	22.55	25.45	26.32
Revenue from sales of crude oil (TUSD)	134 658	51 118	36 060	221 836
<b>Nine months ended September 30, 2008</b>				
	<b>Export</b>	<b>CIS</b>	<b>Domestic</b>	<b>Total</b>
Sold volume (barrels)	3 406 005	1 240 516	2 343 121	6 989 642
Gross price (USD/barrel)	110.41	70.42	57.27	85.50
Net price (USD/barrel)	61.34	60.84	47.99	56.78
Selling expenses (USD/barrel)	5.12	15.65	3.51	3.40
Netback price (USD/barrel)	56.22	45.19	44.48	53.38
Revenue from sales of crude oil (TUSD)	208 935	75 470	112 444	396 849
<b>Quarter ended September 30, 2009</b>				
	<b>Export</b>	<b>CIS</b>	<b>Domestic</b>	<b>Total</b>
Sold volume (barrels)	1 313 390	624 709	547 972	2 486 071
Gross price (USD/barrel)	64.24	48.45	39.04	54.72
Net price (USD/barrel)	36.22	37.57	33.29	35.91
Selling expenses (USD/barrel)	4.58	6.41	3.46	4.79
Netback price (USD/barrel)	31.64	31.16	29.83	31.12
Revenue from sales of crude oil (TUSD)	47 565	23 468	18 242	89 275
<b>Quarter ended September 30, 2008</b>				
	<b>Export</b>	<b>CIS</b>	<b>Domestic</b>	<b>Total</b>
Sold volume (barrels)	1 339 812	681 689	814 095	2 835 596
Gross price (USD/barrel)	106.67	75.17	59.63	85.59
Net price (USD/barrel)	45.96	66.34	48.89	51.70
Selling expenses (USD/barrel)	6.31	15.31	3.23	7.59
Netback price (USD/barrel)	39.65	51.03	45.66	44.11
Revenue from sales of crude oil (TUSD)	61 575	45 226	39 803	146 604

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

Oil production costs were MUS\$ 60.33 (MUS\$ 111.65) for the quarter and MUS\$ 153.05 (MUS\$ 251.32) for the nine months. Production and other taxes included in the oil production costs amounted to MUS\$ 41.64 (MUS\$ 88.85) for the quarter and MUS\$ 102.57 (MUS\$ 180.40) for the nine months.

The depletion and depreciation charge for upstream assets was MUS\$ 19.60 (MUS\$ 37.11) for the quarter and MUS\$ 59.11 (MUS\$ 76.91) for the nine months. The average depletion rate per barrel of oil sold from upstream assets amounted to US\$ 5.05 (US\$ 8.50) for the quarter and US\$ 4.80 (US\$ 8.36) for the nine months period. The average depletion rate for the quarter and the nine months ended September 30, 2009 decreased as a result of an impairment charge of MUS\$ 316.85 for oil and gas properties recorded in the financial year ended December 31, 2008. Depletion charges were calculated based on DeGolyer and McNaughton's (D&M) PRMS classification of the company's recoverable proven and probable reserves and estimates of future capital expenditures.

The upstream segment operating result was an income of MUS\$ 34.26 for the quarter and MUS\$ 79.32 for the nine months.

Revenues and costs per barrel are reported on page 14 of this report.

The group's total oil production for the third quarter amounted to 3,909,974 barrels (4,550,885 barrels) and 12,184,750 barrels (12,868,753 barrels based on pro forma Alliance Oil Company Ltd ('AOC') and OJSC 'Alliance' Oil Company production for the period) for the nine months period. The average daily production for the quarter amounted to 42,500 barrels per day (49,466 barrels per day) and 44,633 barrels per day (46,966 barrels per day) for the nine months period. The oil production in the end of November 2009 amounts to approximately 43,300 barrels per day.

#### Tomsk region

Total production in the Tomsk region for the third quarter was 860,399 barrels (1,155,216 barrels) and 2,733,371 barrels (3,387,407 barrels based on pro forma AOC and OJSC "Alliance" Oil Company production for the period) for the nine months period.

Drilling commenced at the Khvoynoye oil field where well no. 34 was drilled and fractured and well no. 39 is being drilled. The wells are expected to be put into production in the fourth quarter.

A total of 26 wells in the region were subject to workover or repair activities in the third quarter.

#### Timano-Pechora region

Total production in the Timano-Pechora region for the third quarter was 1,148,401 barrels (1,352,401 barrels) and 3,633,202 barrels (3,730,871 barrels based on pro forma AOC and OJSC "Alliance" Oil Company production for the period) for the nine months period.

A successful exploration well was drilled at the Lek-Kharyaga oil field. The 4,096 meter well intersected the Sirachoy horizon of the upper Devonian strata at the 3,333-3,426 meter interval. Open hole testing has been performed and commercial oil rates have been acquired. Vertical seismic profiling was accomplished. Additional tests will be performed on the well in the fourth quarter 2009.

The company expects that this successful exploration well will result in a considerable increase in the proven and probable reserves in the Lek-Kharyaga field and consequently in the company's reserves. The proven and probable reserves in the field, as of December 31, 2008 amounted to 35.5 million barrels. Drilling of two production wells also started in the field.

A total of 17 wells in the region were subject to workover or repair activities in the third quarter.

#### Volga-Urals region

Total production in the Volga-Urals region for the third quarter was 1,779,251 barrels (1,927,036 barrels) and 5,459,215 barrels (5,439,156 barrels based on pro forma AOC and OJSC "Alliance" Oil Company production for the period) for the nine months period.

At the Kovalevskoye oil field drilling of exploration well no. 6 started.

Two new production wells were drilled at the Stepnoozerskoye oil field and another well is being drilled. All wells are expected to be put into production in the fourth quarter.

A total of 49 wells in the region were subject to workover or repair activities in the third quarter.

### Kazakhstan

Total production in Kazakhstan for the third quarter was 121,923 barrels (116,232 barrels) and 358,962 barrels (311,319 barrels) for the nine months period.

A total of 5 wells in the region were subject to workover or repair activities in the third quarter.

### **Refining and marketing (Downstream)**

The group operates the Khabarovsk Oil Refinery, the Alliance Oil gas station network and a network of wholesale oil products terminals all located in the Russian Far East.

Revenues from sales of oil products for the quarter were MUSD 391.42 (MUSD 736.48) and MUSD 937.26 (MUSD 1,897.73) for the nine months period. In the third quarter, revenues from export of oil products amounted to MUSD 91.53 and revenues from domestic sales amounted to MUSD 299.89.

Sales volumes and prices for oil products for export and domestic markets are presented in the following table.

<b>Nine months ended September 30, 2009</b>				
	<b>Export</b>	<b>Wholesale market</b>	<b>Retail market</b>	<b>Total</b>
Sold volume (barrels)	5 327 790	8 071 325	2 399 279	15 798 394
Net price (USD/barrel)	41.97	59.48	97.35	59.33
Revenue from sales of oil products (TUSD)	223 598	480 091	233 566	937 255
<b>Nine months ended September 30, 2008</b>				
	<b>Export</b>	<b>Wholesale market</b>	<b>Retail market</b>	<b>Total</b>
Sold volume (barrels)	6 681 188	9 794 580	2 911 757	19 387 525
Net price (USD/barrel)	71.60	105.58	132.33	97.88
Revenue from sales of oil products (TUSD)	478 346	1 034 078	385 304	1 897 728
<b>Quarter ended September 30, 2009</b>				
	<b>Export</b>	<b>Wholesale market</b>	<b>Retail market</b>	<b>Total</b>
Sold volume (barrels)	1 885 850	3 087 197	895 634	5 868 681
Net price (USD/barrel)	48.54	67.22	103.12	66.70
Revenue from sales of oil products (TUSD)	91 535	207 528	92 358	391 421
<b>Quarter ended September 30, 2008</b>				
	<b>Export</b>	<b>Wholesale market</b>	<b>Retail market</b>	<b>Total</b>
Sold volume (barrels)	2 324 588	3 366 448	1 128 757	6 819 793
Net price (USD/barrel)	75.20	122.62	131.90	107.99
Revenue from sales of oil products (TUSD)	174 803	412 788	148 888	736 479

Total production costs for oil products amounted to MUSD 250.05 (MUSD 469.39) for the quarter and MUSD 541.56 (MUSD 1,265.97) for the nine months period.

Production costs of oil products included cost of refined crude oil purchased from third parties that amounted to MUSD 117.70 (MUSD 252.39) for the quarter and MUSD 222.10 (MUSD 769.99) for the nine months period.

Transportation costs were MUSD 89.86 (MUSD 147.43) for the quarter and MUSD 223.18 (MUSD 344.17) the for nine months period. Transportation costs include expenses for crude oil

delivery to the Khabarovsk Oil Refinery, oil products transportation to gas stations and crude oil insurance.

Costs of crude oil refining were MUSD 11.33 (MUSD 17.60) for the quarter and MUSD 28.76 (MUSD 42.85) for the nine months period.

The depreciation charge for refining assets was MUSD 2.91 (MUSD 3.69) for the quarter and MUSD 8.68 (MUSD 10.80) for the nine months period. The depreciation charge for selling and other non-producing assets was MUSD 3.18 (MUSD 2.84) for the quarter and MUSD 8.94 (MUSD 8.04) for the nine months period.

The downstream segment operating income was MUSD 48.41 for the quarter and MUSD 150.73 for the nine months period.

Revenues and costs per barrel are reported on page 14 of this report.

Refining volumes at the Khabarovsk Oil Refinery amounted to 5.89 million barrels (6.77 million barrels) for the quarter and 16.22 million barrels (19.63 million barrels) for the nine months period. Out of total oil products output approximately 60% was represented by higher value light products. The refinery is undergoing a modernisation that is scheduled to be completed in 2012.

The average net oil products price increased by 16% in the quarter compared to the second quarter of 2009. 32% of oil products, primarily fuel oil, were exported in the quarter. 53% of products, primarily diesel were sold through domestic wholesale and 15% through the group's retail network, which primarily marketed gasoline.

In September 2009, OJSC Amurnefteproduct, a subsidiary of Alliance Oil Company Ltd, acquired 10 filling stations and 5 modern tank trucks. The stations will be rebranded under the Alliance Oil brand and become a part of the Group's retail network in the Amur region.

The acquired retail stations currently market over 20 thousand tonnes (approximately 160 thousand barrels) of gasoline and diesel per annum. The deal increases Alliance Oil Company's retail volumes in the region by approximately 30%.

Following the acquisition, Alliance Oil Company operates a network of 256 petrol stations and 16 oil product terminals in the Russian Far East (Amur, Khabarovsk, Primorsk and Jewish Autonomous Regions).

## **Investments, Financing and Liquidity**

### **Investments**

Net investments in oil and gas assets for the quarter amounted to MUSD 11.44 (MUSD 59.49) and were made in the Timano-Pechora region (MUSD 6.90), Tomsk region (MUSD 0.76), Volga-Urals region (MUSD 3.67) and Kazakhstan (MUSD 0.11). For the nine months period total net investments in oil and gas assets amounted to MUSD 44.77 (MUSD 138.19). For the quarter net investments in refining assets amounted to MUSD 23.00 (MUSD 116.08) and net investments in marketing and sales assets amounted to MUSD 10.75 (MUSD 2.86). For the nine months period net investments in refining assets amounted to MUSD 56.93 (MUSD 192.39) and net investments in marketing and sales assets amounted to MUSD 15.89 (MUSD 15.41).

### **Financing**

On June 12, 2009 MSEK 950.00 (MUSD 123.86 before issue costs) was raised through an equity issue of 10 million common shares issued as Swedish Depository Receipts ("SDRs") with a subscription price of SEK 95.00. The net proceeds after issue costs amounted to MSEK 907.83 (MUSD 118.68).

On July 16, 2009 an issue of MUSD 265 convertible bonds bearing a quarterly coupon of 7.25% p.a. and maturing in July 2014 was completed. The bonds are convertible into SDRs at an initial conversion price of SEK 121.1250 per SDR. The Group has the option to call the bonds after the first three years at their principal amount, together with accrued interest, if the market price of the SDRs deliverable on conversion of the bonds exceeds 130% of the principal amount of the bonds over a specified period.

In September 2009, OJSC "Alliance" Oil Company, a wholly owned subsidiary of the Group, and OJSC "VTB Bank" agreed the renewal and extension of the MRUB 5,000 (MUSD 165 at the exchange rate on the extension date) credit agreement entered into in November 2008. The new facility has a 12 months maturity and bears interest at a rate of 14% p.a.

On September 18, 2009, OJSC "Alliance" Oil Company redeemed MRUB 2,733 (approximately MUSD 90 at the exchange rate on the redemption date) of its outstanding MRUB 3,000 bond issue due in 2011. For the balance of the issue, MRUB 267, which will remain outstanding until September 2011, the coupon was increased from 8.92% to 14% p.a.

### **Liquidity**

As of September 30, 2009 the Group liquidity amounted to MUSD 288.80 (MUSD 293.27) excluding restricted cash. Cash flow from operations, before changes in working capital, amounted to MUSD 246.35 (MUSD 397.45) for the nine months period.

### **Parent company**

The parent company's net income before tax for the quarter amounted to MUSD 2.26 (net loss of MUSD 8.68) and net income of MUSD 3.03 (net loss of MUSD 8.41) for the nine months period.

As of September 30, 2009 the liquidity of the parent company amounted to MUSD 151.29 (MUSD 0.07).

In June 2009, the parent company issued 10 million shares as described above. In July 2009, the parent company issued MUSD 265 convertible bonds as described above.

### **Organisation**

In June 2009, the company's corporate name was changed from West Siberian Resources Ltd to Alliance Oil Company Ltd.

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 Liefoghe and Mr. Isa Bazhaev.

### **Share capital and options**

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

On June 10, 2009 a reverse split of the Company's common shares was completed consolidating each 20 shares into 1 share. The nominal value per share was increased from USD 0.05 to USD 1.00. The reverse split reduced the number of outstanding shares from 3,230,568,280 to 161,528,414.

On June 12, 2009 as a result of an equity issue the share capital of the company increased by USD 10,000,000 from USD 161,528,414 to USD 171,528,414 and the number of shares increased from 161,528,414 to 171,528,414.

As of September 30, 2009 the total number of options outstanding under the Group's Global Share Option Plan amounted to 3,067,000. Each option gives the right to subscribe for 1 share of common stock at exercise prices ranging from SEK 83.80 to SEK 140.00. All options are exercisable after 3 years subject to certain conditions and expire in 5 years from issuance. The value of the options on the grant date is recognized over the vesting period of 3 years. Charges related to the option plan are recorded as non-cash administration expenses with a corresponding entry to retained earnings. As of November 26, 2009 1,363,700 options were exercisable out of which none have been exercised.

## GROUP INCOME STATEMENT

	Note	Group			
		Jan 1, 2009 - Sep 30, 2009 (9 months)	Jan 1, 2008 - Sep 30, 2008 (9 months)*	Jul 1, 2009 - Sep 30, 2009 (3 months)	Jul 1, 2008 - Sep 30, 2008 (3 months)
<i>(Expressed in USD thousands)</i>					
<b>Revenue</b>					
Revenue from sales of crude oil		221 836	396 849	89 275	146 604
Revenue from sales of oil products		937 255	1 897 728	391 421	736 479
Other income		22 607	17 351	9 217	10 613
		<b>1 181 698</b>	<b>2 311 928</b>	<b>489 913</b>	<b>893 696</b>
<b>Cost of sales</b>					
Production costs - crude oil		-153 053	-251 319	-60 330	-111 649
Production costs - oil products		-541 563	-1 265 973	-250 051	-469 388
Cost of other sales		-18 003	-8 520	-4 424	-3 547
Depletion and depreciation		-67 791	-87 706	-22 508	-40 804
Impairment of oil and gas properties	7	-4 360	-	-	-
		<b>396 928</b>	<b>698 410</b>	<b>152 600</b>	<b>268 308</b>
<b>Gross profit</b>					
Selling expenses		-125 208	-153 369	-43 986	-59 908
Administration expenses		-37 713	-42 862	-13 896	-20 747
Depreciation of selling and other non-production assets		-8 941	-8 043	-3 178	-2 848
Other operating expenses		-6 328	-11 063	-4 272	-2 267
Gain on disposal of shares in subsidiaries	8	905	-	255	-
		<b>219 643</b>	<b>483 073</b>	<b>87 523</b>	<b>182 538</b>
<b>Operating income</b>					
Finance expenses, net		-26 113	-32 631	-10 205	-4 697
Currency exchange (losses)/gains, net		-1 045	-1 442	1 140	-11 271
		<b>192 485</b>	<b>449 000</b>	<b>78 458</b>	<b>166 570</b>
<b>Result before tax</b>					
Income tax expense	10	-35 822	-112 100	-18 825	-34 948
		<b>156 663</b>	<b>336 900</b>	<b>59 633</b>	<b>131 622</b>
<b>Result for the period</b>					
<b>Attributable to:</b>					
Equity holders of the parent		<b>156 431</b>	332 167	<b>58 764</b>	129 619
Non-controlling interests		<b>232</b>	4 733	<b>869</b>	2 003
Earnings per share (USD)	2	0.94	2.44	0.34	0.80
Diluted earnings per share (USD)	2	0.94	2.43	0.34	0.80

\* The financial figures represent Alliance Oil Company Group's (formerly West Siberian Resources Group) interim consolidated financial information for the period which included OJSC "Alliance" Oil Company financial information for the nine months of 2008 and Alliance Oil Company Ltd's (formerly West Siberian Resources Ltd's) financial information for the period from April 10, 2008 to September 30, 2008.

## GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	Group			
		Jan 1, 2009 - Sep 30, 2009 (9 months)	Jan 1, 2008 - Sep 30, 2008 (9 months)*	Jul 1, 2009 - Sep 30, 2009 (3 months)	Jul 1, 2008 - Sep 30, 2008 (3 months)
<i>(Expressed in USD thousands)</i>					
<b>Result for the period</b>		156 663	336 900	59 633	131 622
<b>Other comprehensive income:</b>					
Currency exchange differences on translating foreign operations	6	-14 591	-108 676	62 719	-146 199
Income tax relating to components of other comprehensive income		-1 881	-3 397	-4 428	-3 397
Other comprehensive income for the period, net of tax:		-16 472	-112 073	58 291	-149 596
<b>Total comprehensive income for the period</b>		<b>140 191</b>	<b>224 827</b>	<b>117 924</b>	<b>-17 974</b>
<b>Attributable to:</b>					
Equity holders of the parent		139 829	219 831	117 055	-20 109
Non-controlling interests		362	4 996	869	2 135

\* The financial figures represent Alliance Oil Company Group's (formerly West Siberian Resources Group) interim consolidated financial information for the period which included OJSC "Alliance" Oil Company financial information for the nine months of 2008 and Alliance Oil Company Ltd's (formerly West Siberian Resources Ltd's) financial information for the period from April 10, 2008 to September 30, 2008.

## GROUP STATEMENT OF FINANCIAL POSITION – Condensed

<i>(Expressed in USD thousands)</i>	<i>Note</i>	<b>Sep 30, 2009</b>	<b>Dec 31, 2008</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1 714 690	1 742 800
Intangible assets		7 687	8 554
Goodwill		10 766	11 242
Deferred tax assets	10	19 782	38 443
Other financial assets		1 169	2 329
		<b>1 754 094</b>	<b>1 803 368</b>
<b>CURRENT ASSETS</b>			
	12	653 329	587 573
<b>TOTAL ASSETS</b>		<b>2 407 423</b>	<b>2 390 941</b>
<b>SHAREHOLDERS' EQUITY</b>			
	4,5,11	<b>1 439 650</b>	<b>1 157 676</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing non-current liabilities	6	148 856	241 051
Deferred tax liabilities	10	127 744	171 847
Provision for site restoration costs		12 781	13 695
Convertible bonds	5	235 542	-
Other long-term liabilities		-	2 122
		<b>524 923</b>	<b>428 715</b>
<b>CURRENT LIABILITIES</b>			
	6	442 850	804 550
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>2 407 423</b>	<b>2 390 941</b>

## GROUP STATEMENT OF CASH FLOWS – Condensed

<i>(Expressed in USD thousands)</i>	Note	Jan 1, 2009 - Sep 30, 2009 (9 months)	Jan 1, 2008 - Sep 30, 2008 (9 months)*
<b>Cash flow from operations</b>			
Operating income		219 643	483 073
<b>Operating cash flow before changes in working capital</b>		<b>246 352</b>	<b>397 446</b>
<b>Total cash flow from operations</b>		<b>151 324</b>	<b>225 260</b>
<b>Total cash flow used for investments</b>		<b>-142 216</b>	<b>-163 598</b>
<b>Total cash flow used for/from financing</b>	4,5	<b>-20 522</b>	<b>14 099</b>
Effects of exchange rate changes on cash and cash equivalents and from translation into presentation currency		2 086	-15 814
<b>Change in cash and cash equivalents</b>		<b>-9 328</b>	<b>59 947</b>
Cash and cash equivalents at beginning of period	12	335 367	408 372
<b>Cash and cash equivalents at end of period</b>	<b>12</b>	<b>326 039</b>	<b>468 319</b>

\* The financial figures represent Alliance Oil Company Group's (formerly West Siberian Resources Group) interim consolidated financial information for the period which included OJSC "Alliance" Oil Company financial information for the nine months of 2008 and Alliance Oil Company Ltd's (formerly West Siberian Resources Ltd's) financial information for the period from April 10, 2008 to September 30, 2008.

## GROUP STATEMENT OF CHANGES IN EQUITY

<i>(Expressed in USD thousands)</i>	Attributable to equity holders of the parent company				Total	Non-controlling interest	Total equity
	Share capital	Other paid in capital	Other reserves	Retained earnings			
<b>Equity at Dec 31, 2007*</b>	<b>33 656</b>	<b>27 801</b>	<b>93 702</b>	<b>423 069</b>	<b>578 228</b>	<b>28 518</b>	<b>606 746</b>
Result for the period	-	-	-	332 167	332 167	4 733	336 900
Other comprehensive (loss)/income	-	-	-112 336	-	-112 336	263	-112 073
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-112 336</b>	<b>332 167</b>	<b>219 831</b>	<b>4 996</b>	<b>224 827</b>
Merger of OJSC "Alliance" Oil Company and Alliance Oil Company Ltd	114 972	828 424	-	-	943 396	-	943 396
Changes in ownership of subsidiaries	-	-	-	-	-	-4 729	-4 729
Disposal of subsidiaries to related parties	-	-11 119	-	-	-11 119	-	-11 119
Private placement	12 900	152 075	-	-	164 975	-	164 975
Dividends paid to shareholders by subsidiaries	-	-	-	-193 197	-193 197	-	-193 197
Share option plan (Note 11)	-	-	-	3 428	3 428	-	3 428
<b>Equity at Sep 30, 2008</b>	<b>161 528</b>	<b>997 181</b>	<b>-18 634</b>	<b>565 467</b>	<b>1 705 542</b>	<b>28 785</b>	<b>1 734 327</b>
Result for the period	-	-	-	-291 601	-291 601	670	-290 931
Other comprehensive loss	-	-	-286 206	-	-286 206	-17	-286 223
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>-286 206</b>	<b>-291 601</b>	<b>-577 807</b>	<b>653</b>	<b>-577 154</b>
Changes in ownership of subsidiaries	-	-	-	-	-	-203	-203
Dividends paid to shareholders by subsidiaries	-	-	-	-2	-2	-	-2
Share option plan	-	-	-	708	708	-	708
<b>Equity at Dec 31, 2008</b>	<b>161 528</b>	<b>997 181</b>	<b>-304 840</b>	<b>274 572</b>	<b>1 128 441</b>	<b>29 235</b>	<b>1 157 676</b>
Result for the period	-	-	-	156 431	156 431	232	156 663
Other comprehensive (loss)/income	-	-	-13 208	-3 394	-16 602	130	-16 472
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-13 208</b>	<b>153 037</b>	<b>139 829</b>	<b>362</b>	<b>140 191</b>
Changes in ownership of subsidiaries	-	-8	-	-	-8	-200	-208
Equity issue (Note 4)	10 000	108 675	-	-	118 675	-	118 675
Dividends paid to shareholders by subsidiaries	-	-	-	-52	-52	-	-52
Convertible bonds (Note 5)	-	-	22 274	-	22 274	-	22 274
Share option plan (Note 11)	-	-	-	1 094	1 094	-	1 094
<b>Equity at Sep 30, 2009</b>	<b>171 528</b>	<b>1 105 848</b>	<b>-295 774</b>	<b>428 651</b>	<b>1 410 253</b>	<b>29 397</b>	<b>1 439 650</b>

\* The financial figures represent OJSC "Alliance" Oil Company's financial information for the financial year ended December 31, 2007 before the merger with Alliance Oil Company Ltd (formerly West Siberian Resources Ltd).

## KEY FINANCIAL AND OPERATIONAL RATIOS

	Jan 1, 2009 - Sep 30, 2009 9 months	Jan 1, 2008 - Sep 30, 2008 9 months*	Jul 1, 2009 - Sep 30, 2009 3 months	Jul 1, 2008 - Sep 30, 2008 3 months
<b>Financial ratios</b>				
EBITDA <sup>1</sup> , TUSD	297 699	578 822	112 322	226 190
Return on shareholders' equity <sup>2</sup>	11%	19%	4%	8%
Return on capital employed <sup>3</sup>	11%	26%	4%	7%
Debt/equity ratio <sup>4</sup>	50%	54%	50%	54%
Equity ratio <sup>5</sup>	60%	54%	60%	54%
Risk-bearing capital <sup>6</sup>	65%	63%	65%	63%
Interest-coverage ratio <sup>7</sup>	4.17	8.76	4.45	10.17
Debt coverage ratio <sup>8</sup>	5.49	10.19	5.57	11.82
Weighted average number of shares for the financial period <sup>9,10,11,12</sup>	165 557 718	136 276 576	171 528 414	161 528 414
Weighted average number of shares for the financial period (diluted) <sup>9,10,11,12</sup>	171 458 605	136 503 957	189 076 755	161 995 991
Number of shares at financial period end <sup>9,10,11,12</sup>	171 528 414	161 528 414	171 528 414	161 528 414
<b>Operational ratios</b>				
<b>Crude Oil</b>				
Sales volume (consolidated), barrels	12 400 934	9 630 545	3 925 981	4 365 792
to external customers	7 005 443	6 989 642	2 486 071	2 835 596
to intergroup companies	5 395 491	2 640 903	1 439 910	1 530 196
Oil revenue per barrel sold, USD/barrel <sup>1</sup>	31.67	56.78	35.91	51.70
Export	32.66	61.34	36.22	45.96
Export CIS	31.79	60.84	37.57	66.34
Domestic	28.29	47.99	33.29	48.89
Production costs per barrel sold, USD/barrel <sup>2</sup>	17.05	33.88	20.30	34.07
Production costs	3.92	5.90	4.57	5.22
Production and other taxes	8.33	19.62	10.68	20.35
Depletion and depreciation	4.80	8.36	5.05	8.50
<b>Oil Products</b>				
Sales volume (consolidated), barrels	15 798 394	19 387 525	5 868 681	6 819 793
Oil products revenue per barrel sold, USD/barrel <sup>1</sup>	59.33	97.88	66.70	107.99
Export	41.97	71.60	48.54	75.20
Wholesale	59.48	105.58	67.22	122.62
Retail	97.35	132.33	103.12	131.90
Production costs per barrel sold, USD/barrel <sup>2</sup>	43.10	72.88	51.82	81.05
Cost of refining	1.82	2.21	1.93	2.58
Transportation – crude oil for refining	13.01	14.85	14.15	18.20
Transportation – oil products	1.12	2.90	1.16	3.41
Cost of crude oil purchased for refining	22.32	46.74	28.78	48.70
Cost of oil products purchased for re-sale	1.46	2.45	2.32	4.51
Taxes	2.82	3.17	2.99	3.11
Depreciation of refining assets	0.55	0.56	0.49	0.54

\* The financial figures represent Alliance Oil Company Group's (formerly West Siberian Resources Group) interim consolidated financial information for the period which included OJSC "Alliance" Oil Company financial information for the nine months of 2008 and Alliance Oil Company Ltd's (formerly West Siberian Resources Ltd's) financial information for the period from April 10, 2008 to September 30, 2008.

### **Financial ratio definitions**

1. Earnings before interest, tax, depreciation and amortization is defined as the Group's operating result plus depletion and depreciation, impairment of oil and gas properties and goodwill if applicable, minus gain on disposal of shares in subsidiaries if applicable, and plus/minus other significant one-off items in the income statement.
2. Return on shareholders' equity is defined as the Group's net result divided by the shareholders' equity at the end of the financial period.
3. Return on capital employed is defined as the Group's net result after financial items, plus interest expenses, plus/minus exchange rate differences on financial loans, 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 the Group's interest-bearing liabilities in relation to shareholders' equity.
5. Equity ratio is defined as the Group's shareholders' equity, plus non-controlling interests, in relation to total assets.
6. The percentage of risk-bearing capital is defined as the total sum of shareholders' equity and deferred tax liabilities (including non-controlling interests), divided by total assets.
7. Interest-coverage ratio is defined as the Group's net result after financial items, plus interest expenses (both capitalized and expensed in the income statement), plus/minus exchange rate differences on financial loans, divided by interest expense.
8. Debt-coverage ratio is defined as the Group's earnings before interest, tax, depletion, depreciation and amortization divided by interest expense.
9. On June 10, 2009 the Group completed the reverse split of shares consolidating each 20 shares into 1 share that reduced the number of shares from 3,230,568,280 to 161,528,414.
10. On June 12, 2009 the Group completed the share issue after which the number of shares increased by 10,000,000 from 161,528,414 to 171,528,414.
11. As of September 30, 2009 3,067,000 options were outstanding with the right to subscribe for 1 share of common stock at exercise prices ranging from SEK 83.80 to SEK 140.00 which have an effect on the average number of shares when calculated on a diluted basis.
12. On July 16, 2009 the Group issued MUSD 265 bonds convertible into SDRs at an initial conversion price of SEK 121.1250 per SDR which have an effect on the average number of shares when calculated on a diluted basis.

### **Operational ratio definitions**

#### Crude oil

1. Oil revenue per barrel ratios are defined as net sales price (gross price less VAT or export duties) per barrel of oil sold to external customers.
2. Production costs per barrel ratios are based on volumes of crude oil sold both intergroup and to external customers excluding crude oil purchased for re-sale.

#### Oil products

1. Oil products revenue per barrel are defined as net sales price (gross price less VAT or export duties) per barrel of oil products sold to external customers.
2. Production costs per barrel ratios are defined as operating cost component (including purchases of crude oil and other services from intergroup companies) divided by volumes of oil products sold both intergroup and to external customers.

## NOTES

### Note 1 Accounting principles

This consolidated condensed report is prepared in accordance with IFRS and IAS 34. The accounting principles used in this report were the same as the ones used in the annual report as of December 31, 2008, except as indicated in the following paragraph.

A number of new and amended Standards and new Interpretations from IFRIC became effective as from January 1, 2009. The impact of adoption of these Standards and Interpretations in the preparation of consolidated financial statements was assessed by the Group's management as insignificant except for the IAS 1 Revised "Presentation of financial statements" and IFRS 8 "Operating Segments". The revised standard IAS 1 "Presentation of financial statements" resulted in a changed presentation of the Group's financial statements but has no impact on the recognition or measurement of specific transactions and balances. IFRS 8 "Operating Segments" introduces new requirements and guidelines regarding the disclosures of operating segments. The new standard for segment reporting requires the Group's segments of activities to be reported based on the internal reporting structure. Previously, the Group reported its segment information in accordance with IAS 14.

### Note 2 Earnings per share

The earnings per share have been calculated by dividing the net result by the weighted average number of shares for the financial period.

On June 10, 2009 a reverse split of the company's common shares was completed consolidating each 20 shares into 1 share. The reverse split reduced the number of outstanding shares from 3,230,568,280 to 161,528,414 and increased the nominal value per share from USD 0.05 to USD 1.00. The actual and diluted weighted average number of shares used for calculating the earnings per share for the nine months and the quarter ended September 30, 2008 were adjusted for the reduction in number of shares.

### Note 3 Segment information

The Group's management determines its reporting segments based on the nature of the operations of the Group's companies. As a result, two business segments are presented: upstream segment which includes crude oil exploration, extraction and production and downstream segment which includes oil refining, transportation, marketing and sales of oil products. The Group's management review and evaluate the performance of these segments on a monthly basis.

	Upstream	Downstream	Other Companies*	Intra-segment eliminations	IFRS Adjustments	Total
<b>Nine months ended September 30, 2009</b>						
Total segment revenue	354 364	972 426	3 654	-148 866	120	1 181 698
Less: intra-segment revenue	129 899	15 542	3 425	-148 866	-	-
Segment revenue	224 465	956 884	229	-	120	1 181 698
<b>Segment result / Operating income</b>	<b>79 322</b>	<b>150 730</b>	<b>-9 593</b>	<b>-</b>	<b>-816</b>	<b>219 643</b>
Net financial items	-15 919	-15 620	523	-1 597	5 455	-27 158
Result before tax	63 403	135 110	-9 070	-1 597	4 639	192 485
Income tax	-12 652	-33 854	1 271	-	9 413	-35 822
<b>Result for the period</b>	<b>50 751</b>	<b>101 256</b>	<b>-7 799</b>	<b>-1 597</b>	<b>14 052</b>	<b>156 663</b>

\* Other companies represent the parent company and subsidiaries involved in non-core activities not included in the management reporting accounts.

	Upstream	Downstream	Other Companies*	Intra-segment eliminations	IFRS Adjustments	Total
<b>Quarter ended September 30, 2009</b>						
Total segment revenue	134 135	404 356	1 293	-50 266	395	489 913
Less: intra-segment revenue	44 740	4 307	1 219	-50 266	-	-
Segment revenue	89 395	400 049	74	-	395	489 913
<b>Segment result/ Operating income</b>	<b>34 258</b>	<b>48 407</b>	<b>-2 894</b>	<b>-</b>	<b>7 752</b>	<b>87 523</b>
Net financial items	333	-776	-2 524	-1 597	-4 501	-9 065
Result before tax	34 591	47 631	-5 418	-1 597	3 251	78 458
Income tax	- 6 884	-10 350	-395	-	-1 196	-18 825
<b>Result for the period</b>	<b>27 707</b>	<b>37 281</b>	<b>-5 813</b>	<b>-1 597</b>	<b>2 055</b>	<b>59 633</b>

\* Other companies represent the parent company and subsidiaries involved in non-core activities not included in the management reporting accounts.

The major differences between the management reporting accounts and IFRS financial statements arise due to the following IFRS adjustments:

- Elimination of unrealized gains/losses on intra-group operations.
- Currency exchange losses related to intra-segment loans viewed as extended investments reclassified from the income statement to the statement of comprehensive income.
- Deferred tax accrued for the above mentioned adjustments and other differences in the deferred tax movements not included into the management reporting accounts.

As the merger of OJSC "Alliance" Oil Company and Alliance Oil Company Ltd (formerly West Siberian Resources Ltd) was completed in the financial year ended December 31, 2008 the segment management reporting for the combined group for the comparative nine months and quarter ended September 30, 2008 are not available.

#### Note 4 Share issue

On June 12, 2009 an issue of 10,000,000 common shares (Swedish Depository Receipts- SDRs) with a subscription price of SEK 95.00 raising TSEK 950,000 (TUSD 123,858 before issue costs) was completed. The net proceeds after issue costs amounted to TSEK 907,829 (TUSD 118,675).

#### Note 5 Convertible bonds

On July 16, 2009 an issue of MUS\$ 265 convertible bonds bearing a quarterly coupon of 7.25% p.a. and maturing in July 2014 was completed. The bonds are convertible into SDRs at an initial conversion price of SEK 121.1250 per SDR. The Group has the option to call the bonds after the first three years at their principal amount, together with accrued interest, if the market price of the SDRs deliverable on conversion of the bonds exceeds 130% of the principal amount of the bonds over a specified period. The net proceeds received from the issue of the bonds have been split between the liability element and an equity component, representing the option to convert the liability into equity of the Group, as follows:

Proceeds from issue (net of debt issuance cost)	257 815
Liability component at date of issue	235 542
	<hr/>
Equity component	<u>22 274</u>

The interest charged for the period is calculated by applying an effective interest rate method. The liability component is measured at amortized cost.

## Note 6 Borrowings

The summaries of long and short-term borrowings' principal and interest accrued payable as of September 30, 2009 and December 31, 2008 are presented in the tables below.

Bank	Currency	Interest rate	As of September 30, 2009		
			Principal	Interest	Total
Non-convertible interest bearing bonds	RUR	14%	8 877	426	9 303
Convertible interest bearing bonds	USD	7.25%	235 542	5 001	240 543
Bank loans nominated in RUR	RUR	From 11.25 to 18%	239 199	1 023	240 222
Bank loans nominated in USD	USD	From LIBOR 3m+2.5% to 10%	215 787	692	216 479
<b>Total loans and borrowings</b>			<b>699 405</b>	<b>7 142</b>	<b>706 547</b>
Less long-term loans and borrowings					384 398
<b>Short-term portion of long-term and short-term loans and borrowings</b>					<b>322 149</b>

Bank	Currency	Interest rate	As of December 31, 2008		
			Principal	Interest	Total
Non-convertible interest bearing bonds	RUR	8.92%	102 109	2 523	104 632
Bank loans nominated in RUR	RUR	From 11% to 16%	232 172	909	233 081
Bank loans nominated in USD	USD	From LIBOR 3m+2.5% to 13.75%	520 016	1 466	521 482
Loans and borrowing from related parties	RUR	From 14% to 16%	4 394	24	4 418
<b>Total loans and borrowings</b>			<b>858 691</b>	<b>4 922</b>	<b>863 613</b>
Less long-term loans and borrowings					234 164
<b>Short-term portion of long-term and short-term loans and borrowings</b>					<b>629 449</b>

As of 30 September 2009, the loans and borrowings were collateralised by:

- 100% of the Group's shareholding in Vostok Oil (Cyprus) Ltd, OJSC VTK, OJSC Pechoraneft, CJSC Saneco, LLC Khvoinoye, LLC Nikol, CJSC Alliance Oil;
- 97.44% of the Group's shareholding in OJSC Tatnefteotdacha, 95.76% in the Khabarovsk Oil Refinery, 88.48% in OJSC Khabarovsknefteproduct, 76.14% in OJSC Primornefteproduct, 79.61% in OJSC Amurneфтеproduct;
- Property, plant and equipment with a carrying value of TUSD 71,776;
- Oil products with an approximate carrying value of TUSD 5,254 and crude oil and oil products which can be sold to recover the pledge amount of TUSD 34,145.

At of 31 December 2008, the Group had non-convertible interest bearing bonds, secured by the financial guarantee of the Khabarovsk Oil Refinery. According to the issue terms, the company could offer to redeem the bonds after three years. In September 2009, the bonds were redeemed at 100% of their face value in accordance with the option embedded in the bond issue. For the balance of the issue, MRUB 267 (MUSD 9.3 at the balance sheet date), which will remain outstanding until September 2011, the coupon was increased from 8.92% to 14% p.a.

In September 2009, OJSC "Alliance" Oil Company, a subsidiary of Alliance Oil Company Ltd, and OJSC "VTB Bank" agreed the renewal and extension of the MRUB 5,000 (MUSD 165 at the exchange rate on the extension date) credit agreement entered into in November 2008. The new facility has a 12 months maturity and bears interest at a rate of 14% p.a.

The expected future cash flows for the repayment of loan principal and payment of interest related to the long- and short-term loan facilities are presented below. The interest payments were based on the interest rate effective as of September 30, 2009.

The principal and interest payments denominated in RUR were converted into USD using the exchange rate as of September 30, 2009.

	Principal	Interest	Total
Within one year from September 30, 2009	315 008	44 340	359 348
Within one and two years from September 30, 2009	91 508	27 938	119 446
More than two years from September 30, 2009	322 349	61 997	384 346
<b>Total amount estimated to be repaid</b>	<b>728 865</b>	<b>134 275</b>	<b>863 140</b>

As from August 1, 2008 certain intercompany loans to subsidiaries were reassessed to be viewed as extended investments rather than operating loans. The accounting treatment for such loans is that currency exchange gains and losses are recorded in the statement of comprehensive income as a translation difference, net of income tax, whereas for operating loans such gains and losses are recorded in the income statement. The impact of the reassessment for the nine months period and for the quarter is that a non-cash loss of TUSD 15,446 (TUSD 41,836) and a non-cash gain of TUSD 19,685 (loss of TUSD 41,836) respectively before income tax have been recorded in the statement of comprehensive income.

#### **Note 7 Impairment of oil and gas properties**

Based on the unsatisfactory results of the exploration works performed for the two license areas located in Tatarstan in the Volga-Urals region of Russia, the Group's management made a decision to relinquish the related exploration licenses to the Russian Government. Therefore the value of the capitalized exploration licenses and related exploration assets was written off in the amount of TUSD 4,360 and was recorded in the income statement for the quarter ended June 30, 2009.

#### **Note 8 Disposal of subsidiaries**

On March 30, 2009 the Group sold 100% of the shareholding in the Alexandrov Refinery, located in the Tomsk region of the Russian Federation for a net cash consideration of TUSD 3,110. The recognized gain on the disposal amounted to TUSD 650. In the third quarter an additional cash consideration in the amount of TUSD 260 was received that increased the gain on disposal.

#### **Note 9 Related parties' transactions**

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

Included in the Group's consolidated balance sheet as at September 30, 2009 and December 31, 2008 were the following significant balances with the related parties:

	Group	
	Sep 30, 2009	Dec 31, 2008
<b>Shareholders</b>		
Trade and other accounts receivable	161	-
Trade and other accounts payable	94	-
<b>Other related parties</b>		
Other financial assets	302	381
Trade and other accounts receivable	13 127	10 544
Advances paid and prepaid expenses	230	101
Advances paid for construction	21	70
Cash and cash equivalents	31 401	127 268
Loans and borrowings	-	4 419
Trade and other accounts payable	757	187
Advances received and accrued expenses	19 408	34 933
Accounts payable for property, plant and equipment	94	155
Capitalized interest on loans	980	294

Included in the Group's consolidated income statement for the nine months ended September 30, 2009 and 2008 were the following significant transactions with the related parties:

	Group	
	Jan 1, 2009 - Sep 30, 2009	Jan 1, 2008 - Sep 30, 2008
<b>Shareholders</b>		
Trademark use charges	-	3 063
Revenue from sales to related parties	140	-
Purchase of services from related parties	333	-
<b>Other related parties</b>		
Revenue from sales to related parties	282 461	643 783
Purchase of goods from related parties	2 071	90 753
Purchase of services from related parties	18 314	21 034
Charity contributions to the fund named by Z. Bazhaev (for participation in the Russian federal national projects)	6 738	501
Interest expense	87	350
Interest income	3 975	1 113

### Note 10 Tax

For the nine months ended September 30, 2009 the deferred tax liability decreased from TUSD 171,847 to TUSD 127,744 and deferred tax assets decreased from TUSD 38,443 to TUSD 19,782. The current tax expense for the nine months and for the quarter amounted to TUSD 44,172 and TUSD 19,056, respectively. The deferred tax income for the nine months and for the quarter amounted to TUSD 8,350 and TUSD 231, respectively.

In November 2008, the Russian corporate profit tax rate was changed from 24% to 20% effective from January 1, 2009.

### Note 11 Share option plan

In 2006, the Group adopted the Global Share Option Plan. As of September 30, 2009 the number of outstanding options amounted to 3,067,000. Each option gives the right to subscribe for 1 share of common stock at exercise prices ranging from SEK 83.80 to SEK 140.00. All options are exercisable after 3 years subject to certain non-market conditions such as the Company's and individual performance and expire in 5 years from issuance. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense with the corresponding entry in retained earnings. The total amount to be expensed over the vesting period of 3 years is determined by reference to the fair value of the options granted excluding the impact of any non-market vesting conditions. As of November 26, 2009 1,363,700 options were exercisable out of which none have been exercised.

For the nine months ended September 30, 2009 and 2008 the charges amounting to TUSD 1,094 and TUSD 3,428 increased the income statement line "Administration expenses" and correspondingly the retained earnings. For the quarters ended September 30, 2009 and 2008 the charge and income amounted to TUSD 231 and TUSD 576, respectively.

### Note 12 Restricted cash

As of September 30, 2009 and December 31, 2008 the amount of TUSD 37,242 and TUSD 42,101 was held as cash collateral for the letters of credit opened by the Khabarovsk Oil Refinery.

### Note 13 Commitments and contingencies

Under the contracts effective as of September 30, 2009 and December 31, 2008 future capital expenditures commitments were estimated at TUSD 612,584 and TUSD 601,947 (excluding VAT), respectively.

## Next report due

The next financial report for the fourth quarter and the twelve months from January 1, 2009 to December 31, 2009 will be published on February 25, 2010.

## Annual General Meeting

The annual general meeting of the shareholders will be held in Stockholm on May 27, 2010.

## Conference call

Date: Thursday November 26

Time: 10.00 CET

To participate to the conference call please dial:

Sweden: +46 (0) 8 5051 3641 confirmation code 6144297;

Other countries: +44 (0) 20 7138 0826 confirmation code 6144297.

The press conference will be webcasted live at [www.allianceoilco.com](http://www.allianceoilco.com) and [www.financialhearings.com](http://www.financialhearings.com).

The conference will be available at [www.allianceoilco.com](http://www.allianceoilco.com).

## Risk and uncertainties associated with this interim report

The group's risk exposure is presented on pages 88-92 of the AOC's (former WSR's) 2008 annual report. There are no general changes to this presentation of risk exposure.

November 26, 2009

Eric Forss  
Chairman

Arsen Idrisov  
Director and Managing Director

Claes Levin  
Director

Fred Boling  
Director

Raymond Liefoghe  
Director

Fernando Martinez-Fresneda  
Director

Isa Bazhaev  
Director

### For further information:

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Eric Forss, Chairman of the Board, telephone +46 8 613 00 85 or +46 705 23 86 62.

### Alliance Oil Company Ltd

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## **Report on Review of Interim Financial Information**

### *Introduction*

We have reviewed the accompanying balance sheet of Alliance Oil Company Ltd as of September 30, 2009 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 26, 2009

PricewaterhouseCoopers AB

Johan Rippe  
*Authorised Public Accountant*