

OAO TNK-BP HOLDING
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2009 AND 31 DECEMBER 2008 AND FOR THE SIX
MONTHS ENDED 30 JUNE 2009 AND 2008
(UNAUDITED)

OAO TNK-BP HOLDING
Interim Condensed Consolidated Balance Sheets (Unaudited)
(expresses in millions of USD, except as indicated)

	Note	30 June 2009	31 December 2008
Assets			
Cash and cash equivalents		892	917
Restricted cash		2	-
Bank deposits with maturity more than 3 months		100	-
Trade and other receivables, net	5	9,393	12,408
Inventories	6	686	628
Other current assets		170	188
Total current assets		11,243	14,141
Long-term investments		12	11
Property, plant and equipment, net		16,158	16,022
Long-term loans issued and receivables from related parties	14	1,100	116
Other long-term assets		890	889
Total assets		29,403	31,179
Liabilities and Equity			
Short-term debt and current portion of long-term debt	7	257	620
Trade accounts and notes payable		2,648	6,663
Other accounts payable and accrued expenses	8	354	491
Taxes payable	11	774	526
Dividends payable		1,049	654
Total current liabilities		5,082	8,954
Long-term debt	7	1,926	1,184
Asset retirement obligations		347	341
Deferred income tax liabilities		551	561
Other long-term liabilities		348	319
Total liabilities		8,254	11,359
Commitments and contingencies	15	-	-
Common stock (authorised and issued – 15,847 million shares, RUR 1.0 par value)		550	550
Preferred stock (authorised and issued – 450 million shares, RUR 1.0 par value)		16	16
Treasury stock, at cost		(239)	(239)
Additional paid-in capital		4,933	4,933
Retained earnings		15,030	13,791
Accumulated other comprehensive loss		-	(48)
Total Group shareholders' equity		20,290	19,003
Noncontrolling interest		859	817
Total equity		21,149	19,820
Total liabilities and equity		29,403	31,179

The accompanying notes are an integral part of these interim condensed consolidated financial statements

OAO TNK-BP HOLDING**Interim Condensed Consolidated Statements of Income (Unaudited)**

(expressed in millions of USD)

	Note	Six months ended 30 June 2009	Six months ended 30 June 2008
Revenues			
Sales and other operating revenues	12	12,764	24,914
Costs and other deductions			
Export duties		2,734	6,607
Taxes other than income tax	11	2,270	5,810
Operating expenses		1,747	2,413
Transportation expenses		1,265	1,293
Depreciation, depletion and amortization		843	705
Cost of purchased products		649	1,110
Selling, general and administrative expenses		522	854
Loss on disposals and impairment of assets		31	15
Exploration expenses		17	37
Total costs and other deductions		10,078	18,844
Other income and expenses			
Earnings from equity investments		2	3
Gain on disposals of subsidiaries	13	128	60
Interest income and net other income		83	70
Exchange gain		108	11
Interest expense		(70)	(81)
Total other income and expenses		251	63
Income before income taxes		2,937	6,133
Income taxes			
Current tax expense		573	1,291
Deferred tax expense / (benefit)		24	(43)
Total income tax expense	10	597	1,248
Net income		2,340	4,885
Less: net income attributable to noncontrolling interest		53	161
Net income attributable to Group shareholders		2,287	4,724
Net income per share of common stock (US Dollar)	9	0.15	0.31

The accompanying notes are an integral part of these interim condensed consolidated financial statements

OAO TNK-BP HOLDING**Interim Condensed Consolidated Statements of Cash Flows (Unaudited)**

(expressed in millions of USD)

	Note	Six months ended 30 June 2009	Six months ended 30 June 2008
Cash flows from operating activities			
Net income		2,340	4,885
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization		843	705
Deferred tax expense / (benefit)		24	(43)
Loss on disposals and impairment of assets		31	15
Gain on disposals of subsidiaries		(128)	(60)
Earnings from equity investments less dividends received		(2)	(3)
Dry hole expenses		13	3
Exchange loss / (gain) from investing and financing activities		(270)	67
Other non-cash adjustments, net		(17)	(9)
Changes in operational working capital, excluding cash and cash equivalents:			
Restricted cash		(2)	5
Trade and other receivables, net		3,006	(5,804)
Inventories		(65)	(67)
Accounts and notes payable and accrued expenses		(4,161)	2,806
Taxes payable		253	488
Other		(29)	(105)
Net cash provided by operating activities		1,836	2,883
Investing activities			
Capital expenditures		(1,179)	(1,922)
Grants used for capital expenditures		(47)	(396)
Grants received		47	126
Purchase of intangible assets		(3)	(15)
Proceeds from disposals of non-current assets		10	14
Cash flows from sales of subsidiaries and joint ventures	13	(12)	52
Bank deposits with maturity more than 3 months		(100)	-
Promissory notes repaid		-	167
Loans issued		(1,134)	(78)
Loans repaid		664	9
Net cash used for investing activities		(1,754)	(2,043)
Financing activities			
Proceeds from issuance of long-term debt		979	293
Repayment of long-term debt		-	(1)
Proceeds from issuance of short-term debt		-	163
Repayment of short-term debt		(545)	(255)
Dividends paid to noncontrolling interest owners		(11)	(1)
Dividends paid to shareholders		(538)	(856)
Net cash used for financing activities		(115)	(657)
Effect of exchange rate changes on cash and cash equivalents		8	30
Net change in cash and cash equivalents		(25)	213
Cash and cash equivalents at beginning of period		917	635
Cash and cash equivalents at end of period		892	848

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OAO TNK-BP HOLDING**Interim Condensed Consolidated Statements of Changes in Equity (Unaudited)**

(expressed in millions of USD, except as indicated)

	Six months ended 30 June 2009	
	Equity	Comprehensive income
Common stock		
Balance as of 31 December 2008	550	
Balance as of 30 June 2009	550	
Preferred stock		
Balance as of 31 December 2008	16	
Balance as of 30 June 2009	16	
Treasury stock		
Balance as of 31 December 2008	(239)	
Balance as of 30 June 2009	(239)	
Additional paid-in capital		
Balance as of 31 December 2008	4,933	
Balance as of 30 June 2009	4,933	
Retained earnings		
Balance as of 31 December 2008	13,791	
Net income attributable to Group shareholders	2,287	2,287
Dividends to Group shareholders (note 9)	(1,048)	
Balance as of 30 June 2009	15,030	
Accumulated other comprehensive loss		
<i>Currency translation adjustment</i>		
Balance as of 31 December 2008	(48)	
Translation adjustment for the period attributable to Group shareholders	(15)	(15)
Currency translation loss realized on disposal of subsidiaries	63	63
Balance as of 30 June 2009	-	
Total comprehensive income attributable to Group shareholders for the period		2,335
Total Group shareholders' equity as of 30 June 2009	20,290	
Noncontrolling interest		
Balance as of 31 December 2008	817	
Net income attributable to noncontrolling interest	53	53
Dividends to noncontrolling interest	(11)	
Total comprehensive income attributable to noncontrolling interest for the period		53
Total noncontrolling interest as of 30 June 2009	859	
Total comprehensive income for the period		2,388
Total equity as of 30 June 2009	21,149	
Number of Ordinary shares issued (millions of shares)		
At 31 December 2008		15,847
At 30 June 2009		15,847
Number of Preferred shares issued (millions of shares)		
At 31 December 2008		450
At 30 June 2009		450
Number of Treasury shares issued (millions of shares)		
At 31 December 2008		(850)
At 30 June 2009		(850)

The accompanying notes are an integral part of these interim condensed consolidated financial statements

OAO TNK-BP HOLDING

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

(expressed in USD, tabular amounts in millions)

Note 1: Organization

OAO TNK-BP Holding (“TBH” or “the Company”) is a subsidiary of TNK-BP Limited (“TNK-BP”), a British Virgin Islands company. TNK-BP was formed effective 29 August 2003 by the Alfa Group, the Access-Renova Group (jointly “AAR”) and BP, to hold their respective interests in their Russian and Ukrainian oil and gas assets. AAR contributed its 100 percent interest in TNK Industrial Holdings Limited which held a 100 percent interest in TNK-BP International Limited, which in turn owned a 96.1 percent interest in OAO Tyumen Oil Company (“TNK”) and a 100 percent interest in Sbarsare Management Limited, which in turn effectively held a 68 percent interest in OAO Sidanco (“Sidanco”) for its 50.0 percent interest in TNK-BP. BP contributed its 29.6 percent interest in Sidanco, 33.4 percent interest in OAO Rusia Petroleum (“Rusia Petroleum”) and 75.0 percent interest in BP Moscow Retail (“BP Retail Assets”) for its 50.0 percent interest in TNK-BP. BP also made a balancing payment directly to AAR in cash and BP shares.

In 2005, TNK-BP completed several reorganizations under its corporate restructuring program. Pursuant to the program, in December 2005 TBH, a newly created holding company, accessioned TNK, Sidanco and OAO ONAKO (“ONAKO”), the key holding companies of TNK-BP in Russia. As part of this accession, TBH issued shares to the minority interest holders in these entities. Furthermore, most of the minority shareholders in 14 key subsidiaries of TNK-BP in Russia were consolidated within TBH through a voluntary share exchange program also completed in December 2005.

As a result of these accessions and the above described share exchange, minority shareholders received approximately 5% of the shares in TBH. All purchases of minority interests have been treated as acquisitions and accounted for using the purchase method of accounting.

The Company and its subsidiaries (jointly referred to as “the Group”) conduct exploration and development activities and produce oil and gas in the Russian Federation, operate petroleum refineries and market oil and petroleum products in the Russian Federation.

TNK-BP’s assets held outside of TBH include its equity interest in OAO NGK Slavneft, interests in Rusia Petroleum, OAO East Siberian Gas Company, the BP Retail Assets and its Ukrainian businesses. TBH also leases and runs under an operating lease agreement gasoline stations and other retail assets, mainly acquired by TNK-BP in December 2007 through March 2008.

Note 2: Interim Condensed Consolidated Financial Statements

The unaudited interim condensed consolidated financial statements of the Group presented herein do not include all information required by the accounting principles generally accepted in the United States of America (“US GAAP”). These unaudited interim condensed consolidated financial statements should be read in conjunction with the TBH consolidated financial statements as of and for the year ended 31 December 2008. In the opinion of the Group’s management, the accompanying unaudited interim condensed consolidated financial statements include all adjustments (all of which are of normal recurring nature) necessary to state fairly the Group’s financial position as of 30 June 2009 and the results of its operations and its cash flows for the six month period then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial results of the six months ended 30 June 2009 are not necessarily indicative of the future financial results.

Note 3: Basis of Presentation

Reporting and functional currency. The Company has determined that the United States dollar (“USD”) is the reporting currency for the purposes of financial reporting under US GAAP.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

(expressed in USD, tabular amounts in millions)

For the majority of subsidiaries of the Group, the functional currency is the USD as a significant portion of the Group's business is conducted in USD; management uses the USD to manage the Group's financial risks and exposures, and to measure its performance.

The local currency of all subsidiaries of the Group is the Russian Rouble ("RUR"). For the purposes of financial reporting under US GAAP, transactions and balances have been remeasured into the functional currency of the subsidiary which, in the majority of cases, is the USD. In accordance with the relevant provisions of Statement of Financial Accounting Standards ("SFAS") No. 52, *Foreign Currency Translation*, monetary assets and liabilities are remeasured at closing exchange rates and non-monetary items are remeasured at historic exchange rates and adjusted for any impairment. The consolidated statements of income and of cash flows have been remeasured at the average exchange rates during the period. Exchange differences resulting from the use of these exchange rates have been included in the determination of net income and are included in net exchange gains and losses in the accompanying consolidated statements of income.

The functional currency of certain subsidiaries, such as oil field services companies ("OFS"), is the Russian Rouble as the primary economic environment of these entities is the local market.

As of 30 June 2009 and 31 December 2008, exchange rates were 31.29 and 29.38 RUR to the USD, respectively. Average exchange rates for the six months ended 30 June 2009 and 2008 were 33.07 and 23.95 RUR to the USD, respectively.

Any remeasurement of RUR amounts to USD should not be construed as a representation that such RUR amounts have been, could be, or will in the future be converted into USD at the exchange rate shown or at any other exchange rate.

New accounting standards adopted. In September 2006, SFAS No. 157, *Fair Value Measurements*, was issued and became effective for the Group on 1 January 2008 for items that are recognized at fair value in the financial statements on a recurring basis. For the recognition, measurement and disclosure of other nonfinancial assets and liabilities the Statement became effective for the Group on 1 January 2009. The Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of this Statement had no material effect on the Group's results of operations, financial position or liquidity.

In December 2007, SFAS No. 141(R), *Business Combinations*, was issued and became effective for the Group on 1 January 2009. This Statement provides guidance for recognition and measurement in the financial statements of identifiable assets acquired, liabilities assumed and noncontrolling interest in the acquiree. The statement similarly provides guidance for accounting for goodwill acquired in a business combination or a gain arising from a bargain purchase. The adoption of this Statement had no material effect on the Group's results of operations, financial position or liquidity.

In December 2007, SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements including an amendment of ARB No. 51*, was issued and became effective for the Group on 1 January 2009. This Statement provides new standards to govern the accounting and reporting for noncontrolling (minority) interests in partially owned consolidated subsidiaries and for the loss of control of subsidiaries. The Statement establishes that a noncontrolling interest in a subsidiary is an ownership interest in a consolidated entity that should be reported as equity in consolidated financial statements. The adoption of this Statement had no material effect on the Group's results of operations, financial position or liquidity. The presentation of noncontrolling interest has been changed to comply with the requirements of this Statement.

In March 2008, SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, was issued and became effective for the Group on 1 January 2009. This Statement requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows.

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In April 2009, the FASB Staff Position (“Position”) No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise From Contingencies*, was issued and became effective for the Group on 1 January 2009. This Position amends the provisions related to initial recognition and measurement, subsequent measurement and disclosure of assets and liabilities arising from contingencies in a business combination under SFAS No. 141(R). This Position requires an enterprise to recognize acquired contingencies at fair value on the acquisition date if fair value can be reasonably estimated during the allocation period. The adoption of this Position had no material effect on the Group’s results of operations, financial position or liquidity.

In May 2009, SFAS No. 165, *Subsequent Events*, was issued and became effective for the Group starting for the interim period ended 30 June 2009. This Statement sets forth the period after the balance sheet date during which events or transactions that may occur should be evaluated for potential recognition or disclosure in the financial statements, the circumstances under which events or transactions occurring after the balance sheet date should be recognized in financial statements and the disclosures that should be made about events or transactions that occurred after the balance sheet date. The Statement introduced the concept of financial statements being available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The adoption of this Statement had no material effect on the Group’s results of operations, financial position or liquidity.

In April 2009, FASB issued Position No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions that are not Orderly*, that provides the additional guidance for estimating fair value in accordance with SFAS No. 157, *Fair Value Measurements*, when the volume and level of activity for the asset or liability have significantly decreased. This Position also includes a guidance on identifying circumstances that indicate a transaction is not orderly. This Position became effective for the Group starting from the interim period ended on 30 June 2009. This Position emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation techniques used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. The adoption of this Position had no material effect on the Group’s results of operations, financial position or liquidity.

In April 2009, FASB issued Position No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, which became effective for the Group from the interim period ended 30 June 2009. This Position requires fair value disclosures for financial instruments on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. The adoption of this Position had no material effect on the Group’s results of operations, financial position or liquidity.

Recent accounting pronouncements. In June 2009, SFAS No. 167, *Amendments for FASB Interpretation No. 46(R)*, was issued and will become effective for the Group on 1 January 2010. This Statement is a revision of FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, and changes how a company determines when an entity should be consolidated. This Standard requires the Group to perform an analysis to determine whether the Group’s variable interest or interests give it a controlling financial interest in a variable interest entity. The Group is also required to assess whether it has an implicit financial responsibility to ensure that the variable interest entity operates as designed when determining whether it has the power to direct the variable interest entity activities that most significantly impact its economic performance. It is expected that the adoption of these Statement will have no material effect of the Group’s results of operations, financial position or liquidity.

In June 2009, SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, was issued and will be effective for the Group for interim and annual periods ending on or after 30 September 2009. The Codification was launched as the sole source of authoritative non-government’s US GAAP. The Codification is not intended to change US GAAP. On the effective date of this Statement, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All

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(expressed in USD, tabular amounts in millions)

references to accounting standards in the Financial Statements for the year ending 31 December 2009 will be changed to Accounting Standard Codification (ASC) references.

Note 4: Financial and Derivative Instruments

Fair values. The estimated fair values of financial instruments are determined with reference to various market information or using other valuation methodologies as considered appropriate. In the absence of quoted market values, considerable judgment is required in interpreting market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts that the Group could realize or settle in a market transaction. Certain of these financial instruments are with major financial institutions and expose the Group to market and credit risk. The creditworthiness of these institutions is routinely reviewed and full performance is anticipated. The Group is also exposed to credit risk in the event of non-payment by counterparties. The creditworthiness of customers and other counterparties is continually reviewed. The methods and assumptions used to estimate fair value of each class of financial instruments are presented below.

Cash and cash equivalents, short-term bank deposits, accounts receivable and accounts payable. The carrying amounts of these items are a reasonable approximation of their fair value.

Short-term debt. Loan arrangements have both fixed and variable interest rates that reflect the currently available terms for a similar debt. The carrying value of this debt is a reasonable approximation of its fair value.

Long-term debt. Loans under bank arrangements and significant loans from related parties have variable interest rates that reflect currently available terms and conditions for similar debt. The carrying value of the debt to banks and to related parties is a reasonable approximation of its fair value

Derivative instruments. The strategy of the Group is to obtain competitive prices for its hydrocarbons and allow operating results to reflect market price movements dictated by supply and demand. The Group seeks, however, to minimize the distorting effects of individual markets where, for example, it has to negotiate fixed prices within a narrow trading window. Starting December 2008, the Group uses short-term price swaps to mitigate its exposure movements in commodity prices.

For the derivative instruments entered into during the six months ended 30 June 2009, the Company did not apply hedge accounting under the provisions of SFAS No. 133. Gains and losses related to changes in the fair value of derivatives were recognized in the consolidated statements of income within Interest income and net other income. The Group maintains a system of controls that includes the authorization, reporting and monitoring of derivative activity. The limited derivative activities of the Group pose no material credit or market risks to its operations, financial condition or liquidity.

Derivatives are included at fair value in Other current assets or Other accounts payable and accrued expenses. Fair values are calculated by the Group based on quoted market prices for hydrocarbons futures.

The transactions and balances for derivatives are as follows:

Type	Balance sheet location	30 June 2009	31 December 2008
Commodity contracts – crude oil and oil products swaps	Other current assets	2	11

Type	Location of gain	For the six months ended 30 June 2009	For the six months ended 30 June 2008
Commodity contracts – crude oil and oil products swaps	Interest income and net other income	29	-

The volumes for the above mentioned swap transactions where the Group was the fixed price payer were 1.4 million tonnes (4.1% of the total crude oil production) for the six months ended 30 June 2009. The volumes for the above mentioned swap transactions where the Group was the fixed price seller were 0.1 million tonnes (0.4% of the total crude oil production) for the six months ended 30 June 2009.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

(expressed in USD, tabular amounts in millions)

Note 5: Trade and Other Receivables, Net

	30 June 2009	31 December 2008
Trade accounts and notes receivable (net of allowance for doubtful accounts of USD 9 million and USD 14 million as of 30 June 2009 and 31 December 2008, respectively)	7,520	10,028
Recoverable value-added tax	841	844
Advances issued (net of allowance for doubtful accounts of USD 1 million and USD 5 million as of 30 June 2009 and 31 December 2008, respectively)	793	1,149
Taxes receivable	155	272
Other receivables (net of allowance for doubtful accounts of USD 4 million and USD 6 million as of 30 June 2009 and 31 December 2008, respectively)	84	115
Total trade and other receivables, net	9,393	12,408

Included in Trade accounts and notes receivable are amounts due from TNK-BP controlled companies of USD 7,225 million and USD 9,776 million as of 30 June 2009 and 31 December 2008, respectively – see Note 14.

Note 6: Inventories

	30 June 2009	31 December 2008
Crude oil and petroleum products	415	367
Materials and supplies	271	261
Total inventories	686	628

Note 7: Debt

Short-term debt and the current portion of long-term debt are as follows:

	30 June 2009	31 December 2008
Obligations to banks, US dollar denominated:		
Unsecured loans with composite variable interest	-	50
Unsecured loans with fixed interest	-	95
Secured loans with fixed interest	-	400
Current portion of long-term debt received from third parties	198	30
Current portion of long-term debt received from TNK-BP controlled entities	59	45
Total short-term debt and the current portion of long-term debt	257	620

As of 31 December 2008, short-term debt was provided for funding of working capital and consisted both of secured and unsecured facilities from international and Russian banks and other parties. Short-term debt from banks and secured short-term loans were repaid in full amount within the first half of 2009. The weighted average interest rate in short-term borrowings outstanding as of 31 December 2008 was 11.01 percent.

Secured loans. In December 2008, the Group obtained a short-term committed credit line with a credit limit of USD 400 million. The credit facility matures in one year and the credit limit reduces by USD 100 million each month starting from September 2009. The credit line is secured by mortgage of office property, pledge of land lease rights and pledge of rights under oil products delivery contracts. As of 31 December 2008 the amount outstanding under this facility was USD 400 million, which was repaid in January 2009. No amounts were outstanding under this facility as of 30 June 2009.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

(expressed in USD, tabular amounts in millions)

Long-term debt is as follows:

	30 June 2009	31 December 2008
Long-term debt received from third parties:		
Pre-export collateralized finance, US dollar denominated - variable interest debt	495	150
Unsecured loans with fixed interest from Russian banks	500	-
Russian Rouble denominated loans	217	212
Long-term debt received from TNK-BP controlled companies:		
US dollar denominated loans	7	-
Russian Rouble denominated loans	964	897
Less: current portion of long-term debt received from third parties	(198)	(30)
Less: current portion of long-term debt received from TNK-BP controlled companies	(59)	(45)
Total long-term debt	1,926	1,184

Pre-export collateralized finance. In December 2008, the Group entered into an agreement for up to USD 750 million loan facility with a consortium of international banks. The facility matures in November 2011. The loan is to be repaid in ten equal instalments on a quarterly basis starting from August 2009. The facility is secured by assignment of crude oil export contracts. In 2008, the loan was drawn for USD 150 million. In April and June 2009, respectively, the Group drew down additional USD 165 million and USD 180 million tranches under this loan facility. The interest rate on the loan facility was changed from the initial LIBOR plus 2.85 percent to LIBOR plus 4 percent in April 2009. The amount outstanding as of 30 June 2009 and 31 December 2008 was USD 495 million and USD 150 million, respectively.

Unsecured loans with fixed interest from Russian banks. In January 2009, the Group obtained a loan from Gazprombank in amount of USD 500 million. The loan matures in July 2011 and is to be repaid in full amount on the maturity date. The facility bears interest at 12.95 percent. The loan amount outstanding as of 30 June 2009 was USD 500 million. The loan was fully repaid on 29 July 2009.

Russian rouble denominated long-term debt received from third parties. Long-term debt received from third parties is represented by seven RUR denominated facilities with total amount of Russian Roubles 6.8 billion (USD 0.2 billion) and RUR 6.3 billion (USD 0.2 billion) outstanding as of 30 June 2009 and 31 December 2008, respectively. These facilities bear interest at the refinancing rate of the Russian Central Bank (11.5 percent and 13 percent as of 30 June 2009 and 31 December 2008, respectively) and mature in December 2011 through September 2013, with interest payable at maturity.

Long-term debt received from TNK-BP controlled companies. Apart from long-term debt received from third parties, the Group has obtained loans from Russian and offshore TNK-BP controlled companies which are not part of the Group. The total amount of these loans outstanding as of 30 June 2009 and 31 December 2008 was USD 1.0 billion and USD 0.9 billion, respectively.

The RUR denominated loans received from TNK-BP controlled companies bear interest at the refinancing rate of the Russian Central Bank with interest payable at the maturity of the loans with the final maturity in September 2013.

Note 8: Other Accounts Payable and Accrued Expenses

	30 June 2009	31 December 2008
Advances from customers	117	179
Salaries payable and other related costs	100	195
Interest accrued	29	9
Other	108	108
Total other accounts payable and accrued expenses	354	491

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

(expressed in USD, tabular amounts in millions)

Note 9: Shareholders' Equity

The share capital of the Company comprises 15,847 million authorized and issued ordinary shares of RUR 1 par value and 450 million authorized, issued and outstanding non-cumulative preferred shares of RUR 1 par value.

The treasury stock of the Company comprises 850 million ordinary shares, which are held at cost. The treasury stock was acquired in the course of TNK-BP's corporate restructuring program.

Profits available for distribution to shareholders in respect of any reporting period are determined by reference to the statutory financial statements of the Company and its subsidiaries prepared in accordance with the law of the Russian Federation and denominated in Russian Roubles.

During the six months ended 30 June 2009 and 2008 the Group declared dividends of USD 1,048 million and USD 1,119 million, respectively.

Earnings per share. The calculation of earnings per share for the reporting period was as follows:

	Six months ended 30 June 2009	Six months ended 30 June 2008
Net income attributable to Group shareholders	2,287	4,724
Deduct dividends declared on preferred stock	(31)	(33)
Net income available to common shareholders	2,256	4,691
Weighted average number of common shares, millions of shares	15,847	15,847
Deduct weighted average number of treasury shares, millions of shares	(850)	(850)
Weighted average number of outstanding common shares, millions of shares	14,997	14,997
Earnings per share	0.15	0.31

As of 30 June 2009 and 2008, the Company had no securities which would have a dilutive effect on net income per share of common stock.

Note 10: Income taxes

The Group is not subject to a corporate income tax on a consolidated basis, rather Group entities are assessed for corporate income taxes on an individual basis. The statutory corporate income tax rate in the Russian Federation is 20 percent and 24 percent for 2009 and 2008, respectively. The Group is a party to agreements with the Tyumen and Orenburg regional authorities which grant the Group relief of four percent on the above statutory rates subject to the Group making qualified capital investments in those Regions. The above benefits are offset by certain non-deductible expenses. The effective tax rate of the Group approximated 20 percent for the six months ended 30 June 2009 and 2008.

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(expressed in USD, tabular amounts in millions)

Note 11: Taxes other than income tax expense and taxes payable

Taxes other than income tax expense for the six months ended 30 June 2009 and 2008 comprises the following:

	Six months ended 30 June 2009	Six months ended 30 June 2008
Unified production tax	1,815	5,155
Excise taxes	275	438
Property tax	92	98
Pension fund and other social taxes	61	88
Non-recoverable VAT expense	10	15
Tax penalties and interest	(1)	5
Other taxes	18	11
Total taxes other than income tax	2,270	5,810

Unified production tax. The rate of this tax is adjusted depending on the market price of the Urals blend and the RR/USD exchange rate. Average tax rates for the six months ended 30 June 2009 and 2008 were USD 7.82 per barrel and USD 21.24 per barrel, respectively. Certain Group mature fields are subject to a lower unified production tax rate from January 2009.

Current and long-term taxes payable as of 30 June 2009 and 31 December 2008 are as follows:

	30 June 2009	31 December 2008
Unified production tax	463	248
Value-added tax	82	102
Income taxes	70	18
Excise taxes	55	55
Property tax	48	33
Pension fund and other social taxes	22	36
Tax penalties and interest	15	21
Current deferred income tax liability	14	-
Other taxes	6	14
Total taxes payable	775	527
Less: long-term taxes payable	(1)	(1)
Current taxes payable	774	526

Note 12: Revenues

Revenues for the six months ended 30 June 2009 and 2008 comprise the following:

	Six months ended 30 June 2009	Six months ended 30 June 2008
Crude oil – export (Europe and CIS)	6,780	12,452
Crude oil – domestic	529	1,140
Petroleum products – export (Europe and CIS)	2,941	6,153
Petroleum products – domestic	2,038	4,525
Other revenues	476	644
Sales and other operating revenues	12,764	24,914

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Note 13: Gain on disposal of subsidiaries

On 29 May 2009, a TNK-BP controlled company held outside of the Group entered into an agreement with Weatherford International Ltd. ("Weatherford") for the sale of TNK-BP's OFS companies, which was completed on 27 July 2009. As part of this transaction, on 22 June 2009, the Group sold shares of OFS companies to that TNK-BP controlled company for USD 450 million. This amount will be received within 14 months and was included in Long-term loans issued and receivables from related parties. The Group recognized a gain on disposal of the OFS companies in the amount of USD 128 million.

Note 14: Related Party Transactions

The Group has the following transactions and balances in the ordinary course of business with affiliates of Alfa Group, a major shareholder of TNK-BP:

	As of 30 June 2009 and for the six months ended 30 June 2009	As of 31 December 2008 and for the six months ended 30 June 2008
Cash and cash equivalents held at Alfa Bank	161	55
Deposits with maturity more than 3 months in Alfa-Bank	100	-
Trade and other receivables, net	8	8
Insurance expenses	6	7

The Group has the following transactions and balances in the ordinary course of business with OAO NGK Slavneft and its subsidiaries:

	As of 30 June 2009 and for the six months ended 30 June 2009	As of 31 December 2008 and for the six months ended 30 June 2008
Trade and other receivables, net	21	25
Accounts and notes payable	32	45
Sales of crude oil export	46	210
<i>Volumes (millions of tons)</i>	0.2	0.4
Sales of petroleum products	-	48
<i>Volumes (millions of tons)</i>	-	0.1
Crude oil refining fee	97	106
<i>Volumes (millions of tons)</i>	3.2	3.2

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The transactions and balances with TNK-BP controlled companies are as follows:

	As of 30 June 2009 and for the six months ended 30 June 2009	As of 31 December 2008 and for the six months ended 30 June 2008
Trade accounts receivable, net	7,225	9,776
Advances issued and other accounts receivable, net	53	71
Long-term receivables related to disposal of OFS companies	450	-
Loans issued	689	151
Trade accounts payable	1,526	5,330
Other accounts payable	39	12
Dividends payable	991	567
Long-term interest payable	117	98
Loans received	971	894
Sales of crude oil	5,974	10,759
Volumes (millions of tons)	16.9	14.3
Sales of petroleum products	3,022	5,904
Volumes (millions of tons)	8.8	8.0
Sales of OFS companies	450	-
Other sales	36	49
Purchases of crude oil	255	359
Volumes (millions of tons)	1.5	1.1
Other purchases:		
Management fees	247	453
Crude oil refining fee	-	17
Volumes (millions of tons)	-	0.5
Other purchases	10	17

The transactions and balances with other related parties are as follows:

	As of 30 June 2009 and for the six months ended 30 June 2009	As of 31 December 2008 and for the six months ended 30 June 2008
Loans issued	29	25
Accounts payable	23	15
Sales of natural gas	97	23
Volumes (billions of cubic meters)	2.5	0.6
Gas processing fee	45	48
Volumes (billions of cubic meters)	2.3	1.5

Note 15: Commitments and Contingencies

Economic and operating environment in the Russian Federation. Whilst there have been improvements in economic trends in the Russian Federation, the country continues to display certain characteristics of emerging market. These characteristics include, but are not limited to, the existence of a currency that is in practice not convertible in most countries and a relatively high inflation. Furthermore, the tax, currency, and customs legislation within these countries is subject to varying interpretations and changes which can occur frequently.

Volatility in financial and commodity markets. The Group has been closely monitoring the crisis in financial and credit markets and the general contraction of worldwide economic activity. The crisis in financial and credit markets has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the international and Russian banking sector, and higher interbank lending rates. Such circumstances could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

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Management is taking these developments and the ongoing volatility in financial and commodity markets into account in the conduct of daily operations and for business planning purposes and believes that it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Gas production and marketing activities. As of 30 June 2009 and 31 December 2008, the Group's capitalized costs related to its gas subsidiaries amounted to USD 657 million and USD 665 million, respectively.

Russian independent gas producers are currently able to access the domestic gas transmission system only upon an agreement with Gazprom, the Russia's gas monopoly which owns and operates the system. Currently, the Group does not have a long-term access to this system.

Taxation. The Russian tax and customs legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities. Recent developments suggest that the authorities are becoming more active in seeking to enforce, through the Russian court system, interpretations of tax legislation which may be selective for particular taxpayers and different to the authorities' previous interpretations or practices. Different and selective interpretations of tax regulations by various government authorities and inconsistent enforcement create further uncertainties in the taxation environment in the Russian Federation.

Tax declarations, together with related documentation, are subject to review and investigation by a number of authorities, each of which may impose fines, penalties and interest charges. Fiscal periods remain open to review by the authorities for the three calendar years preceding the year of review (one year in the case of customs). Under certain circumstances reviews may cover longer periods. In addition, in some instances new tax regulations have taken retroactive effect. Additional taxes, penalties and interest which may be material to the financial position of the taxpayers may be assessed in the Russian Federation as a result of such reviews.

Tax audits. Pursuant to tax audits conducted in 2006 and 2007, the Russian tax authorities have presented tax acts and decisions in the amount of USD 199 million (RUR 6.2 billion) relating to 2003, 2004 and 2005 in respect of income tax and other taxes of Group subsidiaries. The Group is currently appealing these decisions either with the higher tax authorities or in the courts. As of 30 June 2009, the Group had received favourable court rulings in respect of USD 67 million (RUR 2 billion) of the above amount. The Group believes that it has made an adequate provision for the outcome of the matters raised by the tax authorities.

Pursuant to tax audits conducted in 2008, the Russian tax authorities have presented tax acts in the amount of USD 103 million (RUR 3.2 billion) relating to 2006 and 2007 in respect of income tax and other taxes of a number of Group subsidiaries. The Group believes that it has made an adequate provision for the outcome of the matters raised by the tax authorities.

As of 30 June 2009 and 31 December 2008, the Group has a liability in the amount of USD 36 million (RUR 1.1 billion) and USD 45 million (RUR 1.3 billion), respectively, related to the matters discussed above.

Oilfield and gasfield licenses. The Group is subject to periodic reviews of its activities by government authorities with respect to the requirements of its licenses. Where appropriate, management of the Group liaise with government authorities to agree on remedial actions and resolve any findings resulting from these reviews. Failure to comply with the terms of a license could result in fines, penalties or license limitation, suspension or revocation.

Environmental liabilities. Environmental regulation in the Russian Federation is evolving as is the enforcement posture of the government authorities. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which may arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material.

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The Group's estimated environmental liability was USD 211 million and USD 228 million as of 30 June 2009 and 31 December 2008, respectively. The estimates used by management include uncertainties about a number of factors including the extent of necessary remediation, the technology to be used for remediation, and the standards that will constitute an acceptable remediation. As additional information becomes available, management will continue to adjust its estimated provision to an appropriate level. The Group's environmental obligations could range up to USD 375 million as of 30 June 2009.

Legal contingencies. The Group is a named defendant in a number of lawsuits as well as a named party in numerous other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a materially adverse effect on the financial position or the operating results of the Group.

In February 2002, Norex Petroleum Limited filed a lawsuit against TNK and certain other defendants in the United States District Court for the Southern District of New York over the ownership of a company, which was owned by an affiliate of the Alfa Group and the Access-Renova Group. In 2002, this company was acquired by TNK. In February 2004, the case was dismissed based on jurisdiction and venue. In July 2005, the Court of Appeals reversed the decision of the District Court and returned the case to the lower court where in September 2007 the case was dismissed. In October 2007, Norex Petroleum Limited petitioned the Court of Appeals for reconsideration of this decision. In February 2009, a Court of Appeal hearing took place, however a decision remains outstanding. Management continues to believe that the resolution of the matter will not have a material adverse impact on the financial position of the Group.

In September 2008, the Russian Federal Antimonopoly Service ("FAS") issued a decision whereby it found TNK-BP Holding in violation of the Russian antimonopoly legislation in respect of jet fuel and gasoline pricing on the wholesale markets. In November 2008, the FAS issued a fine in the amount of USD 44 million (RUR 1.1 billion) against TNK-BP Holding. The Group has appealed the decision and related fine and has obtained two favourable court rulings.

On 31 July 2009, the FAS issued a further decision against the Company and on 27 August 2009 announced that it has imposed a fine in the amount of USD 134 million (RUR 4.2 billion). The Group believes that it has meritorious grounds to appeal the FAS decision and the related fines.

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Note 16: Segment information

Presented below is information about the Group's operations for the six months ended 30 June 2009 and 2008 in accordance with SFAS No.131, *Disclosures about Segments of an Enterprise and Related Information*.

The Group has three operating segments – exploration and production (“E&P”); refining, marketing, and distribution (“RM&D”); and oil field services. Management assesses the performance of these operating segments on a regular basis. The E&P segment explores for, develops and produces crude oil and gas. The RM&D segment processes crude oil into refined products and also purchases, sells and transports crude oil and refined petroleum products. The oil field services segment provides support and maintenance to oil and gas exploration and production facilities.

The Other segment primarily includes corporate activities. In addition, the Other segment includes gains on disposals of subsidiaries and earnings from equity investments.

The segment information is prepared using estimates.

As of 30 June 2009 and for the six months ended 30 June 2009	Exploration and Production	Refining, Marketing and Distribution	Oil Field Services	Other	Elimination	Total
Revenues						
Third parties	330	12,415	19	-	-	12,764
Intersegment	6,350	10	171	-	(6,531)	-
Segment revenues	6,680	12,425	190	-	(6,531)	12,764
EBITDA	2,874	634	30	(13)	163	3,688
Segment assets	15,819	5,103	-	172	(403)	20,691
Balances with TNK-BP controlled companies						8,712
Consolidated assets						29,403

EBITDA and revenues for the OFS segment is presented from 1 January 2009 through 22 June 2009. As discussed in Note 13, the Group sold shares of OFS companies on 22 June 2009.

EBITDA for the six months ended 30 June 2009 is reconciled to income before income taxes as follows:

EBITDA	3,688
Depreciation, depletion and amortization	(843)
Interest income and net other income, excluding net gain related to derivatives	54
Exchange gain, net	108
Interest expense	(70)
Income before income taxes	2,937

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As of 31 December 2008 and for the six months ended 30 June 2008	Exploration and Production	Refining, Marketing and Distribution	Oil Field Services	Other	Elimination	Total
Revenues						
Third parties	416	24,079	21	-	-	24,516
Intersegment	12,223	18	280	-	(12,521)	-
Segment revenues	12,639	24,097	301	-	(12,521)	24,516
Price differences						326
Other differences						72
Consolidated revenues						24,914
EBITDA	4,912	1,726	85	34	(45)	6,712
Segment assets	15,459	5,353	322	213	(280)	21,067
Balances with TNK-BP controlled companies						10,112
Consolidated assets						31,179

EBITDA for the six months ended 30 June 2008 is reconciled to income before income taxes as follows:

EBITDA	6,712
Export duties update	93
Other differences	33
Depreciation, depletion and amortization	(705)
Interest income and net other income	70
Exchange gain, net	11
Interest expense	(81)
Income before income taxes and minority interest	6,133

Note 17: Subsequent Events

Subsequent events were evaluated by the Group for the period from 1 July 2009 up to 11 September 2009 which is the date when financial statements were issued.

In June 2009, the Group announced its reorganization plans by accession of its four subsidiaries OAO "Sborsare Management", ZAO "Sidanco-Investments", ZAO "Sidanco-Neftepererabotka", and ZAO "Sidanco-Securities" to OAO TNK-BP Holding ("TBH"). As of August 14, the legal term for minority buy-out requests had expired. The claims presented do not exceed USD 1.9 million (RUR 60.2 million).

On 29 July 2009, the Group has early repaid the USD 500 million long-term loan from Gazprombank – see Note 7.