

## **TNK-BP Holding**

### **1H 2009 FINANCIAL RESULTS**

#### **Financial Context**

TNK-BP Holding (TBH) has reported its consolidated financial results for the first half of 2009. The financial statements have been prepared under accounting principles generally accepted in the United States of America ("US GAAP") as applied to interim accounts and represent the consolidated financial position, results of operations and cash flows of TBH and its subsidiaries.

TBH together with its subsidiaries conducts oil and gas exploration, development and production activities, as well as operating refineries and marketing oil and petroleum products in the Russian Federation.

Net Income for 1H 2009 is reported at \$2.3bn with EBITDA of \$3.7bn. A full copy of the financial statements for 1H 2009 is available on the TNK-BP website.

#### **Business Environment**

Production volumes of oil and gas for 1H 2009 reached 1,668 mboed, representing a 3.1% growth relative to 1H 2008 due to first oil from greenfield projects in Verkhnechonskoye, Uvat and Kamennoye.

Despite some recovery of the oil markets in 2Q 2009, the 1H 2009 trading environment was still significantly weaker compared to 1H 2008. The Urals average price was 52% lower at \$51/bbl while the domestic crude price decreased by 56% to \$20/bbl; product prices followed Urals and fell by 45-50%. As a result, average TBH realisations for the period decreased by 50% relative to 1H 2008.

Costs were significantly affected by external factors with the lower Urals price in 1H 2009 resulting in a decrease in export duties of 59%, including the effect of a lower duty lag benefit in 1H 2009. Similarly, MET costs fell by 65% reflecting the effect of lower price and the effects of changes in MET methodology. Other costs decreased by 27% due to a positive effect of the ruble devaluation and cost management initiatives partly offset by increased transportation tariffs.

The combined effect of the weaker trading environment, partly mitigated by cost benefits and savings, resulted in a net 46% decrease in EBITDA to \$3.7bn. Other fixed costs and non-operating income and expenses were unaffected by price-related movements and, therefore, remained largely unchanged. As a result, the decrease in Net Income amounted to 52%.

Operating cash remained strong at \$1.8bn enabling the company to maintain focused capital investments, successfully manage its debt profile and pay dividends. Despite continuing instability on the financial markets, the company maintained a strong liquidity position with a cash balance of \$1.0bn at the end of the period.