TNK-BP Holding

2008 FINANCIAL RESULTS

Financial Context

TNK-BP Holding (TBH) has reported its consolidated financial results for 2008 for the TBH group of companies. The financial statements have been prepared under accounting principles generally accepted in the United States of America (generally referred to as US GAAP) and represent the consolidated financial position 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 2008 is reported as $6.4bn with EBITDA of $9.6bn. A full copy of the financial statements for 2008 is available on the TNK-BP website.

Business Environment

The trading environment in 2008 was significantly stronger than in 2007. Urals (MED/NWE) marker prices averaged almost $95/bbl representing an increase of around 36% relative to 2007. Similarly, domestic crude price increased by 20% and oil product markets showed increases of between 30% and 40% depending on product type. As a result, average TBH realizations for the period increased by 33% relative to 2007.

Production volumes of oil and gas in 2008 amounted to 1,642 mboed representing an increase of 2.6% relative to 2007.

Costs were also affected by external factors with higher Urals prices in 2008 causing export duties to increase by 46% (reflecting also a positive duty lag effect in 2007), and MET costs to rise by 48%. In addition, other costs increased by 17% largely due to the effect of in-country inflation and the effect of a stronger ruble in 1H 2008.

As a result, the benefit from stronger markets was partly offset by associated cost increases. This resulted in a net 10% growth in EBITDA to $9.6bn, with forex related benefits helping Net Income improve by 11% to $6.4bn.

Investment levels in 2008 were 16% higher with organic capex of $4bn. Focused investment spend and strong underlying technical performance helped to mitigate the impact of low year-end oil prices on reserve estimates. This enabled 82% of production to be replaced in 2008 by new reserves under SEC methodology on a life-of field basis.

Operating cash remained strong with $6.6bn representing a 20% improvement on 2007. Despite the difficult business environment, liquidity was maintained and cash at the end of 2008 amounted to $0.9bn.