

# **TNK-BP INTERNATIONAL LTD**

## **1H 2008 FINANCIAL RESULTS**

### **Financial Context**

TNK-BP International Ltd (TIL) has reported its consolidated financial results for the first half of 2008 for the TIL 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 TIL and its subsidiaries.

TIL is a wholly owned subsidiary of TNK-BP Ltd and together with its subsidiaries conducts oil and gas exploration, development and production activities in the Russian Federation, as well as operating refineries and marketing oil and petroleum products in the Russian Federation, Ukraine and internationally.

Net Income for 1H 2008 is reported as \$4.7bn with EBITDA of \$7.5bn. A full copy of the financial statements for 1H 2008 is available on the TNK-BP website.

### **Business Environment**

The trading environment in 1H 2008 was significantly stronger than for the same period in 2007. Urals (MED/NWE) marker prices averaged almost \$106/bbl representing an increase of around 77% relative to 1H 2007. Similarly, domestic crude and oil product markets showed increases of between 40% and 70% depending on product type. As a result, average TIL realizations for the period increased by 68% relative to 1H 2007.

Production volumes of oil and condensate for 1H 2008 amounted to 1,443 mbd (excluding Slavneft) – similar to production levels in 1H 2007.

The business environment was adversely affected by external factors with higher Urals prices driving up production taxes, and ruble appreciation and inflation in the oil services sector causing increases in operating costs. Production operations activity was also higher with increased levels of sidetracks and well work relative to the same period in 2007.

As a result, the benefit from stronger markets was only partly offset by cost increases and this enabled EBITDA to grow by 97%.

Other non-operating income and expenses remain largely unchanged and contributed to a 127% increase in Net Income.

Investment levels in 1H 2008 were increased with organic capex of \$1.9bn representing an increase of around 40% relative to 1H 2007.