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TNK-BP Holding Conducts First Annual General Meeting

2005 Financials, First Dividend Approved

On June 28, 2006, TNK-BP Holding (TBH) held its first Annual General Meeting of shareholders. The meeting approved the Company's annual report and the full-year unconsolidated financial statements reported under Russian accounting standards. The meeting also elected a new Board of Directors for TBH and approved the dividend payment as proposed.

OAO TNK-BP Holding

TNK-BP Holding is a Russian-registered and domiciled open joint stock company. It was incorporated in November 2004 to unify the majority of the Group's assets and operations in Russia. During TNK-BP's corporate restructuring program, TNK-BP Holding subsumed the Russian assets of TNK, ONACO and Sidanco. It does

not include TNK-BP's interests in Ukraine or the joint venture interests of the TNK-BP Group in Russia, other than Verkhnechonskoye.

Minority shareholders own approximately 5% of the shareholding in TNK-BP Holding, and their shares are quoted on the RTS. ■

TBH net revenues for 2005 were RUR 703 billion (\$25 billion), generating a net profit of RUR 59 billion (\$2 billion).

The Annual General Meeting approved dividend payment of RUR 8.06 per share as recommended. Dividends will be paid to all preferred and ordinary shareholders. The total dividend



TNK-BP Restructuring Process

NOVEMBER 2004	TNK-BP Holding incorporated
DECEMBER 2004	Ownership of most Russian companies transferred to TNK-BP Holding
JANUARY 2005	TNK-BP Holding becomes principal profit center in Russia
OCTOBER 2005	Trading profits for 2004 transferred to TNK-BP Holding
NOVEMBER 2005	Voluntary share exchange program in 14 subsidiaries completed
DECEMBER 2005	TNK, Sidanco and ONACO merged with TNK-BP Holding
JUNE 2006	TNK-BP Holding's first Annual General Meeting

Key Operating Metrics

METRIC	UNITS	PERIOD	TNK-BP HOLDING	TNK-BP ¹
Liquids production	Million tons	2005	76.6	76.6
SEC-LOF Proved liquids reserves	Billion barrels	as of Dec. 31, 2005	8.2	8.2
Reserve replacement ratio	%	2005	137%	137%
Effective refining capacity ²	Million tons	as of Dec. 31, 2005	21.6	29.6
Refining throughput	Million tons	2005	25.0	31.0
Retail network	# of sites	as of Dec. 31, 2005	1 170	2 320
Employees		2005	88 220	90 300

¹ TNK-BP data exclude Slavneft

² Effective refining capacity excluding Orsk Refinery sold in December 2005

payout of RUR 131.3 billion (\$4.8 billion) equals TBH's accumulated retained earnings for 2004 and 2005. The meeting appointed BDO Unicon as the TNK-BP Holding statutory auditor for Russian accounting purposes.

TNK-BP President and CEO Robert Dudley noted that TBH's first dividend payment was a dividend for all shareholders in TNK-BP Holding: "One of the main goals of the TNK-BP Group's corporate restructuring project was to consolidate majority and minority shareholders within TBH. This ensures that profits and dividends arising from TBH's businesses are shared equally among all shareholders."

Dudley added: "The fact that our first Annual General Meeting successfully took place today means we have now taken another positive step in that direction. Minority shareholders who previously elected to exchange their shares in certain TNK-BP Group subsidiary companies for shares in TNK-BP Holding have now been rewarded by sharing equally in the 2005 TNK-BP Holding dividend. I believe this marks another important step in our comprehensive corporate restructuring project." ■



TNK-BP International Ltd. 2005 US GAAP Financial Results

Income Statement Highlights

\$ in millions	2003	2004	2005	% growth, '05 vs. '04
Net Revenues	10,366	14,169	22,152	56%
Change, %		37%	56%	
EBITDA (1)	4,045	6,352	9,078	43%
Margin, %	39%	45%	31%	
EBITDA per barrel of production(1), \$/bbl	7.62	10.39	13.65	
Net Income	2,802	4,006	4,744	18%
Margin, %	27%	28%	21%	
Operating cash-flow	4,082	4,687	5,042	8%
Net Debt / EBITDA	0.4	0.4	0.3	
EBITDA / Interest Expense	14.3	33.6	40.5	

Notes:

Numbers are based on TNK-BP International Ltd. US GAAP audited consolidated financial statements for 2003–2005.

(1) EBITDA calculated as income before taxes, minority interest, and cumulative effect of change in accounting principles, plus depreciation, depletion and amortisation, exchange loss, and interest expense, less interest income and net other income.

(2) Oil and condensate production including TNK-BP's share in Slavneft's and other joint ventures' production.

Selected Balance Sheet Highlights and Ratios

\$ in millions	2003	2004	2005
Total Assets	16,114	18,138	21,527
Liabilities and Shareholders' Equity			
Total Debt	2,755	3,373	3,614
Net Debt	1,771	2,798	2,278
Shareholders' Equity	8,530	8,719	8,367
Total Liabilities and Equity	16,114	18,138	21,527
Short Term Debt / Total Debt	32.1%	26.5%	20.4%
Net Debt / (Net Debt + Equity)	17.2%	24.3%	21.4%

Note:

Numbers are based on TNK-BP International Ltd. US GAAP audited consolidated financial statements for 2003–2005.

James Owen: **"We are now in the investment grade."**

TNK-BP's new CFO discusses 2005 financial results and the Company's latest Eurobond issue.

Insight: Mr. Owen, you came to Russia and TNK-BP at the beginning of this year. Does life and work here meet your expectations?



Certainly, it has been a challenging time; the learning curve was steep and still is. But this is probably the best part of my new job. I find it intellectually stimulating and am very grateful to my colleagues, who supply me with a lot of information about how things work in the Company and give me guidance on how best to work in a Russian environment. Although it is not entirely new to me – I worked previously in Kazakhstan – there is still much to learn. Considering the rich and eventful history of the Russian oil business, the specific challenge in this country is to teach and learn at the same time. It is both a challenge and a great advantage.

Insight: How would you describe the main role of the Finance Function in TNK-BP?

The main objectives include: maintaining reliable financial processes and systems to protect the Company's assets, and accounting for the Company's transactions accurately and reliably. Another important objective is to provide high-quality and timely financial information to management and shareholders; this is expert financial support for the Company's key strategies. To put it simply, by meeting these objectives, the Financial Function provides management and shareholders with accurate information about their business. That information makes it easy to meet our commitments to all stakeholders – shareholders, lenders and authorities. A well-structured flow of financial information should enable management and the Board to make the right decisions at the right time. Considering the size and complexity of this organization, with 90,000 employees and an annual turnover of more than \$30 billion, it is an enormous task.

Insight: Mr. Owen, TNK-BP has just published the first fiscal year results since you joined the Company as CFO. Could you give us highlights of the past year?

Last year was very special for the Company in many respects. In 2005, we demonstrated our performance as a major oil and gas enterprise, both domestically and internationally, by meeting or exceeding several very challenging goals in the areas of HSE, operations and corporate governance. If I had to select one or two specific areas in which Finance played a key role, they would be the successful implementation of the "fast close" process and the restructuring of our major production companies.

"Fast close" has given us the ability to prepare and report accurate financial consolidated group data within 10 working days following the end of each quarter. We match the best international practice and give management valuable information with which to make their decisions. Putting this process in place required us to introduce new software and technology. It demanded tremendous effort across the enterprise. It has been a great success.

As a result of a very complex restructuring program in 2005, our Russian-domiciled company, TNK-BP Holding, or TBH, is now the main profit center for the Group. Another important change that emerged from restructuring is the presence of minority shareholders at the TNK-BP Holding level. The share exchange that took place in 2005 gave TNK-BP Holding approximately 5% free share float. This means that the company is now watched much more carefully by the market, and we must take that into account when making business decisions.

Insight: No doubt, minority shareholders were pleased to receive the handsome dividends. Should we expect similar dividend payouts in the coming years? Such a policy could be a strong driver for corporate share price.

This dividend is high by any standard, and that, in itself, is probably the best proof of the Company's commitments to treat all of its shareholders equally and fairly. The dividend will be paid from the Company's distributable earnings from 2004 and 2005. That sum is approximately \$5 billion – of which \$250 million will be paid to minority shareholders. The Directors took a number of factors into account when deciding about this payment: for example, they recognized that minority shareholders have not received a dividend since TNK-BP began operations. As this dividend relates to the Company's earnings for two years, it would be imprudent to expect payouts at a similar level to continue in the future. The Board will need to consider all the relevant factors when determining future dividend levels. These factors will include available distributable earnings and ensuring an appropriate balance between dividends to shareholders and retaining cash to invest for the future.

Insight: Talking about future investments, it seems that TNK-BP manages to maintain a rather ambitious Capex plan. Would it be fair to say that most of the capital expenditure are funded through debt? How much did the Company borrow last year?

Credit ratings of selected Russian oil & gas companies in July 2006

Company	S&P		MOODY'S		Fitch Ratings	
	Credit Rating	Outlook	Credit Rating	Outlook	Credit Rating	Outlook
Gazprom	BB+	Positive	Baa1	Stable	BBB-	Stable
Transneft	BB+	Stable	A2	Stable	-	-
LUKOIL	BB+	Positive	Baa2	Stable	BBB-	Stable
TNK-BP Int	BB+	Stable	Baa2	Stable	BB+	Positive
Gazprom neft	BB	Positive	Ba1	Positive	-	-
Novatek	BB-	Stable	Ba2	Stable	-	-
Rosneft	B+	Positive	Baa2	Stable	BB+	Stable
Tatneft	B-	CrWatch Negative	-	-	B	Stable
Yukos	D	-	Ca	Stable	-	-
Russia	BBB	Stable	Baa2	Stable	BBB	Stable

Internally generated cash flow and borrowings are the two main sources of funding for our Capex. When thinking about our investment needs, we look at our cash flow situation. The Company currently generates a sufficient amount of cash through its operations to fund all our investment goals. We believe, however, that the cost of debt capital is attractive, and we should use the opportunities presented by both international and domestic financial markets. Furthermore, it is prudent to maintain an established presence in the market so that it is possible to borrow quickly, efficiently and cost-effectively when circumstances dictate. Our corporate financial framework implies a certain gearing ratio band. At the end of last year, our total debt was just above \$3.5 billion. We are still at the lower end of this band and have plenty of room to grow.

Insight: Is that why you are doing the Eurobond issue? Could you tell us a little bit more about this deal? What are the parameters, timing, pricing?

We constantly work on improving our debt portfolio, aiming to replace short-term, more expensive debt with cheaper, longer-term borrowing. We are also interested in freeing up any pledged crude for spot trading and borrowing unsecured money instead. Through this debut benchmark Eurobond issue, we were able to raise \$1.5 billion from the sale of five- and ten-year bonds. As is customary, we did this deal with a group of top international banks: Credit Suisse, Citigroup, BNP Paribas, UBS. It was completed within our existing \$5 billion European medium-term note Guaranteed Debt

Issuance Program, which works like a framework facility or a corporate "credit card" with a set credit limit. We can borrow up to \$5 billion using the same basic prospectus.

Insight: The timing of TNK-BP's roadshow raised some questions. The summer is generally a quiet period for financial markets, and the markets seem to have receded from the high levels achieved earlier this year. In addition, Rosneft's recent IPO may have forced TNK-BP to compete for scarce financial resources. Perhaps this affected the price negatively?

Russian companies are becoming more sophisticated players in international financial markets. They choose between dollar-based instruments and euro-based instruments. The number of Russian IPO's last year grew to 40; together they raised capital of almost \$10 billion. So there will always be a degree of competition, and it is only getting tougher. But capital markets are quite compartmentalized. Fixed income investors play in a different playground than equity investors. Timing of the Eurobond issue was driven by our internal considerations: our financial framework, which I mentioned earlier; our investment needs and new advantages that TNK-BP received when Moody's and Standard and Poor's upgraded our credit ratings. Moody's upgraded us two notches, and now we are in the investment grade. This is a big breakthrough for the Company and compares very well with Russian industry peers.



"We constantly work on improving our debt portfolio, aiming to replace short-term, more expensive debt with cheaper, longer-term borrowing," says TNK-BP Chief Financial Officer James Owen.

Insight: Are TNK-BP Holding's financials any different from the GAAP accounts for TNK-BP International? And if they are, what are the major differences?

The TNK-BP Holding statutory accounts, which are a necessary part of the Russian reporting requirements, are unconsolidated. They reflect the TBH operations as a stand-alone entity. In January 2005 we began gradually transferring the business previously carried by TNK, ONACO, Sidanco and other entities acceded to the Holding, in accordance with the corporate restructuring I referred to earlier. The accounts reflect the main activities in which TBH is involved: crude and gas trading, refining under tolling arrangements, and the sale of oil products and centralized purchasing and supply on behalf of its subsidiaries. TBH is also one of the Group's two borrowing centers.

TNK-BP International, which is the guarantor for the Eurobonds, is a BVI (British Virgin Islands) company. Unlike TBH, it includes the results of our joint ventures and our equity share in other ventures, such as Slavneft and the downstream business in Ukraine. Lenders require that accounts be prepared on a fully consolidated basis and, therefore, we incorporate the activities of all the group companies.

Insight: The Company's first Annual General Meeting is behind us, TNK-BP has obtained a ratings upgrade, and the new bonds have been issued – what is the next big project?

All of the issues we have discussed are milestones on our journey to grow TNK-BP into a world-class oil and gas company. We are currently working on several transformational initiatives – some of which, such as the Internal Controls Improvement Initiative, Enterprise-Wide Risk Management and Organizational Capability – involve the entire enterprise. Others, such as the Global Financial Template, or GFT, are equally transforming to TNK-BP's capabilities but, generally speaking, only require major activity within the Finance Function.

It is likely that most of our audience will not have heard much about GFT. Perhaps I might describe its goals very briefly.

TNK-BP currently maintains its financial data in a variety of ways, using several different software applications. This is not only inefficient and expensive; it also poses a significant risk in maintaining the different applications. And it makes the extraction of key management data more difficult.

GFT will provide us with a common data platform across the Company. This commonality will allow us to use standard processes, to access data more easily and will require considerably less maintenance than at present.

GFT is a very challenging project, which will involve the full support of all of us in the Finance Function. Its successful implementation will put us on a par with the very best international peers.

Insight: As an experienced finance executive, you had an opportunity to work in any industry. Why did you choose oil and gas?

I enjoy working in oil and gas. I consider myself very lucky to have been involved in this industry at a very exciting time. It is much more than a business area; it is the mark of our age. There was the Stone Age, the Bronze Age and so on. Now we live in the Oil and Gas Age. It has become our way of life. The whole world is affected by what we do, and this is what I find fascinating in my job. Throughout my career, I have been very fortunate to witness how the international energy community has matured to understand the full scope of responsibility it has to bear. ■

James Owen

James Martin Owen graduated from Liverpool College of Commerce. From 1970 to 1972, he worked as senior auditor for Pricewaterhouse-Coopers in Brussels.

From 1972 to 1993 he held various financial management positions at Chevron, including that of director of the Finance Department, from 1982-1987 in the Indonesian Division and

from 1987-1990 in London; between 1991 and 1993, he was executive director of Operations in Calson (Bermuda) and in Hyson (Nigeria).

For eight years, from 1993 to 1997 and from 2001 to 2004, Mr. Owen worked for Tengizchevroil, first as the head of the Internal Control Department and then as chief financial officer. ■

New Deputy Chairman Appointed to TNK-BP Board of Directors



Lord Robertson

On July 26, 2006, TNK-BP announced changes to BP-appointed members of the Board of Directors.

Richard Olver, who was appointed to the Board of Directors in mid-2004, has decided to step down from his position of Deputy Chairman. Lord Robertson of Port Ellen, Scotland, will succeed Mr. Olver as Deputy Chairman of the Board and Chairman of the Board's Audit Committee. The appointment becomes effective October 1, 2006.

Richard Olver said: "I took this appointment two-and-a-half years ago when I retired as Deputy Chief Executive of BP plc. My focus has been on helping to bed down the TNK-BP joint venture. This is now operating well and I am very pleased that Lord Robertson has agreed to help steer the venture through its next phase of development."

Lord Robertson, former Secretary General of NATO and UK Defence Secretary, is presently Non-Executive Chairman of Cable and Wireless International. From February 2004 to April 2006, he was Executive Deputy Chairman of Cable and Wireless plc. He is Non-Executive Director of both the Weir Group plc and Western Ferries (Clyde) Ltd and an advisor to the Washington, DC-based consultancy The Cohen Group and to the private equity group Englefield Capital. Until February 2006, he was Non-Executive Director of the Smiths Group plc.

In addition to his recent government and private-sector experience, Lord Robertson brings extensive knowledge of Russia. He was the founding Chairman of the NATO-Russia Council and is Co-Chairman of the UK-Russia Round Table.

Lord Robertson earned a master of arts degree with honors from Dundee University in Scotland. He is married and has three children. ■

Board of Directors Composition

Following Lord Robertson's appointment, the full composition of the TNK-BP Board of Directors is as follows:

Directors nominated by AAR:	Directors nominated by BP:
Mikhail Fridman (Chairman)	Lord Robertson (Deputy Chairman)
Viktor Vekselberg	Tony Hayward
Len Blavatnik	Patrick Chapman
Alex Knaster	Lamar McKay
Jean Luc Vermeulen	Robert Sheppard

Changes to Senior Management Team



Sergei Brezitsky

On June 6, 2006, TNK-BP announced a series of changes to its top executive team.

It appointed Sergei Brezitsky Executive Vice President, Upstream, replacing Igor Dibtsev, who had left the Company to pursue other career opportunities. Brezitsky joined the TNK group in 1999. At the time of the TNK-BP merger, he was appointed Samotlor Business Unit Leader.

Over the last 18 months, Brezitsky has been EVP, Oilfield Services, leading the development and implementation of TNK-BP's Oilfield Services restructuring strategy.



Mikhail Osipov

Mikhail Osipov was appointed Executive Vice President, Oilfield Services, replacing Brezitsky. Osipov joined the TNK group in 1998. Since the TNK-BP merger in late 2003, he has led Upstream Business Units in Tyumen and Orenburg. With his diverse business experience and important field services connections, Osipov will take the Oilfield Services Stream forward in its strategic direction.

James Dupree, who had been Executive Vice President, Technology, since TNK-BP's formation, left the Company this summer. Dupree led the application of world-class technology and, working closely with Upstream, helped create TNK-BP's "brownfield renaissance." The programs he initiated to develop resource and enhance professional skills will sustain the company's future growth.



Richard Herbert

Richard Herbert was appointed Executive Vice President, Technology, replacing Dupree. Herbert joined the BP Group in 1980. After serving in increasingly responsible international operations and technical leadership roles, he came to TNK-BP as Vice President, Exploration. Since the formation of TNK-BP, Herbert has led an Exploration team that delivers top-notch results while building a portfolio of growth projects.

In their new roles, Messrs. Brezitsky, Osipov and Herbert report to TNK-BP's Chief Operating Officer Tim Summers.

Commenting on the appointments, TNK-BP President and CEO Robert Dudley said, "I am particularly pleased that the strength and experience of our management team has allowed us to promote internal candidates to these important roles and create continuing growth opportunities within the Company." ■

TNK-BP, Sinopec Reach Agreement on the Sale of Udmurtneft

On June 20, 2006, TNK-BP announced it had reached agreement with China's Sinopec regarding the sale of its production unit OAO Udmurtneft. The announcement marked the completion of a tender process launched at the end of 2005.

On July 3, 2006, TNK-BP President and CEO Robert Dudley and Sinopec International Petroleum President Zhou Baixiu signed a fully termed sales and purchase agreement for the sale of Udmurtneft to Sinopec. Udmurtneft was sold as a going concern. Russian anti-monopoly authorities had previously approved the transaction.

Speaking at the signing ceremony in Beijing, Robert Dudley commented that the sale had generated considerable interest among Russian and international companies, but TNK-BP had chosen Sinopec because its offer was the strongest commercially.

Dudley also emphasized the important international implications of the transaction, noting that it followed President Putin's March visit to China and his meeting with President Hu Jintao, during which the presidents affirmed mutual desire for greater cooperation between the two nations.

Udmurtneft at a Glance

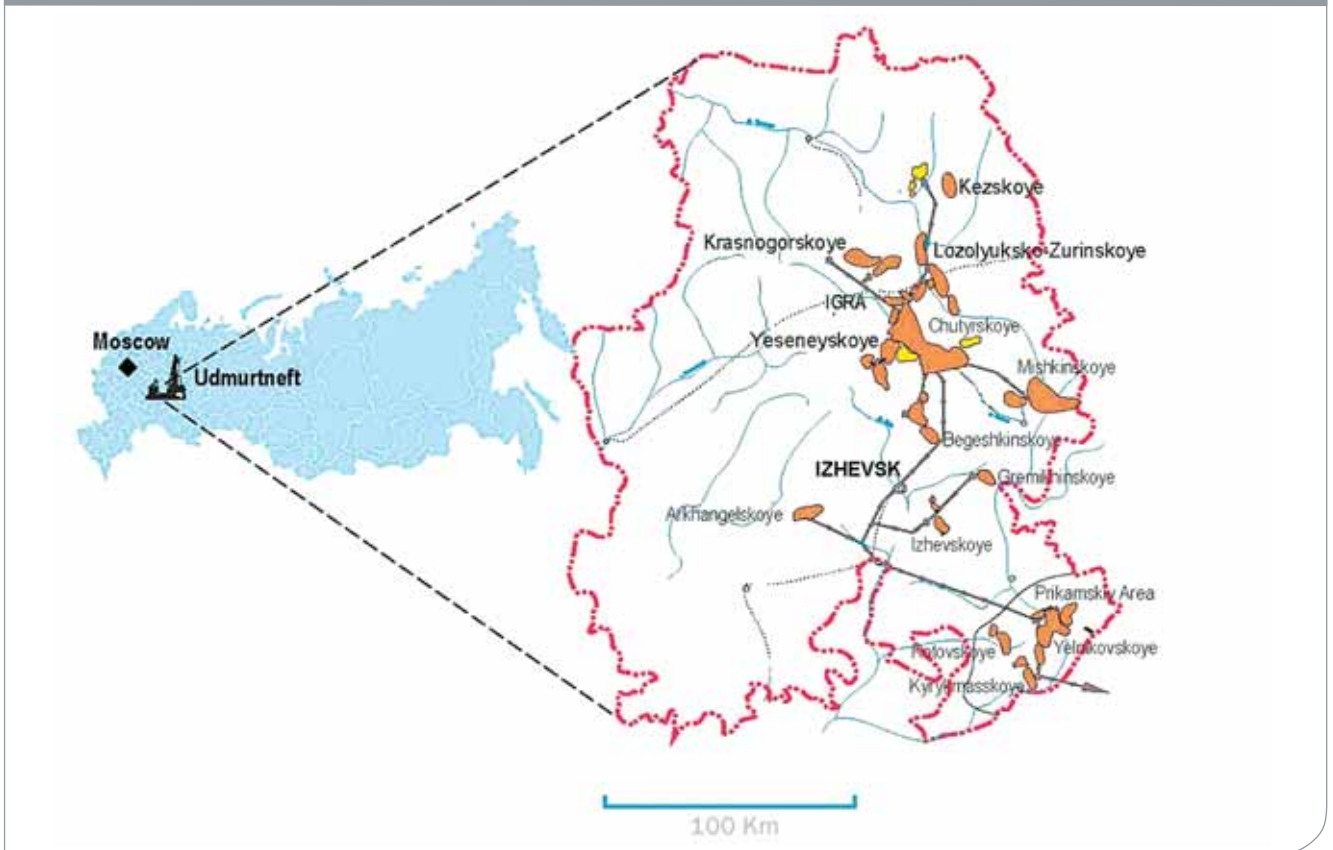
- Udmurtneft is the largest oil and gas company in the Udmurt Republic, located in the Volga-Urals region.
- The company holds more than 68% of the oil reserves of the Udmurt Republic and accounts for over 65% of its annual oil production.
- It has SPE proved and probable reserves of 938 million barrels of oil equivalent (133 million tons of oil equivalent).
- In 2004 Udmurtneft produced 112,000 barrels of oil equivalent per day (5.8 million tons per year). At the end of 2005, its daily production was 116,000 barrels of oil equivalent.
- The company operates 3,470 producing wells and 1,230 injectors.
- It employs more than 2,300 staff excluding contractors.
- Udmurtneft's HSE performance has gained national and international recognition. In September 2005, PricewaterhouseCoopers recertified the company's ISO 14001 status. ■

"I would like now to acknowledge this and to expressly thank the leadership of both Russia and China for ensuring that the right conditions existed to make this transaction possible," said the TNK-BP CEO.

"The acquisition of Udmurtneft makes Sinopec a major investor in the Volga-Urals region of Russia – one of the heartland regions of Russia's energy industry. In my view, this demonstrates that despite occasional commentary otherwise,



TNK-BP President and CEO Robert Dudley and Sinopec International Petroleum President Zhou Baixiu shake hands following the SPA signing ceremony on July 3 in Beijing.



Russia's energy sector clearly remains attractive and open to foreign investment.

"As for TNK-BP, this divestment will allow us to concentrate our financial and managerial resources on our core production regions in Russia and on development of new projects," Dudley concluded. ■

TNK-BP Successfully Issues Eurobonds

Five-year and 10-year notes totaling \$1.5 billion placed

On July 13, 2006, TNK-BP successfully placed 5-year and 10-year Regulation S/144A Eurobonds totaling \$1.5 billion. Placement of the Eurobonds constitutes the first drawdown under TNK-BP's \$5 billion Guaranteed Debt Issuance Program, established in September 2005.

The 5-year \$500 million issue priced with a coupon of 6.875% at a spread of 190 basis points over U.S. Treasury Notes.

The 10-year \$1 billion issue priced with a coupon of 7.500% at a spread of 245 basis points over U.S. Treasuries.

Moody's and Standard & Poor's upgraded TNK-BP's credit ratings before the issue was launched. Moody's assigned the new issues Baa2 ratings; Standard & Poor's assigned them BB+; Fitch's rating remains BB+.

In aggregate, the new issues are one of the largest private corporate debt transactions in the former Soviet Union; they are the first two-tranche offering.

Through joint lead managers BNP Paribas, Citigroup Global Markets, Credit Suisse and UBS Investment Bank, the new issues achieved broad global distribution. Citigroup Global Markets and Credit Suisse were joint bookrunners for the transaction.

Proceeds of the issues will be used for general corporate purposes.

TNK-BP Chief Financial Officer James Owen commented: "We are delighted with the high level of market interest shown in these bonds. This confirms the confidence of the international lending community in the financial strength of our company. The bonds will enhance our balance sheet, providing TNK-BP with a higher-quality debt portfolio, greater financial resources and more flexibility to manage our future growth opportunities." ■

TNK-BP Launches Advanced Visual Modeling Center

New facility opened at TNK-BP's corporate headquarters

In June 2006, TNK-BP launched an advanced 3D Visual Modeling Center. Located at the company's Moscow headquarters at Arbat 1, this facility has been recognized for its functionality and visual presentation capabilities as one of the most advanced in the industry.

Visual modeling centers are widely employed in the oil and gas industry to share large amounts of information in high-quality, immersive, dedicated display settings. They are used to understand and test designs before expensive, real-life projects are carried out.

The main feature of the center is a high-resolution display screen that can present complex 3D computer graphics in stereo through the use of special projectors. Multiple simultaneous display of information on the screen is possible from a number of external sources. The center permits the viewing of complex 3D images required in various surface and subsurface engineering disciplines, where understanding of complex geometries is crucial.

Visual Modeling Center Benefits

The new VMC is expected to deliver the following benefits:

Improved decision making in field development: Enhanced understanding of complex structures, thanks to 3D modeling, will enable faster and more effective decisions to be reached in areas such as well placement, field development planning, and estimation of reserves.

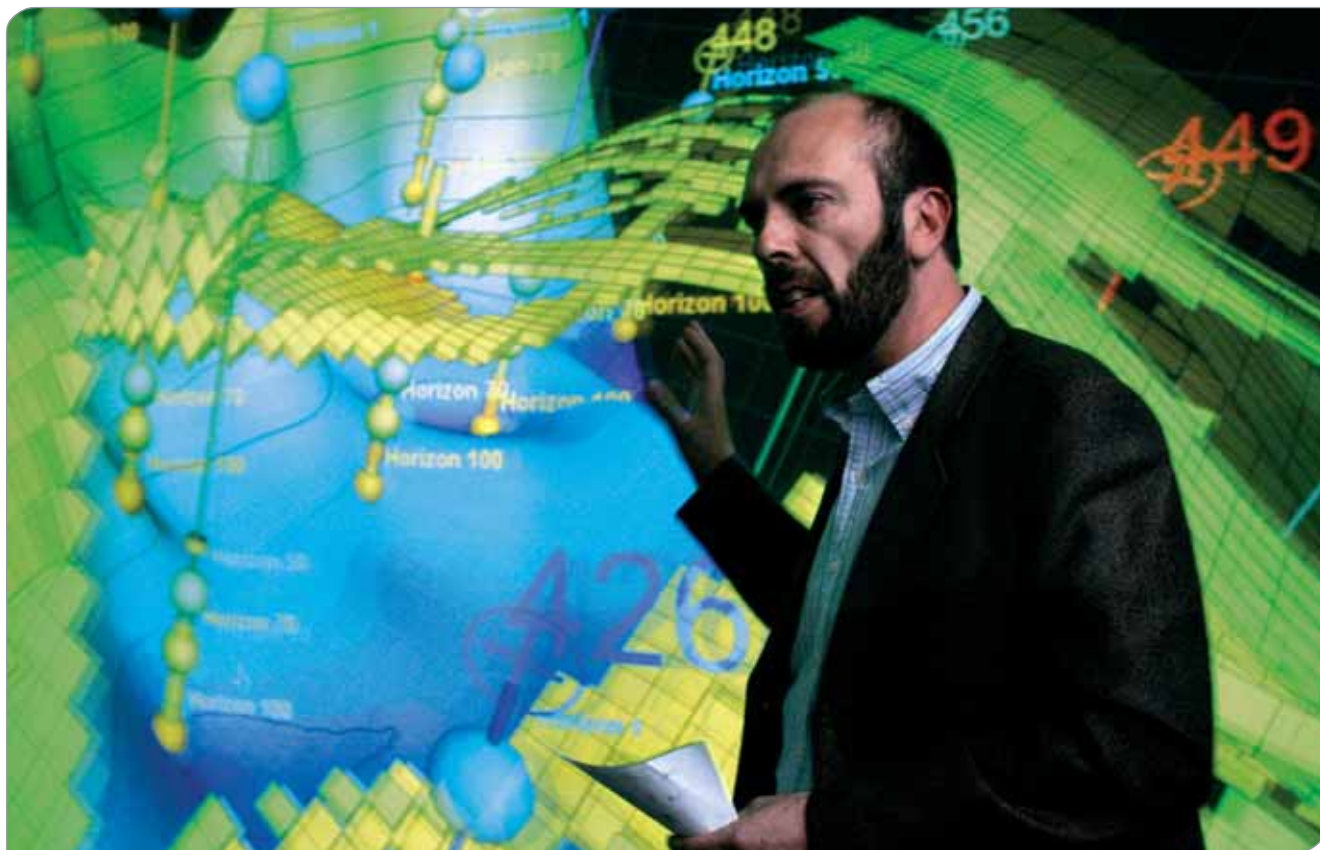
Better response: Some issues, which can dramatically impact the final well construction plan, only become apparent when the well path is visualized in 3D. Well design, for example, requires that we understand the

reservoir target, well construction engineering constraints, surface access, and the costs of construction options. With more timely and detailed knowledge of these issues, the project cycle time can be shortened and risks inherent in subsurface decision making can be reduced.

Greater collaborative potential: By displaying different types of information together, decision makers will be more able to comprehend the relationships between them. This integration of multiple data types supports cross-disciplinary collaboration. It will also facilitate stronger linkage with regional centers.

"The center will enable us to efficiently view and use computer-generated models of geological structures, hydrocarbon reservoirs, well designs and surface production facilities, all of which are routinely imaged by computer-simulated models in our business," said Gavin Goodland, Director of IT, Technology Stream.

Typically, field development involves integrated teams of professionals from various disciplines working with very large



Gavin Goodland, Director of IT, Technology Stream, briefs the audience on the Visual Modeling Center's capabilities.

data sets, specialist software applications and high-capacity computing facilities. Facilities like the VMC allow very large data sets to be loaded quickly into computer memory and enable significant increases in the efficiency of teamwork and collaboration.

Mr. Goodland continued: "We have invested a lot of work into building this center. From my experience in other oil companies, I can say this VMC is one of the best and most advanced in the industry – better than any of the facilities currently used in BP – and probably the most advanced center of its kind in Russia."

Richard Herbert, Executive Vice President, Technology, said: "The VMC will deepen our understanding of our assets, which will facilitate further development of tailored, fit-for-purpose solutions for our fields and reservoirs. This investment in visualization and modeling technology will help us narrow the gap between where we are today and where we strive to be in managing our asset base." ■

New Image of TNK Brand Presented

TNK-BP retails through two major brands: TNK and BP. The re-imaging program for the TNK brand was launched in 2006 and the renovated brand was officially presented on August 2, 2006.

The main attributes of the renovated TNK brand are quality, freshness, professionalism and reliability. These features are reflected in the new visual standards that provide for the consistent use of the redesigned TNK logo with orange added to the TNK color scheme.

"By the end of 2006, the Company will have spent about \$120 million to support and develop its network of retail stations",

said Didier Cazimiro, Marketing and Strategy Director.

New TNK stations include a modern self-service convenience store TNK Express, where goods and fuel may be purchased at single pay-points for cash or major cards. Other new services offered to customers include cash machine, cellular payment terminal and a mini-cafe.

The new brand offer also includes new services introduced at the retail stations such as fueling services, vacuum cleaner, free WC, tire inflation and water.

The new TNK offer is being introduced in seven regions: Moscow, Ryazan, Saratov, Rostov-on-Don, Tula, St. Petersburg and Kiev, Ukraine, with about 50 retail stations in 2006.

The planned \$120 million spend includes a \$30 million budget to finance the installation of computers, video monitoring systems, minor construction works to ensure high level of service is offered at TNK-BP's retail stations.

"In addition, TNK-BP plans to invest \$35 million in rebranding of its fuel stations and \$55 million will be spent to build new retail stations in Moscow, St. Petersburg, Krasnodar and their regions", said Didier Cazimiro.

After company-owned stations have been re-branded, jobber stations will be also renovated. ■



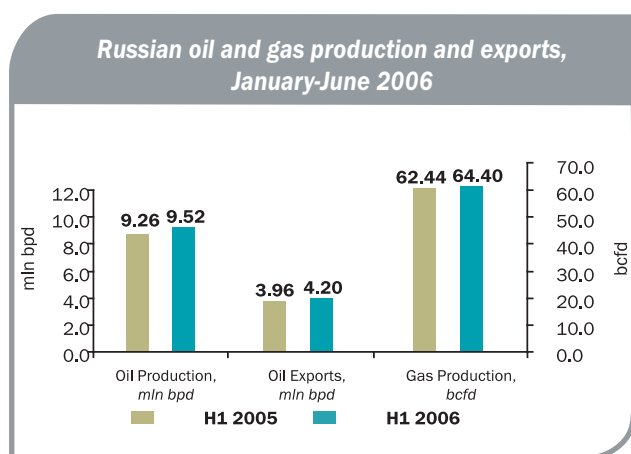
TNK-BP executives at the ceremony opening the rebranded TNK site. From left to right: Didier Cazimiro, Marketing and Strategy Director, Anthony Considine, EVP Downstream, Amir Feizulin, Head of Performance Unit Moscow, and Alexander Kaplan, VP Marketing Operations.

Russian Production and Export Data

Oil and gas condensate production in Russia during the first six months of 2006 was 236.09 million tons (9.52 million barrels per day), an increase of 2.5% over the same period in 2005. Production in June was 39.65 million tons (9.65 million barrels per day), 2.9% above production in June 2005.

From January through June, Russia exported 104.25 million tons (4.20 million barrels per day) of crude to non-FSU countries, a 5% increase over the same period in 2005. According to official data, Russian oil companies shipped 99.65 million tons of oil to foreign markets via the Transneft-operated oil pipeline grid; they delivered 4.61 million tons bypassing Transneft's network.

Russia's gas production from January-June 2006 totaled 333.08 billion cubic meters (64.40 billion cubic feet per day), a 2.3% increase over the first six months of 2005. In June Russia produced 49.16 billion cubic meters of gas (57.35 billion cubic feet per day).



Gref: Russian Crude to Close Price Gap with Brent by 2012-2013

The price for Russia's exported crude will approach the price range for Europe's Brent benchmark by 2012-2013, according to German Gref, Russia's minister for Economic Development and Trade.

"By that time we will have managed to eliminate the price discount," Gref told reporters after a meeting of the Government's Commission on Investment Fund Distribution. Gref noted that the current discount of Russian crude to Brent is \$5-\$7 per barrel.

"There are several measures that will raise the price of Russian crude, key among them is to remove sour oil from the pipelines," the minister explained. According to Gref, facilities that will allow to discontinue mixing heavy sour oil with lighter, better-quality West Siberian crude can be operational within several years.

After raising the quality of exported crude, Russia will set up a petroleum exchange – the next step in boosting the price of Russian oil in world markets.

Russia Raises Oil Export Duty to Record High

Effective August 1, 2006, the oil export duty will rise to an all-time high of \$216.40 per ton of oil. Prime Minister Mikhail Fradkov signed the relevant government resolution on July 18. The current export duty, in effect since June 1, is \$199.8 per ton.

The Russian Government reviews the export duty bimonthly using as a benchmark the prices at which the Urals brand has traded in world markets during the previous period.

Putin: G8 Summit Develops Common Ground on Energy Security

G8 nations have adopted a unified approach to ensuring global energy security, Russian President Vladimir Putin said. Speaking at a press conference to summarize the results of the G8 Summit in St. Petersburg, Putin told reporters: "Our joint strategy is founded on an understanding that mankind has a common energy future, a future for which all of us carry joint responsibility."

Putin noted that the decisions made by the G8 in St. Petersburg will ensure long-term improvements in the global system of energy security. He underscored the fact that the decisions address practically all aspects of the system. "They include enhanced reliability of the energy infrastructure, diversification of production and supply of energy resources, development of energy-saving technologies and alternative sources of energy and achievement of greater transparency and predictability of energy markets. These measures have at their core the interests of all participants in the global energy chain," the Russian president said.

Putin: Russia and Norway Should Develop Barents Sea Fields Together

Russia and Norway should join forces to develop oil and gas fields in the Barents Sea, Russian President Vladimir Putin told a press conference during the G8 Summit in St. Petersburg.

Putin noted that Norway has well-developed infrastructure, but that its production is falling. "We are ready to share the opportunities we have in exchange for similar opportunities from the Norwegian side," he said. ■

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