TNK-BP International Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2011

TNK-BP Overview

TNK-BP is one of the largest vertically integrated oil and gas groups in Russia in terms of both proved oil reserves and crude oil production. Its primary exploration and production operations are located in Russia's Western Siberia, Volga-Urals and East Siberia basins. In 2011, TNK-BP acquired interests in oil and gas producing assets in Vietnam and Venezuela.

TNK-BP owns five refineries, four of which are located in Russia and one in Ukraine. TNK-BP through its equity affiliate, Slavneft, also owns an approximately 50% interest in another large Russian refinery, YANOS, together with Gazpromneft.

TNK-BP exports crude oil and petroleum products to Europe, Asia and the CIS countries. In Russia and Ukraine, TNK-BP sells its products through a variety of distribution channels, including a network of retail stations and through the wholesale market.

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	Year ended 31 December 2010
		Operational information		
1,566	1,558	Liquids production of consolidated subsidiaries (mb/d)	1,546	1,527
1,771	1,766	Liquids production incl. share in equity affiliates (mb/d)	1,742	1,713
260	224	Gas sales of consolidated subsidiaries (mboe/d)	238	215
270	229	Gas sales incl. share in equity affiliates (mboe/d)	245	221
1,826	1,782	Total oil&gas production of consolidated subsidiaries (mboe/d)	1,784	1,742
2,041	1,995	Total oil&gas production incl. share in equity affiliates (mboe/d)	1,987	1,933
n/a	n/a	Total proved reserves - consolidated subsidiaries – PRMS [1] (million boe)	13,770	13,069
n/a	n/a	Total proved reserves incl. share in equity affiliates – PRMS [1] (million boe)	14,913	13,998
700	765	Refining throughput (mb/d)	747	732
		Financial information *(USD millions)*		
15,697	15,299	Revenues	60,199	44,646
7,739	7,670	Export duties and taxes other than income tax	28,800	20,405
3,614	3,575	EBITDA	14,601	10,391
3,613	3,387	Underlying EBITDA (excluding one-offs)	14,389	10,349
2,170	2,268	Net income attributable to Group shareholders	8,981	5,815
2,561	2,023	Operating cash flow	10,525	9,682
1,911	1,303	Organic capital expenditures (accrued)	5,415	4,051
34%	37%	ROACE	36%	26%

Note:
[1] PRMS stands for Petroleum Resource Management System.

Fourth Quarter and Year 2011 Highlights

Financial

- EBITDA growth of 41% to USD 14.6 billion compared to 2010, while underlying EBITDA excluding one-offs increased by 39% to USD 14.4 billion compared to 2010.
- Net income increase of 54% to USD 9.0 billion compared to 2010.

Upstream

- Total oil and gas production (including affiliates) of 1,987 mboe/d, representing 2.8% growth compared to 2010.
- Greenfields production reached 14% of liquids production compared to 9% in 2010.
- Strong proved reserves replacement in 2011 at 145% and 203% under SEC LOF[1] and PRMS cases, respectively, primarily reflecting successes in Greenfields and Rospan.
- Continued focus on replacing reserves base: 43 exploration wells completed with a 70% success rate, while 9 new licences acquired in the vicinity of our existing fields in Orenburg with estimated resources of 283 mln boe.
- Comprehensive intervention plan to reduce West Siberian production decline focused on application of new technologies: water shut-offs, skin hydraulic fractures, energy efficient electric submersible pump ("ESP") designs, and drilling efficiency improvements with a total incremental production of over 1.3 mln barrels already in 2011.

Gas

- Rospan natural gas production amounted to 3.3 bn cub. m in 2011, up 20% compared to 2010.
- The Group received a governmental approval of the full field development plan for the Rospan natural gas field and is negotiating extensions of the gas transportation agreement with Gazprom on pipeline access till 2019 and long term agreements with end users to ensure demand for incremental gas volumes.
- With the expansion of JV Yugragaspererabotka (**"YuGP"**) to Nyagan completed in December 2010, natural gas liquids (NGL) production in 2011 increased to 13.8 mln bbl, an 11% improvement on 2010.

Downstream

- Strong refinery throughput of 747 mb/d in 2011, representing a 2% year-on-year improvement as a result of continuing debottlenecking efforts.
- Tolling of crude oil at Linik refinery (including third parties feedstock) increased to 3.7 million tons in 2011, which is 64% higher compared to 2010.
- Pilot 3-year turnaround ("TAR") cycle at Ryazan refinery completed for AT-6 crude distillation complex. TNK-BP also intends to implement the 3-year TAR programme for Saratov refinery.
- Strengthening position in retail with a growing number of higher-margin BP sites and new offer TNK sites:
  - 15 new BP sites constructed, including the first eight highway service stations opened in Tver, Smolensk, Moscow and St.-Petersburg regions and 5 sites modernised and re-branded as BP sites,

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Note:
(1) The standards of oil&gas reserves measurement of the U.S. Securities and Exchange Commission applied on the basis of reserves being calculated through the economic life of the fields.

- 8 new TNK sites constructed and further 59 sites converted into the new offer (new visual standards of TNK brand aimed to create distinct and relevant TNK brand positioning and increase customer trust and loyalty),
- acquisition of 8 sites in Tver region in the 4th quarter of 2011,
- Significant reduction in the share of jobber sites to capture margin, ensure fuel quality and brand integrity.

- Activities to increase loyalty of customers: launch of a TNK brand loyalty programme “Carbon” in July 2011 with more than 400 thousand participants; offer of a new premium higher margin product - ‘BP Ultimate Diesel’.
- Domestic jet fuel sales directly to airlines increased to 45% of total domestic sales in 2011. Overall domestic sales of jet fuel increased up to 1.4 million tons in 2011 representing growth of 15% compared to 2010 year.

Portfolio

- In June 2011, TNK-BP completed the acquisition of certain Venezuelan upstream assets from BP. In October, the Group finalised the acquisition of stakes in offshore gas producing fields and related pipe infrastructure in Vietnam.
- On 31 October 2011, the Group entered into an agreement with HRT O&G for the acquisition of a 45% stake in 21 exploratory blocks in the Brazilian Solimoes Basin. The completion of the deal is expected in the 1st half of 2012, after securing necessary government approvals.

Financing

- USD 1.5 billion unsecured loan facility obtained from a club of international banks at LIBOR plus 1.30% per annum in August 2011.
- Several loans for the total amount of USD 0.5 billion obtained in the 4th quarter 2011 from international banks.
- Gearing at 26% as of 31 December 2011, within the target band of 25% to 35%.

Results of Operations

Upstream

Liquids Production

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	Year ended 31 December 2010
mln bbl (except as indicated)			*mln bbl (except as indicated)*	
		Greenfields		
11.3	10.6	TNK-Uvat	39.6	29.5
11.7	10.2	VCNG	37.7	19.5
23.0	**20.8**	**Total Greenfields**	**77.3**	**49.0**
		Brownfields		
36.3	36.9	Samotlorneftegas	147.3	158.4
12.9	13.2	TNK-Nizhnevartovsk(1)	52.5	55.5
13.5	13.4	TNK-Nyagan	52.9	51.8
5.8	6.1	NNP (2)	24.1	29.3
4.7	4.7	Varieganneftegas(3)	18.8	20.7
3.0	3.0	Vanieganneft	12.0	12.3
1.5	1.3	Rospan	5.6	5.1
4.5	4.7	Other	19.2	24.3
82.3	83.3	Subtotal Western Siberia	332.5	357.4
38.7	39.2	Orenburgneft (Volgo-Urals basin)(4)	154.4	150.9
121.0	**122.5**	**Total Brownfields**	**486.9**	**508.3**
144.0	**143.3**	**Own liquids production in Russia**	**564.2**	**557.3**
0.1	-	Vietnam	0.1	-
144.1	**143.3**	**Liquids production of consolidated subsidiaries**	**564.3**	**557.3**
16.9	16.9	Slavneft	66.8	67.9
2.0	2.2	Venezuela affiliates	4.7	-
162.9	**162.4**	**Total liquids production - incl. affiliates**	**635.8**	**625.1**
1,566	**1,558**	**Daily liquids production of consolidated subsidiaries (mb/d)**	**1,546**	**1,527**
1,749	**1,741**	**Daily liquids production in Russia – incl. affiliates (mb/d)**	**1,729**	**1,713**
1,771	**1,766**	**Daily liquids production – incl. affiliates (mb/d)**	**1,742**	**1,713**

Notes:
(1) Including Yugraneft
(2) Including Malosiktorskoe and Tarkhovskoe
(3) Including Severo-Varieganskoe
(4) Including Buguruslanneft

For the year ended 31 December 2011, TNK-BP's daily liquids production of consolidated subsidiaries increased by 1.3% (19 mb/d) relative to the year ended 31 December of 2010 and reached 1,546 mb/d (564 mln bbl). This production growth was underpinned by a strong contribution from the producing greenfields – the Uvat fields in West Siberia and the Verkhnechonskoye oil field in East Siberia (**"VCNG"**), and the Orenburg assets, which was partially offset by the natural production decline of mature assets in West Siberia.

In the 4th quarter of 2011, compared to the 3rd quarter of 2011 liquids production of consolidated subsidiaries increased by 0.5% and reached 144 mln bbl, in particular due to increased oil treatment capacity at VCNG starting August 2011.

In 2011, greenfield production demonstrated strong growth, bringing its share of total liquids production of consolidated subsidiaries to 14%, compared to 9% in 2010 and amounted to 77 mln bbl.

Production at VCNG grew by 93% up to 103 mb/d in the year ended 31 December 2011. Production at the Uvat fields amounted to 109 mb/d, or 35% up compared to 2010.

Despite the natural production decline, the brownfields still remain the major source of TNK-BP's hydrocarbon production and reserves and in total accounted for 86% of the liquids production of consolidated subsidiaries in 2011.

The Group is in the process of implementing a range of efficiency improvement measures. In particular, a long-term West Siberia efficiency improvement programme was undertaken targeting a decrease in the annual liquids production decline rate from the current 7% to approximately 2-3% per year. The Group continues implementation of its intervention programme in West Siberian brownfields, focusing on selecting and testing appropriate technologies, followed up by scaling successful practices across the organisation. During 2011, 99 pilots, including wellwork, power efficiency, artificial lift, reservoir management and infrastructure projects, were completed. About 30 technologies, proved successful based on pilots, will be scaled-up in 2012.

Reduced output in West Siberia was partially offset by incremental production in Orenburg, up by 2.3% in the year ended 31 December 2011. Orenburg is a mixture of older fields, new discoveries and ongoing licence acquisitions, and the Group expect oil and gas production in the area to grow for the next few years.

On 10 June 2011, TNK-BP completed the acquisition from BP of interests in the following affiliates in Venezuela: PetroMonagas (TNK-BP share – 16.7%), PetroPerija (40.0%) and Boqueron (26.7%), with TNK-BP's net share in production of these equity affiliates of 25 mboe/d since that date.

PetroMonagas is an integrated project where the produced extra-heavy crude oil is transported by pipeline to an upgrader on the coast and converted into export-bound synthetic crude. TNK-BP's net share in production is approximately 20 mboe/d. The project is still in development with the potential to increase production through facilities upgrades and Enhanced Oil Recovery (EOR) technology. PetroPerija and Boqueron are mature light oil assets with TNK-BP's net share in production of approximately 5 mboe/d.

Gas

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	2010
bn cub. m (except as indicated)			*bn cub. m (except as indicated)*	
		Natural Gas		
0.9	0.8	Rospan	3.3	2.7
		Associated Gas[1]		
2.3	2.2	Western Siberia	9.0	8.6
0.5	0.4	Orenburgneft (Volga-Urals)	1.8	1.6
2.9	**2.6**	**Total Associated Gas**	**10.8**	**10.2**
3.8	**3.4**	**Own gas production in Russia**	**14.1**	**12.9**
0.2	-	Vietnam	0.2	-
3.9	**3.4**	**Gas production of consolidated subsidiaries**	**14.3**	**12.9**
0.1	0.1	Slavneft	0.3	0.3
0.1	-	Venezuela affiliates	0.1	-
260	**224**	**Daily gas production – excl. affiliates (mboe/d)**	**238**	**215**
254	**229**	**Daily gas production in Russia - incl. affiliates (mboe/d)**	**241**	**221**
270	**229**	**Daily gas production – incl. affiliates (mboe/d)**	**245**	**221**

Note:
[1] Gas available for sale (excluding gas produced for own consumption).

TNK-BP's gas production for sale of consolidated subsidiaries increased by 10.9% to 14.3 bn cub. m in the year ended 31 December 2011 compared to the year ended 31 December 2010 due to higher natural gas volumes in Rospan and associated gas sales in Orenburg and Western Siberia and the acquisition of gas producing assets in Vietnam in October 2011. Production at Rospan in 2011 amounted to 3.3 bn cub. m , up 20% compared to 2010, which is approximately 23% of TNK-BP's own sale of gas production. Associated gas sales increased by 6.6% to 10.8 bn cub. m in the year 2011.

The Group is carrying out preparations for the full field development of Rospan and is working on options to further increase associated gas utilisation. In particular, a new 0.7 bn cub. m compressor station at YuGP was put into operation in December 2011. Further options for Orenburg and YuGP processing capacities expansion are currently being explored.

In the 4th quarter of 2011, sale of gas production of consolidated subsidiaries increased by 16.1%, primarily due to increased processing at YuGP in line with seasonal gas demand growth supported by an increase in natural gas production in Rospan and starting operations in Vietnam.

On 17 October 2011, TNK-BP completed the acquisition from BP of a 35% interest in Block 06.1 in Vietnam. Block 06.1 includes two offshore gas fields – Lan Tai and Lan Do – located in the Nam Con Son oil and gas basin. The fields are developed under a production-sharing agreement. TNK-BP consolidates its share of Block 06.1 production, revenues, costs and assets in its financial statements. Group's share in gas and gas condensate production amounted to 14 and 1 mboe/d, respectively, since the acquisition date.

Resource base

The table below summarises TNK-BP's oil and gas reserves on a PRMS basis, including share in equity affiliates:

	Year ended 31 December 2011			Year ended 31 December 2010		
	Consolidated subsidiaries	Share in affiliates	**Total, incl. affiliates**	Consolidated subsidiaries	Share in affiliates	**Total, incl. affiliates**
Liquids (mln bbl)						
Proved developed	4,842	508	**5,349**	4,785	456	**5,241**
Proved undeveloped	6,032	603	**6,636**	5,881	448	**6,329**
Total proved	**10,874**	**1,110**	**11,985**	**10,666**	**904**	**11,570**
Probable	10,436	1,775	**12,210**	10,118	1,446	**11,564**
Possible	9,908	1,661	**11,569**	8,813	1,338	**10,150**
Gas (bn cub. m)(1)						
Proved developed	133	3	**135**	113	2	**116**
Proved undeveloped	342	3	**346**	282	2	**283**
Total proved	**475**	**5**	**481**	**395**	**4**	**399**
Probable	465	2	**467**	515	3	**518**
Possible	306	2	**308**	298	2	**300**
Total liquids and gas (mln boe)						
Proved developed	5,649	523	**6,172**	5,475	470	**5,945**
Proved undeveloped	8,120	620	**8,740**	7,594	458	**8,053**
Total proved	**13,770**	**1,143**	**14,913**	**13,069**	**928**	**13,998**
Probable	13,265	1,790	**15,055**	13,255	1,463	**14,718**
Possible	11,771	1,673	**13,444**	10,628	1,352	**11,980**
Reserve replacement ratio, % (2)	203	n/a	**n/a**	322	n/a	**n/a**

The Group uses two main global reserves classification systems for external reporting and internal reserves management:

i) the SEC standard, applied on a SEC-LOF (life-of-field) basis for the assets in Russia.

ii) the PRMS standard.

The Group total proved reserves as of 31 December 2011 stand at 13.8 billion barrels of oil equivalent on a PRMS basis and 9.1 billion barrels of oil equivalent on a SEC-LOF basis, excluding affiliates. Total proved reserves, including share in affiliates, amounted to 14.9 billion barrels and 10.1 billion barrels of oil equivalent on a PRMS and SEC-LOF bases, respectively, at 31 December 2011.

In 2011, the Group added 1,352 million barrels and 972 million barrels of proved reserves in respect of consolidated subsidiaries (including proved reserves in place acquired in Vietnam) on a PRMS and SEC-LOF bases, respectively.

The Group effectively replaced 203%(3) and 145%(3) of its own oil and gas production for 2011 on a PRMS and SEC-LOF bases, respectively.

The Group average reserve replacement ratio for total proved reserves for the three years ended 31 December 2011 was 285% on a PRMS basis and 152% on a SEC-LOF basis in respect of consolidated subsidiaries.

Notes:
(1) Defined as marketable gas (including gas produced for own consumption) as of 31 December 2011 and sales gas as of 31 December 2010 (excluding gas produced for own consumption).
(2) Reserve replacement ratio is calculated as new reserves additions (excluding purchases and sales of reserves in place) divided by production.
(3) In respect of consolidated subsidiaries.

Over the last two years, liquids reserves additions were primarily delivered through drilling in new areas such as Verkhnechonskoe and Uvat, and expansion of the brownfield base largely in the Orenburg Region. Proved gas reserves (PRMS) as of 31 December 2011 stand at 475 bn cub. m reflecting the resource potential of Rospan full-field development that was secured through an agreement with Gazprom. Finding and development costs for the three year period 2009-2011 averaged USD 3.4 per barrel of total proved reserves (SEC LOF basis) added.

Exploration and Appraisal ("E&A") activity

The Group made good progress in its exploration and appraisal programme aimed at growing the resource base. In the year ended 31 December 2011, the average exploration success rate amounted to 70% due to the application of advanced technologies in 3D seismic and data interpretation as well as strategic partnerships with leading international drilling companies. As a result, during the year ended 31 December 2011, 422 mln boe of resources, mainly coming from Yamal and Orenburg were added through exploration and appraisal.

In December 2011, TNK-BP signed a long-term agreement with Transneft regarding crude transportation via the contemplated pipeline Zapolyarnoe-Purpe which will connect TNK-BP's Yamal fields to the Transneft trunk pipeline network, enabling access to export markets.

During the year ended 31 December 2011, 9 licenses were acquired in Orenburg adding more than 283 mln boe of resources at a finding cost of USD 0.25 per barrel of oil equivalent of acquired resources. The Group continued its licence renewal programme with a further 12 licenses in the key Orenburg region extended until 2037-2038.

Downstream

Refining

The following table represents the Group's refining throughput and operational availability by refinery:

	Refining throughput, mb/d				Operational availability[(2)], %	
	Fourth quarter	Third quarter	Year ended 31 December		Year ended 31 December	
	2011	2011	2011	2010	2011	2010
Ryazan………………………	323	330	336	322	94	97
Saratov ……………………..	79	139	125	135	87	98
Linik………………………..	109	108	109	103	99	82
Other[(1)] ……………………...	30	31	29	28	98	97
YANOS (TNK-BP's share)…	159	157	148	144	n/a	n/a
Total………………..............	**700**	**765**	**747**	**732**	**93[(3)]**	**97[(3)]**

Notes:
[(1)] Nizhnevartovsk and Krasnoleninsk.
[(2)] Total refinery uptime divided by (uptime + downtime).
[(3)] Calculated only for owned refineries in Russia.

During 2011, TNK-BP reached an historic high throughput of 747 mb/d of crude oil and other feedstock, representing 2% year-on-year growth mainly due to refinery upgrades completed in the second half of 2010 in Ryazan, Saratov and Linik, especially the AVT-2 unit debottlenecking in Ryazan.

This overall throughput growth was achieved notwithstanding a 7% decrease of processing at Saratov refinery due to the scheduled biannual turnaround carried out in the 4th quarter 2011, thus suspending its operation for about a month.

Increasing turnarounds (TARs) efficiency is one of the highest priorities for the Group refining business. From the 1st quarter of 2011, TNK-BP obtained approvals from the authorities to extend the

TAR cycles at Ryazan from two to three years, which will enable future maximisation of operational availability at the Group's largest refinery. In October 2011, a pilot turnaround expected to establish a 3-year TAR cycle was completed for AT-6 crude distillation complex at the Ryazan refinery. The Group is now preparing to implement a 3-year TAR programme for the Saratov refinery as well.

TNK-BP successfully increased tolling of crude oil at Linik refinery in Ukraine to more than 68% of its total throughput by 31 December 2011 thus ensuring more effective utilisation of its capacity. Tolling operations (including third parties resources) at Linik refinery increased by 64% to 3.7 million tons in 2011 compared to 2010. Tolling volumes will only be maintained if economic conditions are such that they remain profitable.

The Saratov refinery started production of Euro-5 and Euro-4 compliant gasoline and diesel in 2011 as part of a quality specifications investment programme oriented to expand production of higher margin fuel at the TNK-BP refineries. Linik switched to production of Euro-4 compliant products in July 2011.

In the 4th quarter of 2011, total refining throughput decreased by 65 mb/d to 700 mb/d mainly due to lower throughput at Ryazan and Saratov refineries because of turnarounds in September - December 2011.

TNK-BP maintained its refining mix at a relatively constant level with a light petroleum products yield of around 55%. In 2011, the share of Euro-4 and Euro-5 compliant fuel produced in total refining throughput increased to 49% compared to 14% in 2010, enabling utilisation of excise tax incentives for higher quality fuel grades. For further details on the refining mix, refer to Appendices, *"Refining mix by product type for major refineries"*.

Sales, trading and logistics ("STL")

TNK-BP continues to actively participate in domestic exchange trading of oil products, with approximately 16% of domestic light product sales during 2011 made through commodity exchanges, including 15% being made through the St. Petersburg International Mercantile Exchange (SPIMEX).

During 2011, the Group initiated a number of direct contracts with refinery operators in Poland and delivered 150 thousand tons of crude oil to PKN Orlen and 170 thousand tons to Grupa Lotos.

During 2011, TNK-BP significantly increased export sales to Belarus up to 2,911 thousand tons compared to 1,601 thousand tons in 2010. Belarus has become one of the most beneficial sales channels due to beneficial price formula in 2011 contract which means higher margins for this channel.

TNK-BP continues to transport crude oil via ESPO (East Siberia – Pacific Ocean) pipeline, mainly from the VCNG subsidiary. During 2011, the volumes shipped via ESPO increased to 4 million tons, or by 67%, compared to 2010. These high margin sales were mainly directed to the Asia-Pacific Region (Japan, USA, Thailand, Singapore and others). In December 2011, TNK-BP resumed export sales of West Siberian crude to China with 200 thousand tons dispatched by the year end.

Retail

The TNK-BP retail station network includes owned BP and TNK-branded petrol stations, as well as third party stations operating under jobber agreements, most of which are TNK-branded.

	31 December 2011				31 December 2010			
	BP	**TNK**	**Jobbers**	**Total**	**BP**	**TNK**	**Jobbers**	**Total**
		petrol stations				*petrol stations*		
Moscow and Moscow region	87	138	83	**308**	76	130	86	**292**
St. Petersburg ………….......	12	19	-	**31**	9	17	-	**26**
Other regions in Russia…….	6	525	122	**653**	-	506	210	**716**
Ukraine……..………………	3	149	204	**356**	3	153	260	**416**
Belarus………………..…….	-	40	-	**40**	-	40	-	**40**
Total……………………........	**108**	**871**	**409**	**1,388**	**88**	**846**	**556**	**1,490**

TNK-BP continued to strengthen its position in the Russian retail market through a focused rebranding programme as well as acquisition of new sites. Retail sales volumes in Russia increased by 16% during 2011 compared to 2010.

During 2011, the Group significantly expanded its premium market position with a total of 15 new BP sites constructed and 5 converted to brand BP. Among the new BP sites constructed there are eight BP-branded highway sites launched in the Tver, Smolensk, Moscow and St.-Petersburg regions. Opening these new petrol stations is the first step in implementing a strategy to develop highway retail sites in the European part of Russia.

The long-term objective of the Group in respect of the retail portfolio is to increase the number of owned petrol stations with a simultaneous reduction in the number of jobber agreements, in order to capture additional margin and ensure fuel quality. During 2011, TNK-BP terminated jobber agreements in respect of all unbranded jobber petrol stations in Russia and Ukraine, resulting in an overall decrease in the total number of stations.

During 2011, TNK-BP launched several customer loyalty initiatives. In July 2011, TNK-BP launched a TNK brand loyalty programme “Carbon” in order to attract new customers and increase client retention rate. The number of “Carbon” loyalty program participants increased to more than 400 thousand as of 2011 year end. A new higher margin product premium was also offered - ‘BP Ultimate Diesel’ - at all BP-branded retail sites in Moscow and the Moscow region. TNK Pulsar gasoline launch in Kiev led to a growth of Ukrainian A95 premium sales by 85%.

During 2011, a pilot project started in the Moscow region to expand the *Wild Bean Café* network beyond the petrol stations. In the 4th quarter of 2011 three *Wild Bean Cafés* were opened.

Business-to-business (“B2B”)

TNK-BP B2B operations include jet fuel, bitumen, lubricants, and liquid petroleum gas sales.

At the beginning of 2011, TNK-Sheremetyevo, a 50% JV of TNK-BP, closed an acquisition of a 74.9% stake in TZK-Sheremetyevo, which operates the fuelling complex in the Sheremetyevo airport in Moscow. As a result, TNK-BP became a one of the leaders of jet fuel supplier in the Moscow market with direct sales to airlines growing from 30% to 45% in 2011. The acquisition is in line with the Group’s strategy to strengthen its presence in Russia’s jet fuel market by expanding the share of direct fuel supplies to leading airlines. The Group’s market share in Sheremetyevo airport jet fuel sales increased by 13% in 2011 compared to 2010.

In addition, a long-term formula-based jet fuel supply agreement was signed with Transaero Airlines, with total sales volumes under long-term formula-based agreements increasing 2.5 times compared to 2010. Also during 2011, TNK-BP signed an agreement with TZK Aerofuels giving access to airport fuelling in regions other than Moscow (Kemerovo, Vladivostok, Ulan-Ude).

In October 2011, TNK Lubricants completed a production capacity upgrade in Ryazan increasing throughput by 3 times to 10.8 tons per hour and improving the quality of lubricants.

In 2011, TNK-BP increased revenue from bitumen sales in Russia by 49% underpinned by a 12% growth in volumes due to continuing expansion in higher margin regions (Moscow, Moscow region, Southern Russia) and successful promotion of the TNK-Alfabit bitumen brand.

In January 2011, a new production unit – liquefied petroleum gas ("LPG") – has been established within TNK-BP's B2B segment. During 2011, the Group expanded its LPG sales geographically benefiting from logistics optimisation and premium distribution channels.

Ukraine

During 2011, the Group initiated a number of recovery measures to improve the financial results of the Ukrainian business. These measures included expanding tolling operations at Linik refinery (mainly for TNK-BP owned crude from Russia), feedstock optimisation, reducing headcount and overheads, restructuring of the recent retail acquisitions and improving small wholesale margins.

Tolling was the main source of value for the Linik refinery in 2011 because of the higher price environment and increased to 68% of Linik total throughput compared to 44% during 2010 (including processing of 3rd parties feedstock). Retail margins also improved due to stabilisation of prices on imported products.

The recovery program was successful in bringing the Ukrainian business back into profitability for the nine months of 2011. In the 4th quarter, however, Linik showed negative performance, primarily due to the introduction in Russia of "60-66" customs duty regime since 1 October 2011 reducing tolling efficiency, while own crude processing remained unprofitable in Ukraine. Total net loss for 2011 amounted to USD 23 million.

In view of the negative performance in the 4th quarter 2011 and negative forecast for the 1st quarter of 2012, the remaining goodwill of the Ukrainian business unit in the amount of USD 36 million was fully written off. Due to economic and industry conditions currently prevailing in the Ukraine, subsequent to year end, management has decided to temporarily halt crude deliveries to the Linik refinery from 1 March 2012. This will be in effect until such time as management believes that conditions allow for an appropriate economic return on operating the refinery.

Financial Results Overview

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	2010
USD millions			*USD millions*	
15,697	**15,299**	**Sales and other operating revenues**	**60,199**	**44,646**
		Costs and other deductions		
(4,735)	(4,621)	Export duties	(16,951)	(12,236)
(3,004)	(3,049)	Taxes other than income tax	(11,849)	(8,169)
(1,442)	(1,531)	Operating expenses	(5,710)	(4,774)
(1,399)	(1,303)	Cost of purchased products	(5,674)	(3,955)
(1,026)	(1,010)	Transportation expenses	(4,090)	(3,672)
(532)	(546)	Depreciation, depletion and amortisation	(2,085)	(1,891)
(471)	(411)	Selling, general and administrative expenses	(1,625)	(1,364)
(20)	(68)	Exploration expenses	(145)	(77)
(63)	3	Gain / (loss) on disposals and impairment of assets	(69)	(244)
(12,692)	**(12,536)**	**Total costs and other deductions**	**(48,198)**	**(36,382)**
3,005	**2,763**	**Income from operating activities**	**12,001**	**8,264**
		Other income and expenses		
44	84	Earnings / (loss) from equity investments	175	(12)
33	145	Gain on disposals of subsidiaries	341	21
(20)	51	Interest income and net other income	65	199
17	185	Exchange gain / (loss), net	63	(44)
(45)	(67)	Interest expense	(242)	(241)
29	**398**	**Total other income and expenses**	**402**	**(77)**
3,034	**3,161**	**Income before income taxes**	**12,403**	**8,187**
(664)	(672)	Income tax expense	(2,675)	(1,918)
2,370	**2,489**	**Net income**	**9,728**	**6,269**
(200)	(221)	Less: net income attributable to noncontrolling interest	(747)	(454)
2,170	**2,268**	**Net income attributable to Group shareholders**	**8,981**	**5,815**

Sales and Other Operating Revenues

TNK-BP's revenues comprise crude oil, petroleum product sales, gas and gas product sales and other operating revenues.

Fourth quarter 2011		Third quarter 2011		Revenues	Year ended 31 December 2011		Year ended 31 December 2010	
USD millions	*mln bbl*[(1)]	*USD millions*	*mln bbl*[(1)]		*USD millions*	*mln bbl*[(1)]	*USD millions*	*mln bbl*[(1)]
6,918	64	6,248	56	Crude oil export other than CIS	24,330	224	18,655	241
431	8	401	8	Crude oil export CIS	2,007	35	1,293	26
904	19	895	20	Crude oil domestic	3,523	73	2,528	72
8,253	**91**	**7,544**	**84**	**Total crude oil**	**29,860**	**332**	**22,476**	**339**
USD millions	*mln bbl*[(1)]	*USD millions*	*mln bbl*[(1)]		*USD millions*	*mln bbl*[(1)]	*USD millions*	*mln bbl*[(1)]
3,247	32	3,388	34	Petroleum products export other than CIS	14,645	146	11,082	149
693	6	745	6	Petroleum products export CIS	2,846	24	2,128	20
2,948	28	3,144	30	Petroleum products domestic	10,768	104	7,385	94
6,888	**66**	**7,277**	**70**	**Total petroleum products**	**28,259**	**274**	**20,595**	**263**
USD millions	*mln boe*	*USD millions*	*mln boe*		*USD millions*	*mln boe*	*USD millions*	*mln boe*
337	38	276	33	Gas and gas products	1,235	140	933	130
70	1	56	1	Condensate	288	5	174	4
149	n/a	146	n/a	Other sales	557	n/a	468	n/a
556	n/a	**478**	n/a	**Total other sales**	**2,080**	n/a	**1,575**	n/a
15,697	**n/a**	**15,299**	**n/a**	**Sales and other operating revenues**	**60,199**	**n/a**	**44,646**	**n/a**

Note:
(1) Converted at a rate of 7.3 barrels per ton.

The following table presents average realisations for the various categories of crude oil and petroleum product sales:

Fourth quarter 2011	Third quarter 2011	Units		Year ended 31 December 2011	Year ended 31 December 2010
			Average realisation[(1)]		
108.2	111.9	USD /bbl	Crude oil export other than CIS	108.8	77.2
54.1	50.1	USD /bbl	Crude oil export CIS	56.8	49.6
47.5	45.5	USD /bbl	Crude oil domestic	48.2	35.3
101.0	101.5	USD /bbl	Petroleum products export other than CIS	100.5	74.5
107.2	119.1	USD /bbl	Petroleum products export CIS	118.9	106.0
104.9	104.5	USD /bbl	Petroleum products domestic	103.6	78.5
96.0	***96.7***	***USD /bbl***	***Average realisation: crude and products***[(2)]	***96.0***	***71.5***
8.9	8.3	USD /boe	Average gas and gas products realisation	8.8	7.2
56.9	53.4	USD /boe	Average gas condensate realisation	57.1	38.7

Notes:
(1) Represents sales of a particular product divided by volumes sold.
(2) Converted at a rate of 7.3 barrels per ton.

Crude Oil Sales. In 2011, crude oil sales increased compared to 2010 by 33% to USD 29,860 million, primarily due to the higher Urals price partly offset by a decrease in volumes sold as well as a change in crude oil sales mix from Western European to CIS and domestic sales. Overall crude oil volumes sold decreased by 2%, primarily due to an increase in refining throughput, lower purchases as well as a comparative effect of increased crude stock as of 31 December 2011. The share of crude oil export other than to CIS decreased due to the redirection of crude oil sales from Europe to Belarus to take advantage of higher margins.

Crude oil sales increased by 9% in the 4th quarter of 2011 relative to the 3rd quarter of 2011 primarily due to an 8% increase in volumes sold driven by sell-out of inventory in the 4th quarter, and, to a lesser extent, a change in sales mix with volumes redirected primarily to the export market. These effects were partly offset by a decrease in Urals prices by 3%.

Petroleum Products Sales. TNK-BP sells a wide range of petroleum products, including gasoline, diesel fuel, jet fuel, fuel oil and lubricants. In 2011, petroleum product sales increased by 37% to USD 28,259 million compared to USD 20,595 million in 2010, driven by the stronger market (product prices increased in a range from 16 to 43%, see Appendices *"Average international and domestic crude and products prices"*) and higher own and purchased volumes. The volume of petroleum products sales increased by 4% to 274 million barrels primarily due to a 2% refining increase growth as well as higher purchases. In 2011, the share of petroleum products increased to 45% of total volumes of liquids sold compared to 44% in 2010, resulting in savings on crude export duties and generation of additional margins.

In respect of the product mix changes, volumes went up across all product types in line with the increased refinery throughput and trading volumes. In 2011, TNK-BP has redirected more gasoline, diesel and jet fuel volumes from export to domestic market, supported by expansion of the retail network and a growing B2B presence. Overall domestic sales of light products increased by 10.1 million barrels, or 13%. In 2011, the domestic market accounted for 55% of light products sales compared to 51% in 2010. For further details on the products mix, refer to Appendices, *"Petroleum products sales per product type"*.

Petroleum products sales decreased by 5% in the 4th quarter of 2011 compared to the 3rd quarter largely due to a reduction in volumes sold by 4% because of the turnaround at the Saratov refinery in November – December 2011 as well as a decrease of average products realisation price due to the weaker environment.

Sales of Gas and Gas Products. In 2011, gas and gas products sales revenues increased by 32% to USD 1,235 million compared to 2010. This was primarily due to a 15% increase in rouble-denominated regulated dry gas prices supported by the positive effect of a stronger rouble against the U.S. dollar and an increase in sales volumes of gas and gas products mostly due to higher production.

Gas and gas products sales revenues increased by 22% in the 4th quarter of 2011 relative to the 3rd quarter of 2011 primarily due to a 15% increase in volumes, in particular in respect of higher priced dry gas sales, increased realised prices as well as the contribution from the Vietnam assets in the 4th quarter of 2011. The 15% increase in gas volumes in Russia was primarily driven by the seasonal demand growth. These positive effects were partly offset by the rouble weakening against the U.S. dollar in the 4th quarter of 2011 relative to the 3rd quarter.

Sales of gas condensate. In 2011, gas condensate sales revenues increased by 66% to USD 288 million compared to 2010. This was due to a 48% increase in condensate realisation prices resulting from an increase in average market prices and a change in delivery terms as well as a 12% increase in volumes sold.

Gas condensate sales revenues increased by 25% in the 4th quarter of 2011 compared to the 3rd quarter of 2011 primarily due to the contribution of Vietnam gas condensate revenues as well as an increase in domestic sales volumes as a result of production growth.

Other Sales. Other sales include consumer goods sold through TNK-BP's retail network, refining fees as well as sales of other goods and services not directly related to TNK-BP's core business, such as electricity power and transportation of oil products. In 2011, other sales increased by 19% to USD 557 million compared to 2010, primarily due to the further expansion of TNK-BP's retail network (especially BP-branded stations) and increased sales of transportation services and electricity to third parties.

Other sales in the 4th quarter of 2011 increased slightly by 2%, or USD 3 million compared to the 3rd quarter.

Export Duties

The following table provides a breakdown of export duties for the periods presented:

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	2010
USD millions			USD millions	
3,621	3,514	Crude oil export custom duty ………………….	12,747	9,529
1,114	1,107	Petroleum products export custom duty………..	4,204	2,707
4,735	**4,621**	**Total export duties**…………………………….	**16,951**	**12,236**

In 2011, total export duties increased by 39% to USD 16,951 million compared to 2010. The impact of the higher Urals crude oil price was partly offset by the effect of the relatively higher duty lag[(1)] benefit (USD 2.4 per barrel in 2011 compared to USD 1.7 in 2010) as well as by the redirection of crude sales volumes from Europe to Kazakhstan and Belarus, where such products are not subject to export duties. Custom duty relief for East Siberian crude amounted to USD 0.2 billion in 2011 and USD 0.4 billion in 2010. This relief was abolished effective from 1 May 2011.

In the 4th quarter of 2011, total export duties increased by 2% compared to the 3rd quarter of 2011 primarily due to higher crude export volumes, as well as USD 1.3 per barrel negative duty lag impact. These negative effects were partly offset by the enactment of the "60/66" export duty regime since October 2011, with an estimated benefit for the 4th quarter 2011 of around USD 0.1 billion.

For details on changes of export custom duty rates see Appendices "*Average export custom duty rates*".

Taxes Other Than Income Tax

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	2010
USD millions			USD millions	
2,503	2,480	Mineral extraction tax (MET)…..…………….	9,657	6,753
375	448	Excise taxes…………………………………...	1,633	1,012
75	69	Property tax…………………………………..	288	233
36	46	Pension and other social contributions………..	211	127
15	6	Other taxes…………………………………….	60	44
3,004	**3,049**	**Taxes other than income tax**………………..	**11,849**	**8,169**

MET expense increased by 43% to USD 9,657 million in 2011 compared to 2010, primarily due to the increase in Urals prices and increased production. These effects were partly offset by increased utilisation of MET allowances for highly depleted fields in the Orenburg region and a higher proportion of production in East Siberia, where such production is not subject to MET. In 2011, overall MET relief was USD 1,264 million compared to USD 509 million in 2010.

The Group also successfully confirmed eligibility for MET depletion allowance for the depleted fields in Orenburg in 2008 and recognised in 2011 a reduction in MET in the amount of USD 105 million on recovery of this previously over accrued tax.

Note:
(1) There is a one and a half month lag between the first day of the duty monitoring period and the first day of the period when the updated duty rate comes into effect. This results in a difference between the duty reference price and the actual Urals price for a period, known as the "duty lag effect".

In the 4th quarter of 2011, compared to the 3rd quarter of 2011, MET expense increased by 1%, primarily due to the comparative effect of the one-off reduction in MET in the 3rd quarter of 2011 as discussed above, partly offset by a decrease in Urals price.

Excise tax expense increased by 61% to USD 1,633 million in the year ended 31 December 2011 compared to the year ended 31 December 2010, due to the increase in excise rates in Russia and Ukraine as well as the appreciation of the rouble against the U.S. dollar and an increase in domestic product sales subject to excise tax. Starting from 1 January 2011, the Russian Government changed the petroleum products excise tax methodology, both to increase the base rates and differentiate them dependent on the quality of the product. Weighted over the domestic products structure for TNK-BP in 2011, this change resulted in an increase of excise rates of almost 43% for gasoline and of more than 130% for diesel fuel, which amounted to a USD 428 million higher expense compared to 2010.

In the 4th quarter of 2011, excise tax expense decreased by 16% compared to the 3nd quarter, primarily due to lower domestic sales of petroleum products and 8% rouble depreciation.

For details on changes in tax rates see *Appendices "Excise tax rates applicable to sales in the domestic market in Russia", "Excise tax applied to sales in the domestic market in Ukraine", "Average MET rates".*

Operating Expenses

The following table provides a breakdown of operating expenses by activity in the periods under review:

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	Year ended 31 December 2010
USD millions			*USD millions*	
892	950	Hydrocarbon production costs	3,532	3,176
285	349	Crude oil transportation to refineries	1,238	913
235	208	Refining costs	811	681
30	24	Other, including effect of change in stock	129	4
1,442	**1,531**	**Operating expenses**	**5,710**	**4,774**

Hydrocarbon production costs[(1)]. In 2011, hydrocarbon production costs increased by 11% to USD 3,532 million compared to 2010, primarily due to a largely uncontrollable inflationary pressure, in particular 3% appreciation of the rouble against the U.S. dollar and a further increase in costs of 4% due to an electricity tariff increase of 15%. As a result, hydrocarbon production costs per barrel of oil equivalent increased by 9% to USD 5.42 /boe in the year ended 31 December 2011, compared to USD 5.00 /boe in the year ended 31 December 2010.

Hydrocarbon production costs per barrel of oil equivalent decreased by 8% to USD 5.31 /boe in the 4th quarter of 2011 compared to USD 5.79 /boe in the 3rd quarter of 2011, primarily reflecting rouble depreciation.

Crude oil transportation to refineries. In 2011, the cost of crude oil transportation to refineries increased by 36% to USD 1,238 million compared to 2010. The increase in transportation costs was mainly driven by 10% to 15% growth in rouble-denominated transportation tariffs exacerbated by the appreciation of the rouble against the U.S. dollar as well as the expansion of tolling operations at the Linik refinery and an overall increase in refining throughput. Due to relatively longer routes and

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Note:

(1) In the 2nd quarter of 2011, the approach to the calculation of hydrocarbon production cost was changed to include gas processing expenses, which were previously presented within other costs. The denominator of the formula for the hydrocarbon production cost per barrel of production was also changed and now includes liquids and gas production (measured in barrels of oil equivalent) rather than only liquids production. All comparative periods were restated accordingly. For reference, gas processing expenditure now included in hydrocarbon production costs was as follows: USD 204 million and USD 157 million for 2011 and 2010, respectively; USD 47 million and USD 52 million for the 4th quarter and 3rd quarter 2011, respectively.

additional costs related to customs duties incurred in respect of refining losses (which are treated as crude oil transportation to refineries expenses), tolling at the Linik refinery is associated with higher than average transportation expenditure.

In the 4th quarter of 2011, the cost of crude oil transportation to refineries decreased by 18% to USD 285 million compared to the 3rd quarter of 2011, primarily due to a decrease in volumes refined because of scheduled turnaround at Ryazan and Saratov refineries as well as a weaker rouble against the U.S. dollar, partly offset by an increase in transportation tariffs.

Refining costs. In 2011, refining costs increased by 19% to USD 811 million compared to 2010. This increase was primarily due to scheduled turnarounds costs (around USD 50 million), higher energy tariffs and other inflation pressures as well as the effect of the rouble appreciation against the U.S. dollar and, an increase in volumes refined. As a result, refining cost per barrel of crude oil refined increased to USD 3.0 per barrel compared to USD 2.5 per barrel in 2010.

In the 4th quarter of 2011 refining costs increased by 13% compared to the 3rd quarter, primarily due to scheduled turnarounds expenditure at the Ryazan and Saratov refineries partly offset by a decrease in volumes refined and a weaker rouble against the U.S. dollar.

Other operating costs, including effect of change in stock. Other operating costs include the effect of changes in crude oil and petroleum products stock and other costs, not related to the core activities of TNK-BP as well as changes in provisions. During 2011, TNK-BP initiated a reassessment of the legacy environmental damage that occurred during the early development of the oil fields at its licence areas in West Siberia, before their acquisition by TNK-BP. This resulted in an increase in environmental provision of USD 136 million which was included in other operating costs. In the 3rd quarter of 2011, provisions relating to environmental and decommissioning obligations in the downstream business were also increased by USD 41 million. Overall, other operating costs increased to USD 129 million in the year ended 31 December 2011 compared to USD 4 million in the year ended 31 December 2010 primarily as a result of increased environmental provisions.

In the 4th quarter of 2011, other operating costs amounted to USD 30 million compared to USD 24 million in the 3rd quarter of 2011.

Cost of Purchased Products

Cost of purchased products mainly comprises crude oil purchased from Slavneft and third parties in Russia, as well as petroleum products purchased outside Russia for trading purposes and distribution through the retail network in Ukraine.

In 2011, the total cost of purchased products increased by 43% to USD 5,674 million compared to USD 3,955 million in 2010, primarily due to higher crude oil and petroleum products purchase prices supported by a change in the purchases structure in favour of petroleum products.

In the 4th quarter of 2011, cost of purchased products increased by 7% to USD 1,399 million compared to USD 1,303 million in the 3rd quarter of 2011, primarily due to an increase of the higher-priced light products share in the purchases mix in order to replace own volumes, which were reduced owing to turnarounds at Ryazan and Saratov.

Transportation Expenses

In 2011, transportation expenses increased by 11% to USD 4,090 million compared to 2010, primarily due to higher pipeline and railway tariffs, which increased between 11% and 19% (see Appendices *"Tariffs for the major transportation routes"*) driven by an increase in rouble-denominated tariffs and the appreciation of the rouble against the U.S. dollar. These negative effects were partly offset by the effect of optimising transportation routes.

Transportation expenses increased by 2% to USD 1,026 million in the 4th quarter of 2011 compared to the 3rd quarter of 2011, primarily due to changes in transportation routes and an increase in rouble-denominated transportation tariffs partly offset by the rouble depreciation against the U.S. dollar.

Depreciation, Depletion and Amortisation

In 2011, depreciation, depletion and amortisation (**"DD&A"**) increased by 10% to USD 2,085 million, while DD&A per barrel of oil equivalent increased by 7% to USD 3.2/boe compared to 2010. The increase in DD&A charge per barrel was due to an increase in greenfields production where DD&A per barrel is comparatively higher.

In the 4th quarter of 2011 compared to the 3rd quarter of 2011 DD&A decreased by 3% to USD 532 million primarily due to oil and gas reserves replacement recognised in the 4th quarter; the DD&A charge per barrel of oil equivalent was lower by 3% in the 4th quarter and amounted to USD 3.2/boe.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of payroll costs, selling and distribution expenses (including those related to petrol stations and storage depots), rent and maintenance expenses, consulting and legal fees and other general expenses.

In the year ended 31 December 2011 selling, general and administrative expenses increased by 19% to USD 1,625 million compared to the year ended 31 December 2010, primarily due to the impact of inflation, staff cost increases (performance bonuses), appreciation of the rouble against the U.S. dollar and Moscow offices relocation costs.

For the 4th quarter of 2011 selling, general and administrative expenses increased by 15% to USD 471 million compared to the 3rd quarter of 2011 mainly due to performance-related bonus accruals.

Exploration expenses

In the year ended 31 December 2011, exploration expenses increased by 87% to USD 145 million primarily due to an increase in dry wells write-offs.

In the 4th quarter of 2011, exploration expenses decreased by USD 48 million compared to the 3rd quarter primarily due to subsidies received against exploration and appraisal activity in the Uvat region.

Gain/(Loss) on Disposal and Impairment of Assets

In 2011, loss on disposal and impairment of assets amounted to USD 69 million compared to USD 244 million in 2010. The impairment charge recognised against the goodwill of the Ukrainian business unit amounted to USD 36 million and USD 127 million for 2011 and 2010, respectively. In addition, during 2010, several exploration stage assets with a combined carrying value of USD 50 million were written off. The remaining amounts in 2011 and 2010 primarily represent disposals of fixed assets in the ordinary course of business.

In the 4th quarter of 2011 loss on disposal and impairment of assets amounted to USD 63 million compared to a gain of USD 3 million in the 3rd quarter of 2011 mainly reflecting Ukraine goodwill impairment and other fixed assets disposals.

Earnings/(Loss) from Equity Investments

In 2011, earnings from equity investments amounted to USD 175 million compared to a USD 12 million loss in 2010 primarily due to a gain from the investment in Slavneft, which amounted to USD 76 million in 2011 compared to a USD 19 million loss in 2010, primarily driven by the higher price environment. Also, TNK-BP recognised equity income from its affiliates in Venezuela in the amount of USD 76 million for the year ended 31 December 2011.

In the 4th quarter of 2011, earnings from equity investments amounted to USD 44 million compared to USD 84 million in the 3rd quarter reflecting mainly lower earnings from Slavneft and TNK-Sheremetyevo.

Exchange Gain/(Loss)

Foreign exchange differences amounted to a USD 63 million net gain in 2011 compared to a net loss of USD 44 million in 2010, primarily due to the revaluation of rouble-denominated working capital balances driven both by fluctuations in the value of the rouble against the U.S. dollar and changes in the net monetary rouble position.

In the 4th quarter of 2011, net foreign exchange gain amounted to USD 17 million compared to a net gain of USD 185 million in the 3rd quarter, primarily due to the higher magnitude of rouble depreciation in the 3rd quarter compared to the 4th quarter.

Interest Expense

Interest expense amounted to USD 242 million in 2011 compared to USD 241 million in 2010, reflecting the offsetting effect of higher debt levels and lower interest rates.

In the 4th quarter of 2011 interest expense amounted to USD 45 million compared to USD 67 million in the 3rd quarter, reflecting primarily an increase in interest capitalisation driven by capital expenditures growth.

Gain on Disposal of Subsidiaries

In 2011, gain on disposal of subsidiaries amounted to USD 341 million compared to USD 21 million in 2010, primarily due to the impact from the gain on disposal of Kovykta assets in the amount of USD 186 million in 2011 (including USD 34 million gain recognised in the 4th quarter) and the USD 143 million gain from the disposal of a subsidiary holding the office building in Moscow in the 3rd quarter 2011.

Income Tax Expense

In 2011, income tax expense increased by 39% to USD 2,675 million compared to 2010, primarily due to higher earnings before tax. TNK-BP's effective income tax rate decreased from 23.4% to 21.6% compared to 2010, primarily due to the impact of foreign exchange differences, changes in intragroup financing, gains related to the Kovykta assets disposal in 2011 and a higher level of non-deductible expenses in 2010. The effective income tax rate was approximately 2%-3% higher than the 20% statutory tax rate in Russia as a result of a 5% withholding tax provision on unremitted earnings of subsidiaries and equity affiliates, partly offset by the benefit from reduced regional income tax rates in the Orenburg and Tyumen regions.

Income tax expense was relatively flat quarter-on-quarter at USD 664 million.

Liquidity and Capital Resources

Cash Flows Summary

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	2010
USD millions			*USD millions*	
2,561	2,023	Net cash from operating activities	10,525	9,682
(579)	(531)	Net cash used for investing activities	(4,198)	(4,918)
(3,201)	(90)	Net cash used for financing activities	(6,952)	(3,800)

Net Cash Provided by Operating Activities

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	2010
USD millions			*USD millions*	
3,137	2,756	Cash from operations before changes in working capital	12,290	8,841
(576)	(733)	Changes in working capital, excluding cash and cash equivalents	(1,765)	841
2,561	**2,023**	**Net cash provided by operating activities**	**10,525**	**9,682**

In 2011, cash from operations before changes in working capital increased by USD 3,449 million or by 39% to USD 12,290 million, compared to USD 8,841 million in 2010, which is consistent with the increase in Underlying EBITDA. See *"Other Financial Metrics - EBITDA and Underlying EBITDA*" below.

In the 4th quarter of 2011, cash from operations before changes in working capital increased by 14% compared to the 3rd quarter of 2011, which is higher than the increase in Underlying EBITDA mainly due to a quarter-on-quarter decrease in current income tax payments (which are part of cash from operations, but are not included in EBITDA).

Net cash from operating activities was also affected by changes in working capital in the periods analysed.

In 2011, the increase in working capital of USD 1,765 million in 2011 was mainly related to USD 1,698 million increase in receivables. This was due to the effect of the extension of credit periods granted to some customers to take advantage of higher netbacks compared to immediate receivable collection as well as a higher level of export duty prepayments. During 2010, out of the total USD 841 million net decrease in working capital, USD 300 million was due to accelerated collection of accounts receivable and decreased levels of customs duties prepayments with the remainder mainly due to changes in legislation allowing accelerated VAT recovery.

Working capital in the 4th quarter of 2011 increased by USD 576 million, primarily due to an increase in trade receivables and customs duties prepayments, as discussed above.

Net Cash Used for Investing Activities

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	2010
USD millions			*USD millions*	
(1,206)	(1,027)	Net cash used for capital expenditures	(4,694)	(3,599)
(95)	(26)	Acquisition of subsidiaries, joint ventures and noncontrolling interests[(1)]	(965)	(1,418)
200	300	Net change in bank deposits with maturity more than 3 months	500	(450)
-	-	Proceeds from sales of short-term investments	-	450
511	214	Cash flows from sales of subsidiaries and investments	955	119
11	8	Other investing activities	6	(20)
(579)	**(531)**	**Net cash used for investing activities**	**(4,198)**	**(4,918)**

Note:
[(1)] Including a USD 0.2 billion loan provided to JV TNK-Sheremetyevo for the acquisition of 74.9% stake in TZK-Sheremetyevo

The following table presents TNK-BP's capital expenditure for the periods under analysis:

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	2010
USD millions			*USD millions*	
916	820	Exploration and production - Brownfields	2,950	2,335
577	296	Exploration and production - Greenfields	1,586	1,138
1,493	**1,116**	**Exploration and production**	**4,536**	**3,473**
216	143	Refining	472	275
187	27	Marketing and distribution	353	274
403	**170**	**Refining and Marketing**	**825**	**549**
15	17	Corporate and other	54	29
1,911	**1,303**	**Subtotal: Capital expenditure accrued**	**5,415**	**4,051**
(445)	(53)	Changes in advances issued and accounts payable for capital expenditures	(206)	(95)
1,466	**1,250**	**Total cash used for capital expenditures**	**5,209**	**3,956**
(260)	(223)	Less: Grants received (E&P – Greenfields)	(515)	(357)
1,206	**1,027**	**Net cash used for capital expenditures**	**4,694**	**3,599**

In the year ended 31 December 2011 TNK-BP continued to invest the majority of capital expenditure (84%) in exploration and production (**"E&P"**) assets.

Compared to the year ended 31 December 2010, accrued exploration and production capital expenditure increased by 31% in the year ended 31 December 2011 to USD 4,536 million. The major capital expenditures at Brownfields in the year ended 31 December 2011 were directed at Orenburgneft, including associated gas utilisation project (USD 1.2 billion), Samotlorneftegas (USD 0.5 billion) and TNK-Nyagan (USD 0.4 billion). The major capital expenditures at Greenfields in the year ended 31 December 2011 were directed at VCNG (USD 0.7 billion), TNK-Uvat (USD 0.7 billion) and the development of Yamal projects (USD 0.1 billion).

Capital expenditure in refining, marketing and distribution in the year ended 31 December 2011 increased by 50% compared to the year ended 31 December 2010, primarily driven by the substantial refining throughput and quality improvement programmes at TNK-BP's refineries. The major capital expenditures in refining were directed at the Ryazan (USD 206 million) and Saratov refineries (USD 221 million).

Capital expenditure includes USD 201 million and USD 199 million of interest capitalised in 2011 and 2010, respectively.

Quarter-on-quarter accrued E&P capital expenditure increased by 34% to USD 1,493 million in the 4th quarter 2011.

In 2011, significant acquisitions and investments in subsidiaries and joint ventures included:

- a loan provided to TNK-Sheremetyevo for the acquisition of a 74.9% stake in TZK-Sheremetyevo in the amount of USD 0.2 billion;
- in June 2011 the acquisition of BP's interests in upstream operations in Venezuela was completed and TNK-BP made a final payment of USD 0.5 billion for these assets;
- capital contribution and loans of USD 0.1 billion provided to the joint venture OAO Messoyakhaneftegaz, which owns development licences for the group of Messoyakha oil and gas fields in the north of the Yamal region; and
- in the 4th quarter of 2011, USD 0.1 billion net cash settlement for Vietnam assets.

Disposal proceeds in the year ended 31 December 2011 comprised mainly USD 0.7 billion cash as part of the proceeds related to the sale of the Kovykta assets and USD 0.2 billion cash from disposal of a subsidiary holding the office building in Moscow.

Net Cash Used for Financing Activities

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	Year ended 31 December 2010
USD millions			*USD millions*	
523	1,500	Debt issuance	2,025	2,222
(258)	(615)	Debt repayment	(1,104)	(2,113)
265	**885**	**Debt issuance and repayment, net**	**921**	**109**
(3,466)	(964)	Dividends paid	(7,862)	(3,898)
-	(11)	Other financing activities	(11)	(11)
(3,201)	**(90)**	**Net cash used for financing activities**	**(6,952)**	**(3,800)**

During the year ended 31 December 2011, TNK-BP made scheduled principal repayments of USD 604 million on certain medium-term unsecured financings and USD 0.5 billion of Eurobonds. In August 2011, TNK-BP entered into a USD 1.5 billion unsecured long-term loan facility with a consortium of international banks.

During the 4th quarter of 2011, the Group entered into unsecured loan facilities with several foreign banks for a total amount of USD 523 million.

During the year ended 31 December 2011, TNK-BP paid dividends in the amount of USD 7,493 million to Group shareholders, including USD 2,268 million dividends in respect of 2010 and USD 5,225 million in respect of the nine months of 2011 results. Dividends paid to noncontrolling interests amounted to USD 369 million.

Net Debt and Gearing

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	2010
USD millions			*USD millions*	
8,047	7,781	Finance debt[1]	8,047	7,129
1,212	2,407	Less: Cash and cash equivalents	1,212	1,852
100	300	Less: Bank deposits with maturity more than 3 months	100	600
6,735	**5,074**	**Net debt[2]**	**6,735**	**4,677**
18,971	18,948	Group shareholders' equity	18,971	17,605
26.2%	**21.1%**	**Gearing**	**26.2%**	**21.0%**

Notes:
(1) Short-term debt plus long-term debt.
(2) Net Debt represents long-term and short-term loans and borrowings and deferred consideration for acquisition of subsidiaries and non-controlling interests (if applicable) less cash and cash equivalents, restricted cash and bank deposits with a maturity of more than three months. Net Debt is not a balance sheet measure under U.S. GAAP, and it should not be considered as an alternative to other measures of financial position. Net Debt is widely used to assess liquidity and the adequacy of a company's financial structure. TNK-BP believes Net Debt provides an accurate indicator of ability to meet financial obligations, represented by gross debt, from available cash.

The change in gearing in 2011 and 2010 as well as in the fourth quarter of 2011 and the third quarter of 2011 reflects the changes in shareholders equity and debt, as well as operating cash flows.

Other Financial Metrics

TNK-BP segment information

	Year ended 31 December 2011				Year ended 31 December 2010			
	E&P	RM&D	Other and Elimination	Total	E&P	RM&D	Other and Elimination	Total
Revenues								
Third parties	1,305	58,888	6	60,199	1,046	43,590	10	44,646
Intersegment	23,629	58	(23,687)	-	17,250	33	(17,283)	-
Segment revenues	**24,934**	**58,946**	**(23,681)**	**60,199**	**18,296**	**43,623**	**(17,273)**	**44,646**
EBITDA	**9,820**	**4,141**	**640**	**14,601**	**6,676**	**3,409**	**306**	**10,391**

TNK-BP has two principal operating segments – exploration and production ("E&P") and refining, marketing, and distribution ("RM&D"). 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 reserves. The RM&D segment processes crude oil into refined products and also purchases, sells and transports crude oil and refined petroleum products. "Other and Elimination" primarily includes corporate activities, as well as gains on disposals of subsidiaries and earnings from equity investments.

Segment information is prepared using estimates of market prices and other forecasted factors and is used by TNK-BP management to assess segment financial performance. Segment information does not necessarily reflect the legal structure of the Group as well as the actual terms of the intragroup transactions entered into by the Group entities.

For the purpose of the segment information, all crude and condensate volumes are assumed to be transferred from E&P to RM&D as intersegment sales at the marginal market netback[1] for each

Note:
[1] Net price at the production site calculated as the market price of a product less conversion and distribution costs such as cost of refining, transportation, sales or excise taxes and export duties.

particular product and blend. The E&P third parties revenue includes primarily sales of gas and gas products. Thus, E&P EBITDA includes the full gas trading effect, but only a partial crude trading effect. RM&D external revenue is substantially equal to the Group consolidated revenue excluding gas sales. RM&D EBITDA includes the full margin on petroleum products refining and marketing and performance-related margin on crude, i.e. channel optimisations. Distribution-related expenses (export duties, excises and transportation) are fully allocated to RM&D. Operating expenses, taxes other than income tax are allocated as incurred to the respective segment. Administrative expenses are mostly non-allocated to segments and presented within "Other and Elimination".

EBITDA and Underlying EBITDA

The following table sets out a reconciliation of TNK-BP's EBITDA and Underlying EBITDA (EBITDA excluding one-off non-operating gains and losses) to income before income taxes for the periods presented:

Fourth quarter	Third quarter		Year ended 32 December	
2011	**2011**		**2011**	**2010**
USD millions			*USD millions*	
3,034	3,161	Income before income taxes	12,403	8,187
		Adjusted by:		
532	546	Depreciation, depletion and amortisation	2,085	1,891
45	67	Interest expense	242	241
(17)	(185)	Exchange loss /(gain)	(63)	44
20	(14)	Other differences	(66)	28
3,614	**3,575**	**EBITDA**	**14,601**	**10,391**
		Adjusted by one-off items:		
36	-	Impairment and write offs	36	182
-	-	Customs duty claw-back	-	(229)
(33)	(143)	Gain on disposal of subsidiaries	(341)	-
(4)	(45)	One-off provisions/write backs	93	5
3,613	**3,387**	**Underlying EBITDA**	**14,389**	**10,349**

EBITDA is defined as earning before income taxes, depreciation, depletion and amortisation, exchange gains and losses, interest income and expenses and other income and expenses.

Return on Average Capital Employed (ROACE)

ROACE is used by TNK-BP as a measure of the efficiency with which capital is being utilised to generate income.

ROACE is the ratio of adjusted net income (calculated as annualised net income before interest expense less income tax) to average capital employed for the period. Average capital employed is defined as total debt (long-term and short-term) plus total equity, calculated as a simple average of the balances as of the beginning and end of the relevant period.

The following table presents a calculation of TNK-BP's ROACE for the periods presented:

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	Year ended 31 December 2010
USD millions			*USD millions*	
2,370	2,489	Net income	9,728	6,269
36	58	Interest expense on debt, net of income tax	194	221
2,406	**2,547**	**Adjusted net income**	**9,922**	**6,490**
28,559	**27,802**	**Average capital employed**	**27,397**	**24,721**
34%	**37%**	**ROACE**	**36%**	**26%**

The change in ROACE in 2011 and 2010 reflects the changes in net income as discussed above and increases in the average capital employed.

Presentation of Financial Information

The financial information contained in this review has been derived from and should be read in conjunction with the consolidated financial statements of TNK-BP International Limited prepared in accordance with U.S. Generally Accepted Accounting Principles (''U.S. GAAP'') for the year ended 31 December 2011. References to "TNK-BP", "Company" and "Group" relate to TNK-BP International Limited and its consolidated subsidiaries and equity affiliates. Except as otherwise indicated, all amounts are provided in millions of US dollars.

This review includes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in the forward-looking statements as a result of various factors.

In 2010, acknowledging the increasing role of IFRS in the international business environment and the use of IFRS by other major oil and gas groups and its shareholders, TNK BP decided to adopt IFRS as the basis of its consolidated financial statements starting in 2012. Pursuant to the Law on Consolidated Accounts passed by the Russian Federation in 2010, all Russian public companies will be required to report under IFRS by 2015. TNK BP's last consolidated financial statements prepared in accordance with U.S. GAAP will be those prepared for the year ended 31 December 2011. Its first consolidated financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ended 31 March 2012.

TNK-BP Holding Financial Information

As of 31 December 2011, all TNK-BP's oil and gas producing assets, refineries and retail networks in Russia are consolidated within TNK-BP Holding (TBH). TNK-BP's assets held outside of TBH include primarily its equity interest in Slavneft and Venezuela affiliates, certain non-producing exploration assets in Yamal region of Russia, assets in Vietnam and its Ukrainian business: Linik refinery and retail network.

The differences in EBITDA between TBH and TNK-BP relate primarily to the Ukrainian business, the assets in Vietnam and Venezuela and the Slavneft results. The differences in net income also include additional charges at TNK-BP level related to interest expense, withholding dividend tax on retained earnings in Russia, noncontrolling interest as well as foreign exchange differences and certain other non-operating items.

TNK-BP Holding will report its consolidated financial results under U.S. GAAP for the year ended 31 December 2011 in March 2012. A reconciliation between the TNK-BP and TBH results will be issued on the same date.

Presentation of Production Data and Conversion Factors

This review presents all numerical data regarding reserves of crude oil and gas in gross terms without adjustment to reflect any noncontrolling ownership interests unless otherwise stated. All references to production of ''liquids'' in this review mean production of crude oil, condensate and natural gas liquids ("NGL").

This review presents data relating to TNK-BP's production, refining and marketing operations, which are expressed in barrels. As is common in the reporting of hydrocarbon production in countries of the Commonwealth of Independent States (''CIS''), TNK-BP maintains its internal records regarding such data in metric tons. Solely for the convenience of the reader, unless otherwise indicated, such metric data has been converted into barrels at the rate of 7.5 barrels per ton of crude oil except for (i) the reserves data which has been extracted from the relevant Reserves Reports and, (ii) oil refining and oil and petroleum product sales data which has been converted at a rate of 7.3 barrels per ton. Furthermore, gas condensate and natural gas liquids volumes have been converted at 8.3 and 10.6 barrels per ton, respectively, and volumes of natural gas have been converted at a rate of one billion cubic metres of gas to 6.09 million barrels of oil equivalent.

The meanings of the following abbreviations as used in this review are:

* ‘‘bbl” / ‘‘boe’’- barrels / barrels of oil equivalent;
* ‘‘bn cub. m’’ - billions of cubic metres;
* ‘‘bpd” / ‘‘boe/d’’ - barrels per day / barrels of oil equivalent per day;
* ‘‘mb/d’’ / ‘‘mboe/d’’ - thousands of barrels per day/thousands of barrels of oil equivalent per day;
* ‘‘mln bbl’’ / ‘‘ boe’’ - millions of barrels / millions of barrels of oil equivalent;
* ‘‘mmb/d’’/‘‘mmboe/d’’ - millions of barrels per day / millions of barrels of oil equivalent per day.

APPENDICES

1. Average international and domestic crude and products prices for the periods indicated:

Fourth quarter 2011	Third quarter 2011		Units	Year ended 31 December 2011	Year ended 31 December 2010
		International market[1]			
109.3	113.5	Brent	USD /bbl	111.3	79.5
108.6	111.5	Urals (Med/NWE)	USD /bbl	109.1	78.3
932.8	1,027.3	Gasoline (average NWE: Premium + Regular)	USD /ton	984.9	735.0
940.1	943.0	Diesel fuel (Med/NWE)	USD /ton	930.0	670.1
623.0	630.0	Fuel oil (Med/NWE)	USD /ton	608.0	441.5
1,001.2	1,013.4	Jet Kero (Med/NWE)	USD /ton	1,006.1	716.3
		Domestic market			
41.4	40.6	Crude oil[2]	USD /bbl	42.1	30.6
1,018.8	1,158.9	Gasoline[3]	USD /ton	1,037.3	786.2
909.0	836.7	Diesel fuel[3]	USD /ton	863.6	604.4
368.2	413.9	Fuel oil[3]	USD /ton	373.0	321.5
858.0	850.0	Jet kero[3]	USD /ton	839.0	590.0

Notes:
(1) Prices obtained from Platt's, a division of the McGraw-Hill Companies, Inc.
(2) Prices obtained from Argus Media (averaged by regions).
(3) Prices obtained from Kortes (averaged by regions).

2. Refining mix by product type for major refineries for the periods indicated:

		Year ended 31 December 2011				Year ended 31 December 2010			
Product type	**Units**	**Ryazan**	**Saratov**	**Linik**	**Yanos**	**Ryazan**	**Saratov**	**Linik**	**Yanos**
Gasoline	%	22	17	27	20	23	15	26	20
Gasoil (diesel fuel)	%	25	28	26	30	26	29	25	31
Fuel oil	%	34	28	27	32	33	29	26	32
Jet fuel	%	7	0	2	6	6	0	3	6
Other	%	12	27	18	12	12	27	20	11
Total		**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

3. Petroleum products sales per product type for the periods indicated:

	Year ended 31 December 2011		Year ended 31 December 2010	
	USD millions	*th.bbl*[(1)]	*USD millions*	*th.bbl*[(1)]
Export other than CIS				
Gasoline	1,647	12,997	1,508	15,573
Gasoil (diesel fuel)	4,784	36,978	3,751	40,562
Fuel oil	6,893	83,626	4,762	79,330
Jet fuel	148	965	124	1,140
Other	1,173	11,147	937	12,123
Total export other than CIS	**14,645**	**145,713**	**11,082**	**148,728**
Export CIS				
Gasoline	1,207	9,860	984	7,696
Gasoil (diesel fuel)	890	7,015	739	7,296
Fuel oil	82	1,519	32	530
Jet fuel	155	1,000	122	1,121
Other	512	4,576	251	3,438
Total export CIS	**2,846**	**23,970**	**2,128**	**20,081**
Domestic				
Gasoline	5,503	42,998	3,957	38,347
Gasoil (diesel fuel)	3,199	31,971	1,877	27,861
Fuel oil	77	1,863	76	2,171
Jet fuel	1,033	10,560	634	9,216
Bitumen	326	7,879	219	7,060
Other	630	8,628	622	9,431
Total domestic	**10,768**	**103,899**	**7,385**	**94,086**
Total products sales	**28,259**	**273,582**	**20,595**	**262,895**

Note:
(1) Converted at a rate of 7.3 barrels per ton.

4. Inflation and foreign exchange rates for the periods indicated:

Fourth quarter 2011	Third quarter 2011	Inflation and rouble to USD exchange rate	Year ended 31 December 2011	Year ended 31 December 2010
31.9	28.1	Rouble/USD exchange rate at the beginning of the period[(1)]	30.5	30.2
32.2	31.9	Rouble/USD exchange rate at period end[(1)]	32.2	30.5
31.2	29.0	Average rouble/USD exchange rate[(1)]	29.4	30.4
0.8	0.2	Rouble inflation (Consumer Price Index (“**CPI**”)), %[(2)]	8.5	6.9
(0.2)	(11.8)	Real appreciation/(depreciation) of the rouble against USD , %[(3)]	2.7	6.1

Notes:
(1) Source: the Central Bank of Russian Federation. Average exchange rate is calculated based on the Central Bank of Russian Federation data for each day of the period.
(2) Source: the Federal State Statistics Service. CPI calculation is based by the following formula: average of the monthly inflation indexes for the current year divided by the average of the monthly inflation indexes for the previous year, minus 1
(3) Real appreciation/(depreciation) of the rouble against U.S. dollar is calculated by the following formula: ratio of the exchange rate at the beginning of the period to the exchange rate at the end of the period multiplied by the inflation index, minus 1.

5. Tariffs for the major transportation routes, used by TNK-BP, converted from roubles into USD dollars at the average exchange rate for the periods indicated:

	Year ended 31 December	
	2011	2010
	USD/ton	
EXPORT CRUDE		
Pipeline		
Samotlor – Adamovo Zastava	49.8	43.1
Samotlor – Primorsk	50.2	42.3
Samotlor – Novorossysk	50.4	45.6
Talakan – Kozmino	62.9	54.7
Railroad		
Krotovka – Grushovaya	68.6	59.3
DOMESTIC CRUDE		
Pipeline		
Krotovka – Saratov	8.4	7.3
Pokrovka – Saratov	10.7	9.3
Samotlor – Ryazan	38.6	32.6
EXPORT PRODUCTS		
Pipeline		
RNPK – Primorsk (Diesel)	46.5	39.7
Railroad		
RNPK – Tallinn (Fuel oil)	64.6	56.3
SNPZ – Kerch (Fuel oil)	56.2	47.6
SNPZ – Novorossysk (Diesel)	57.3	47.9

6. Average export custom duty rates for the periods indicated:

Fourth quarter	Third quarter			Year ended 31 December	
2011	2011		Units	2011	2010
		Export duties			
55.3	60.6	Crude oil	USD/bbl	56.0	37.5
403.7	442.5	Crude oil	USD/ton	408.9	273.6
266.4	296.4	Light and middle distillates products	USD/ton	274.1	196.6
363.3	398.2	Gasoline and naphtha(1)	USD/ton	332.6	196.6
266.4	206.6	Fuel oil	USD/ton	208.2	105.9
218.3	182.6	Propane, butane	USD/ton	176.0	61.1

Note:
(1) Average duty rates for the year ended 31 December 2011, the 4th quarter of 2011 and the 3rd quarter of 2011 as indicated in the table are applicable to naphtha. Average export duty rates for gasoline in the same periods were USD 341.3, 363.3 and 398.2 per ton, respectively.

7. Excise tax rates for the periods indicated applicable to sales in the domestic market in Russia:

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	Year ended 31 December 2010
USD/ton			*USD/ton*	
		Excise tax[1]		
n/a	n/a	Gasoline with octane not exceeding "80"………...	n/a	96
n/a	n/a	Gasoline with octane exceeding "80" …………….	n/a	131
165	177	Gasoline grade 4 & 5………………………………	175	n/a
182	195	Gasoline grade 3…………………………………...	193	n/a
192	206	Gasoline out of 3,4,5 grades ……………………...	204	n/a
195	210	Straight-run gasoline ……………………………...	207	141
n/a	n/a	Diesel fuel………………………………………….	n/a	39
72	77	Diesel fuel grade 4 & 5…………………………….	76	n/a
80	86	Diesel fuel grade 3…………………………………	85	n/a
88	95	Diesel fuel out of 3,4,5 grades……………………..	94	n/a
150	161	Motor oil ………………………………………….	159	107

Note:
[1] Rouble-denominated rates were converted to U.S. dollars at the average RUR/USD exchange rates for the periods presented.

8. Excise tax rates for the periods indicated applied to sales in the domestic market in Ukraine:

Fourth quarter 2011	Third quarter 2011		Year ended 31 December 2011	Year ended 31 December 2010
Euro/ton		*Excise tax*[1]	*Euro/ton*	
182	149	Gasoline [2] ……………………………………….	164	122
69	49	Diesel[2] ……………………………………………	58	50
42	29	Diesel euro[2] ……………………………………	35	30
17	17	Jet fuel …………………………………………...	17	12

Notes:
[1] Euro-denominated rates
[2] Average rate in 2011 and 2010

9. Average MET rates for the periods indicated:

Fourth quarter 2011	Third quarter 2011		Units	Year ended 31 December 2011	Year ended 31 December 2010
		MET[1]			
20.7	21.4	Crude oil…………	USD/bbl	20.8	13.9
151.1	156.5	Crude oil…………	USD/ton	151.8	101.2
7.6	8.2	Natural gas………	USD/ th. cub. m	8.1	4.8
4,718.4	4,547.4	Crude oil…………	RUR/ton	4,455.3	3,074.4
237.0	237.0	Natural gas………	RUR/th. cub. m	237.0	147.0

Note:
[1] Rouble-denominated rates were converted to U.S. dollars at the average RUR/USD exchange rates.