



TNK-BP and OGK-1 Start Cooperation in the Framework of a Joint Venture based on the Nizhnevartovsk Power Plant

Moscow, June 26, 2008. The Board of Directors of TNK-BP has approved the company's participation in a joint investment project for construction of a new steam-gas combined-cycle unit with a capacity of 800 MW at the Nizhnevartovsk Power Plant. TNK-BP will purchase 25% plus one share of the company, established by OGK-1 for project implementation, for \$356 million.

Upon purchasing the additional share emission, OGK-1 will own 75% minus one share of the joint venture. The JV will include two existing units of the Nizhnevartovsk Power Plant with a combined capacity of 1,600 MW, and will build the third generating unit. To that end, a tender for engineering, procurement and construction services (EPC) is currently underway. The JV will then own and operate all three units of the Nizhnevartovsk Power Plants.

IFC Alemar is the main financial consultant for the transaction.

The TNK-BP Board decision completes the phase of forming the corporate structure of the JV, and obtaining all relevant clearances from OGK-1 as well as TNK-BP. The registration of NVGRES Holdings Limited has also been completed, which allows TNK-BP to begin the process of acquiring the shares shortly.

The parties have already signed a Joint Development Agreement, a Shareholder Agreement, and main commercial terms of the gas supply agreement and power supply agreement. In addition, an EPC contractor for construction of the third unit of the Nizhnevartovsk Power Plant will be selected in the near future.

Modern steam-gas combined-cycle equipment will be installed at the new power-generating unit. This will allow an increased efficiency factor (up to 57%, compared to 40% typical of regular steam units), and enhance fuel efficiency by 20-25% while lowering emissions into the atmosphere. Construction will begin in 2008 and will be completed in 2011. The new power-generating unit is included into the Russian Federation General Plan for Development of Power Generation Facilities until 2030.

The new power-generating unit will use dry gas supplied by TNK-BP under a 15-year contract. Currently, TNK-BP supplies 3 billion cubic meters of gas a year to the two existing units of the Nizhnevartovsk Power Plant. The new power-generating unit will consume another 1.2 billion cubic meters of gas a year. TNK-BP will purchase power generated by the third power-generating unit in the amount of approximately 6 billion kilowatt a year under a 15-year contract.

“We have always viewed this as a landmark project in terms of its significance, its scope, and the form of its implementation,” said Vladimir Khlebnikov, General Director of OGK-1. “Realizing this project jointly with TNK-BP will substantially increase the company's share in the Tyumen energy market, and will help build up world-class competencies within OGK-1. I am very happy that we have passed the point of no return in implementing this project.”

“TNK-BP is delighted to join OGK-1 in this Joint Venture”, said Robert Dudley, President and CEO of TNK-BP, “the project makes excellent strategic sense for TNK-BP, since

we will be investing in power generation in order to monetize associated gas and to buy power for use in our oil production operations in the region”.

OGK-1: OGK-1 incorporates the Perm Power Plant, Verkhny Tagil Power Plant, Kashira Power Plant, Nizhnevartovsk Power Plant, Urengoi Power Plant, and Irikhinsk Power Plant. OGK-1 is one of major power-generating companies established as a results of reforms in the power generation industry. The rated capacity of OGK-1 is 9,531 MW. Apart from that, OGK-1 is one of the largest power-generating companies in the Russian Federation using heat power plants and owning more than 4% of all power-generating facilities in Russia.

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