

TNK-BP Says 2012 Net Down 13%

By [The Moscow Times](#)

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TNK-BP executives confirmed Thursday that a dialogue on planning for integration into Rosneft is underway. **Andrei Makhonin**

TNK-BP, which is being taken over by state oil company Rosneft, posted a 13 percent drop in 2012 net income on Thursday due to higher taxes.

Rosneft is buying TNK-BP from British oil company BP and the AAR consortium of Soviet-born tycoons for a total of \$55 billion in cash and shares, in a deal that will create the world's largest listed oil producer.

TNK-BP said on Thursday its net income fell to \$7.58 billion last year due mainly to an increase in export duty. Its operating cash flow, however, rose 22 percent to \$13.24 billion.

Rosneft needs around \$40 billion in cash to fund the deal and has already secured most of the financing via loans from banks and agreements with trading companies. The company has said it may also use TNK-BP cash for the deal.

TNK-BP's chief financial officer Jonathan Muir said the company's board had given the green light for management to discuss integration with Rosneft.

"Preliminary agreement for a framework under which management will potentially work with Rosneft was agreed," Muir said about last week's board meeting, while declining to disclose details and his personal plans.

"We started dialogue with our counterparts in Rosneft," he added.

The completion of the deal would bring TNK-BP out of the management limbo it has been in since October when the deal was announced, and allow Rosneft to reassure customers and employees about contracts and start working through cost savings.

Shares in TNK-BP closed up 4.5 percent, compared with a broadly unchanged wider Moscow market.

Rosneft is expected to get the nod from regulators for the deal soon, making it possible to close it in the first quarter, sources have said.

TNK-BP said its revenues last year rose slightly to \$60.45 billion from \$60.20 billion in 2011.

Earnings before interest, tax, depreciation and amortization (EBITDA) were 7 percent lower at \$13.35 billion, mainly due to the increase in export duties and other taxes, as well as one-off impairments related to its Ukraine business, the firm said.

TNK-BP said it had replaced 210 percent of its reserves in 2012 under the U.S. Securities and Exchange Commission's life of field standards, or SEC-LOF.

The Natural Resources and Environment Ministry has drafted a proposal aimed at optimizing the mechanism for state-owned companies to return licenses for shelf sections in which they are no longer interested, Natural Resources and Environment Minister Sergei Donskoi told reporters Thursday, Interfax reported.

According to this mechanism, if a government-owned company does not discover a deposit during geological exploration but still wants to keep the license, the ministry will raise the subsoil use payment for that section.

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