



www.sibneft.com

**2000 Sibneft
Annual Results**



Alexander Korsik

Chief Operating Officer

Strong growth in both profits and operational indicators

- Sibneft achieves a significant increase in net margins resulting from higher global oil prices and productivity gains generated by upstream restructuring
- Sibneft achieves a turnaround in production, with crude output rising 5.4%
- Sibneft launches ambitious programme to develop new fields
- Sibneft completes consolidation of its main subsidiaries, creating an integrated and streamlined management structure
- Priority given to maximizing returns from existing asset base over the pursuit of new acquisitions

2001 - Reaping the rewards

Lower oil prices will lead to a more competitive environment

- Sibneft aims to maintain strong profit performance in 2001 in spite of lower oil prices thanks to continuing improvements in productivity
- Sibneft is targeting accelerated oil production growth of 10.5% to 375,000 barrels per day (19 million tonnes)
- Upstream investment in 2001 almost tripled to \$595 million, the highest level of investment relative to production of any major Russian oil company
- Strong growth in investment to have a significant positive impact on profits in future years
- Sibneft implements recommendations of Standard & Poor's corporate governance audit as part of ongoing efforts to improve governance and transparency

Calendar - Key corporate developments

- ✓ May - Sibneft doubles size of American Depositary Receipt programme in response to strong investor demand
- ✓ June - Sibneft unveils large hike in 1999 net profits
- ✓ August - Sibneft acquires significant minority stake in Orenburgneft
- ✓ August - Sibneft redeems \$150 million Eurobond, Russia's first corporate Eurobond issued in August 1997
- ✓ October - Sibneft approves first dividend payment of \$50 million
- ✓ November - Sibneft ADRs listed on Newex
- ✓ November - Sibneft agrees joint venture with Sibir Energy
- ✓ December - Subsidiary shareholders approve consolidation
- ✓ December - Sibneft sets up new wholly-owned subsidiary to handle all exports of crude and refined products

Financial highlights

Net profit rises 114% to \$675 million

- Sibneft achieves strong growth in net profits to \$675 million from \$315 million in 1999
- EBITDA up 88% to \$1.027 billion from \$547 million
- Revenues up 37% to \$2.398 billion from \$1.746 billion
- Margins supported by effective cost controls

Consolidation

- Sibneft completes consolidation of key operating subsidiaries raising shareholding to 100%
- Consolidation aims to simplify management of company
- Rights of minority shareholders protected throughout consolidation process
- Exchange of existing shares for new paper with a higher nominal value
- Minority shareholders receive value of subsidiary shareholdings in cash at prices recommended by independent valuations expert
- Exchange approved by shareholders in Noyabrskneftegas, Omsk refinery and retailer Omsknefteproduct

Corporate governance

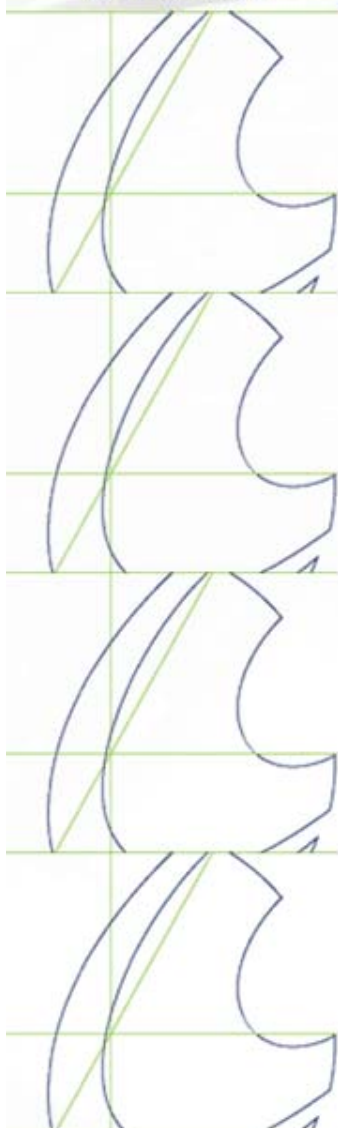
Sibneft remains committed to achieving global best practice in the field of corporate governance

- Sibneft participated in a Standard & Poor's pilot project for a new corporate governance service
- The review praised Sibneft for its high levels of disclosure and transparency, for putting in place procedures to ensure that the rights of minority shareholders are protected and for taking a “proactive approach to corporate governance issues”
- Audit made two key recommendations -
 - ✓ Revoking the board's authority to increase charter capital
 - ✓ Introducing a clearer definition of voting procedures at shareholder meetings
- Management has recommended that shareholders adopt both recommendations

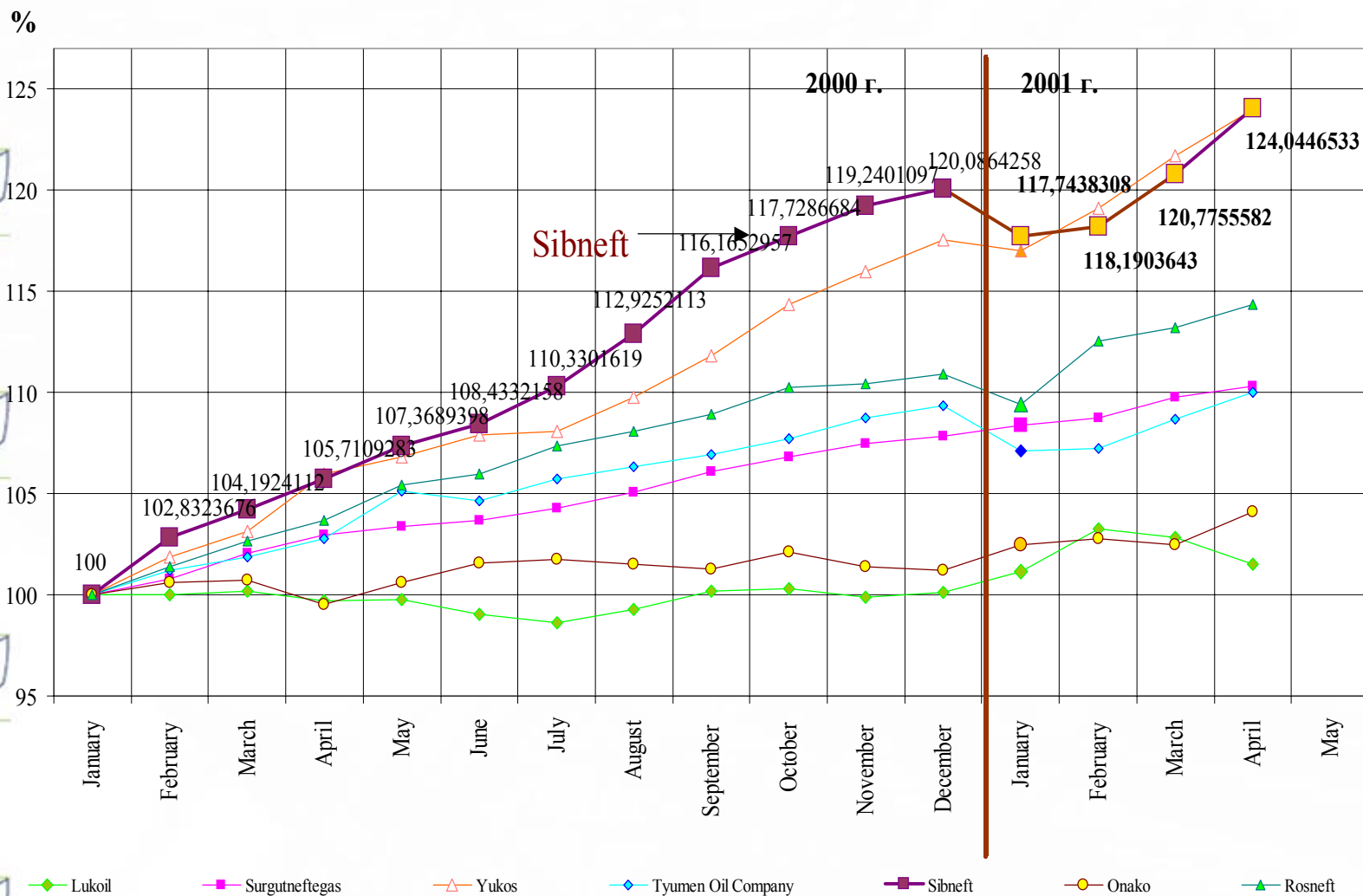
Launch of new website offering unrivaled depth of information reaffirms Sibneft's commitment to set new Russian benchmark for transparency and disclosure

Highlights include:

- Complete set of GAAP accounts and investor presentations spanning four years
- Full set of quarterly regulatory filings by the company
- Sibneft Datafeed - extensive archive of monthly operating data
- Collection of speeches by senior company executives
- Library of independent research reports about Sibneft
- Streaming video presentation of the company
- Share tracker to plot changes in Sibneft's share price

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- A decorative graphic on the left side of the slide, featuring a vertical green line and several curved, overlapping shapes in shades of green and blue, resembling stylized waves or a map outline.
- Sibneft strategy is to achieve growth through a combination of organic growth and acquisitions
 - Existing high quality asset base harbours potential for strong growth
 - Goal to raise production from existing asset base to 570,000 barrels per day (29 million tonnes per year) within five years from 375,000 barrels per day (19 million tonnes per year) now
 - Long-term goal is to diversify asset base until Noyabrsk region accounts for less than half of total output
 - Focus on assets which can be put to work in the medium term

Relative oil production in 2000-2001



A technical drawing of a gear, shown in a perspective view. The drawing is composed of several overlapping, semi-transparent layers, each representing a different stage or component of the gear's design. The drawing is overlaid on a light green grid.

➔ **Management**

➔ **Technology**

➔ **Capital**



Financials

Olga Pokrovskaya

**Head of International
Reporting**

Income statement

(\$'000)

1999

2000

Refined products and oil and gas sales

1,694,478 **2,344,453**

Total revenues

1,746,448 **2,397,922**

Operating expenses

1,199,299 **1,370,505**

EBITDA

547,149 1,027,417

DD&A

289,805 **300,000**

EBIT

257,344 727,417

Minority

89,666 61,549

Other income and expenses

30,428 35,103

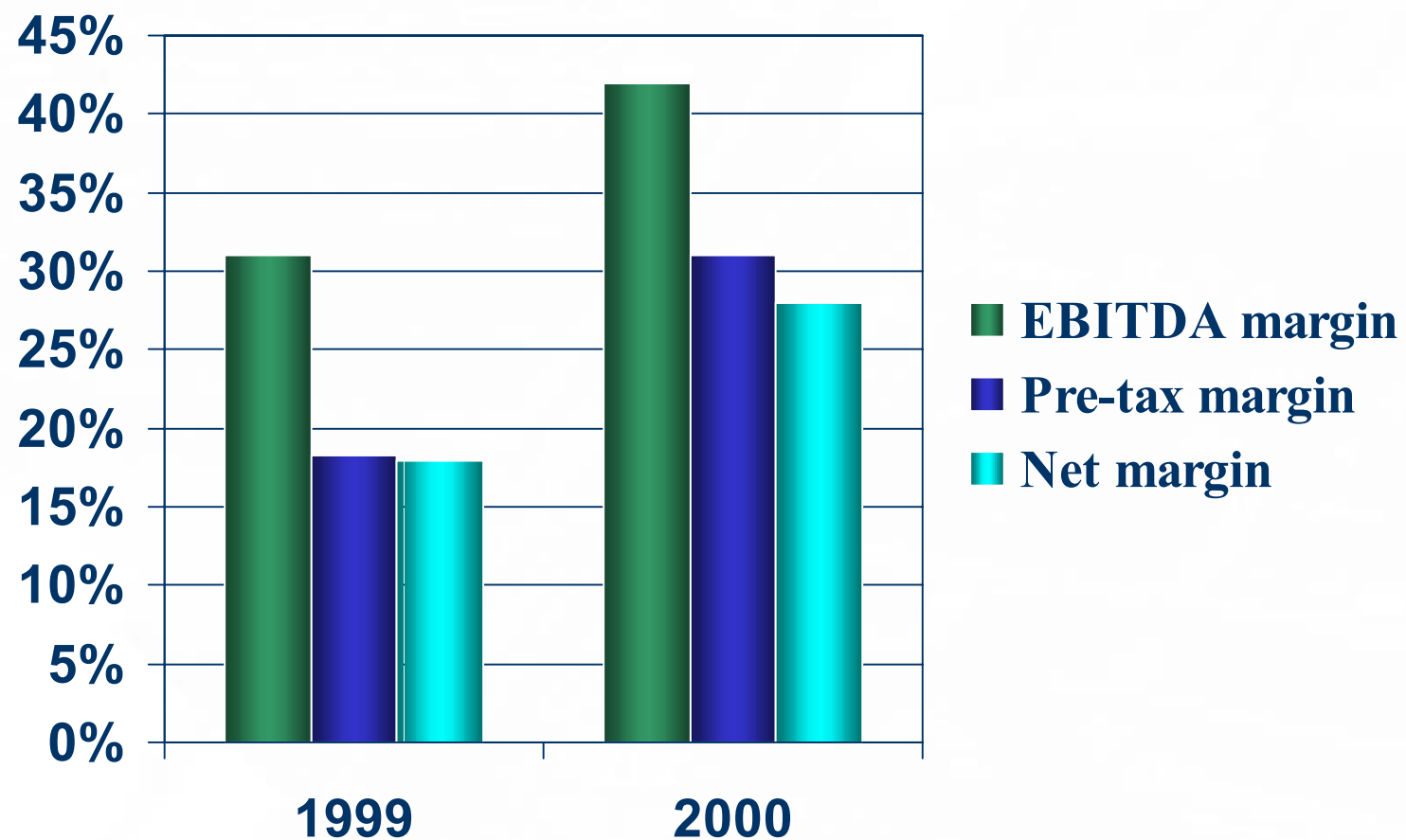
Profit before tax

323,603 **753,210**

Net income

315,106 **674,845**

Profit margins



- Net income more than doubles to \$674.8 million
- Export revenues account for 38% of total sales
- Increases in operating expenses limited to 15% from 1999
- Net cash provided by operating activities rises to \$920.5 million from \$369.4 million in 1999
- Substantially decreased minority interest
- Long term debt of \$188 million
- Sibneft pays first dividends of \$50 million

Financial ratios

	1999	2000
	%	%
Financial Leverage Ratios		
Debt ratio	4.9	5.9
Profitability Ratios		
Return on assets	7	15
Return on equity	10.3	21.3
P/E Ratio	4.71	2.95

Export earnings accounted for 38% of total revenue in 2000

Net crude and products sales	(\$'000)	(%)
Export	883,683	38%
Domestic	1,460,770	62%
Total	2,344,453	100%



Balance sheet

(\$'000)	1999	2000
Cash and equivalents	15,731	27,086
Accounts receivable	326,405	448,695
Net oil and gas properties / PP&E	3,191,624	3,610,053
Total assets	4,279,952	4,572,569
Short-term debt	61,741	405,025
Current portion of long-term debt	150,000	0
Long-term debt	0	187,528
Accounts payable and accrued liabilities	177,148	382,928
Estimated income and other taxes	49,953	39,298
Minority interest	704,857	256,734
Shareholders' capital	3,049,970	3,169,725
Total liabilities and shareholder capital	4,279,952	4,572,569

Capitalisation

(\$'000)	1999	2000
Short-term liabilities	61,741	405,025
Current portion of long-term debt	150,000	0
Long-term liability	0	187,528
Shareholders' capital	3,049,970	3,169,725
Net debt / shareholders' capital	7 %	18 %
Weighted average interest rate at end of period 11 %	12 %	
Weighted average interest rate for period	14 %	9 %

Tax liabilities

Thousand USD

	1999	2000
Sibneft	31,790	0
Noyabrskneftegas	7,275	22,793
Omsk Refinery	7,049	8,896
Other	3,839	7,609
Total	49,953	39,298

Cashflow statement

(\$'000)	1999	2000
Net profit / (loss)	315,106	674,845
Change in net accounts receivable	79,344	(122,401)
Change in accounts payable	(167,409)	205,780
Change in estimated income taxes	(92,728)	(10,655)
Net cash from operating activities	369,376	920,469
Net cash used in investment activities	(129,102)	(748,213)
Net cash used in financial activities	(258,630)	160,901
Change in cash and equivalents	(18,356)	11,355
Cash and equivalents at end of year	15,731	27,086



Upstream

Andrei Matevosov
Vice President

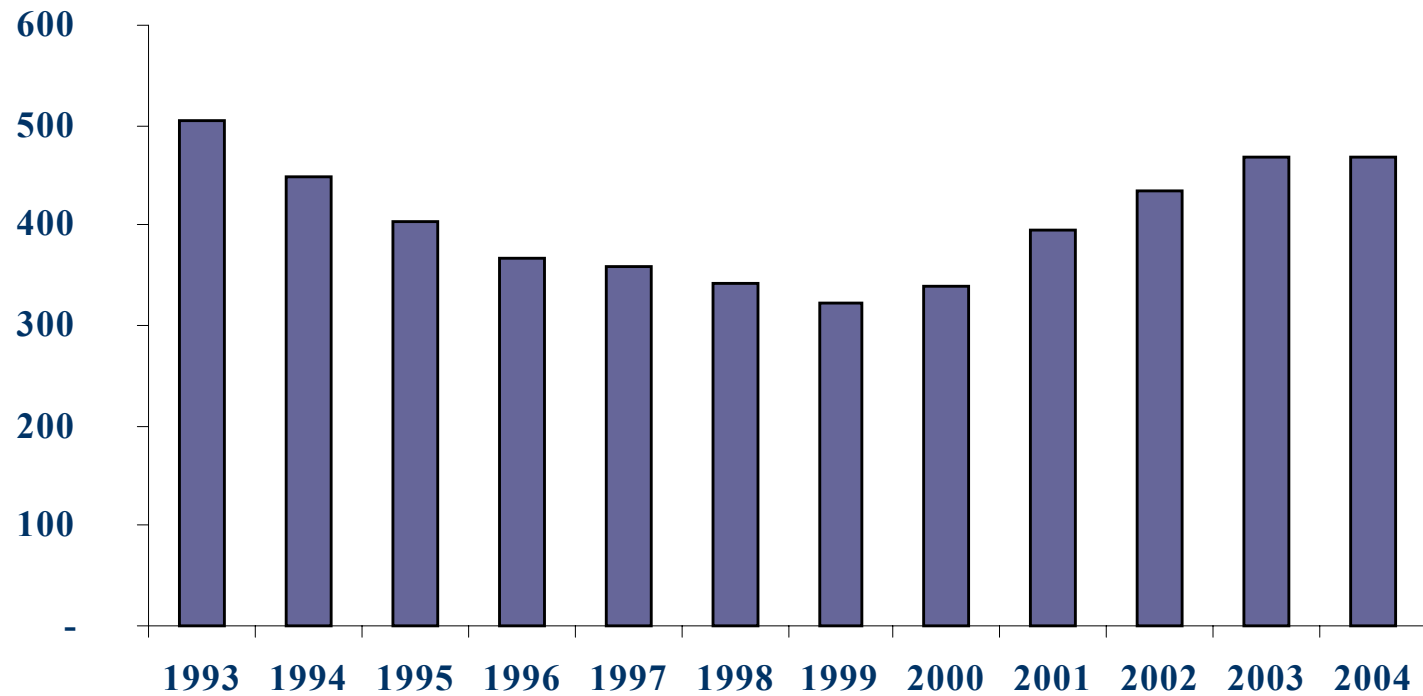
Upstream highlights

Production growth rapid and accelerating

- Sibneft is targeting oil production growth of 10.5% in 2001 to 375,000 barrels per day (19 million tonnes), building on strong growth in 2000
- Upstream investment tripled to \$595 million in 2001
- Wider application of enhanced recovery methods, drilling doubled
- Sibneft launches development of four new fields in 2000
- Sibneft expands production beyond Noyabrsk home base
- Full field development of billion barrel Sugmut field to commence in summer 2001

2000 marked a turnaround in Sibneft production

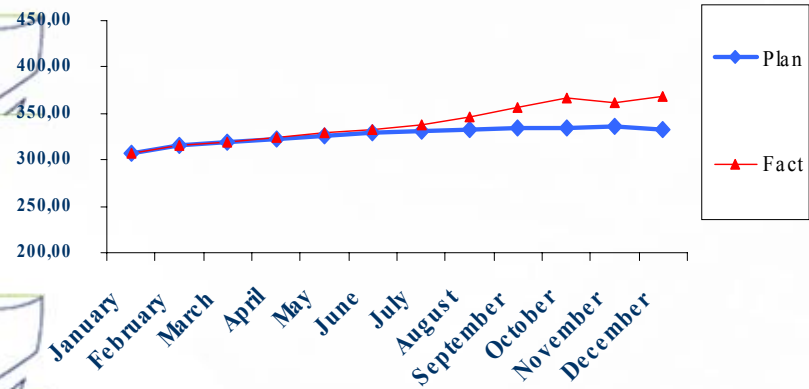
(‘000 barrels per day)



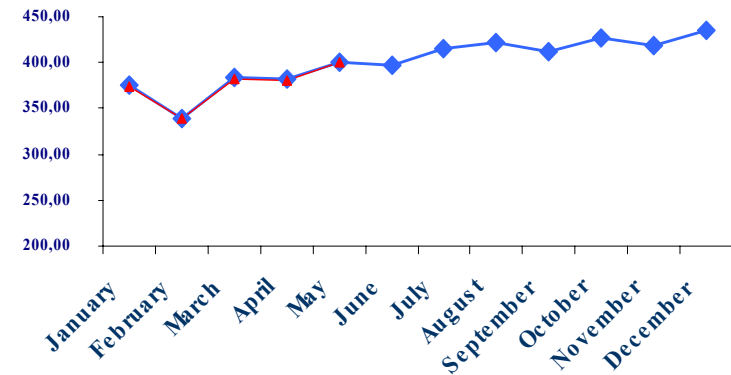
Beating targets

Sibneft beat production targets in 2000 and is set to do the same in 2001

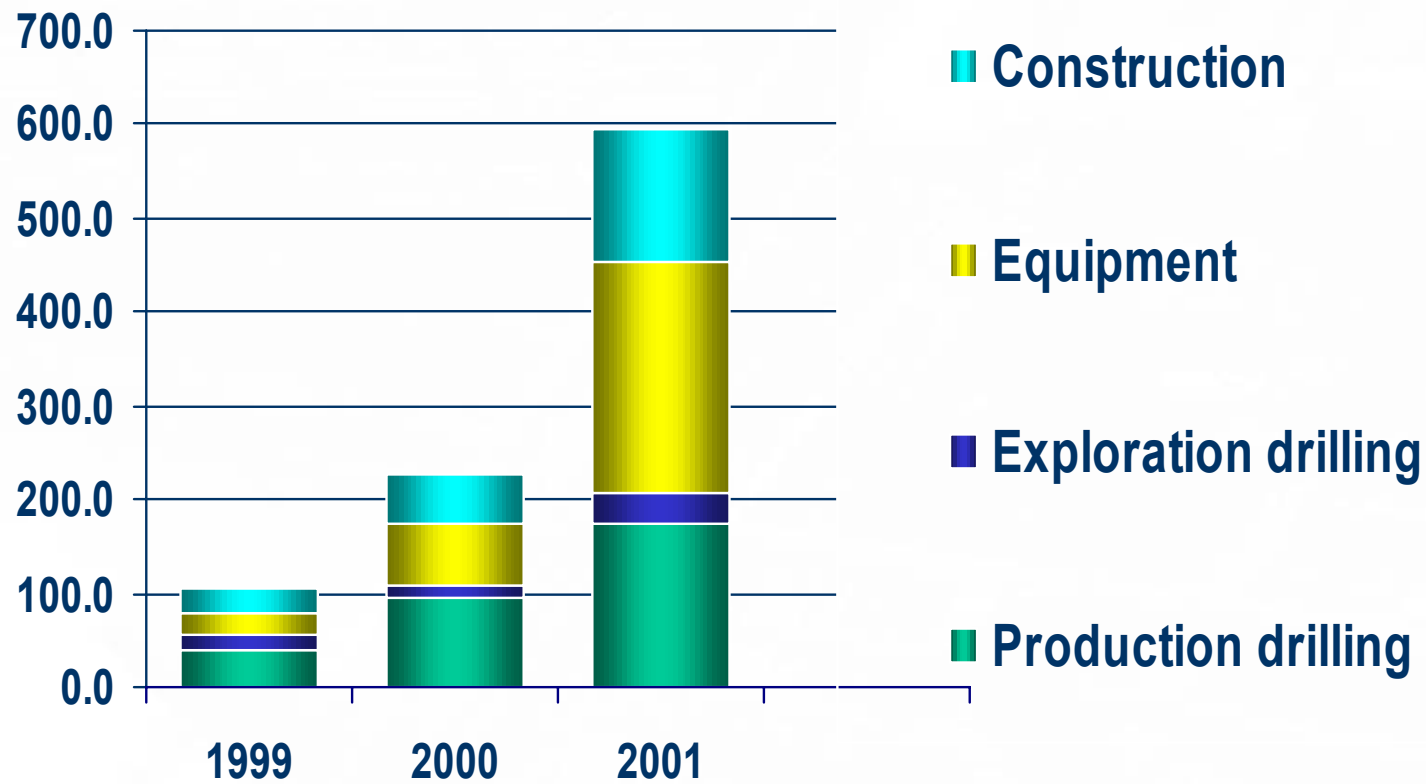
2000 ('000 barrels per day)



2001



Capital expenditure growth



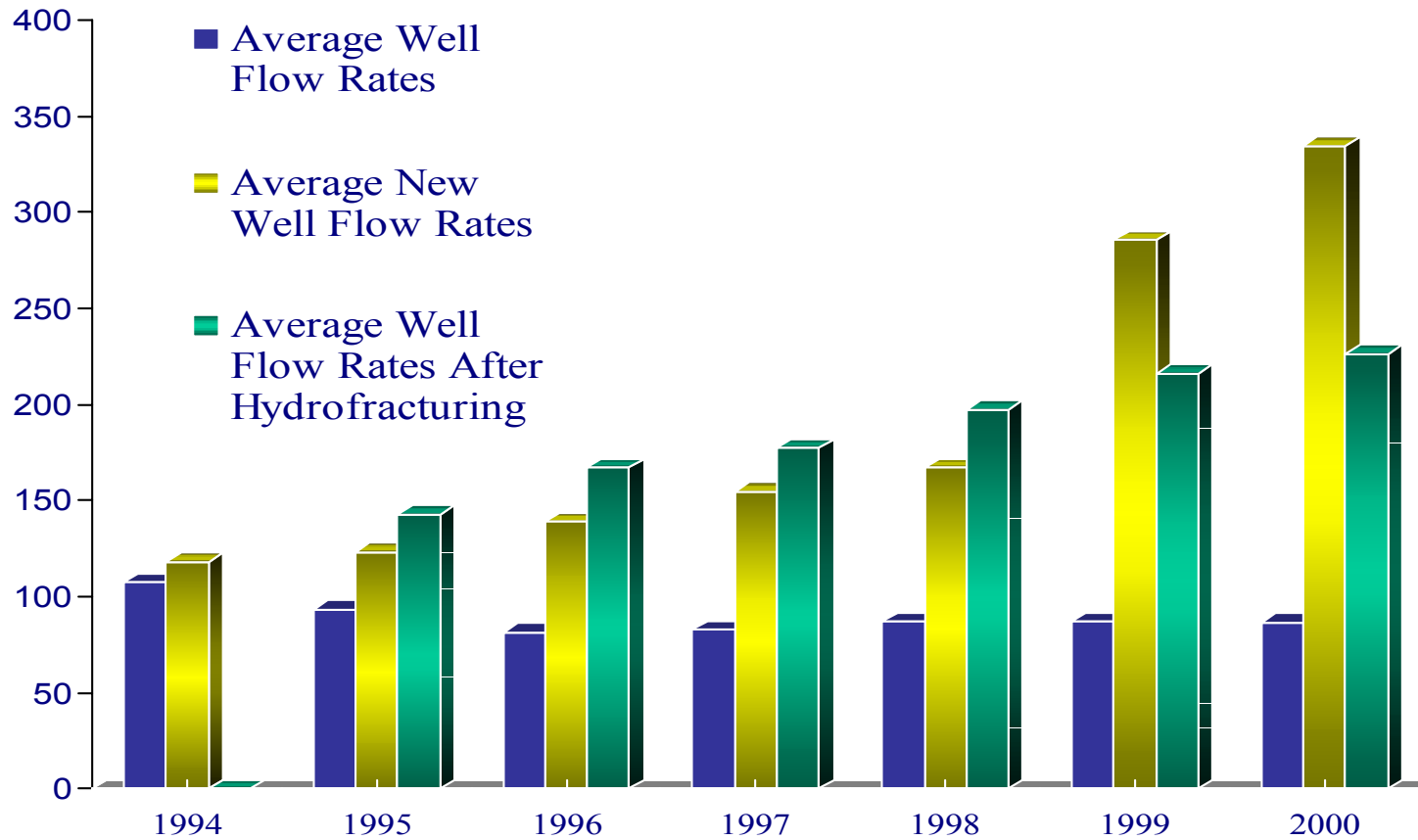
Productivity enhancements

Continued efficiency improvements cap rises in production costs

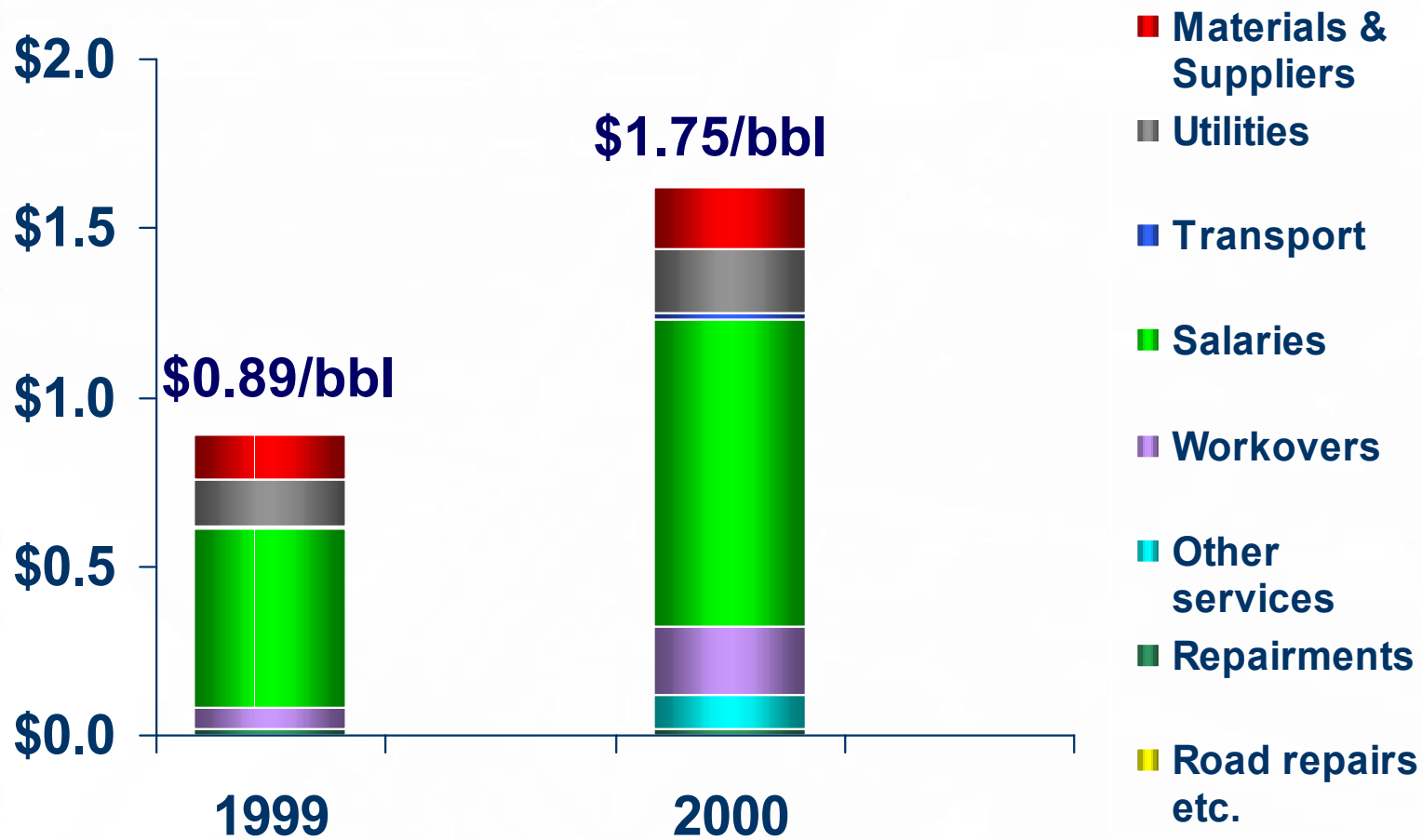
- Sibneft is expanding use of enhanced recovery methods, such as remedial well treatment, side trackings and coiled tubing
- Significant increase in the number of hydrofracturing operations to 258 operations in 2000 from 179 in 1999
- Sibneft launches new horizontal drilling programme at Romanovskoye, Yarainerskoye and Sugmut fields
- Service strategy provides for greater use outsourcing to international service companies, while stimulating competition between various service providers
- Completion of upstream restructuring with further reduction of Noyabrsk headcount by 10,000 to 17,000

Well productivity boosted

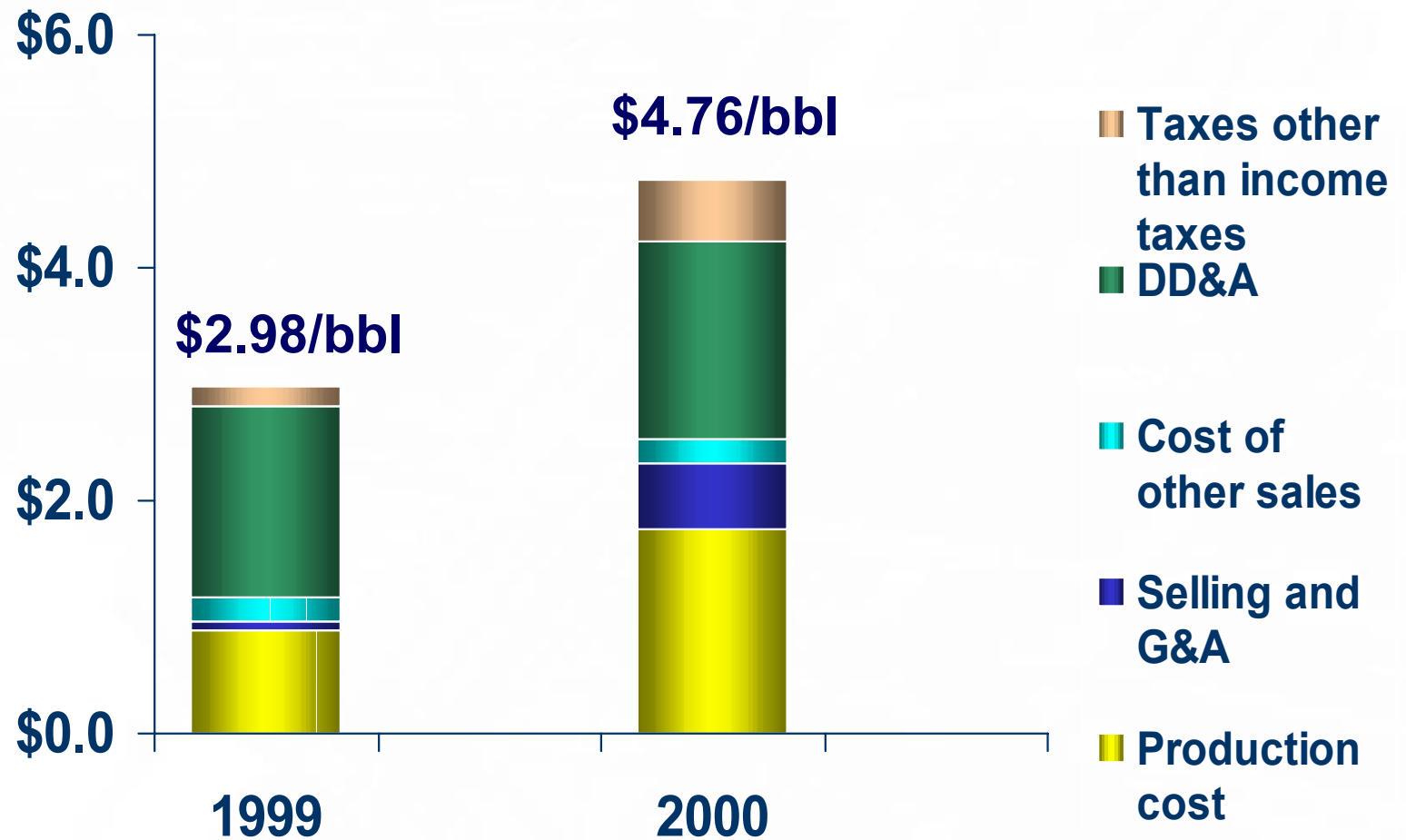
Well productivity significantly above industry average and continuing to rise



Direct production costs



Total production costs



Proven reserves rise to 4.64 billion barrels

	1 January 1999	1 January 2000	1 January 2001
Proven	4,129	4,599	4,644
Probable	1,594	2,784	2,086
Possible	1,013	1,934	1,546
Total	6,736	9,317	8,276

Results of audit by Miller and Lents (million barrels)

Case study - Sugmut

- Sibneft's largest partially developed field with reserves of almost one billion barrels (140 million tonnes)
- Pilot project launched in January 2000 and field currently producing 70,000 barrels per day (3.5 million tonnes per year)
- Sibneft signs \$60 million contract with Pride Forasol to drill horizontal wells on pilot section of field
- Full field development to commence in summer 2001
- Peak production of 140,000 barrels per day (7 million tonnes per year) by 2006
- Capital expenditure at Sugmut of around \$120 million in 2001
- First large field in Russia to be entirely covered by 3D seismic survey

Case study - Yugraneft

- Sibneft-Yugra joint venture with Sibir Energy
- Sibneft supplying funding and operational management
- Total recoverable reserves at southern section of Priobskoye field and Palyanovskoye field estimated at 2.1 billion barrels (290 million tonnes)
- Peak production of 60,000 barrels per day (3 million tonnes per year) by 2008
- Output in 2001 set to rise to 5,000 barrels per day (250,000 tonnes per year)

Case study - Krapivinskoye

- Sibneft launches production from Krapivinskoye field in May 2001
- Total first phase investment of \$30 million
- Peak production from Krapivinskoye and surrounding acreage targeted at 20,000 barrels per day (one million tonnes per year)
- Total recoverable reserves of 62 million barrels (8.6 million tonnes) expected to rise following additional exploration work
- 400-kilometre pipeline link to Omsk refinery under study

Case study - Chukotka

- Sibneft-Chukotka secures licenses to three onshore blocks
- Sibneft begins drilling first exploration well in the unexplored Lagunny Depression in June 2000
- Block holds potential reserves of 275 million barrels (38 million tonnes)
- Telekayskoye block holds total recoverable reserves of some 20 million barrels (2.8 million tonnes) and 2 billion cubic metres of gas divided between the Upper Echinskoye, Telekayskoye and Olkhovoye fields
- West Ozyornoye gas field with reserves of five billion cubic metres is under consideration as possible source of gas for new power station in Anadyr
- Initial investment by Sibneft-Chukotka of \$50 million



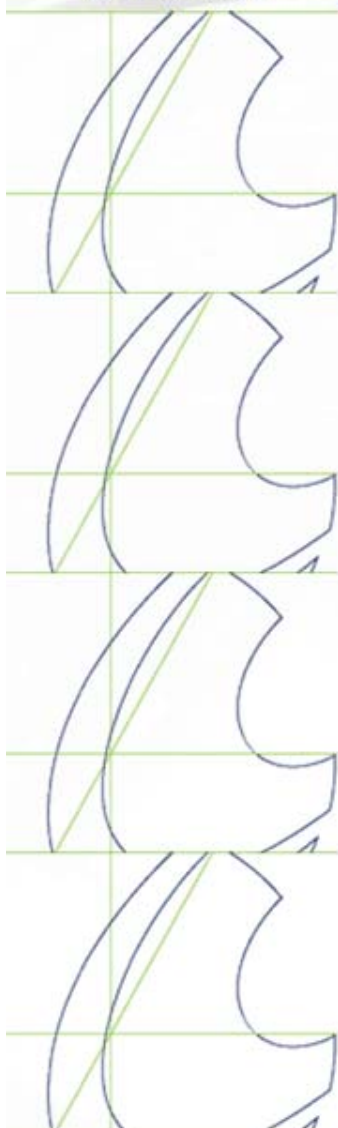
Downstream

Valery Oif
Vice President

Refining highlights

- Refinery runs to further increase to 262,000 barrels per day (13.25 million tonnes) in 2001 on the back of rising crude production
- Depth of refining and share of light products up
- Investment up almost five times to \$52 million in 2001
- Modernized catalytic cracking unit enters operation in spring 2001

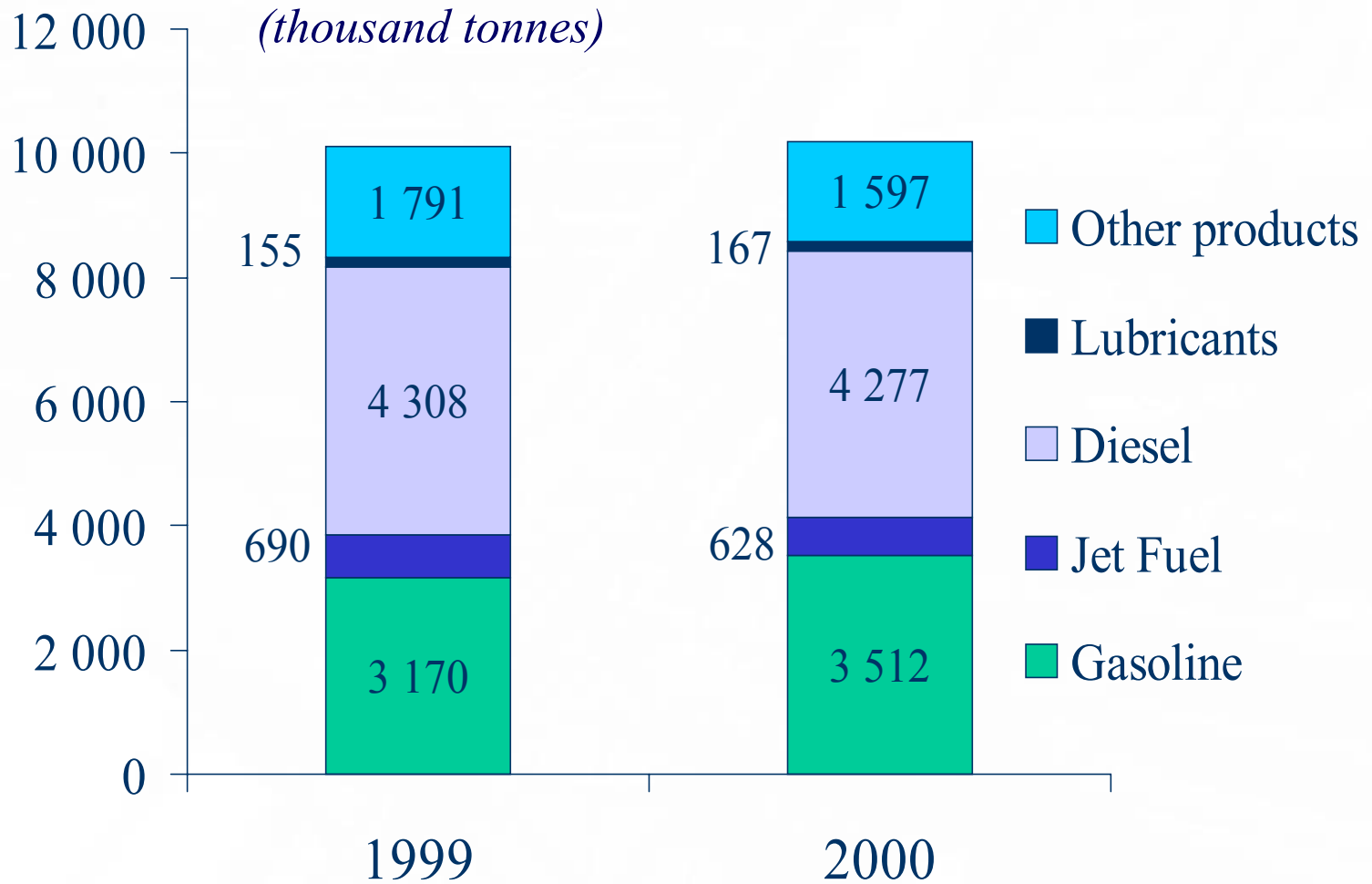
Refining highlights

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- A decorative graphic on the left side of the slide, consisting of a vertical stack of four stylized, overlapping shapes that resemble the profile of a gear or a turbine blade. These shapes are rendered in a light blue and green color scheme, with a thin green vertical line running through them.
- Refinery modernizes catalyst manufacturing capacity and commences first production in Russia of catalysts meeting world standards
 - New alkylation unit to come on stream September 2001
 - First commercial production of A-98 high-octane gasoline in Russia
 - New production line for lubricants installed summer 2001

Omsk refinery scorecard

	1999	2000
Throughput (million tonnes)	12.459	12.555
Throughput ('000 barrels per day)	246	247
Refining depth (%)	80.6	82.4
Share of light products (%)	68.8	70.3

Refined products output slate

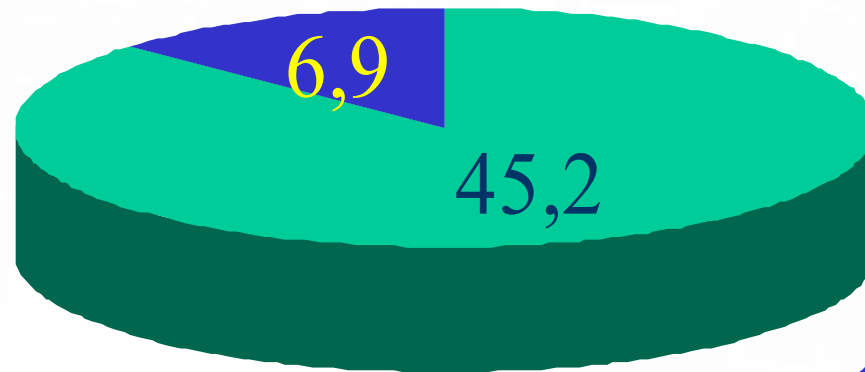


Capital expenditure

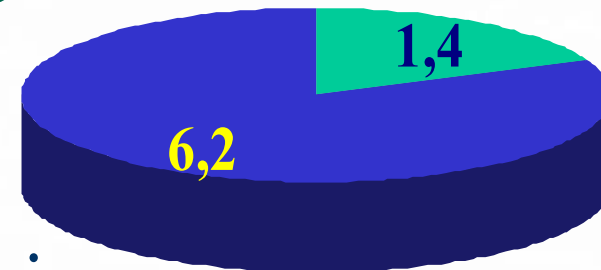
(\$ million)

2001

Capital expenditure up five times to \$52 million

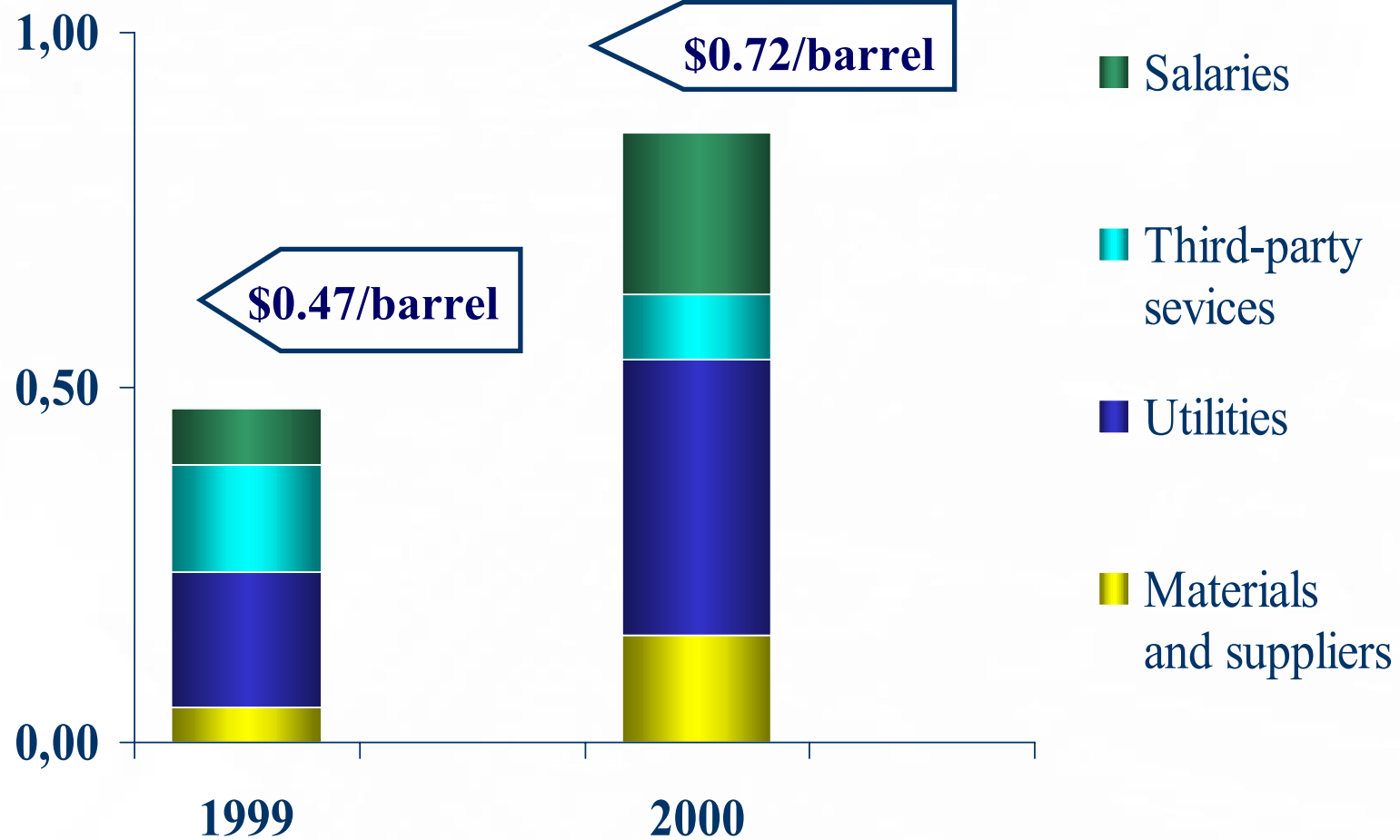


2000

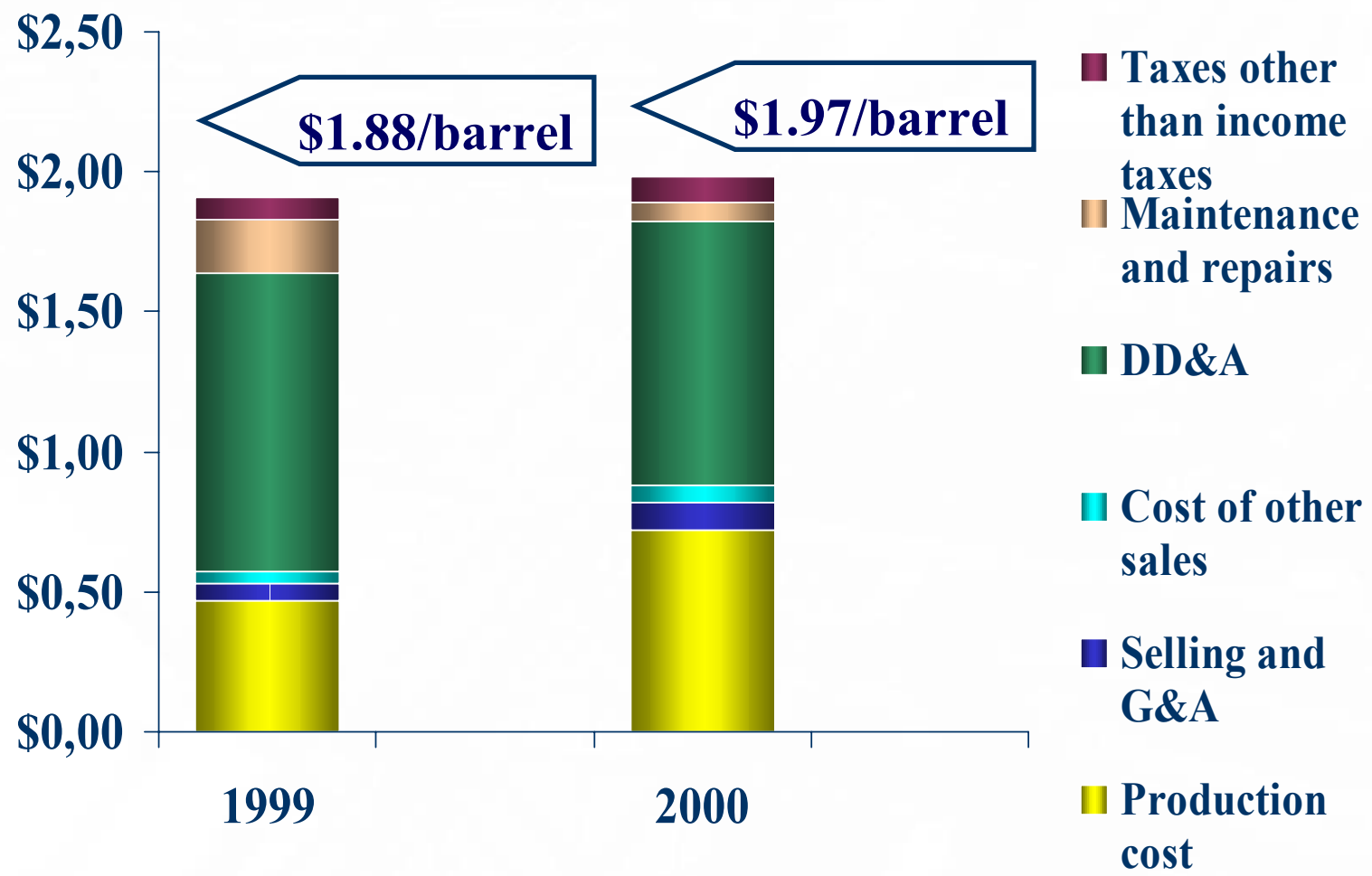


■ Construction ■ Repair

Refining direct costs



Refining total costs



Catalytic cracker upgrade



- Upgrade to catalytic cracking unit completed spring 2001
- Upgrade will enable an increase of 30,000 tonnes in annual output of gasoline
- Upgrade will enable refinery to increase depth of refining by 0.2%
- Upgrade will lead to decrease in atmospheric emissions of 4,500 tonnes per year

Alkylation unit



- Alkylation unit due for completion in September 2001
- Project cost \$60 million
- Equipment supplied by Technip
- Unit will enable Omsk refinery to become first Russian refinery to begin commercial production of A-98 high-octane gasoline
- Unit will lead to higher depth of refining and lower atmospheric emissions

Catalytic reforming unit



- New catalytic reforming unit due for completion in 2003
- Equipment supplied by Eurotecnica Contractors and Engineers
- Project cost \$67 million

Catalyst production



- Catalyst manufacturing capacity upgraded
- Plant commences Russia's first production of world class catalysts in spring 2001
- Production capacity of 9,000 tonnes per year

Comparisons

Performance in 1999 and 2000	Industry Average	Omsk
Depth of refining (%)	68	82.4
Share of gasoline (%)	47	57.6
Share of unleaded gasoline (%)	86	99.1
Share of high-octane gasoline, %	35	42.7
Share of 0.2% sulphur diesel (%)	78	100.0
Share of light products (%)	59	78.6
Share of petrochemicals (%)	3.3	3.0
Liquid waste (m ³ per tonne of oil refined)	1.49	0.70
Atmospheric emissions (kg per tonne of oil refined)	6.3	4.1
Losses of oil and oil products excluding flared coke (%)	1.29	0.87

Retail highlights

- Retail network expanding rapidly with 795 outlets as of June 2001, up from 521 at the beginning of 2000
- Retail capital expenditure increase to \$20 million in 2001
- Expansion strategy pursued on four fronts:
 - ✓ Acquisitions of other retailers
 - ✓ Construction of new outlets
 - ✓ Renovation of existing outlets
 - ✓ Expansion of network of franchising partners
- Focus on target markets in Central and Western Siberia
- Construction of 69 new gasoline stations in 2001

Retail network

	<i>Wholly Owned</i>	<i>Jobbers and leased</i>	<i>Dealers</i>	<i>Total</i>
Omsk	109	69	-	178
Kemerovo	49	39	-	88
Altai	14	40	31	85
Novosibirsk	134	35	-	169
Sverdlovsk	146	15	-	161
Chelyabinsk	-	-	15	15
Tyumen	-	8	-	8
Yamal-Nenets	3	-	-	3
Tomsk	-	-	14	14
Kurgan	-	-	11	11
Khakassia	-	-	39	39
Krasnoyarsk	-	-	24	24
Total	455	206	134	795