AO SIBERIAN OIL COMPANY

CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2005 and 2004

AO Siberian Oil Company

Consolidated Financial Statements

For six months ended June 30, 2005 and 2004

Contents

AO Siberian Oil Company
Consolidated Balance Sheets
As of June 30, 2005 and December 31, 2004 **Currency – US$ thousands**

	Notes	2005	2004
Assets			
Current assets:			
Cash and cash equivalents	2	$ 1,482,998	$ 1,140,304
Loans receivable	3	25,415	31,129
Accounts receivable, net (less allowance for doubtful accounts of $70,024 and $75,666 , respectively)		2,131,428	1,751,635
Inventories		390,674	292,190
Prepaid expenses		58,098	18,858
Total current assets		4,088,613	3,234,116
Long-term investments	4	2,567,729	2,219,507
Oil and gas properties, net		4,000,668	3,927,136
Property, plant and equipment, net		747,875	691,251
Construction in progress		202,552	181,250
Other non-current assets		8,892	9,581
Total assets		$ 11,616,329	$ 10,262,841
Liabilities and shareholders' equity			
Current liabilities:			
Short-term loans	5	$ 34,362	$ 35,480
Accounts payable and accrued liabilities		481,393	537,108
Related party payable	11	296,679	163,909
Income and other taxes		393,872	578,402
Other current liabilities		45,609	64,746
Current portion of long -term debt	7	343,799	344,566
Total current liabilities		1,595,714	1,724,211
Dividends payable		817	1,045
Asset retirement obligation	6	294,952	284,023
Long-term debt	7	1,117,902	1,068,197
Minority interest		-	-
Total liabilities		3,009,385	3,077,476
Shareholders' equity:			
Common stock (authorized and issued: 4,741,299,639 shares, 0.0016 ruble par value)	8	1,619	1,619
Additional paid -in capital		858,987	858,987
Reserves		1,867,449	1,867,449
Retained earnings		5,878,889	4,457,310
Accumulated other comprehensive income / (loss)		-	-
Total shareholders' equity		8,606,944	7,185,365
Total liabilities and shareholders' equity		$ 11,616,329	$ 10,262,841

The accompanying notes to the consolidated financial statements are an integral part of these statements.

AO Siberian Oil Company
Consolidated Statements of Income and Comprehensive Income
For six months ended June 30, 2005 and 2004 **Currency – US$ thousands**

	Notes		2005		2004
Revenues					
Refined products and oil and gas sales		$	5,642,827	$	3,949,561
Other			85,385		63,946
Total			5,728,212		4,013,507
Costs and other deductions					
Operating expenses			1,220,313		934,890
Selling, general and administrative			716,553		586,770
Depreciation and amortization			331,840		282,204
Taxes other than income taxes			1,801,971		945,483
Exploratory expenses			-		-
Cost of other sales			45,688		42,175
Total			4,116,365		2,791,522
Operating income			1,611,847		1,221,985
Other income / (expense)					
Income from equity affiliates	4		365,960		270,944
Income / (loss) from sales of equity investees			(14,560)		(146)
Interest received			10,762		4,066
Interest paid			(64,761)		(67,060)
Other income, net			(16,661)		(98,174)
Minority interest			-		-
Foreign exchange gain			(13,880)		1,598
Total			266,860		111,228
Income before provision for income taxes			1,878,707		1,333,213
Provision for income taxes	9		457,128		345,102
Net income		$	1,421,579	$	988,111
Other comprehensive income / (loss), net			-		3,903
Total comprehensive income		$	1,421,579	$	992,014
Basic and Diluted Earnings per Common Share		$	0.2998	$	0.2084
Average number of common shares outstanding (millions)			4,741		4,741

The accompanying notes to the consolidated financial statements are an integral part of these statements.

AO Siberian Oil Company
Consolidated Statements of Cash Flows
For six months ended June 30, 2005 and 2004 **Currency – US$ thousands**

	2005	2004
Operating activities		
Net income	$ 1,421,579	$ 988,111
Reconciliation of net income to net cash provided by operating activities:		
Accrued equity accounting income	(365,960)	(262,929)
Depreciation, depletion and amortization	331,840	282,204
Asset retirement obligation accretion expense	11,021	7,577
Loss on disposal of property, plant and equipment	(4,722)	8,058
Loss / (gain) on sales of investments	14,560	146
Minority interest	-	-
Changes in current assets and liabilities:		
Accounts receivable	(374,151)	(380,726)
Provision for doubtful accounts	(5,642)	11,970
Inventories	(98,484)	9,705
Prepaid expenses	(39,240)	(8,291)
Other non-current assets	689	(43)
Accounts payable and accrued liabilities	77,055	(71,874)
Income and other taxes	(184,530)	16,582
Other current liabilities	(19,137)	(2,189)
Net cash provided by operating activities	764,878	598,301
Investing activities		
Investments made	(17,795)	(66,611)
Loans redemption	5,714	23,549
Proceeds from investments sales	-	-
Proceeds from disposals of property, plant and equipment	22,736	1,197
Capital expenditures	(480,431)	(336,771)
Net cash used in investing activities	(469,776)	(378,636)
Financing activities		
Loans proceeds received	201,065	(91,703)
Loans repaid	(153,245)	(60,253)
Dividends paid	(228)	(91,558)
Net cash used in financing activities	47,592	(243,514)
Decrease in cash and equivalents	342,694	(23,849)
Cash and equivalents at beginning of year	1,140,304	104,594
Cash and equivalents at end of the period	$ 1,482,998	$ 80,745

The accompanying notes to the consolidated financial statements are an integral part of these statements.

1. General

Basis of Financial Statements Preparation

These unaudited consolidated financial statements should be read in the context of the consolidated financial statements and notes thereto as of December 31, 2004. In the opinion of the Company, the information furnished reflects all known accruals and adjustments necessary for a fair statement of the result for the periods reported herein. All such adjustments are of a normal recurring nature. The Company's exploration and production activities are accounted for under the "successful efforts" method.

Minority Interest in Subsidiary Companies

Minority interest in the consolidated balance sheets reflects minority owners' percent share of shareholders' capital in subsidiaries. The minority interest is calculated based on the shareholders' equity of each subsidiary as determined under US GAAP. The actual ruble denominated balance attributable to minority interests may differ from this amount.

Minority owners' interest in the Company's subsidiaries is as follows:

	June 30, 2005		December 31, 2004	
	Voting	Total	Voting	Total
Geofizika	19%	19%	19%	19%
Meretoyahaneftegas	33%	33%	33%	33%
Sibneft-Ugra	1%	1%	1%	1%
Tumennefteproduct	10%	10%	10%	10%

2. Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2005 and December 31, 2004 comprise the following (in US$ thousands):

	2005	2004
Cash in bank – rubles	580,693	439,005
Cash in bank – foreign currency	210,783	342,670
Bank deposits	691,100	358,108
Cash on hand	422	521
Total cash and cash equivalents	1,482,998	1,140,304

Bank deposits represent cash deposited in major western bank for the period less then three months in amount of US$ 691 million bearing weighted average interest rate of 3.7% per annum on US dollars deposits.

The majority of foreign currency cash in bank is represented by US dollars.

3. Loans Receivable

The Company provided ruble loans to third parties with the maturity of one month to one year and bearing weighted average interest nil per year as of June 30, 2005 and 2004 respectively.

The fair values of loans provided are approximately equal to their carrying value in the consolidated financial statements.

4. Long-Term Investments

None of the companies listed below are publicly traded in Russia and due to the nature of the financial markets it is not possible to obtain a current market price for these investments, however, management believes that the costs of these investments approximate their fair values. The significant equity and other long-term investments are summarized below for the period ended June 30, 2005 and December 31, 2004 (in US$ thousands):

	2005	2004
Investments in Russian companies		
- Oil and gas producing	2,131,688	1,767,695
- Refining	297,502	295,535
- Marketing	99,834	133,810
- Other	38,705	22,467
Total long-term investments	2,567,729	2,219,507

Investments in oil and gas producing associated companies, as of June 30, 2005 and 2004 equals to a 49.716% interest in AO NGK Slavneft and various minority stakes in Slavneft' subsidiaries held through investment trust arrangement. During 2005 Sibneft and TNK agreed to jointly manage the refineries of Slavneft group and work out the split of upstream assets and petroleum stations, which was not completed as of June 30, 2005.

The purchase cost of these investments is US$ 1,261 million. Based on consolidated financial statements and management estimates the Company's share of Slavneft' earnings for 6 month 2005 amounted to US$ 364 million (US$ 654 million (unaudited) for 2004 earnings) and is reflected in income from equity affiliates. During 2004 Slavneft announced and paid to the Company US$ 397 million of dividends.

The following table represents the Company's proportional interest in the summarized financial information of Slavneft based on consolidated financial statements:

	2005	2004
Total Assets	2,952,778	2,597,388
Total Liabilities	827,005	826,044
Net Income	363,993	654,177

Investments in refining equals to a 38.83% voting interest in Moscow Oil Refining Plant (MNPZ). The purchase cost of these investments is US$ 280 million as of June 30, 2005 and 2004. Based on financial statements and management estimates the Company's share of MNPZ's earnings for 6 months 2005 amounted to US$ 2.0 million and is reflected in income from equity affiliate. During 2004 MNPZ announced and paid to the Company US$ 0.9 million of dividends.

The following table represents the Company's proportional interest in the summarized financial information of MNPZ based on translated financial statements (unaudited) as of June 30, 2005 and December 31, 2004:

	2005	2004
Total Assets	131,175	125,847
Total Liabilities	23,493	20,132
Net Income / (loss)	1,967	2,127

Investments in marketing companies include various wholesale and retail distribution companies. The Company holds a 27.4% voting interest in OAO Mosnefteproduct. The increase of voting interest is due to preferred shares being granted voting rights in 2004. Total cost of investment equals US$ 56 million, as of June 30, 2005 and 2004.

Investments in other Russian companies represent for the most part hard currency loans, given to affiliated companies for the period of more than 1 year, bearing weighted average interest of 5,53 per annum.

In January 2005 Sibneft registered new daughter company Sibneft Oil Trade Company GMBH in Austria proclaiming this new company to be an agent for Sibneft export sales.

5. Short-Term Loans

As of June 30, 2005 and December 31, 2004 the Company had short-term loans outstanding as follows (in US$ thousands):

	2005	2004
Banks	20,000	20,000
Related parties	398	1,384
Other	13,964	14,096
Total	34,362	35,480

Bank loans are comprised of (1) export financing loan facilities in US$ from major western banks and their affiliates, secured by Noyabrsk crude production and (2) unsecured loans from Russian banks, denominated in US$ and rubles with fixed terms of repayment.

In general, short-term loans are used for the provision of working capital needs. As of June 30, 2005 more than 58% of the loans were provided in US$. At June 30, 2005 the Company has a US$ 20 million secured loan outstanding from Raiffeisen Zentralbank Oesterrich. The loan bears a floating interest at rate of LIBOR plus 2.0%.

Other short-term loans were represented by a number of ruble denominated non-banking borrowings totaling US$ 14 million bearing no interest.

Weighted average interest rates related to the short-term loans outstanding as of June 30, 2005 for US$ and ruble denominated loans equal 4,71% and 0,83%, respectively. During 6 months ended June 30, 2005, the weighted average US$ and ruble denominated short-term debt balances outstanding were US$ 20 million and US$ 14 million, respectively, with weighted average interest rates of 5 percent and 1, respectively. During the year ended December 31, 2004, the weighted average US$ and ruble denominated short-term debt balances outstanding were US$ 84 million and US$ 15 million, respectively, with weighted average interest rates of 4 and 1 percent, respectively.

6. Assets Retirement Obligation

According to Statement of Financial Accounting Standards No. 143, “Accounting for Asset Retirement Obligations” (“SFAS 143”), the Company has potential asset retirement obligations associated with the conduct of its business activities. The accounting standard applies to legal obligations associated with the retirement of tangible long-lived assets. SFAS 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. Subsequently, the liability is accreted for the passage of time and the related asset is depreciated over its estimated useful life. The nature of the assets and potential obligations are as follows:

Exploration and Production

The Company's field exploration, development, and production activities includes assets related to: well bores and related equipment and operating sites, gathering and oil processing systems, oil storage and pipelines to main transportation trunks. Generally, its licenses and other operating permits require certain actions to be taken by the Company in the abandonment of these operations after the end of production. Such actions include well abandonment activities, equipment dismantlement and other reclamation activities. The Company's estimates of future abandonment costs consider present regulatory or license requirements and are based upon management's experience of the costs and requirement of such activities.

Management believes that present regulatory and permitting activities do not stipulate an obligation associated with abandoning of gathering and oil processing systems, oil storage and pipelines to main transportation trunks. As a result, the Company believes that it does not have clear or definitive legal or contractual obligations associated with activities to retire or otherwise abandon those assets.

Refining, Marketing and Distribution

This business segment covers refining operations and retail networks. The Company's refining operations consist of major industrial complexes. These industrial complexes have been in operation for several decades. Because of the nature of the operation of these complexes, management believes that these industrial complexes have indeterminable lives, while certain operating components and equipment have definite lives.

Management believes that present regulatory and permitting activities do not stipulate an obligation associated with abandoning these industrial complexes. As a result, the Company believes that it does not have clear or definitive legal or contractual obligations associated with activities to retire or otherwise abandon those assets.

Inasmuch as the regulatory and legal environment in Russia continues to evolve, there could be future changes to the requirements and costs associated with abandoning long-lived assets.

The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. An entity measures changes in the liability for an asset retirement obligation due to passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period. The interest rate used to measure that change is the credit-adjusted risk-free rate that existed when the liability was initially measured. That amount is recognized as an increase in the carrying amount of the liability and as an expense classified as an operating item in the statement of income.

The following summarizes the activity of the asset retirement obligations (in US$ thousands)

	2005	2004
Beginning balance as of January 1,	284,023	193,297
Revision in the estimated cash flows	2,596	70,331
Liabilities incurred in the current period	(2,688)	4,943
Liabilities on new companies	-	-
Accretion expense	11,021	15,452
Ending balance as of June 30	294,952	
Ending balance as of December 31		284,023

7. Long-Term Debt

As of June 30, 2005 and December 31, 2004 the Company had outstanding loans as follows (in US$ thousands):

	2005	2004
Bank loans outstanding	514,141	465,258
Bonds	942,695	942,462
Other borrowings	4,865	5,043
Less current portion of long- term debt	(343,799)	(344,566)
Total long-term debt	1,117,902	1,068,197

Bank loans are comprised of loan facilities in US$ from major western banks and their affiliates.

In general, long-term loans are used for the provision of capital expenditures and investment needs. The Company has secured bank loans outstanding as of June 30, 2005 from Raiffeisen Zentralbank Oesterreich (RZB), Westdeutsche Landesbank Vostok (West LB), ABN-Amro bank and BNP Paribas S.A., and also two unsecured loans from Salomon Brothers. As of December 31, 2004 the Company has secured bank loans outstanding from Raiffeisen Zentralbank Oesterreich (RZB), Westdeutsche Landesbank Vostok (West LB), ABN-Amro bank and BNP Paribas S.A., and two unsecured loans from Salomon Brothers.

In December 2002, the Company placed US$ 500 million in 7-year Eurobonds on the Luxemburg Stock Exchange. The bonds bear interest of 10.75% per year. The bonds have a semi-annual coupon. An accrued interest for the bonds in the amount of US$ 24.9 million is included in current portion of long-term debt .

In January 2002, the Company placed US$ 250 million in 5-year Eurobonds on the Luxemburg Stock Exchange. The bonds bear interest of 11.5% per year. Subsequently, in March 2002, the Company extended the issue up to US$ 400 million. All bonds have a semi-annual coupon. An accrued interest for the bonds in amount of US$ 17.8 million is accounted in current portion of long-term debt.

The Company has a US$ 106.7 million (all current) secured by Noyabrsk export proceeds loan from ABN AMRO Bank N.V. The loan is due June 2006 and bears floating interest at rates of LIBOR plus 1.40%.

The Company has a US$ 116.9 million (including a US$ 43.2 million current portion) secured loan from BNP Paribas S.A. maturing in June 2007, bearing floating interest at rates of LIBOR plus 3.0%. This loan is secured by Noyabrsk export proceeds. In 2004 the Company had a US$ 123.6 million (including a US$ 13.1 million current portion) secured loan from BNP Paribas S.A. due June 2007, bearing floating interest at rates of LIBOR plus 3.0%.

The Company has a US$ 200 million (including a US$ 60 million current portion) secured loan from RZB maturing in March 2008, bearing floating interest at rates of LIBOR plus 1.6%. This loan is secured by Noyabrsk export proceeds.

The Company has a US$ 58.4 million (all current) secured loan from West LB maturing in December 2005, bearing floating interest at rates of LIBOR plus 2.15%. This loan is secured by Noyabrsk export proceeds. As of December 31, 2004 the Company had a US$ 117.0 million secured US$ loan from West LB due December 2005, bearing floating interest at rates of LIBOR plus 2,15%.

The Company has a US$ 32.1 million (all current) secured loan from RZB maturing in December 2005, bearing floating interest at rates of LIBOR plus 3.25%. This loan is secured by Noyabrsk export proceeds.

As of December 31, 2004 the Company had a US$ 64.3 million secured loan from RZB due December 2005, bearing floating interest at rates of LIBOR plus 3.25%.

Other borrowings represents a number of ruble denominated unsecured borrowings from non-banking organizations totaling US$ 4.8 million (including a US$ 0.2 million current portion) with maturity dates from 2006 to 2011 bearing nil interest rate. As of December 31, 2004 other borrowings represented a number of ruble denominated unsecured borrowings from non-banking organizations totaling US$ 5.0 million (including a US$ 0.6 million current portion) with maturity dates from 2006 to 2011 bearing nil interest rate.

The loan agreements contain covenants that require the Company's ratios of net sales to debt payments, EBITDA to total debt payments, and total exports to total US$ -denominated debt to be within certain limits, and its total debt to total assets ratio to be no greater than 70%. Management believes the Company is in compliance with these covenants as of June 30, 2005.

Maturities of long-term - loans as of June 30, 2005 are as follows (in US$ thousands):

Year due	Amount due
Current portion	343,799
2007	473,640
2008	141,144
2009 and later	500,000
	1,458,583

8. Capitalization

The Presidential Decree establishing Sibneft stated that the charter capital of the Company would be equal to 38 percent of the aggregate of the charter capitals of its four subsidiaries at the date of formation. The 38 percent of the aggregate of the Charter capitals of the four subsidiaries also gave Sibneft 51 percent of the voting common stock in each of the subsidiaries and represented the Government's ownership in these companies. This consolidation of the Government's ownership into one company established the share capital of Sibneft at 4,516,396,250 shares of 0.0016 rubles each. On December 16, 1998 the Company issued additionally 224,903,389 shares of 0.0016 rubles each. For the purposes of these financial statements, the ruble value of the shares has been translated into US$ at the historical exchange rate.

The shareholders' capital account represents the authorized capital of the Company, as stated in its charter document. The common shareholders are allowed one vote per share. Dividends paid to shareholders are determined by the directors and approved at the annual shareholders' meeting.

The following comprises the share structure of the Company, as of June 30, 2005:

	Number of Shares (millions)	Ownership Percentage
ZAO Zapadno-Sibirskiy Depositariy (as nominee)	2,750	57.9986%
Deutsche Bank (as nominee)	1,638	34.5399%
Other investors	353	7.4615%
Total	4,741	100.0%

9. Income Taxes

The Company's provision for income taxes as reported in the accompanying consolidated income statements is as follows (in US$ thousands):

	2005	2004
Current income taxes	457,128	345,102
Deferred income taxes	-	-
Total provision for income taxes	457,128	345,102

The current portion of income taxes represents the total income tax expense for the Company and each of its subsidiaries.

10. Commitments and Contingencies

Construction and Exploration Programs

The Company is engaged in continuous construction and exploration programs, currently estimated to total US$ 1035 million (including Noyabrsk in amount of US$ 581 million; unaudited) over 2005 year and US$ 109 million (unaudited) over 2005 for OR. The construction and exploration programs are subject to periodic reviews and actual expenditures may vary from the above estimates. At June 30, 2005, no significant purchase commitments were outstanding in connection with the construction programs.

Financing for all of the future costs has not yet been secured, and Sibneft is actively pursuing various financing opportunities. It is the opinion of management that the Company will be able to obtain all necessary financing to complete the construction programs.

11. Related Party Transactions

OAO Moscow Oil Refining Plant (MNPZ)

During the period ending June 30, 2005 the Company processed 1.4 million tons of crude oil (3.3 million ton in 2004) at MNPZ based on processing agreements. Such transactions are in the ordinary course of business and in terms available to other suppliers. Total cost of processing for the period ending June 30, 2005 was US$ 22.1 million (US$ 41.1 million for 2004). The Company has US$ 0.4 million and US$ 2.1 million of net payable to MNPZ as of June 30, 2005 and 2004, respectively.

Slavneft Group (Slavneft)

During 6 months 2005 the Company conducted numerous transactions with Slavneft group companies. The Company sold directly 1.3 million tons of crude oil to Slavneft in amount of US$ 197 million and under commission agreements 3.8 million tons of crude oil to Slavneft and 3.6 million tons of oil products. During 2004 the Company sold directly and under agent agreements 3.0 million tons of crude oil to Slavneft in amount of US$ 464 million and 0.1 million tons of oil products in amount of US$ 4.1 million. The Company operated as an agent for crude and products export sales of Slavneft. During 6 month 2005 and 2004 the Company earned US$ 1.1 million and US$ 2.3 million in commission fees related to commission and agent agreements, respectively. The Company has US$ 296 million and US$

162 million of net payable to Slavneft as of June 30, 2005 and 2004, respectively. All the above transactions are in the ordinary course of business at negotiated prices comparable to those with other customers and suppliers.

12. Segment Information

Presented below is information about the Company's operating segments for the period ended June 30, 2005 and 2004. The Company determined its operating segments based on differences in the nature of their operations. The exploration and production segments explore, find, develop and produce crude oil and natural gas. The manufacturing, marketing and distribution segments process crude oil into refined products and purchase, sell and transport crude oil and refined petroleum products.

Operating Segments 6 months 2005 (in US$ thousands):

	Exploration and Production	Manufacturing, Marketing and Distribution	Consolidated
Revenues			
Total	5,680,733	2,756,482	8,437,215
Inter-segment revenues	(2,709,003)	-	(2,709,003)
Revenues from external customers	2,971,730	2,756,482	5,728,212
Operating income	592,892	1,018,955	1,611,847
Capital expenditures, net	433,766	46,665	480,431
Depreciation, depletion and amortization	286,332	45,508	331,840
Interest income	1	10,761	10,762
Interest expense	182	64,579	64,761
Share in the net income of equity investees	363,993	1,967	365,960
Income tax expense	408,725	48,403	457,128
Investment in equity method investees at June 30, 2005	2,131,688	436,041	2,567,729
Segment assets at June 30, 2005	6,410,802	5,205,527	11,616,329

Operating Segments 6 months 2004 (in US$ thousands):

	Exploration and Production	Manufacturing, Marketing and Distribution	Consolidated
Revenues			
Total	3,831,815	2,091,293	5,923,108
Inter-segment revenues	(1,909,601)	-	(1,909,601)
Revenues from external customers	1,922,214	2,091,293	4,013,507
Operating income	650,215	571,770	1,221,985
Capital expenditures, net	254,214	82,557	336,771
Depreciation, depletion and amortization	207,017	75,187	282,204
Interest income	2	4,064	4,066
Interest expense	3,353	63,707	67,060
Share in the net income of equity investees	272,218	(1,274)	270,944

June 30, 2005 and 2004 (unaudited) Currency – US$ thousands

Income tax expense	190,318	154,784	345,102
Investment in equity method investees at December 31, 2004	1,767,695	451,812	2,219,507
Segment assets at December 31, 2004	5,562,296	4,700,545	10,262,841

13. Subsequent Events

On September 12, 2005 at the Siberian Oil Company's shareholder meeting, annual dividends were approved by the shareholders for the year ended December 31, 2004, in total amount of 65,951 million rubles (13.91 rubles per share) (US$ 2,300 million as of December 31, 2004).

On September 20, 2005 at the Slavneft's shareholder meeting, semi-annual dividends were approved by the shareholders for 6 months 2005, amounting to 1.61 rubles per share or total dividends of US$ 267 million.