



[www.sibneft.com](http://www.sibneft.com)

## 2001 Annual Results Presentation

Moscow, 25 June 2002



**Alexander Korsik**

*Chief Operating Officer*

## Highlights from a year of growth

- Sibneft posts record net profits for 2001 of \$1.305 billion, almost double the total for the previous year
- Net profits of \$63.15 per tonne of output make Sibneft the most profitable of Russia's major oil companies
- Sibneft becomes Russia's fastest growing oil company with output growth in 2001 of 20% to 408,000 barrels per day (20.67 million tonnes)
- Sibneft makes largest dividend payment in Russian corporate history
- Sibneft free float increased as core shareholders launch programme to strengthen liquidity of company's stock

## Foundations for sustainable growth

- Sibneft production passes historic 500,000 barrel per day barrier
- Output on target to grow by 29% in 2002 to 527,000 barrels per day (26.7 million tonnes)
- Growth supported by robust 42% increase in upstream capital expenditure to \$637 million in 2002
- Long-term output target from existing asset base of 830,000 barrels per day (42 million tonnes) by 2005
- Application of latest technology enables company to raise long-term recovery factor

## Outlook for 2002

- Sibneft investment programme sheltered from oil price fluctuations by robust margins and conservative assumptions
- Low production costs enable company to operate successfully in low oil price environment
- Priority given to maximizing returns from existing asset base over the pursuit of new acquisitions

## 2001 in review – Key developments (a)

- February – Sibneft signs Sibneft-Yugra joint venture agreement to develop Priobskoye and Palyanovskoye fields
- May – Sibneft signs \$60 million Pride Forasol horizontal drilling contract for Sugmut field
- June – Sibneft unveils dividend policy, elects independent board members and amends charter following corporate governance audit
- August – Sibneft board approves largest dividend payment in Russian corporate history

## 2001 in review – Key developments (b)

- October – Sibneft brings on stream new alkylation unit at Omsk refinery
- November – Sibneft becomes first Russian company to secure credit rating which pierces sovereign ceiling
- December – Sibneft acquires 36% stake in Moscow refinery opening up markets in European Russia
- December – Sibneft confirms status as Russia's fastest growing oil company with record output growth
- January 2002 – Sibneft places \$400 million Eurobond



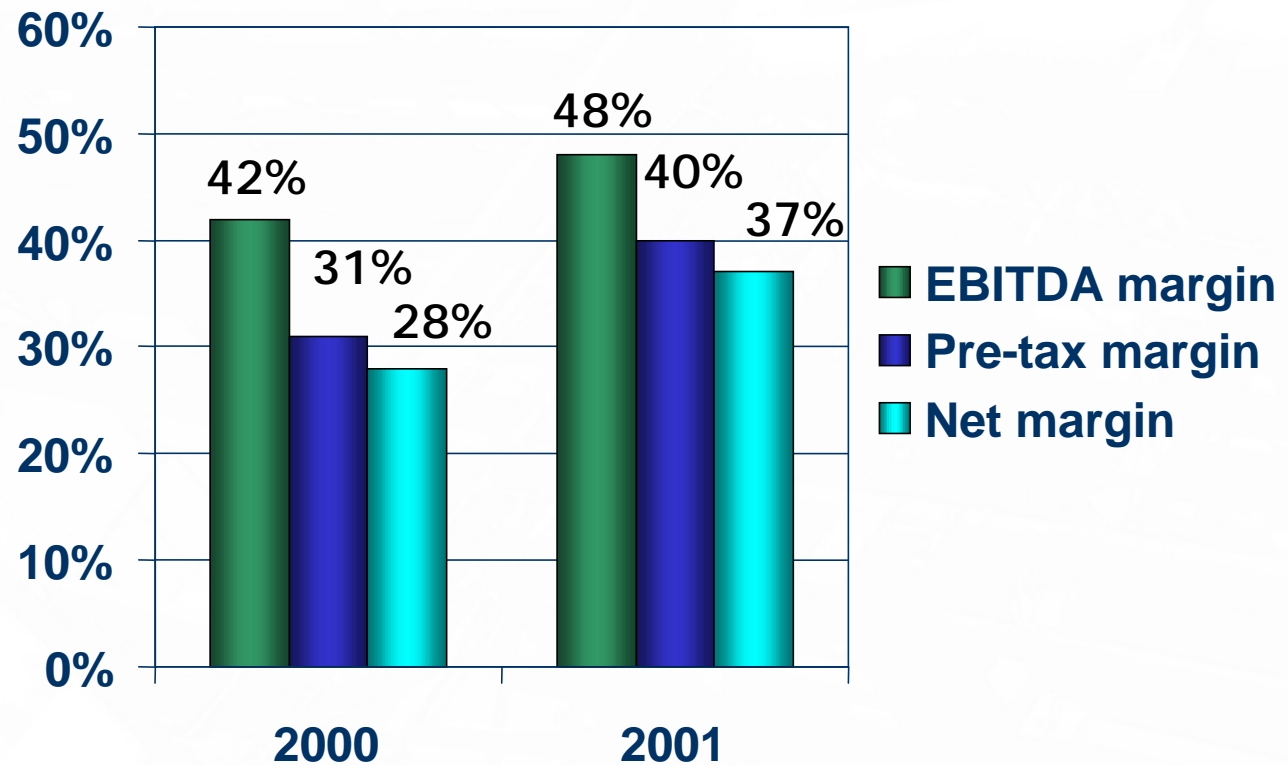
**Olga Pokrovskaya**



## Financial highlights

- Net income almost doubles to \$1.305 billion
- Net profits of \$63.15 per tonne of output make Sibneft the most profitable of Russia's major oil companies
- Revenues rise by 49% to \$3.576 billion
- Reduction in direct production costs to \$1.70 per barrel from \$1.75 in 2000
- Debt/equity ratio remains low at 23%, return on equity rises to 32%
- Medium and long-term debt rises to \$923 million replacing more expensive short-term debt
- Sibneft pays record dividends totaling \$993 million

# Profit margins strengthen



## Income statement highlights

<i>(\$'000)</i>	<i>2000</i>	<i>2001</i>
Refined products, oil and gas sales	2,344,453	3,449,145
Total revenues	2,397,922	3,575,679
Costs and other deductions	1,670,505	2,170,442
EBITDA	1,027,417	1,719,153
DD&A	300,000	313,916
EBIT	727,417	1,405,237
Minority interest	61,549	(729)
Other income and expenses	(35,103)	47,198
Profit before tax	753,210	1,439,396
<b>Net income</b>	<b>674,845</b>	<b>1,305,274</b>

# Revenue analysis

*Export earnings accounted for 54% of total revenues*

## Net crude and products sales (\$'000)

	Exports	Domestic	Total	(%)
Crude	1,191,329	19,403	1,210,732	37%
Product	547,885	1,487,174	2,035,059	63%
<b>Total</b>	<b>1,739,214</b>	<b>1,506,577</b>	<b>3,245,791</b>	<b>100%</b>

## Balance sheet highlights

<i>(\$'000)</i>	<i>2000</i>	<i>2001</i>
Cash and equivalents	27,086	51,649
Accounts receivable	448,695	765,794
Net oil and gas properties / PP&E	3,191,624	3,241,170
<b>Total assets</b>	<b>4,572,569</b>	<b>5,712,796</b>
Short-term debt	405,025	314,864
Long-term debt	187,528	608,333
Accounts payable and accrued liabilities	382,928	294,562
Estimated income and other taxes	39,298	140,661
Minority interest	256,734	1,682
Shareholder capital	3,169,725	4,036,735
<b>Total liabilities/share capital</b>	<b>4,572,569</b>	<b>5,712,796</b>

# Capitalisation

<i>(\$'000)</i>	<i>2000</i>	<i>2001</i>
Short-term liabilities	405,025	314,864
Long-term liabilities	187,528	608,333
Shareholder capital	3,169,725	4,036,735
Net debt / shareholder capital	18 %	23%
Weighted average interest rate at end of period	11.95 %	9.59%
Weighted average interest rate for period	10.72 %	9.53%

## Financial ratios

(%)

2000

2001

### ***Profitability ratios***

*Return on assets*

14.8

22.9

*Return on equity*

21.3

32.3

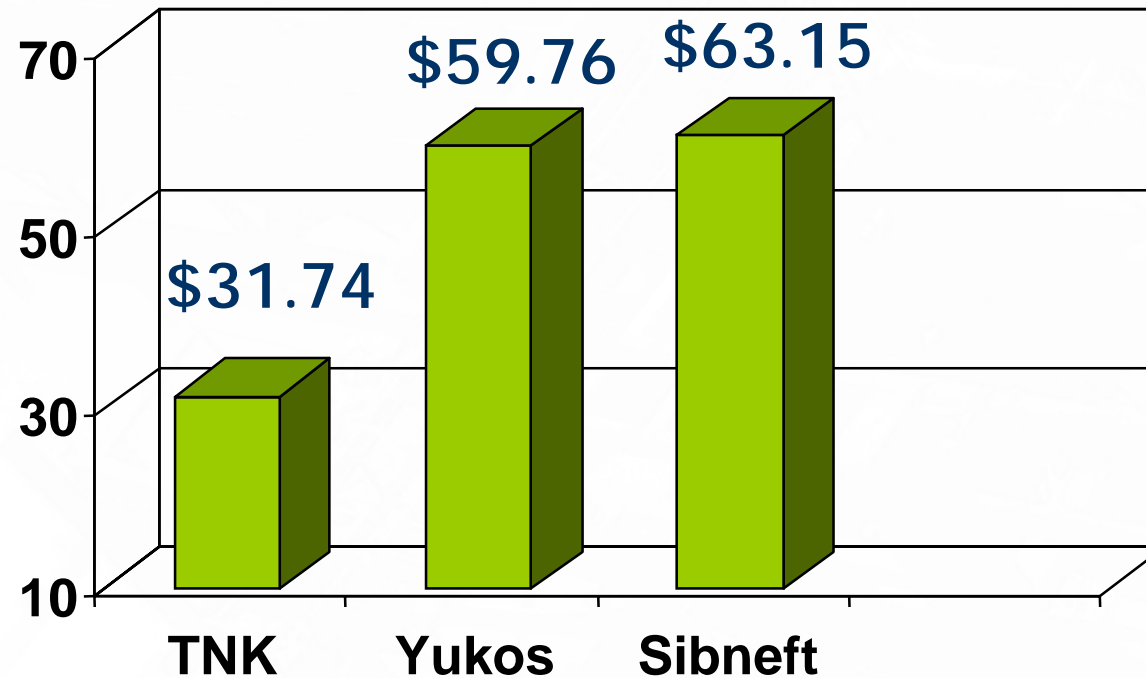
## Cash flow highlights

<i>(\$'000)</i>	<i>2000</i>	<i>2001</i>
Net profit / (loss)	674,845	1,305,274
Change in net accounts receivable	(122,401)	(329,758)
Change in accounts payable	205,780	(88,366)
Change in estimated income taxes	(10,655)	101,363
Net cash from operating activities	920,469	1,311,288
Net cash used in investment activities	(748,213)	(1,302,378)
Net cash used in financing activities	(160,901)	15,653
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Change in cash and equivalents	11,355	24,563
Cash and equivalents at end of year	27,086	51,649



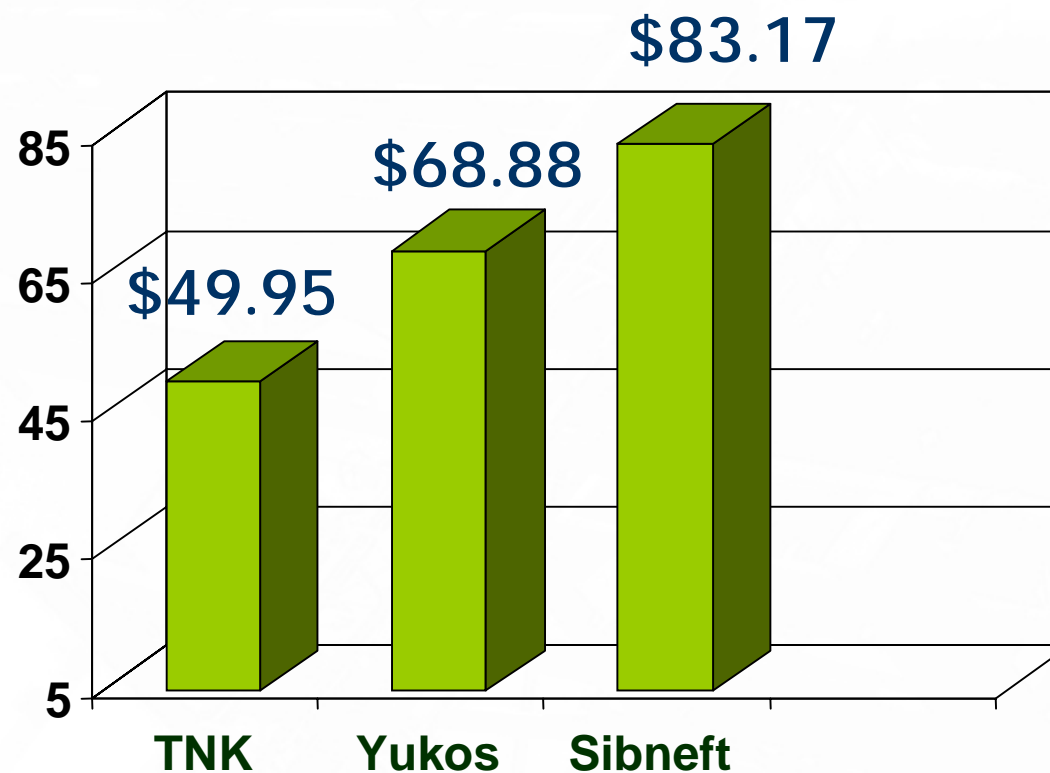
## Net income ahead of peers

US GAAP 2001 net income (\$/tonne of output)



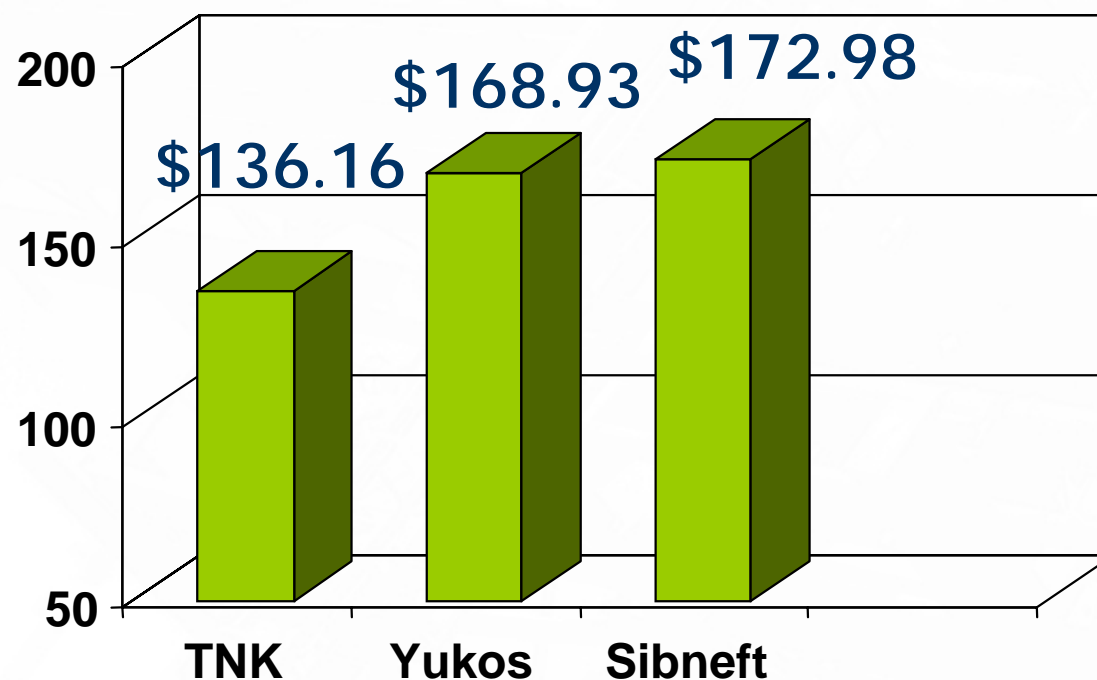
## EBITDA ahead of peers

US GAAP 2001 EBITDA (\$/tonne of output)



## Sales ahead of peers

US GAAP 2001 sales (\$/tonne of output)



## Financing growth

- Sibneft's financing strategy is to replace short-term high-cost finance with longer term, lower cost facilities
- Sibneft in January 2002 placed \$400 million Eurobond, the largest corporate bond issue in Russian history
- Sibneft continues to push out the boundaries by securing facilities at a lower cost and longer tenor than its peers
- Sibneft was the first Russian vertically-integrated oil company to issue accounts to US GAAP standards and now has six years of US GAAP accounts



**Alexander Korsik**

*Chief Operating Officer*

## Operational highlights (a)

- Sibneft is Russia's fastest growing oil company
  - Output growth in 2001 of 20% to 408,000 barrels per day (20.67 million tonnes)
  - Target growth in 2002 of 29% to 527,000 barrels per day (26.7 million tonnes)
  - Long-term target of 830,000 barrels per day (42 million tonnes) by 2005
- Output growth delivered by continued gains in productivity through application of latest technology

## Operational highlights (b)

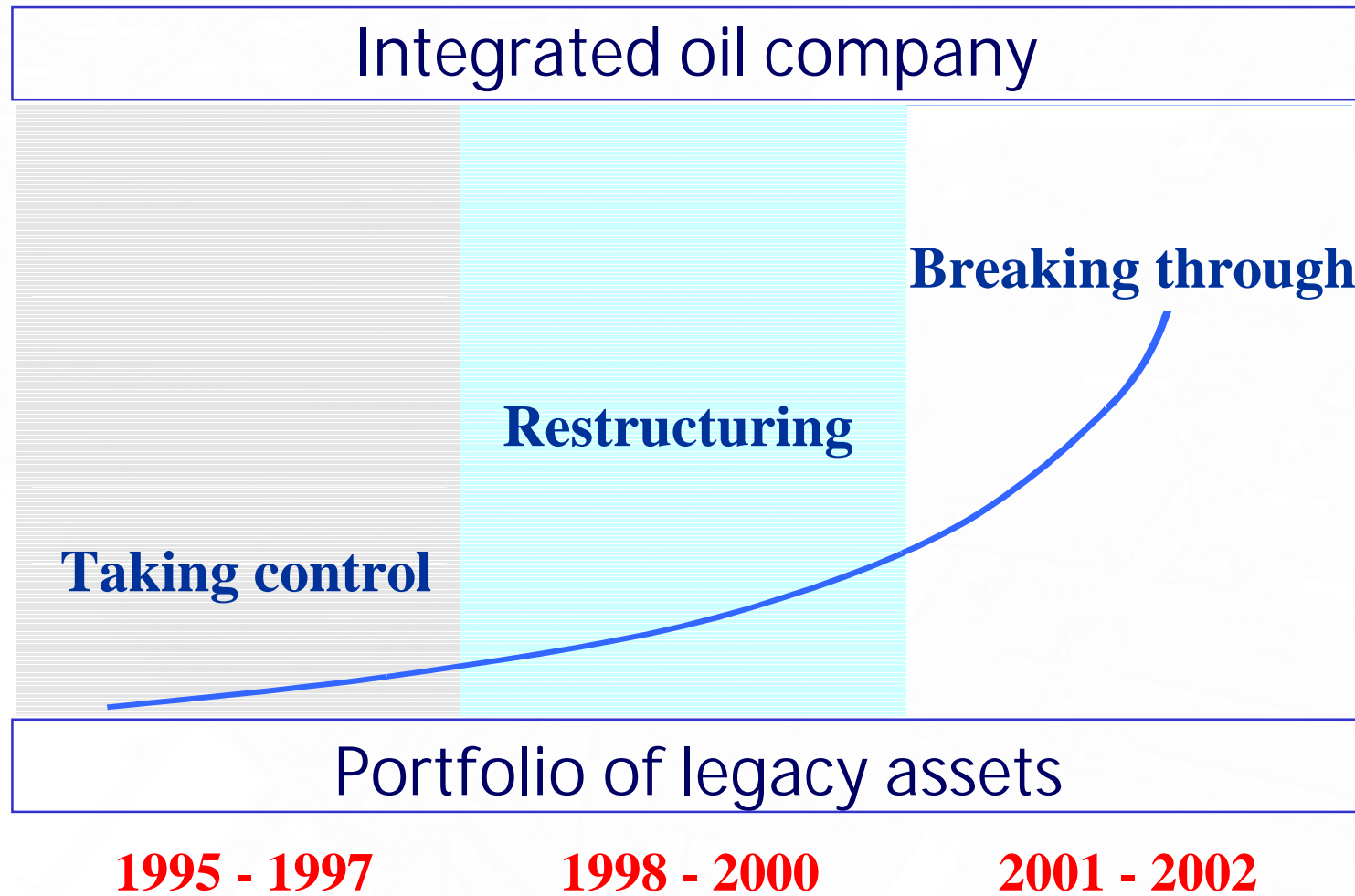
- Sibneft increases exports to an average of 35.1% of output in 2001 from 32.5% the previous year
- Sibneft raises refinery throughput in April 2002 by 38% from same month the previous year to 342,000 barrels per day (1.42 million tonnes) after company begins processing at Moscow refinery
- Acquisition of 36% stake in Moscow refinery opens markets in European Russia as Sibneft targets rapid expansion of retail network

## Achieving long-term growth

- Sibneft is committed to achieving output of 830,000 barrels per day (42 million tonnes) from existing asset base within three years
  - 140,000 barrels per day (7.2 million tonnes) from the Sugmut field
  - 80,000 barrels per day (4.1 million tonnes) from Priobskoye and Palyanovskoye fields
  - 65,000 barrels per day (3.4 million tonnes) from the Sporyshevskoye field
  - 60,000 barrels per day (3.0 million tonnes) from the Vyngapurovskoye field
  - 485,000 barrels per day (24.3 million tonnes) from other fields



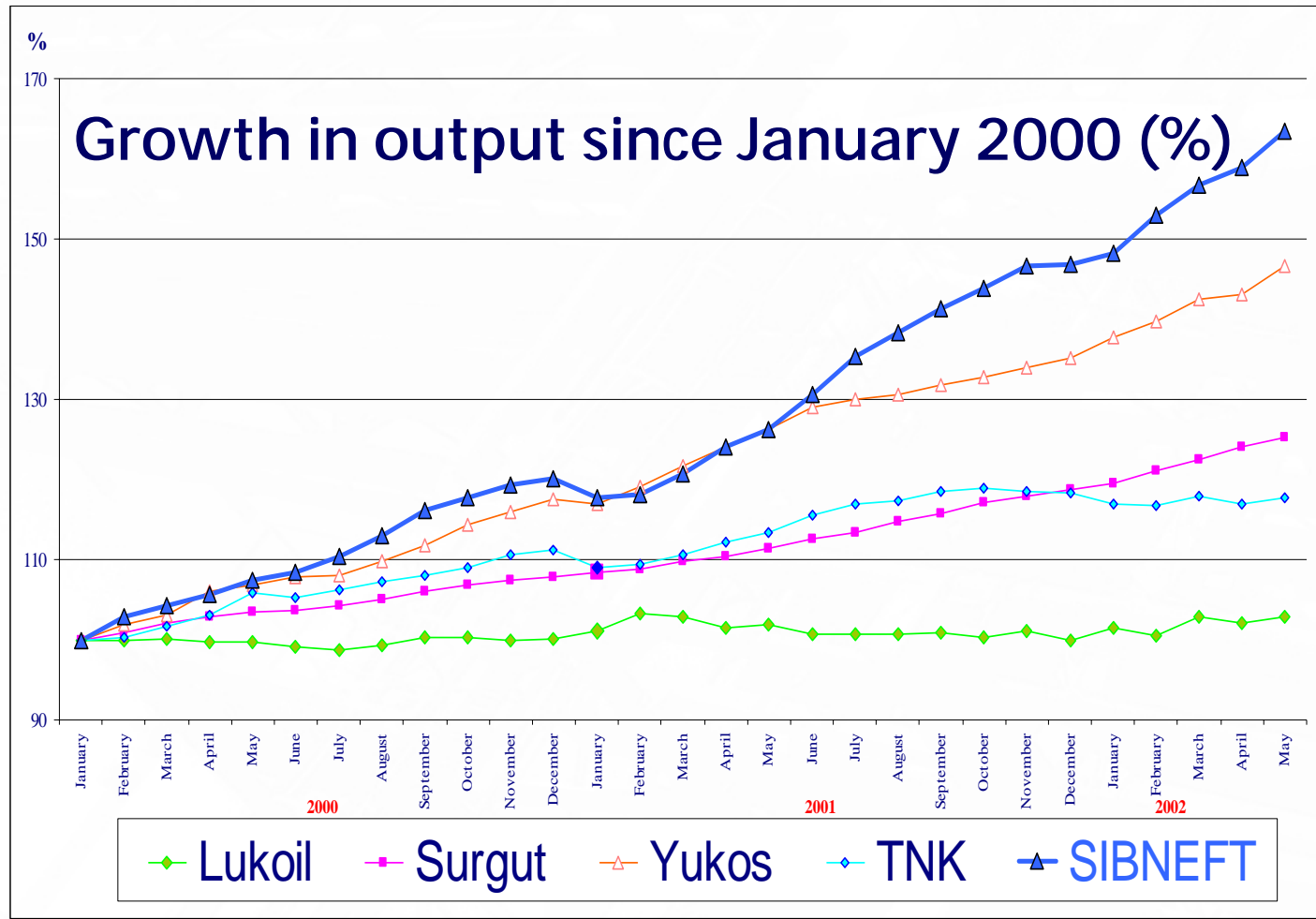
# Building a new company



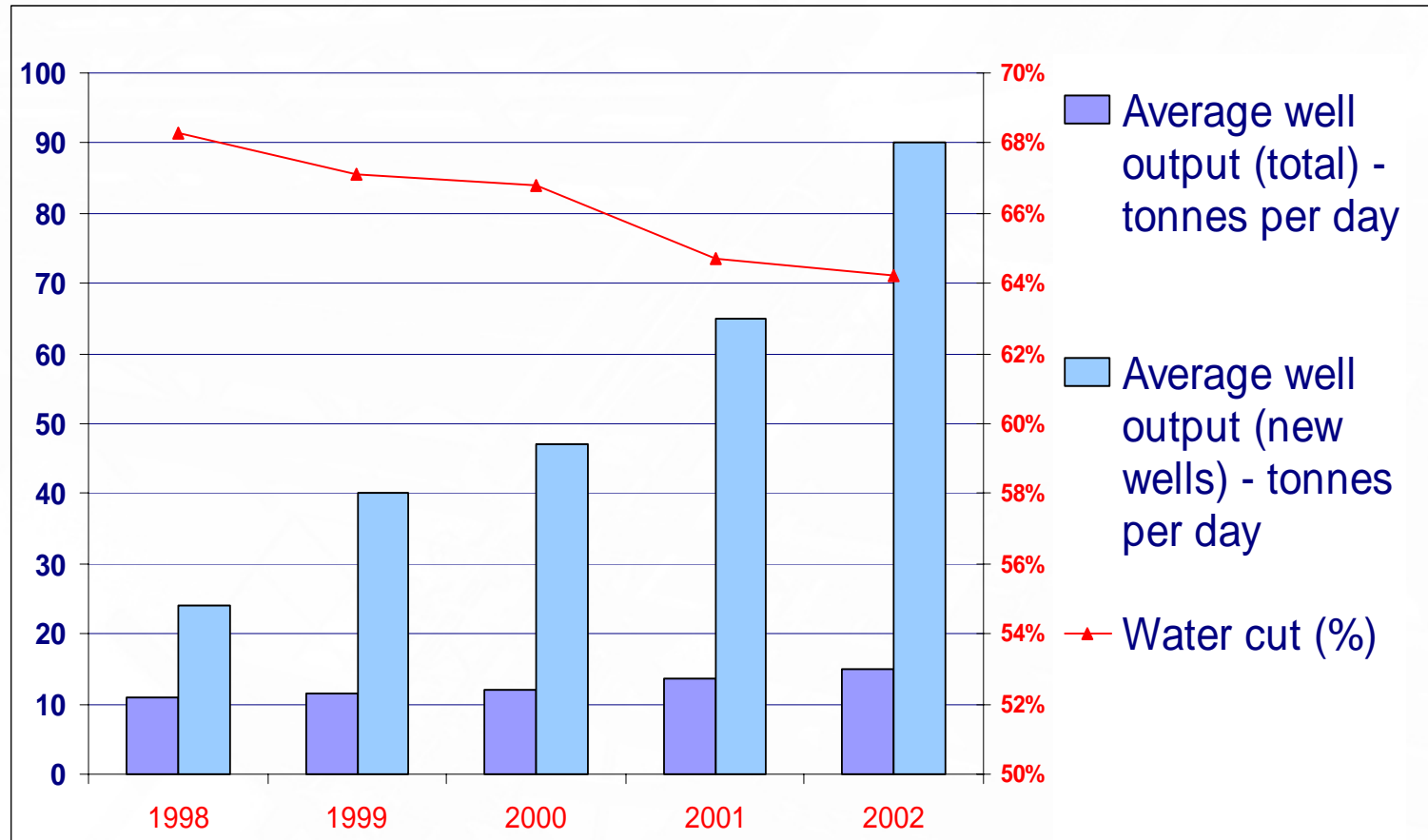
## Restructuring checklist

- ✓ Business planning and monitoring
- ✓ Field development planning and reservoir management
- ✓ Production technology
- ✓ Outsourcing of services
- ✓ People

# Production growth ahead of peers



# Productivity rising

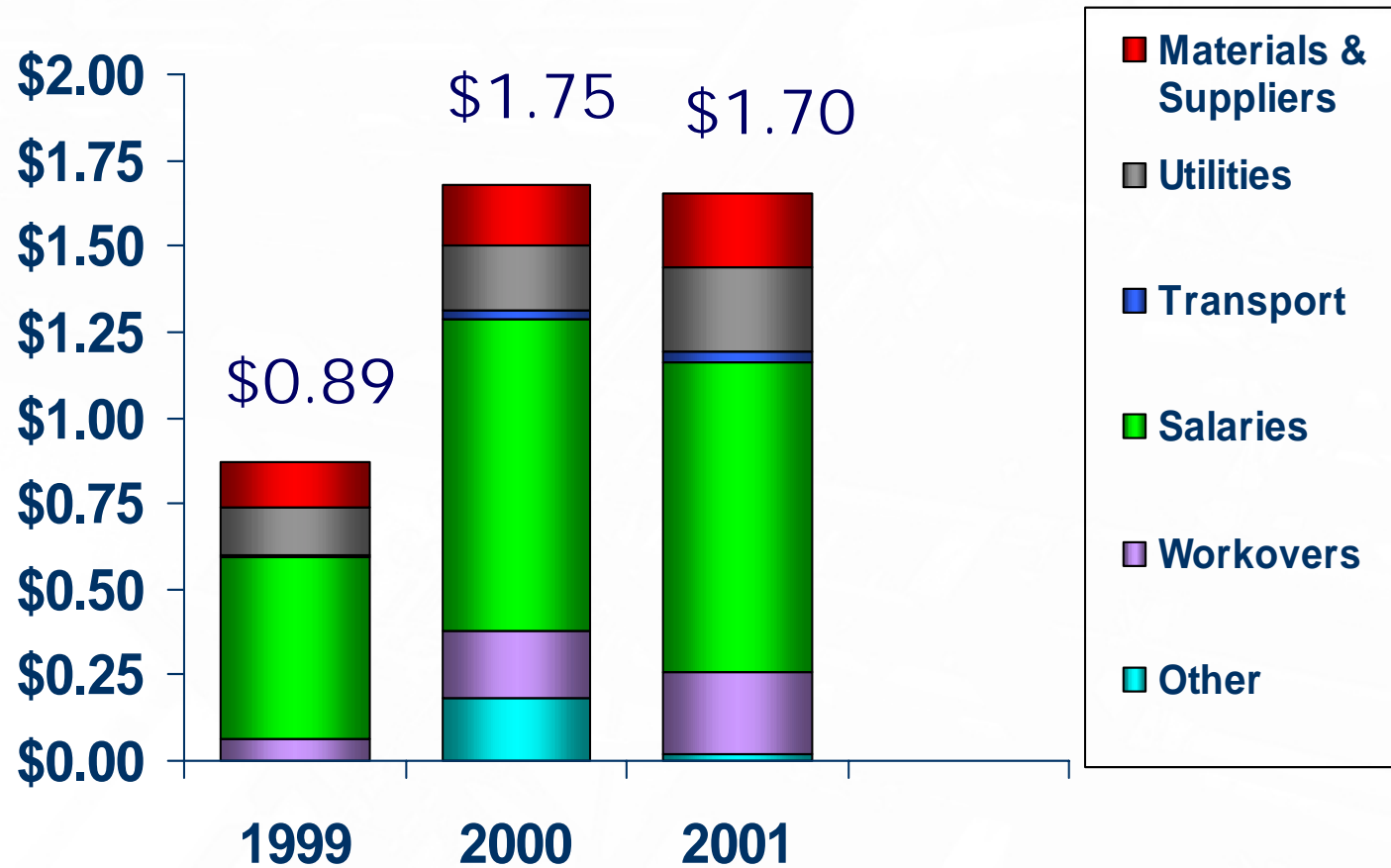


## Foundations for growth

- Sophisticated corporate planning and management information systems
- Technology gap of fifteen years closed in three years
- Focus on core function of reservoir management
- World class field development plans covering half of asset base already prepared
- Horizontal wells with flow rates in excess of 7,000 barrels per day from new and mature fields

# Costs under control

*Direct production costs (\$ per barrel)*



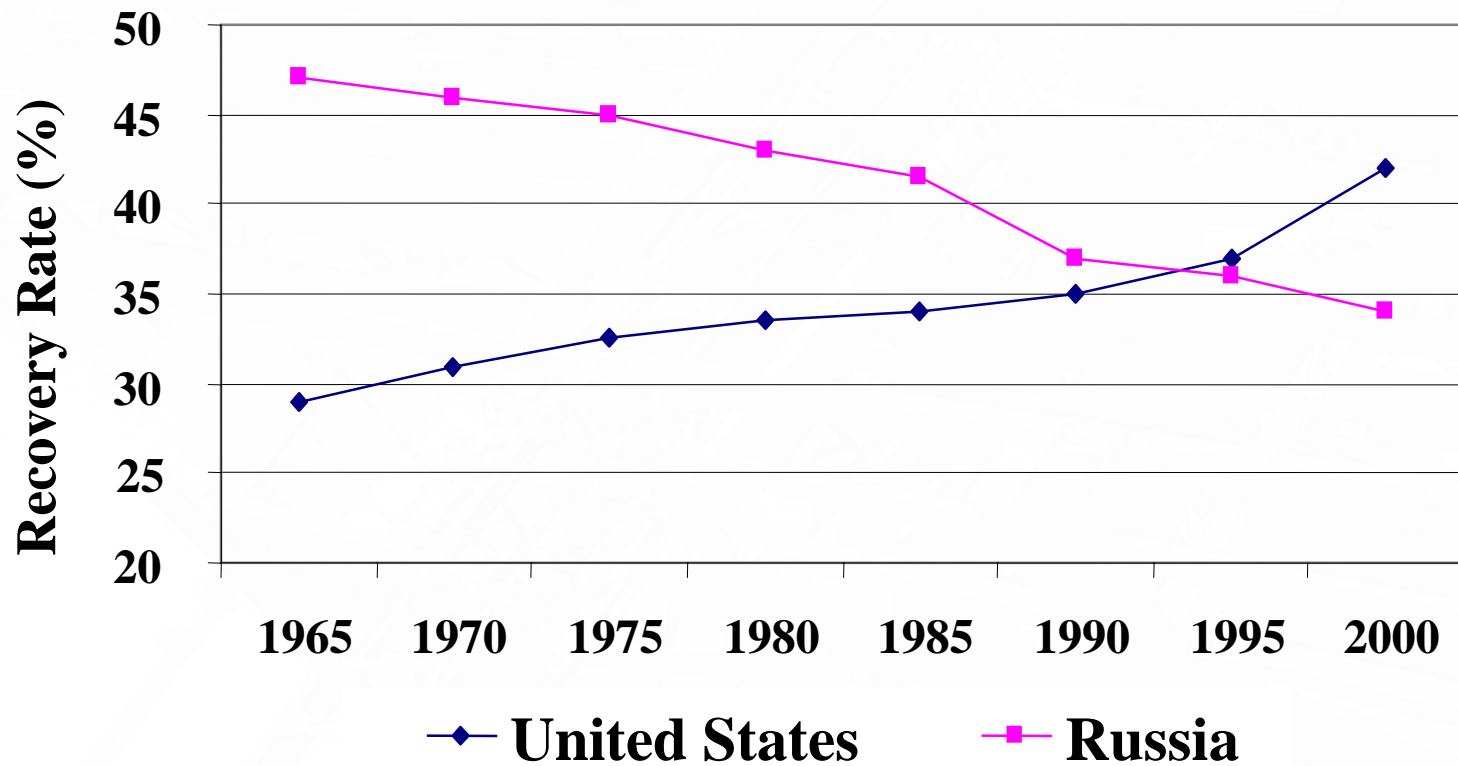
## Potential to improve recovery

*Better field development planning has enabled Sibneft to raise recovery rates*

Field	Recovery rate under old plan (%)	Recovery rate under new plan (%)	Proven reserves under old plan (million tonnes)	Proven reserves under new plan (million tonnes)
Sugmut	31.0	32.9	80.8	85.9
Middle Iturskoye	31.6	36.3	20.2	21.3
West Noyabrsk	41.8	45.2	23.7	31.7

# Tapping into the potential (a)

*Sibneft is targeting a recovery rate of 40% by 2020*



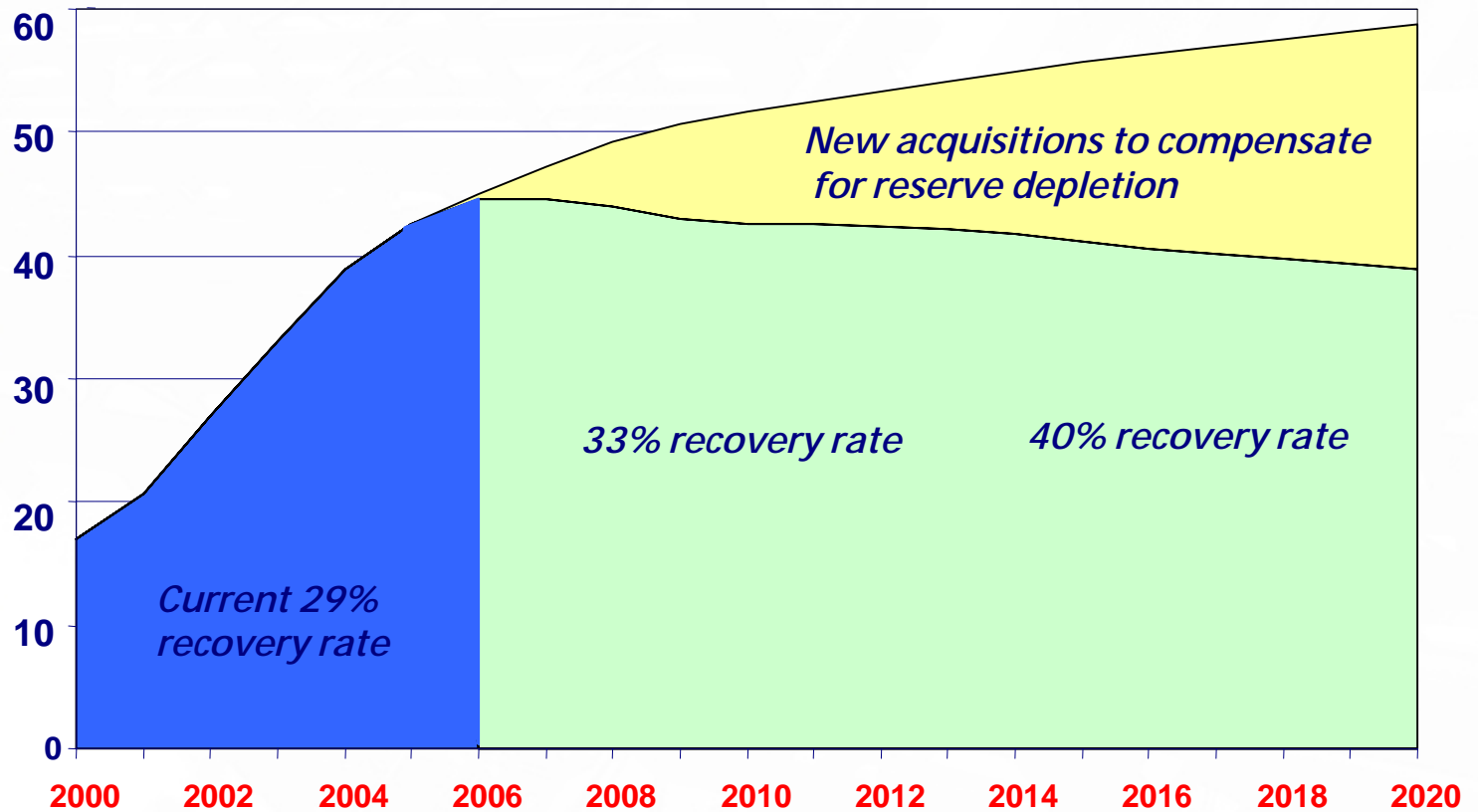


## Tapping into the potential (b)

- Reliable production forecasts through to 2006 based on hydrodynamic simulations
- Sibneft aims to raise the recovery rate from 29.5% today to 40% by 2020
- Exploration in existing license areas leads to 10% increase in oil in place
- Acquisitions and exploration in new regions

# Tapping into the potential (c)

Output (million tonnes per annum)



- Acquisitions of new assts
- Production from mature fields assuming enhanced recovery rate
- Current production profile

## Stable reserve base

*Reserve audits conducted by Miller and Lents  
(million barrels)*

<i>Category</i>	<i>1 January 2002</i>	<i>1 January 2001</i>
Proven	4,646	4,644
Probable	2,360	2,086
Possible	1,269	1,546
<b>Total</b>	<b>8,275</b>	<b>8,276</b>

## Diversifying the downstream

- Start of refining at the Moscow refinery offers additional outlet for rising production and strengthens downstream business
- Throughput at Omsk refinery to rise to 290,000 barrels per day (14.75 million tonnes) by 2004 from 262,000 barrels per day (13.26 million tonnes) in 2001
- Shell Global Solutions to conduct technical audit of Omsk to improve efficiency and product quality
- Catalytic reforming unit due on stream in 2003 to raise output of high-octane gasoline
- Omsk refinery investment rises 11% in 2002 to \$49 million, modernisation programme to ensure refinery maintains its competitive advantage

## Opening new markets

- Sibneft expands retail network to include Tomsk, Krasnoyarsk, and Kemerovo regions in core region of Siberia
- Acquisition of 36% stake in Moscow refinery opens markets in European Russia
- First gasoline station in Moscow opened in spring 2002 with plans for rapid expansion in both Moscow and St Petersburg
- Sibneft plans to add 200 new outlets to filling station network in 2002
- Total investment in retail business rises to \$61 million in 2002

## Strategy checklist

- ✓ Focus on unlocking potential of existing upstream asset base
- ✓ Organic growth complemented by acquisitions to compensate for reserve depletion
- ✓ Upstream growth balanced by expansion of downstream businesses through acquisition
- ✓ Investment in people

A decorative graphic on the left side of the slide, showing a gear-like shape with a grid overlay. The grid consists of horizontal and vertical lines in a light green color. The gear shape is defined by blue and green outlines.

 *Management*

 *People*

 *Technology*