

**ОАО Siberian Oil Company**

**ANNUAL REPORT ON THE ACTIVITIES OF  
ОАО SIBNEFT FOR 2001**

**ОАО Siberian Oil Company**

**Moscow, 2002**

## Table of Contents

<b>I. BACKGROUND ON THE COMPANY.....</b>	<b>3</b>
MAIN TYPES OF ACTIVITIES .....	3
THE FULL NAME OF THE FIRM .....	3
LOCATION AND ADDRESS .....	3
DATE, NUMBER OF STATE REGISTRATION AND REGISTRATION NUMBER.....	3
AUTHORIZED CAPITAL .....	4
THE STRUCTURE OF EQUITY (AS OF THE END OF 2001).....	4
INFORMATION ON THE AUDITOR .....	4
INFORMATION ON THE REGISTRAR.....	6
RELATIONS WITH THE MEDIA .....	6
<b>II. FINANCIAL AND BUSINESS ACTIVITIES OF THE COMPANY .....</b>	<b>8</b>
MAIN PERFORMANCE INDICATORS OF THE COMPANY AND SUBSIDIARY JOINT STOCK COMPANIES FOR 2001 .....	8
MAIN FINANCIAL INDICATORS FOR REPORTING YEAR .....	9
<i>Accounting Balance (Form No. 1) of OAO Sibneft for 2001</i> .....	9
MAIN BOOKKEEPING POLICY PRINCIPLES, CHANGES THEREOF, CAUSES AND CONSEQUENCES.....	11
<i>General Provisions</i> .....	11
<i>Methodology of Keeping Record of Production Activities, Sales, Presentation of Financial Results and Use of Profits</i> .....	12
<i>Methodology of Assessing and Redeeming Assets</i> .....	12
THE SUM OF TAXES AND OTHER PAYMENTS AND CHARGES PAID BY THE COMPANY INTO THE BUDGET .....	13
<i>Payment into the Budget from the Profits of OAO Sibneft for 2001</i> .....	13
ARREARS OF THE COMPANY ON TAXES AND OTHER PAYMENTS AND CHARGES.....	13
INFORMATION ON THE SIZE OF NET ASSETS.....	15
INFORMATION ON THE COMPANY RESERVE FUND AND ITS USE .....	15
INFORMATION ON ACCOUNTS RECEIVABLE OF THE COMPANY .....	16
<i>Composition of Accounts Receivable from Buyers and Clients, from Advance Payments Made and Other Debtors as of 01.01.02</i> .....	16
INFORMATION ON ACCOUNTS PAYABLE OF THE COMPANY.....	17
<i>Composition of Accounts Payable of Suppliers and Contractors, on Advance Payments Received and Other Creditors as of 01.01.02</i> .....	17
SOCIAL INDICATORS OF THE COMPANY.....	18
<i>Payments out of the Social Insurance Fund for 2001</i> .....	18
<i>Payments out of the Profits for 2001</i> .....	18
<b>III. DISTRIBUTION OF PROFITS AND LOSSES .....</b>	<b>19</b>
PROFIT AND LOSS REPORT (BASED ON SHIPPING) OF OAO SIBNEFT FOR 2001 .....	19
<i>Other Operational Expenditure Incurred by OAO Sibneft in 2001</i> .....	20
<i>Advance Use of the Company's Net Profits for 2001</i> .....	20
<b>IV. CORPORATE ACTIONS OF THE COMPANY .....</b>	<b>21</b>
COMPANY SHARES MARKET IN 2001 .....	23
DISCLOSURE OF INFORMATION ABOUT THE COMPANY'S ACTIVITIES.....	25
INFORMATION ABOUT THE WORK OF THE COMPANY'S GOVERNING BODIES .....	26
INFORMATION ABOUT THE WORK OF THE COMPANY'S AUDITING COMMISSION.....	28
INFORMATION ABOUT THE COMPANY'S SUBSIDIARIES AND DEPENDENT ORGANIZATIONS.....	30
PARTICIPATION OF THE COMPANY IN OTHER ORGANIZATIONS.....	33
<b>V. PROSPECTS OF THE COMPANY'S DEVELOPMENT IN 2002.....</b>	<b>34</b>

## **I. BACKGROUND ON THE COMPANY**

The open joint stock company The Siberian Oil Company (OAO Sibneft) is a vertically integrated company formed under decrees of the President of the Russian Federation No. 1403 of November 17, 1992 On Special Features of Privatization of State Enterprises, Production and Research Associations in the Oil, Oil-Refining Industry and Supply of Oil Products and the Transformation Thereof Into Joint Stock Companies, No. 872 of August 24, 1995, On Founding the Open Joint Stock Company The Siberian Oil Company, and decree of the government of the Russian Federation No. 972 of September 29, 1995, On the Formation of the Open Joint Stock Company The Siberian Oil Company. OAO Sibneft was registered on October 6, 1995. The company was formed by the contribution to its authorized capital of federally owned blocks of shares in the joint stock companies Sibneft-Noyabrskneftegaz, Sibneft-Omsk Oil Refinery, Sibneft-Noyabrskneftegazgeofizika and Sibneft-Omsknefteprodukt.

### **Main Types of Activities**

The main activities of OAO Sibneft are exploration of oil, gas and other deposits, organizing the extraction, transportation and refining of oil, gas and other minerals, the production of petrochemical and other oil products and any other products of the processing of hydrocarbon and other raw materials, investment and financial activities.

### **The Full Name of the Firm**

**Open Joint Stock Company The Siberian Oil Company**

### **Location and Address**

**Location:** 85, Oktyabrskaya Ul., Rabochy Poselok Lyublinsky, Lyublinsky Rayon, Omsk Oblast, 644160 RF

**Mailing Address:** 4, Ul. Sadovnicheskaya, Moscow, 113035, RF

### **Date, Number of State Registration and Registration Number**

**Date of Registration:** October 6, 1995

**Registration number:** No. 38606450

## Authorized Capital

Considering the second issue in 1999, the authorized capital of the Company is 7,586,079.4224 rubles and is divided into 4,741,299,639 ordinary shares with a nominal value of 0.0016 rubles each.

## The Structure of Equity (as of the end of 2001)

Name of shareholder	Share of authorized capital (%)
OOO DEUTSCHE BANK (NOMINAL HOLDER)	17.43
ZAO ABN AMRO BANK A.O. (NOMINAL HOLDER)	19.60
ZAO ING BANK (EURASIA) ZAO	21.80 of which in ADRs 2.46%
NATIONAL DEPOSITARY CENTER (NOMINAL HOLDER)	14.85
OAO WEST SIBERIAN DEPOSITARY (NOMINAL HOLDER)	21.01

## Information on the Auditor

**The independent auditor of OAO Sibneft in 2001 was the company Arthur Andersen.**

The firm Arthur Andersen rendered OAO Sibneft services in auditing its accounting (financial) reports for 2001. The auditing firm Arthur Andersen has all the licenses required for the conduct of professional auditing activities. The license for general auditing activities No. 006000 was issued to the company Arthur Andersen on July 28, 2000 by the Central Attestation and Licensing Auditing Commission of the Finance Ministry of the Russian Federation. The license is valid until June 28, 2003.

The audit of accounting (financial) reports carried out by the company Arthur Andersen comprises a set of activities consisting of the following:

- preparing an auditing statement regarding the financial reports of the client in which the auditor expresses his opinion on the extent to which the financial reports correspond in all their aspects to accounting and reporting standards as well as the corresponding provisions

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of the law On Joint Stock Companies and other provisions of the law;

- preparing an unbiased and qualified auditing opinion which guarantees the authenticity of financial reports and the validity of decisions made on their basis.

On March 22, 2002, the company Arthur Andersen announced the merger of its operation in Russia and the CIS with that of the auditing company Ernst & Young. As a result of the merger, the auditing firm which at present has a staff of over 1,200 high-level professionals, will undoubtedly become the largest organization in Russia and the CIS countries rendering professional services in the field of auditing, taxation, law and management consulting.

**Auditor's Address**

**Legal address:** 14, Ul. Staraya Basmannaya, Moscow, 103064.

Telephone: 7 (501) 755 97 00

Fax: 7 (501) 755 97 10

## **Information on the Registrar**

Under the Company's Articles of Incorporation the maintenance of the register of shareholders has been entrusted to an independent registrar, ZAO Stock Registration Company, or FRK. By decision of the meeting of shareholders of April 29, 1998, the functions of an auditing commission were conferred on ZAO FRK.

The specialized registrar, the Stock Registration Company created in Moscow in January 1996, is engaged in its activities under license No. 01244 of the Federal Commission for the Securities Market of the Russian Federation on April 30, 1997, valid until May 3, 2004. As of January 1, 2002, the authorized capital of the company was 990,000 rubles and its equity over 7,206,000 rubles. ZAO Stock Registration Company is the holder of registers of more than 100 joint stock companies with a total number of shareholders exceeding 500,000. The Company employs highly-qualified specialists attested by the Federal Commission for the Securities Market of Russia who have experience in the securities market since 1992-1993. The use of advanced technologies based on modern computers and certified software ensures the provision of effective services to shareholders and total confidentiality. Investors are guaranteed under an insurance policy of the company Ingosstrakh (under the agreement signed insurance covers the civil liability of ZAO FRK to third persons, the limit for each insured occurrence constituting \$350,000). According to a poll of professional participants in the Russian securities market, the Stock Registration Company is among the top ten registrars.

The Stock Registration Company provides the full range of services connected with the maintenance of a register of the Company's shareholders and the whole spectrum of related services including the preparation and holding of general meetings of shareholders, organization and payment of dividends, consulting and corporate management services. At present the Stock Registration Company has been reorganized by way of merging with OAO Panorama and is operating under the name OAO Registrar R.O.S.T.

## **Relations With the Media**

The information policy of OAO Sibneft corresponds to international standards and meets the principles of openness and transparency. The shareholders of the Company, our partners and all

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the interested circles regularly receive information on our activities through media outlets in and outside Russia.

## II. FINANCIAL AND BUSINESS ACTIVITIES OF THE COMPANY

### Main Performance Indicators of the Company and Subsidiary Joint Stock Companies for 2001

No.	Indicator	Unit	2001 plan	Actual figure 2001	Plan fulfillment (%)
1	Oil production, including extraction of oil by OAO Sibneft-Noyabrskneftegaz	thous tons	19,021.3	20,593.3	108.3%
2	Accompanying gas extraction by OAO Sibneft-Noyabrskneftegaz	m cubic meters»	1,551.6	1,639.4	105.7%
3	Commissioning of wells, including by OAO Sibneft-Noyabrskneftegaz	wells.	354	279	78.8%
4	Export of oil by the Company	thous tons	180.0	241.4	134.1%
5	Supply of oil to Omsk Refinery	thous tons	13,217.6	13,362.3	101.1%
6	Amount of oil processed by Omsk Refinery	thous tons	13,244.3	13,258.2	100.1%
7	Main petroleum products:				
	- gasoline	thous tons	3,035.0	3,018.1	99.4%
	- diesel fuel	-“-	4,497.9	4,525.3	100.6%
	- TS-1 fuel	-“-	612.3	615.0	100.4%
	- fuel oil	-“-	1,974.0	1,962.2	99.4%
	- oils	-“-	194.8	199.5	102.4%
8	Depth of oil processing	%	81.34	81.41	
9	Light petroleum product recovery (with aromatic hydrocarbons)	%	65.49	65.17	
10	Sale of petroleum products, of which	thous tons	12,015.6	12,027.6	100.1%
	To Russia and CIS	-“-	9,697.1	9,701.3	100.1%
	Export to Far Abroad	-“-	2,318.5	2,326.3	100.3%
11	Financial indicators of OAO Sibneft (without subsidiaries) Sale proceeds before tax	m RUR.	56,887.0	57,228.9	100.6%
12	Total number of employees at the end of the period, of which:	persons		46,087	
	- OAO Sibneft	-“-		584	
	- OAO Sibneft-NNG	-“-		31,312	
	- OAO Sibneft-Omsk Refinery	-“-		8,204	
	- OAO Sibneft-NNGGF ”	-“-		974	
	- OAO Sibneft-Omsknefteprodukt	-“-		1,695	
	- ZAO Kuzbasnefteprodukt	-“-		770	
	- OAO Sibneft-Barnaulnefteprodukt	-“-		201	
	- OAO Sverdlovsknefteprodukt	-“-		941	
	- OAO Yekaterinburknefteprodukt	-“-		504	
	- OAO Tyumennefteprodukt	-“-		790	
	- OAO Sibneft-Noyabrsknefteprodukt	-“-		39	
	- Moscow Branch	-“-		65	
	- Tyumen Branch	-“-		8	

## Main Financial Indicators for Reporting Year

### Accounting Balance (Form No. 1) of OAO Sibneft for 2001

Name of indicator	Line code.	01.01.01 (thous RUR)	01.01.02 (thous RUR)
<b>ASSETS</b>			
<b>I. NON-CIRCULATING ASSETS</b>			
<b>Intangible assets (04, 05)</b>	<b>110</b>	<b>286,804</b>	<b>272,217</b>
of which: administrative expenses	111		
patents, licenses, trademarks (service marks) and similar rights and assets	112	286,804	272,217
<b>Fixed Assets (01, 02, 03)</b>	<b>120</b>	<b>668,434</b>	<b>1,250,247</b>
of which:			
land and natural objects	121		6033
buildings, machines, equipment and other fixed assets	122	412,262	1,122,361
<b>Construction in Progress (07, 08, 61)</b>	<b>130</b>	<b>490,090</b>	<b>1,641,427</b>
<b>Profitable Investment in Material Values (03),</b>	<b>135</b>		
of which:			
property for lease	136		
property made available under rent agreement	137		
<b>Long-Term Financial Investments (06, 82)</b>	<b>140</b>	<b>10,931,651</b>	<b>11,637,102</b>
of which:		10,366,269	11,243,561
investments in subsidiary companies	141		
investments in dependent companies	142		
investments in other organizations	143	507,825	332,553
loans issued for a term of more than 12 months	144	54,335	57,766
other long-term financial investments	145	3,222	3,222
<b>Other Non-Circulating Assets</b>	<b>150</b>		
<b>SECTION I, TOTAL</b>	<b>190</b>	<b>12,376,979</b>	<b>14,800,993</b>
<b>II. CIRCULATING ASSETS</b>			
<b>Inventory</b>	<b>210</b>	<b>1,558,942</b>	<b>2,055,332</b>
of which:			
raw and other materials and similar assets (10, 12, 13)	211	331,788	537,803
livestock raising and fattening (11)	212		
production in progress (circulating assets) (20, 21, 23, 29, 30, 36, 44)	213	247,717	87,223
finished products and goods for resale (40, 41)	214	826,276	532,597
goods shipped (45)	215	112,376	631,929
future expenditure (31)	216	9,956	36,681
other inventory and expenditure	217	30,829	229,099
<b>Value-Added Tax on Acquired Assets</b>	<b>220</b>	<b>1,186,604</b>	<b>903,625</b>
<b>Accounts Receivable (on which payments are expected within more than 12 months after the reporting date)</b>	<b>230</b>		
of which:			
buyers and customers (62, 76, 82)	231		
bills of exchange (62)	232		
indebtedness of subsidiary and dependent companies (78)	233		
advance payments issued (61)	234		
other debtors	235		

Name of indicator	Line code.	01.01.01 (thous RUR)	01.01.02 (thous RUR)
<b>Дебиторская задолженность (платежи по которой ожидаются в течение 12 месяцев после отчетной даты)</b>	<b>240</b>	<b>12,954,597</b>	<b>24,113,687</b>
of which:			
buyers and customers (62, 76, 52)	241	7,133,285	9,679,667
bills of exchange (62)	242		
indebtedness of subsidiary and dependent companies (78)	243	2,294,555	9,294,727
arrears of participants (founders) on contributions to authorized capital (75)	244		
advance payments issued (61))	245	1,985,388	3,941,899
other debtors	246	1,541,369	1,197,394
<b>Short-Term Financial Investments (56, 58, 82)</b>	<b>250</b>	<b>698,551</b>	<b>8,677,946</b>
of which:			
loans issued for less than 12 months	251	585,169	8,629,540
own shares bought from shareholders	252		
other short-term financial investments	253	113,382	47,928
<b>Cash Assets</b>	<b>260</b>	<b>671,739</b>	<b>732,107</b>
of which: cash (50)	261	163	171
Settlement accounts (51)	262	137,715	320,136
Currency accounts (52)	263	350,250	28 459
Other cash assets (55, 56, 57)	264	183,611	383 341
<b>Other Circulating Assets</b>	<b>270</b>	<b>542</b>	
<b>SECTION II TOTAL</b>	<b>290</b>	<b>17,070,975</b>	<b>36,482,697</b>
<b>BALANCE (sum of lines 190+290)</b>	<b>300</b>	<b>29,447,954</b>	<b>51,283,690</b>
<b>LIABILITIES</b>			
<b>III. CAPITAL AND RESERVES</b>			
<b>Authorized Capital (85)</b>	<b>410</b>	<b>7,586</b>	<b>7,586</b>
<b>Additional Capital (87)</b>	<b>420</b>	<b>7,838,843</b>	<b>7,807,597</b>
<b>Reserve Capital (86)</b>	<b>430</b>	<b>1,084</b>	<b>1,084</b>
of which:			
reserve funds formed under the law	431		
reserve funds formed under founding documents	432	1,084	1,084
<b>Special-Purpose Fund</b>	<b>440</b>	<b>818,796</b>	<b>818,796</b>
<b>Target Financing and Receipts (96)</b>	<b>450</b>	<b>167,868</b>	<b>190,693</b>
<b>Undistributed Profits from Previous Years (88)</b>	<b>460</b>		
<b>Outstanding Losses of Previous Years (88)</b>	<b>465</b>	<b>(1,424,151)</b>	<b>(1,424,151)</b>
<b>Undistributed Profit of Reporting Year</b>	<b>470</b>		
Unpaid Losses of Reporting Year	475		
<b>SECTION III TOTAL</b>	<b>490</b>	<b>7,410,026</b>	<b>7,401,605</b>
<b>IV. LONG-TERM LIABILITIES</b>			
<b>Borrowed Assets (92, 95)</b>	<b>510</b>	<b>6,508,204</b>	<b>18,702,097</b>
of which:			
bank credits to be repaid more than 12 months after the report date	511	6,508,204	18,702,097
other loans to be repaid more than 12 months after the report date	512		
<b>Other Long-Term Liabilities</b>	<b>520</b>		
<b>SECTION IV TOTAL</b>	<b>590</b>	<b>6,508,204</b>	<b>18,702,097</b>
<b>V. SHORT-TERM LIABILITIES</b>			
<b>Borrowed Assets (90, 94)</b>	<b>610</b>	<b>4,471,459</b>	<b>8,755,993</b>
of which:			
bank credits	611	3,097,600	5,877,300

Name of indicator	Line code.	01.01.01 (thous RUR)	01.01.02 (thous RUR)
other loans	612	1,373,859	2,878,693
<b>Accounts Payable</b>	<b>620</b>	<b>9,646,869</b>	<b>10,564,442</b>
of which:			
suppliers and contractors (60, 76)	621	6,650,825	9,150,202
bills of exchange payable (60)	622	1,945,798	72,535
indebtedness to subsidiary and dependent companies (78)	623		
wage payments (70)	624	5,524	14,611
social insurance and security arrears (69)	625	1,938	10,034
arrears to the budget (68)	626	77,524	84,073
advance payments received (64)	627	769,099	1,232,744
other creditors	628	196,161	243
Dividend Payments (75)	<b>630</b>	<b>1,411,388</b>	<b>5,859,545</b>
<b>Доходы будущих периодов (83)</b>	<b>640</b>	<b>8</b>	<b>8</b>
<b>Future Expenditure and Payment Reserves (89)</b>	<b>660</b>		
<b>Other Short-Term Liabilities</b>	<b>670</b>		
<b>SECTION V TOTAL</b>	<b>690</b>	<b>15,529,724</b>	<b>25,179,988</b>
<b>BALANCE (sum of lines 490+590+690)</b>	<b>699</b>	<b>29,447,954</b>	<b>51,283,690</b>

## Main Bookkeeping Policy Principles, Changes Thereof, Causes and Consequences

The accounting policy of AO Sibneft in 2001 was not changed in any substantial way compared with the accounting policy in 2000.

### General Provisions

In 2001 the persons responsible for organizing and maintenance of accounting and for reporting in OAO Sibneft were:

**President**

**Shvidler Yevgeny Markovich**

**Chief Accountant**

**Sukharkova Yevgeniya Nikolayevna**

The enterprises which constitute AO Sibneft and are listed in the Articles of Incorporation act on the basis of their founding documents, are independent legal entities and taxpayers and have independently developed and approved their accounting policies for 2001.

The accounting policy regulates the organization and conduct of accounting in OAO Sibneft and its branches and representative offices as an independent principal organization engaged in productive activities.

Accounting at the enterprises is organized in accordance with federal law No. 129-FZ of November 21, 1996 On Accounting (with subsequent amendments and additions); Statute on Accounting and Reporting in the Russian Federation approved by executive orders of the RF Finance Ministry; Plan of Accounts approved by executive order No. 56 of the Finance Ministry of the USSR of November 1, 1991 with subsequent amendments and additions and the Instructions for the implementation thereof.

***Methodology of Keeping Record of Production Activities, Sales, Presentation of Financial Results and Use of Profits***

Products and services are deemed to have been rendered for the purposes of financial results for accounting and reporting at the time of transfer of ownership title in the products delivered.

The time of recognition of proceeds from the sale of products (services) when determining financial results for taxation purposes is the time when money is entered in the accounts and cash office of the organization and mutual offsets are made.

The financial result from the sale of the products and services is determined separately for each type of sale.

***Methodology of Assessing and Redeeming Assets***

The value of fixed assets is redeemed by linear computation of depreciation deductions.

When inventory is released for production or other purposes, the assessment thereof is in accordance with average cost.

Finished products are reflected in the books in accordance with the actual cost of production. Losses in the process of acceptance, storage and release of oil products, use of oil products for own needs are assessed in accordance with the actual cost of the balances thereof as of the start of the reporting month.

The acquisition of goods is reflected in Account 41 "Goods" at purchasing value. Goods are written off Account 41 "Goods" to Account 45 "Goods Shipped" at the average value, including

balance of unsold goods. "Goods Shipped" are written off Account 45 to Account 46 "Sale of Products and Services" at the value of the good at the time of shipment.

Settlements with debtors and creditors are reflected in reports as stated in accounting documents. Indebtedness under loans received includes interest payable as of the end of the reporting period.

## The Sum of Taxes and Other Payments and Charges Paid by the Company into the Budget

### *Payment into the Budget from the Profits of OAO Sibneft for 2001*

Type of tax	Sum (thous RUR)
Profit tax	577,770
State Tax Inspectorate fines	203,242
<b>TOTAL PAYMENTS INTO THE BUDGET OUT OF PROFITS</b>	<b>781,012</b>

## Arrears of the Company on Taxes and Other Payments and Charges

	thous RUR				
	Balance as of January 1, 2001	Accrued	Reimbursed, left at disposal, used	Paid	Balance as of January 1, 2002
<b>1. Payments into the Budget</b>					
Profit tax	50,162	611,595		1,472,408	(810,651)
Sales tax	(2)	363		371	(10)
VAT	(1,281,818)	29,679,651	10,652,269	17,698,644	46,919
Special tax					
Excise	1,026	21,705		21,152	1,579
Tax on subsoil resources	825	49,960		41,729	9,056
Raw and other materials replenishment deductions	469	48,919	10,224	35,547	3,618
Land tax	(1)	1,109		857	250
Environmental pollution charges		105		65	40
Property tax	11,517	64,687		66,344	9,860
Income tax	(1,487)	84,502		82,142	874
Urban development	(1,574)	1		(1,573)	0
Housing and utilities	12,367	2		13,817	(1,448)
Education needs	4	10		11	3
Maintenance of police	5	21		25	1

	Balance as of January 1, 2001	Accrued	Reimbursed, left at disposal, used	Paid	Balance as of January 1, 2002
<b>Wholesale trade rights</b>	3			3	
<b>Tax on foreign legal entity in-comes</b>	(213)	1,332,076		1,332,463	(601)
<b>On securities</b>	1,052	18,584		7,723	11,913
<b>Tax on fuel, oil and lubricants</b>	(23,969)	10,902		10,229	(23,297)
<b>Tax on the use of roads</b>	70,423	281,599		426,648	(74,626)
<b>Tax on acquisition of transport means</b>	0	(1)			(1)
<b>Tax on transport means own-ers</b>	(19)	168		305	(156)
<b>TOTAL PAYMENTS INTO THE BUDGET (including income tax)</b>	(1,161,230)	(32,205,957)	10,662,493	21,208,909	(826,674)
<b>TOTAL PAYMENTS INTO THE BUDGET (less income tax)</b>	(1,159,743)	32,121,455	10,662,493	21,126,767	(827,548)
<b>2. SINGLE SOCIAL TAX AND DEDUCTIONS TO INSURANCE AGAINST ACCIDENTS</b>					
<b>Pensions</b>	722	54,030		44,721	10,031
<b>Medical insurance</b>	381	5,086		5,802	(335)
<b>Employment</b>	145	34		176	3
<b>Social insurance</b>	690	7,245	4,468	6,503	(3,035)
<b>TOTAL DEDUCTIONS TO INSURANCE FUNDS</b>	1,938	66,395	4,468	57,202	6,664
<b>TOTAL PAYMENTS INCLUDING INCOME TAX</b>	(1,159,291)	32,272,352	10,666,960	21,266,110	(820,010)
<b>TOTAL PAYMENTS LESS INCOME TAX</b>	(1,157,805)	32,187,850	10,666,960	21,183,969	(820,884)

## Information on the Size of Net Assets

The size of net assets of the Company in this section has been determined in accordance with the Rules of Evaluation of Net Assets of Joint-Stock Companies approved by Executive Orders of the Russian Finance Ministry No. 71 of August 5, 1996 and of the Federal Commission for the Securities Market No. 49 of August 5, 1996.

Item no.	Name of indicator	Balance page code	As of 01.01.01 (thous. RUR)	As of 01.01.02 (thous. RUR)
<b>Assets</b>				
1.	Intangible assets	110	286,804	272,217
2.	Fixed assets	120	668,434	1,250,247
3.	Construction in progress	130	490,090	1,641,427
4.	Long-term financial investments	140	10,931,651	11,637,102
5.	Other non-circulating assets	150		
6.	Inventory	210+220	2,745,546	2,958,957
7.	Accounts receivable	230+240	12,954,597	24,113,687
8.	Short-term financial investments	250	698,551	8,677,946
9.	Cash	260	671,739	732,107
10.	Other circulating assets	270	542	
<b>11.</b>	<b>Total assets (sum of points 1-10)</b>		<b>29,447,954</b>	<b>51,283,690</b>
<b>Liabilities</b>				
12.	Targeted funding and proceeds	450	167,868	190,693
13.	Borrowed assets	510,610	10,979,663	27,458,090
14.	Accounts payable	620	9,646,869	10,564,442
15.	Dividend payments	630	1,411,388	5,859,545
16.	Future expenditure and payments reserve	650		
17.	Other liabilities	660		
<b>18.</b>	<b>Total liabilities deduced from the value of assets (sum of points 12-17)</b>		<b>22,205,788</b>	<b>44,072,770</b>
<b>19.</b>	<b>Value of net assets (total assets minus total liabilities points 11-18)</b>		<b>7,242,166</b>	<b>7,210,920</b>

## Information on the Company Reserve Fund and Its Use

In accordance with the founding documents, the reserve fund constitutes 15 percent of the authorized capital (1,137,912,000 RUR). In connection with the increase of the authorized capital

(changes registered by decree of OGRP No. 229-p of May 19, 1999) the reserve fund has not at present been fully formed and now stands at 1,083,935,000 RUR. The fund was not drawn upon during the report period.

## Information on Accounts Receivable of the Company

### *Composition of Accounts Receivable from Buyers and Clients, from Advance Payments Made and Other Debtors as of 01.01.02*

Partner	Sum of debt (thous. RUR)
<b>Accounts receivable</b>	<b>24,113,687</b>
<b>Debts in excess of 20m RUR</b>	<b>21,471,050</b>
Noyabrsk OAO Sibneft-Noyabrskneftegaz	9,062,429
Anadyr OGUP Chukotsnab "	2,138,559
SIBNEFT OIL TRADE	1,584,405
Omsk OAO Sibneft-Omsknefteprodukt	1,199,830
ENERGY CUSTOMS	625,048
BUDGET	496,489
URALMASH OAO	400,808
SIBUR-TYUMEN OAO	355,628
NOVY URENGOI CUSTOMS	279,638
STATE CUSTOMS COMMITTEE OF RUSSIA (GTK)	253,304
Noyabrsk OAO Sibneft-Noyabrskneftegazgeofizika	219,433
KEM-TRON INC	197,158
Novosibirsk OAO Novosibirsknefteprodukt VNK	195,165
Salekhard Yamalo-Nenetsky AO Administration	187,745
LUCILLE SIGMA 092/240701/0	183,139
TRANSNEFT AK	179,969
Salekhard GU Managing Directorate of state order, Yamalo-Nenetsky Autonomous Area	179,843
Novosibirsk West-Siberian Railway Management	178,625
Yekaterinburg OAO Sverdlovsknefteprodukt	169,688
FIBER TRADE CONSULT GMBH	166,332
Novokuznetsk ZAO Kuzbassnefteprodukt	163,496
SIBNEFT-CHUKOTKA OOO	139,534
Yekaterinburg OAO Yekaterinburgnefteprodukt	136,863
FAKTORIA OAO	129,445
Anadyr Chukotka Autonomous Area Administration	124,996
SV-TRAIN OOO	124,939
AKB SBS-AGRO Moscow City	120,100
VOLVO TRUCK CORPOR	118,073
Tyumen OAO Tyumennefteprodukt	115,347
Moscow ZAO KROK Incorporated	113,885
Moscow Russian Agency for State Reserves	112,979
LAMOR CORPORATION AB	108,653
Omsk OAO Sibneft-Omsk Refinery	78,734
Omsk Omsk Customs Office	88,692
TMK (VOLZHSKY PIPE PLANT)	88,235
STRONGBOU LTD.	86,189
TERRITORIAL ROAD FUND	74,617

<b>Partner</b>	<b>Sum of debt (thous. RUR)</b>
Anadyr OAO Russky Alyuminy Management	73,662
MENATEP BANK	71,324
MARUBENI CORPORATION	70,171
RUSSIAN FINANCE MINISTRY, FEDERAL TREASURY MAIN DIRECTORATE	67,486
Moscow Bank First Mutual Credit Company	64,000
RAILWAYS MINISTRY	59,168
TEKHNOSERV A/S OOO	55,544
EDNA LIMITED	53,259
SULZER CHEMTECH LTD	51,263
Cape Schmidt MUP HOUSING AND UTILITIES, Schmidt district	45,928
SOYUZINFORM ZAO	45,909
Moscow TsURTG RF DEFENSE MINISTRY military unit 25968	45,121
Anadyr ARMUP HOUSING AND UTILITIES Raikommunkhoz	44,191
CETCO	43,071
VERISEL PROJECTS ZAO	39,303
JV BELPAK	35,192
C.A.T. GMBH	33,124
Barnaul OAO Barnaulnefteprodukt	31,157
Moscow GP Roszheldorsnab	31,066
CHUKOTKA WHOLESALE TRADE OGU	29,227
Noyabsk OAO Sibneft-Noyabrsknefteprodukt	29,223
Omsk AK Omskenergo	26,151
ML DRILLING FLUIDS UK LTD	26,052
WEATHERFORD OIL TOOL GMBH	25,382
Cheboksary OOO ABB Avtomatizatsiya	23,283
TRANSFERA-K OOO	22,465
Tula OAO Shchekinoazot	22,185
Anadyr OAO Chukotkanefteprodukt	22,178
CAPITAL EQUIPMENT&TECHNOLOGY	22,153
Asbopromsbyt TD OOO	21,861
Ufa OAO Uraltransnefteprodukt	21,333
NEFTEGAZMASH-ZAVODY OOO	21,236
TATRA A.S.	20,370

## Information on Accounts Payable of the Company

### *Composition of Accounts Payable of Suppliers and Contractors, on Advance Payments Received and Other Creditors as of 01.01.02*

<b>Partner</b>	<b>Sum of debt (thous. RUR)</b>
<b>Accounts payable</b>	<b>10,564,442</b>
<b>Debts in excess of 20m RUR</b>	<b>8,802,649</b>
St. Petersburg OOO Argus	5,335,307
Sibneft Oil Trade	1,082,921
EUROTECNICA Contractors	376,522
SCHLUMBERGER LODGELCO INC.	354,071
GREGORY TRADING S.A.	294,605
RICHARD ENTERPRISES S.A.	294,605

Partner	Sum of debt (thous. RUR)
JIMENSON ENTERPRISES	266,764
ITM S.A.R.L. FRANCE	225,565
RUNIKOM Ltd.	149,524
Petushki OOO Nafta-Resurs	77,900
Aginskoye OOO Kliko	61,618
Elista OOO Gruntes	55,553
ZVEZDA ENERGETIKA OAO	41,724
Ob-4 ZAO Aeropot-Service	31,750
Elista ZAO TD Sinarsky pipe plant	31,546
Omsk OOO Territoriya	30,809
OOO BGNK	25,016
RUNIKOM	22,712
FEDERAL BUDGET	22,195
IK ZOLOTO-PLATINA-INVEST OOO	21,943

## Social Indicators of the Company

Social security payments to the Company employees in 2001 were made out of the Social Insurance Fund and profits. The size of payments is shown in the tables below.

### *Payments out of the Social Insurance Fund for 2001*

	Type of payment	Quantity	Sum in RUR
<b>1.</b>	<b>Payment of allowances:</b>		
	Temporary disablement	3,412	3,599,105
	Other	73	31,199
<b>2.</b>	<b>Vouchers:</b>		
	Treatment	22	205,202
	Summer camps for children	58	383,185
<b>3.</b>	<b>Other:</b>		
	Bonuses to insurance personnel		1,000
	<b>Total</b>		<b>4,219,691</b>

### *Payments out of the Profits for 2001*

	Type of payment	Sum in RUR
<b>1.</b>	<b>Benefits</b>	<b>821,357</b>
<b>2.</b>	<b>Vouchers (for children's health camps)</b>	<b>144,886</b>
<b>3.</b>	<b>Other: Severance pay and pay at retirement</b>	<b>297,164</b>
	<b>Total</b>	<b>1,263,407</b>

### III. DISTRIBUTION OF PROFITS AND LOSSES

#### Profit and Loss Report (Based on Shipping) of OAO Sibneft for 2001

NAME OF INDICATOR	PAGE CODE	FOR REPORT PERIOD (THOUS. RUR)
Proceeds (net) from the sale of goods and services (minus VAT, excise and similar obligatory payments)	010	57,228,905
of which:		
from the sale of oil and petroleum products	011	56,516,717
Cost of goods, products and services sold	020	(50,167,626)
of which:		
oil and petroleum products	021	(49,589,194)
Commercial expenses	030	(3,079,476)
Profit (loss) from sale	050	3,981,803
Interest receivable	060	16,818
Interest payable	070	(1,096,033)
Profits from participation in other organizations	080	328
Other operational incomes	090	33,941,415
Other operational expenditure	100	(34,380,375)
Other non-sale incomes	120	402 046
Other non-sale expenditure	130	(1,115,572)
Profit (loss) in the report period	140	1,750,430
Profit tax and other similar payments	150	(781,011)
Profit (loss) from ordinary activities	160	969,419
Net profits (undistributed profits in the report period)	190	969,419

***Other Operational Expenditure Incurred by OAO Sibneft in 2001***

<b>Name of indicator</b>	<b>Sum (thous. RUR)</b>
Additional payments into the budget adjusted for Central Bank rank	15,622
Property tax	64,765
Tax for the needs of educational institutions	12
Banking services	340,680
Tax for the support of militia	21
Tax on the maintenance of the housing and utilities sector	
Expenditure related to the sale of securities	5,985,882
Other sale-related expenditure	11,436
Expenditure related to the sale of currency	25,930,589
Expenditure related to sales under assignment agreements	2,029,770
Other expenditure	1,598
<b>Total operational expenditure</b>	<b>34,380,375</b>

***Advance Use of the Company's Net Profits for 2001***

<b>Item number</b>	<b>Name of expenditure item</b>	<b>Sum (thous. RUR)</b>
1	Depreciation of fixed and intangible assets	2,209
2	Dividends on shares	28,969,340
3	Consumption fund	52,548
4	Charitable and financial aid	755,058
5	Consultancy, information and legal services	2,627
6	Rent and upkeep of premises	1,778
7	Аренда и содержание помещений	14
8	Other services	37,886
	<b>TOTAL</b>	<b>29,821,460</b>

## IV. CORPORATE ACTIONS OF THE COMPANY

The main substance of the Company's corporate development over the past years has been consolidation of equity capital by introducing a single share of the holding. As part of this program, a project of exchanging the shares of subsidiary companies for those of OAO Sibneft as well as consolidation of the shares of subsidiary companies was carried out in 1998-2001.

The result of that stage in the development of the company was to acquire the advantages of a uniform structure of the authorized capital of the vertically integrated holding company to maximize capitalization and improve the well-being of all its shareholders.

In the period 1998-2000, the Company, jointly with one of its major shareholders, implemented the project of exchanging the shares of subsidiary companies for those of OAO Sibneft. Bringing in an independent evaluator (ZAO KFP-Kapital) to determine the exchange ratio, providing wide coverage of the campaign in the media ensured the rights and legitimate interests of all the parties to the exchange in which both natural persons and legal entities who held shares of OAO Sibneft-Noyabrskneftegaz, OAO Sibneft-Omsk Refinery, OAO Sibneft-Omsknefteprodukt and OAO Sibneft-Noyabrskneftegazgeofizika took part. The final stage of the exchange, completed in 2000, enlarged the number of shareholders of OAO Sibneft to 14,000 and enabled the company to centralize control over more than 90 percent of the authorized capitals of each of the subsidiaries listed above.

The project of consolidation of the shares of Sibneft-Noyabrskneftegaz, OAO Sibneft-Omsk Refinery, OAO Sibneft-Omsknefteprodukt carried out in 2001, marked the final stage in the Company's transition to a single share of OAO Sibneft within a vertically integrated holding. The increase of the face value of the shares of subsidiary companies under Article 74 of the federal law On Joint Stock Companies (the version of May 24, 1999) and subsequent buy-out of fractional shares formed in the process created the necessary conditions for transferring the dispersed value of equity from the subsidiaries to OAO Sibneft.

From the outset one of the principal aspects of the share consolidation project was preparing measures to protect the interests of the shareholders of subsidiary companies.

At the project development stage the specialists of the Company held a series of consultations with leading Russian experts on law, corporate relations and property evaluation. As a result of joint efforts, a series of measures were worked out to ensure the interests of all the parties to the legal relationships involved.

Each of the subsidiaries received a report of an independent evaluator on the market value of his shares. The evaluation was made by one of the largest Russian evaluating companies, ZAO International Evaluation Center (license No. 000002 of June 30, 1999). The authenticity of the evaluation was confirmed by a Review of the Russian Society of Evaluators of August 14, 2000.

It must be noted that at the time of evaluation, in 2000, in a context of political and macroeconomic instability, there was practically no market for the shares of the subsidiaries. In the first half of 2000, RTS registered only some isolated transactions involving the shares of OAO Sibneft-Noyabrskneftegaz and OAO Sibneft-Omsk Refinery. Nevertheless, the boards of directors of the subsidiaries agreed with the price of ordinary and privileged shares determined by an independent evaluator and approved it as the price at which the fractional shares formed in the process of consolidation were to be bought out.

The shareholders of subsidiary companies who wished to remain participants in the authorized capital, were allowed such an opportunity by pooling their shares to form mutual property right up to the moment of consolidation of shares. To this end, relevant information was included in the texts of notifications on the convening of extraordinary general meetings of shareholders sent out by registered mail and published in the press in the cities of Noyabrsk and Omsk. After an extraordinary meeting of shareholders on December 26, 2000 decided to consolidate the shares, the Company developed standard specimens of documents for transforming shares into mutual property and each of the subsidiary companies organized centers for receiving shareholders for the purpose of filling out the said documents. Unfortunately, that initiative was ignored by the majority of shareholders.

In a departure from established practice, the fractional shares formed as a result of consolidation were bought out by the subsidiary companies within 20 calendar days from the time of consolidation, that is, state registration of the reports on the results of the issue of consolidated shares. The operation of buying out these shares had two stages: first, the subsidiary companies made direct payments to the shareholders who had properly submitted their bank requisites to the Registrar,

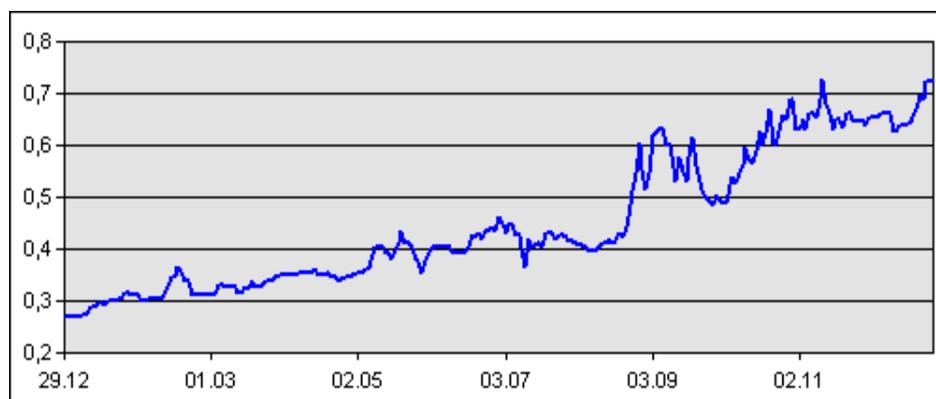
whereupon the remaining money was deposited with notaries public located in the places where most individual shareholders lived (the cities of Noyabrsk and Omsk). This approach enabled the shareholders to receive the money due to them within the shortest possible time.

The progress of the share consolidation project received wide coverage in the regional press, was actively explained by the staff of the Registrar and the corresponding divisions of the subsidiary companies, which ultimately ensured complete and timely notification of the shareholders of the progress of the project.

On the whole, the set of measures to ensure the rights and legitimate interests of the minority shareholders of subsidiary companies enables the Company on a mutually beneficial basis, to complete the consolidation of previously dispersed equity capital and thus ensure a considerable competitive edge in the Russian and international financial markets. Combined with other factors of corporate policy, it increased the capitalization of the company by more than 2.7 times in 2001 alone (according to RTS), and the prices have been growing since. Those who took part in the exchange campaign of 1998-2000 were beneficiaries of such growth along with the initial body of the Company's shareholders.

### **Company Shares Market in 2001**

Throughout 2001 the capitalization of the Company has been steadily growing. According to the Russian Trading System, the value of OAO Sibneft shares as of the beginning of 2001 was \$0.268, and by the end of the year increased to \$0.725, a growth of more than 270 percent. During the same period, the RTS index grew by 181.5 percent.



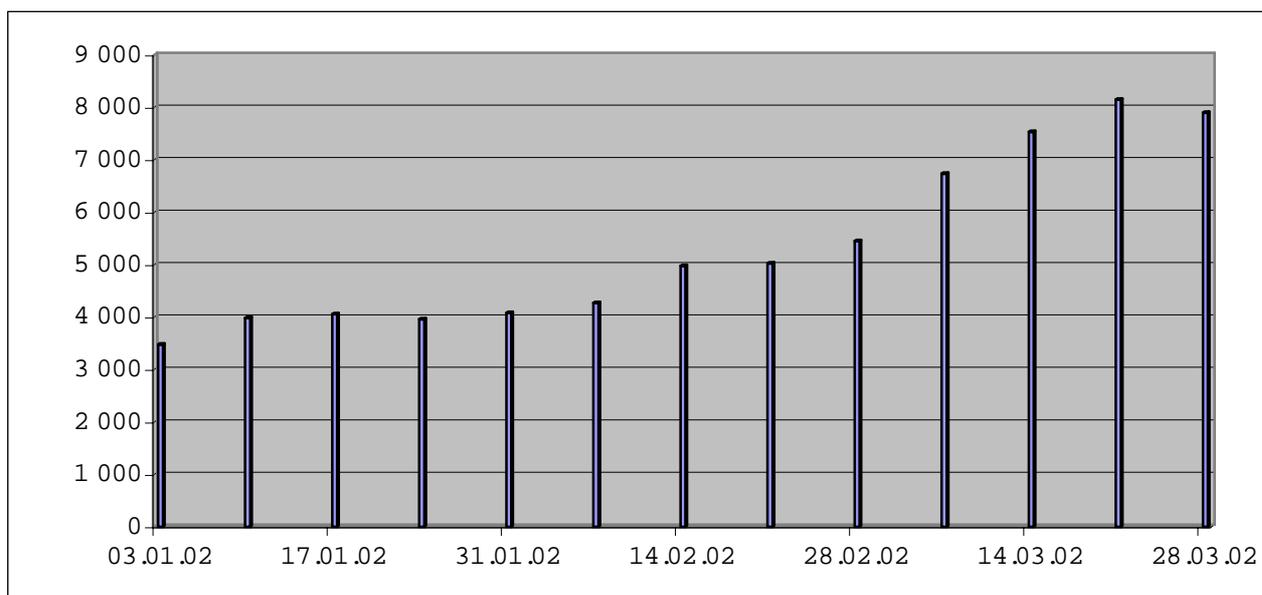
The record payment of dividends, unprecedented in Russia (about \$1 billion), consolidation of equity capital, the policy of information openness as well as close cooperation of the Company with the shareholders and professional participants in the securities market over the issues of the rights and legitimate interests of investors were major factors in increasing the capitalization of the Company.

The shares of the Company are still listed in the Russian Trading System, the Moscow Stock Exchange, the St. Petersburg Stock Exchange, the Moscow Interbank Currency Exchange. The program of the issue of first-tier ADRs (American Depositary Receipts) organized by the Company enables foreign investors to effect transactions with them at the Berlin Stock Exchange, the Frankfurt Stock Exchange and the European Exchange NEWEX (Austria) in the NX.plus segment.

From the results of 2001 and the first quarter of 2002, OAO Sibneft is firmly established in the top ten of the biggest Russian issuers, occupying fifth place in terms of capitalization:

Name	Capitalization as of March 1, 2002 (USD)	Capitalization as of January 1, 2002 (USD)
YUKOS	\$16,026,829,636	\$11,713,627,010
Surgutneftegaz	\$12,837,687,387	\$11,593,085,282
LUKoil NK	\$10,654,860,704	\$10,418,523,794
United Energy Systems, RAO	\$6,697,308,182	\$6,833,862,456
SIBNEFT	\$5,903,496,489	\$3,420,847,690

***Dynamics of the Company Capitalization in the First Quarter of 2002 (million USD):***



***Comparison of Expected Dividends of Leading Russian Issuers in 2001***

Name	Size of dividend in rubles
SIBNEFT	28,969,340,794
YUKOS	15,250,000,000
LUKoil NK	12,758,448,825
SURGUTNEFTEGAZ 3	1,949,157,648
RAO UES	1,313,000,000

Sibneft's policy of enhanced openness with regard to shareholders and investors, timely and full provision of information about operations and financial activities, experienced management and the powerful production base played a role in promoting a high degree of confidence in Sibneft securities among Russian and foreign investors. The Company's plans to increase volumes and its good financial performance helped raise capitalization in the second quarter of 2002 to more than \$7 billion.

**Disclosure of Information about the Company's Activities**

In accordance with Regulation on the Quarterly Report of the Issuer of Emission Securities No. 31, endorsed by the August 11, 1998 resolution of the FSC of Russia, and the Regulation on the Disclosure of Information about the Activities of the Issuer of Emission Securities, endorsed by

Resolution No. 32 of the FSC of Russia of August 12, 1998, Sibneft and its subsidiaries regularly submitted quarterly reports and material facts from its financial and economic activities to the registering body throughout the year 1999. As part of the information disclosure program, Sibneft was one of the first issuers to have signed a contract on the dissemination of information with the National Association of Stock Market Participants (NAUFOR). The purpose of this contract is to make charter documents, documents pertaining to the issue of corporate shares, quarterly reports and other information about the Company's activities available through the Comprehensive Information Disclosure System (SKRIN Emitent) on the Internet. Now shareholders and any interested person may obtain current information and reports about the Company's performance. The said documents and information are also provided in accordance with the agreement On the Inclusion and Maintenance of Securities in the MICEX Quotation List on the Moscow Interbank Currency Exchange. In accordance with FSC Resolution No. 7 "On the Procedure for Keeping a Record of Affiliated Persons and Providing Information about Affiliated Persons of Joint Stock Companies" of September 30, 1999, the Company and its subsidiaries keep appropriate records, supply information to the FSC, and publish the lists of affiliated persons in the FSC bulletin. Materials distributed among shareholders before shareholders meetings are preliminarily approved by the Board of Directors, and the shareholders have an opportunity to study them in advance on the agreed-upon sites.

### **Information about the Work of the Company's Governing Bodies**

Three general meetings of Sibneft shareholders were held in 2001 -- one annual and two extraordinary ones.

The June 29, 2001 general shareholders meeting elected the Company's Board of Directors:

Breyeva Tatyana Alexeyevna (Sibneft, Vice President);

Novikov Vladimir Ivanovich (Sibneft, head of a department);

Oif Valery Alexandrovich (Sibneft, Vice President);

Poltorak Yevgeny Yakovlevich (Sibneft, Vice President);

Potapov Konstantin Nikolayevich (Sibneft, Vice President);

Sklyarov Yevgeny Yuryevich (Fond YAMAL, Chairman of the Board of Directors);

Tyryshkin Ivan Alexandrovich (RTS Stock Exchange, President);

Shvidler Yevgeny Markovich (Sibneft, President);

Yatskevich Natalya Yakovlevna (ALM law bureau, partner);

The Chairman of the Board of Directors is a member of the Board of Directors, Sibneft Vice President Konstantin Potapov.

Three members of the Sibneft Board of Directors (Ivan Tyryshkin, Yevgeny Sklyarov and Natalya Yatskevich) meet formal requirements established for independent directors.

Two extraordinary general shareholders meetings were held in the form of vote by correspondence. As a result of the decisions on reorganization adopted at these meetings, most attractive oil traders operating on the domestic market were incorporated into the Company: OOO Olivesta, OOO Vester, and OOO Terra.

The Company's Board of Directors met 23 times in 2001 to consider issues of the Company's participation in other companies, its operations and economic activities, and reorganization. It adopted decisions to pay interim dividends and endorsed a major deal to draw a credit. With the mediation and direct participation of independent Director Ivan Tyryshkin, a number of presentations was held to inform analysts and investors about the Board of Directors' decisions on the most important issues.

The Company's collegiate executive body is the Management Board. The composition of the Management Board was endorsed by the Board of Directors on April 28, 2001:

- Ye.M. Shvidler (Sibneft President - Chairman of the Management Board);
- T.A. Breyeva (Sibneft Vice President for Finance);
- Korsik (Sibneft First Vice President).

The Management Board met six times in 2001 to discuss current financial and economic activities, and transactions that amount to more than 10 percent of the balance-sheet value of the Company's assets.

In 2001, the Company increased its marketing potential consistent with its core activities and acquired packages of shares that gave it control over the following enterprises:

ZAO Kuzbassnefteprodukt, OAO Barnaulnefteprodukt, OAO Sverdlovsknefteprodukt, OAO Yekaterinburgnefteprodukt, OAO Orenburgneft, and OAO Tyumennefteprodukt.

In addition, the Company participated in the establishment of a number of subsidiaries: OOO Khantos, OOO Sibneft-AZS Servis, ZAO Kompaniya Mobilnaya Karta (Kuzbass), OOO Sibneft-Tomsk, OOO Sibneft-Krasnoyarsknefteprodukt, and ZAO Mediatsentr that attend to its servicing and marketing needs.

## **Information about the Work of the Company's Auditing Commission**

The general shareholders meeting of Sibirskaya Neftenaya Kompaniya on June 29, 2001 elected the following officials to the Auditing Commission:

G.P. Lebedeva	- deputy chief accountant;
L.A. Barabasah	- deputy chief accountant;
A.I. Leshko	- division head, Department of Planning and Budget.

In its work, the Auditing Commission was guided by the Company's Articles of Incorporation, regulatory documents of the Finance Ministry and the Tax Ministry, as well as the Company's orders and instructions.

Members of the Auditing Commission studied the Company's financial documents and commissions' findings regarding the inventory of property in 2001, examined the legality of transactions and settlements with counteragents, as well as the correctness of annual reports.

The Auditing Commission supervised and analyzed the Company's activities in the following fields:

- a planned audit of the Company's financial and economic performance in 2001 revealed that:
  - ⇒ the Company's financial and economic activities were conducted in accordance with existing laws and the Articles of Incorporation;
  - ⇒ no violations were found in the accounting procedures and policy that could substantially affect the Company's financial performance.

- a probe into compliance by the Company's governing bodies with the Articles of Incorporation showed that:
  - ⇒ the Board of Directors, the Management Board and the President of the Company adopted decisions within their jurisdiction established by the Articles of Incorporation and appropriate Regulations;
  - ⇒ the minutes of the Board of Directors meetings were executed in full without corrections and included all the necessary materials.
  
- the following was found out during the examination of the annual balance sheet and the profit and loss statement for 2001:
  - ⇒ Sibneft annual accounting documents were drawn up in accordance with the Regulation on Accounting and Reporting in the Russian Federation endorsed by the Finance Ministry, regulatory acts governing accounting and reporting procedures, as well as the Company's accounting policy in 2001;
  - ⇒ costs constituting the prime cost of products and services are accounted for in accordance with industry instructions and recommendations and confirmed by appropriate primary documents;
  - ⇒ data in the profit and loss statement are consistent with the data in the Main Book;
  - ⇒ the annual balance sheet as of January 1, 2002 and analytical accounting data are identical;
  - ⇒ balance-sheet currency as of January 1, 2001      51,283,690 thous. RUR
  - ⇒ net assets value      7,210,920 thous. RUR
  - ⇒ profit      969,419 thous. RUR
  - ⇒ profit from the sale of goods,  
products, work and services      3,981,803 thous. RUR;
  - ⇒ other income      34,360,607 thous. RUR
  - ⇒ other expenditures      36,591,980 thous. RUR
  - ⇒ current liquidity ratio      1.4
  - ⇒ profitability      7%.

Considering the foregoing, the Auditing Commission confirms the accuracy of the data in the Sibneft annual accounting documents and believes it possible to recommend that the 2001 report be approved.

## **Information about the Company's Subsidiaries and Dependent Organizations**

Oil extraction in the Company is done by the oil-extracting subsidiary OAO Sibneft-Noyabrskneftegaz that was created in 1981 for the development of oil fields in the North and is one of the youngest old and gas extracting enterprises in Western Siberia. Our Company ranked sixth in 2001 in terms of oil extraction. According to the approved business plan, the Company plans to increase extraction to 26.7 million tons in 2002 to move up to fifth place.

In 2001, OAO Sibneft-NNG extracted 20.3 million tons of oil, an increase of 3.1 million tons from the previous year. Daily extraction grew by more than 20 percent from 49,700 tons in the beginning of the year to 61,400 tons by the end of the year.

Investment in operations grows every year. In 2001, capital investment stood at 12.4 billion rubles, which more than doubles the previous year's level.

The main task of OAO Sibneft-NNG today is to increase the extraction ratio by working with international servicing companies. The enterprise actively cooperates with Schlumberge and Pride Forasol. The company has a joint project with Pride Forasol to drill about 1,500 meter deep wells at the Sugmut oil field. Their technical characteristics have no analogues in the Russian oil industry.

The underlying principles of all new projects are to increase extraction while reducing current costs. Planning is based on the possibility of effective operations even at rather low oil prices, which ensures stability at the enterprise when the market experiences big fluctuations.

**OAO Sibneft-Noyabrskneftegazgeofizika** was created in 1983. The enterprise conducts down-hole logging in the wells being drilled and supervises the development of fields in the OAO Sibneft-NNG area.

The volume of work done in 2001 increased by a time and a half from the previous year to 434.6 million rubles. The main types of activities during the year were:

- downhole logging in prospecting, exploratory, development test and operating wells under construction;
- downhole logging in operating wells by using development control methods;
- secondary drilling-in (perforation) of efficient seams during development (testing), capital and current repairs by blasting and non-blasting methods, and stimulation of in-flow;
- direct research methods by testing a seam-tester lowered into a well on a pipe, geological and technical research, and technological control during drilling;
- determining the places where the pipes should be seized for removal, assessing the airtightness of columns, as well as annulus cross-flow, gas hydrate-paraffin formations, swabbing of wells;
- seismic profiling shooting.

**OAO Sibneft-Omsky NPZ** (hereinafter referred as the Plant) is rightfully considered to be one of the biggest oil refineries in the country. The degree of refining in 2001 was 81.4 percent, which is the best indicator in Russia. The average degree of refining in the country is 63 percent.

Russia's largest sulphuric acid alkylation plant was commissioned in 2001. It's annual estimated capacity is 300,000 tons of a component used in the production of high-octane clear petrol with improved environmental characteristics.

A new 55-ton-a-day automatic line for pouring oil into containers has been launched.

The second stage of a large-scale catalytic cracking plant 43-103 has been completed. Modernization and replacement of equipment have maximized the rate of recovery of raw materials and production of gasoline. The reduction of catalytic dust discharge into the atmosphere yielded significant ecological effect.

Reconstruction has been completed of the plant for reforming single-flow gasoline (35/11-600). Outdated equipment has been replaced with state-of-the-art computer controlled technology.

Work has continued in cooperation with the Italian firm Evrotekhnika to modernize the catalytic reforming plant which has by now become a priority retrofitting project. Modernization of the equipment will increase its capacity to produce high-octane European-quality gasoline.

Reconstruction and modernization of OAO Sibneft-Omsk Refinery enables the company to fulfill its strategic task of keeping the enterprise at a high level of competitiveness, producing world-standard products and cutting production costs.

**OAO Sibneft-Omsknefteprodukt** which is part of the company is a major distributing enterprise which sold 972,700 tons of petroleum products in 2001, up 9.3 percent on the previous period. At the end of the year it had 108 filling stations of which 100 were stationary and 8 of the container type. Distribution of oil through the retail network of filling stations is the undoubted priority of the enterprise. Retail trade in 2001 amounted to 176,500 tons of petroleum products.

As of today, **ZAO Kuzbassnefteprodukt** is the biggest marketing organization in the Kemerovo oblast which has 68 filling stations and 8 storage bases in major industrial cities in the region. In its three years in the local market the company has proved that it is interested not only in making a profit, but in increasing the stability of the fuel market in the region playing the spearhead role in overcoming the gasoline crisis in 1999. On December 14, 2001, ZAO Kuzbassnefteprodukt had an event to mark the sale of the first million tons of fuel in the Kuzbass market and the third anniversary of its own establishment.

**OAO Barnaulnefteprodukt** is a marketing enterprise of the company operating in the Altai Krai. During the reporting year OAO Barnaulnefteprodukt sold 92,400 tons of petroleum products of which 81,000 was sold wholesale and 11,400 was retailed through the filling stations of which it has 17.

**OAO Yekaterinburgnefteprodukt and OAO Sverdlovsknefteprodukt** has two marketing enterprises located in the Sverdlovsk oblast and in the city of Yekaterinburg which became parts of OAO Sibneft in late 2000. During the reporting year they substantially increased the sales of petroleum products, by 150 percent and 120 percent respectively, thus consolidating the Company's success in promoting and strengthening our positions in the Urals region. During the report year of 2001, these marketing enterprises sold 790,000 tons of petroleum products of which 277,500 was sold through 132 filling stations (111 stationary and 21 of the container type).

In August 2001, another marketing enterprise, **OAO Tyumennefteprodukt**, became part of the Company. It is a wholesale and retail distributor in the Tyumen oblast, one of the most promising regions in Western Siberia in terms of expanding the marketing network. One factor that makes it practicable for the company to sell its oil in the Tyumen region is that the petroleum products are shipped from neighboring Omsk oblast where the Omsk Refinery is located. In the period from August through December 2001, OAO Tyumennefteprodukt sold 119,900 tons of petroleum products, of which 31,200 tons through filling stations. That marketing enterprise has a total number of 81 filling stations.

### **Participation of the Company in Other Organizations**

The Company participates in the authorized capitals of 23 commercial organizations. In addition, OAO Sibneft takes part in the activities of 4 non-profit organizations.

## V. PROSPECTS OF THE COMPANY'S DEVELOPMENT IN 2002

With a view of laying the groundwork for the company's stable development in 2002, activities are pursued in the following priority areas:

- Optimizing expenditure in all types of activities, first and foremost -- in the cost of oil production. Increasing the productivity of serving teams.
- Introducing modern methods of production management, based on geological, hydrodynamic, engineering and economic simulation of scenarios by projects. Increasing the scientific and analytical components during designing.
- Building up oil production, based on the use of advanced technologies in horizontal drilling of wells, bed uncovering and perforating and hydraulic fracturing. Introducing the drilling program for easy wells, permitting a substantial increase in the useful length of the uncovered bedopen part of the stratum and significantly increasing the output of wells and strata.
- Using new technologies in restoring out-of-operation wells (cold-tubing), branching the second well-bores and in other types of geological and technological activities. Exploration and further exploration of oil deposits through drilling in order to keep the "oil production/deposit increase" ratio favorable for the company. Pursuit of seismic 3D research, production-geophysical study in drilled wells.
- Passage over to the active stage of industrial exploitation (for instance, Romanovsky, Yarainersky and Krapivinsky) and developing new deposits.
- The policy of organizing the strategic partnership relations with Western companies in the development of oil fields (at the present time Sibneft is successfully cooperating with such companies as Schlumberger, B-J Services, Pride Forasol in the pursuit of complex operations and the search of the most efficient methods of increasing the rate of low effectiveness wells).
- Continuing to implement projects within the framework of Sibneft's concept of technical re-equipment of the OAO Sibneft-ONPZ: rebuilding the 13/11-1000 plant for catalytic reforming with continuous catalyst regeneration, to be commissioned in 2003; completing the reconstruction of the vacuum block of the primary oil processing unit ELOU AVT-6M to obtain quality oils and raw materials for the catalytic cracking unit 43-103; purchasing equipment for the installations of tact pouring of commercial oil products.

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- Provision is made for replacing the hydro-cleaning catalysts of the vacuum gas oil for the s.100 combined plant KT-1/1 for deep processing of mazoute and hydro-cleaning catalyst on the unit L-24-9 to obtain little sulphur diesel fuel with sulphur content of less than 0.05 percent.
  - Extending the network of stationary and container filling stations of European standards, establishing and strengthening the Company's positions on the new markets of oil products.
  - Continuing the reorganization of management processes. Extending the processes of business planning, managerial accounting and monitoring of production and economic activity. Creating a flexible system for incentivizing the staff depending on the indicators of the performance of business plan.
  - Creating conditions for the Sibneft shares to circulate on the world financial markets with a view to enhancing the Company's international reputation and creating conditions for the influx of capital as well as for the growth in the rates of the shares of the Holding on the Russian stock market. Sibneft has already become the first corporate issuer of eurobonds and is faithfully discharging its commitments under foreign borrowings.