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# **Sibneft 2003 Operating Results Overview**



## **Sibneft Corporate and Financial Overview**

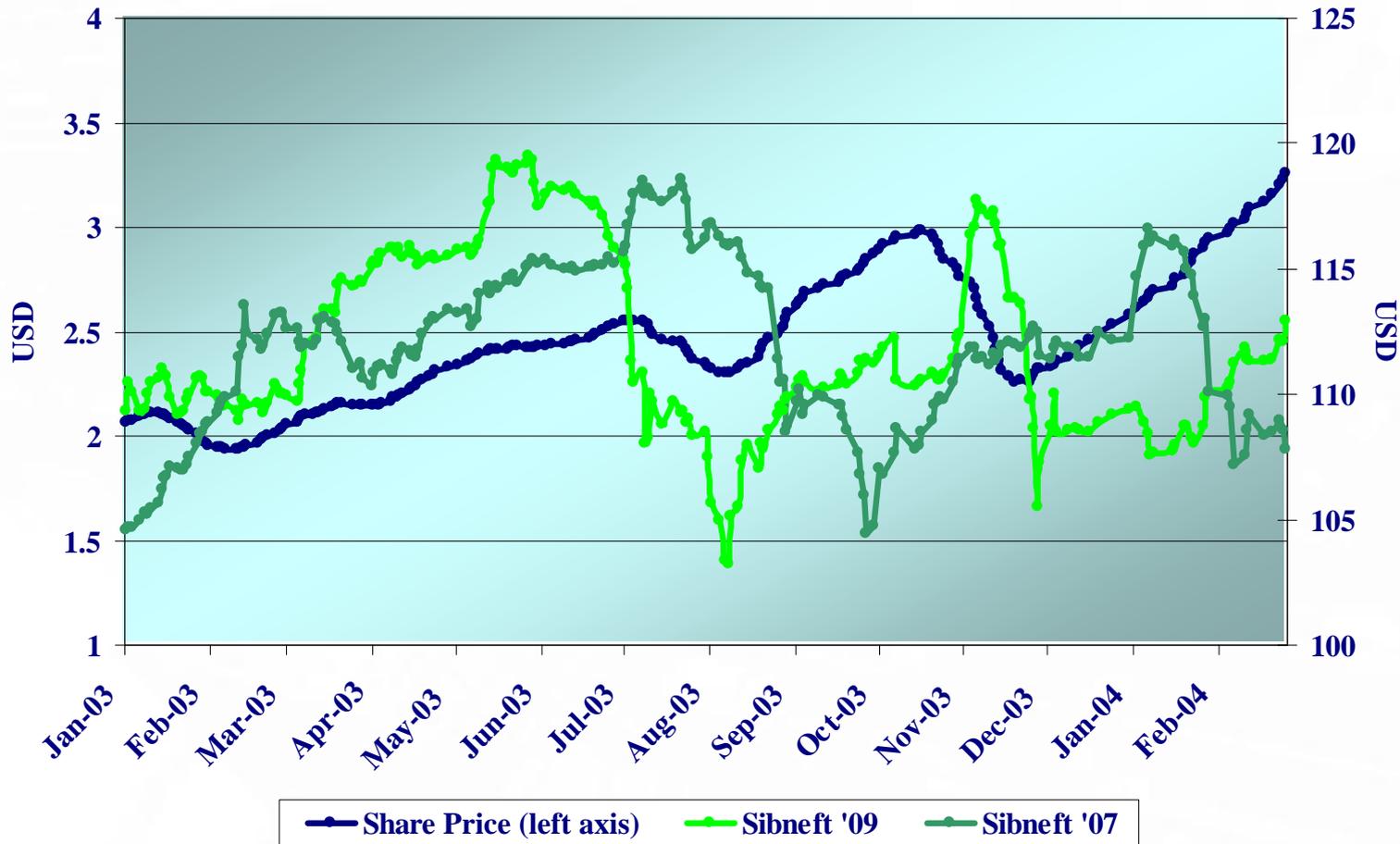
- January – Sibneft and TNK complete acquisition of Slavneft.
- March – Sibneft and TNK announce decision to split Slavneft assets 50/50.
- March – Sibneft and other shareholders of Moscow Refinery agree on new joint management procedures and structure.
- April – Sibneft and YUKOS announce plans to merge.
- May – Sibneft shareholders approve record 2002 dividend payment of \$1.09 billion (7.22 rubles per share).
- May – Sibneft completes sale of ONACO and Orenburgneft holdings to TNK.
- May – Omsk Refinery completes the complex audit by Shell Global Solutions.

- July – Sibneft announces half-year interim dividends of \$1.006 billion (6.44 rubles per share).
- September – Sibneft acquires three new fields in Western Siberia.
- October – Sibneft announces third-quarter dividends of \$230.6 million (1.46 rubles per share).
- October – Sibneft core shareholders and YUKOS complete financial merger transaction.
- December – Core shareholders of YUKOS and Sibneft agree on de-merger.

- Sibneft to complete de-merger from Yukos.
- Sibneft to exhibit continued industry leadership in production growth, expected to exceed 20%.
- Commercial production to begin at two new oil fields and one gas field.
- Sibneft and TNK-BP to begin the process of dividing Slavneft upstream and marketing assets. (Refineries to remain jointly owned.)
- Omsk Refinery capital renovation program to continue, further boosting capacity to produce high value-added products.
- Sibneft to continue programs to commercialize sales of, and generate electricity from, associated gas output, thus reducing gas flaring at its fields.

- Millhouse Capital, representing former Sibneft core shareholders, is in constant discussions with YUKOS on the de-merger process.
- Millhouse has appointed Citigroup as its advisor on the de-merger transaction.
- Sibneft operates wholly independently from YUKOS, effective January 1, 2004.
- YUKOS has not and is not expected to appoint representatives to Sibneft's board of directors, and both companies core shareholders have voted against changes in Sibneft charter.
- The Moscow Arbitration court has reversed YUKOS's new share issue, effectively returning 57% of Sibneft to core shareholders.
- YUKOS continues to own 35% of Sibneft pending further steps in de-merger process.

# Sibneft Stock and Bond Performance



**Total Gross Debt Position** (December 31, 2003)

**1 644 mln. USD**

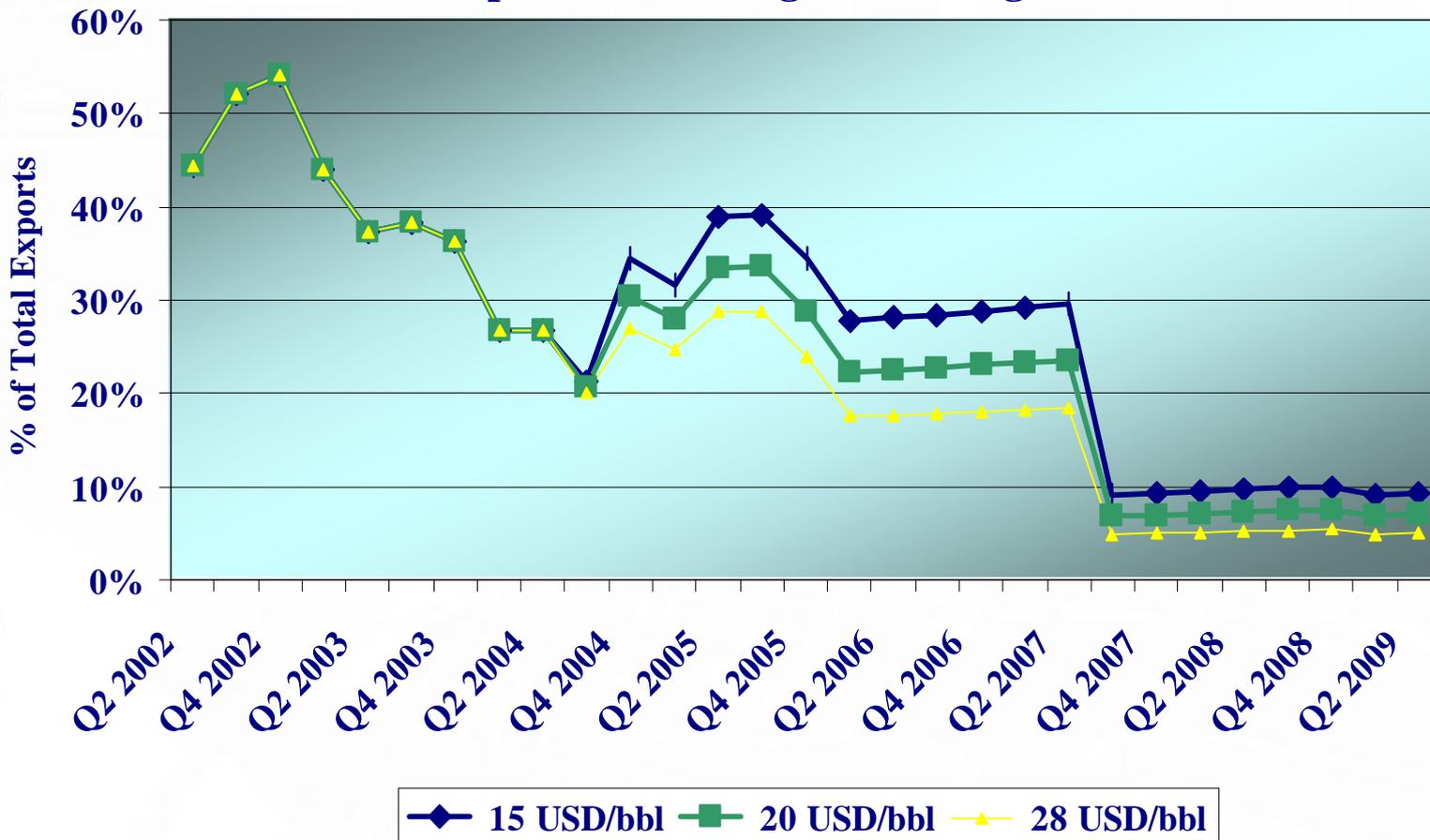
**Net Debt Position**

**1 550 mln. USD**

*of that ...*

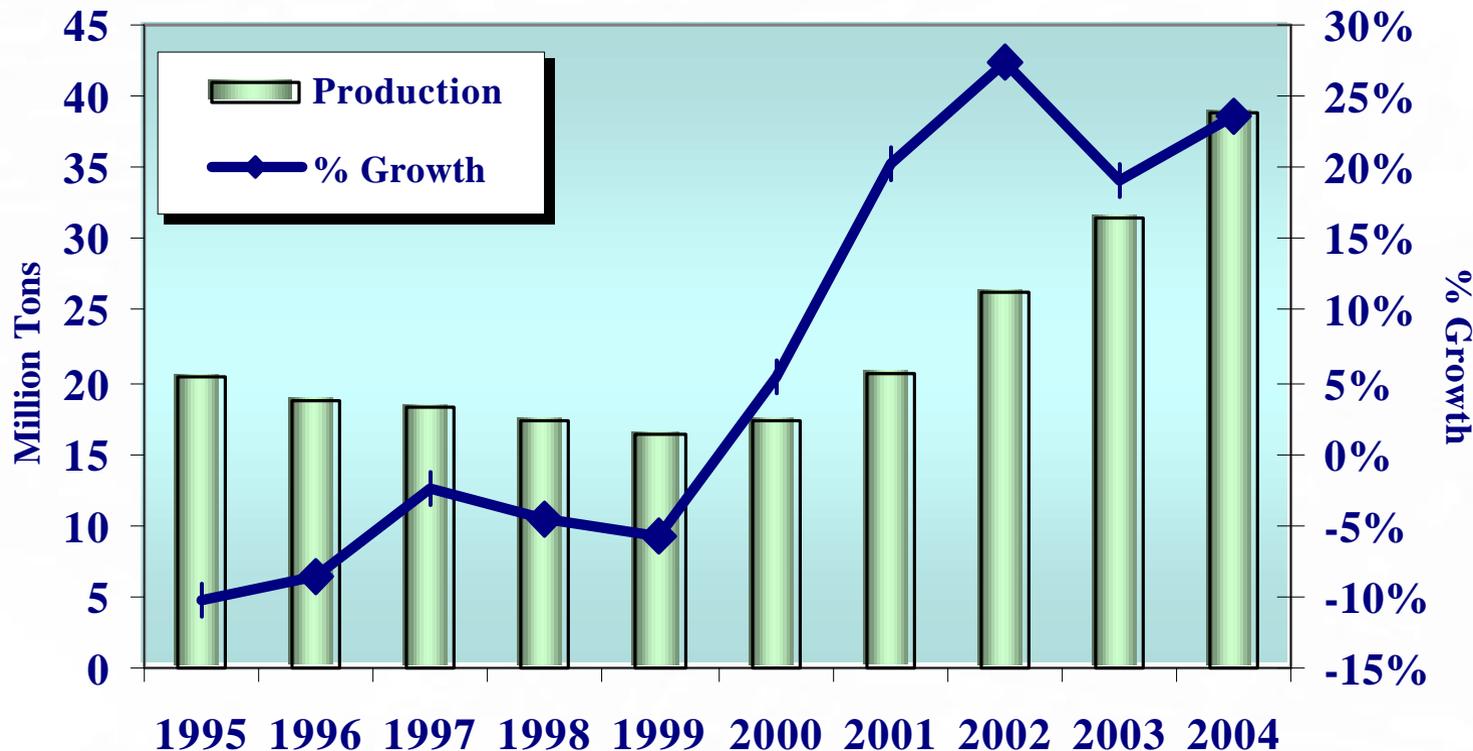
	<i>Amount</i>	<i>Rate</i> 2002 - 2003	<i>Rate</i> 2003 - 2004	<i>Maturity</i>
<b>Eurobond 1</b>	400 mln. USD	11%	11%	2007
<b>Eurobond 2</b>	500 mln. USD	10.75%	10.75%	2009
<b>Trade Finance:</b>				
WestLB	233 mln. USD	Libor + 3.5%	Libor + 2.15%	December 2005
ABN AMRO	66 mln. USD	Libor + 3.75%	Libor + 3.75%	July 2004
BNP Paribas	136 mln. USD	Libor + 4.1%	Libor + 3.0%	June 2007
RZB	129 mln. USD	Libor + 3.25%	Libor + 3.25%	December 2005
<b>Other</b>	180 mln. USD	-	-	-

## Comparison of Pledge Percentage



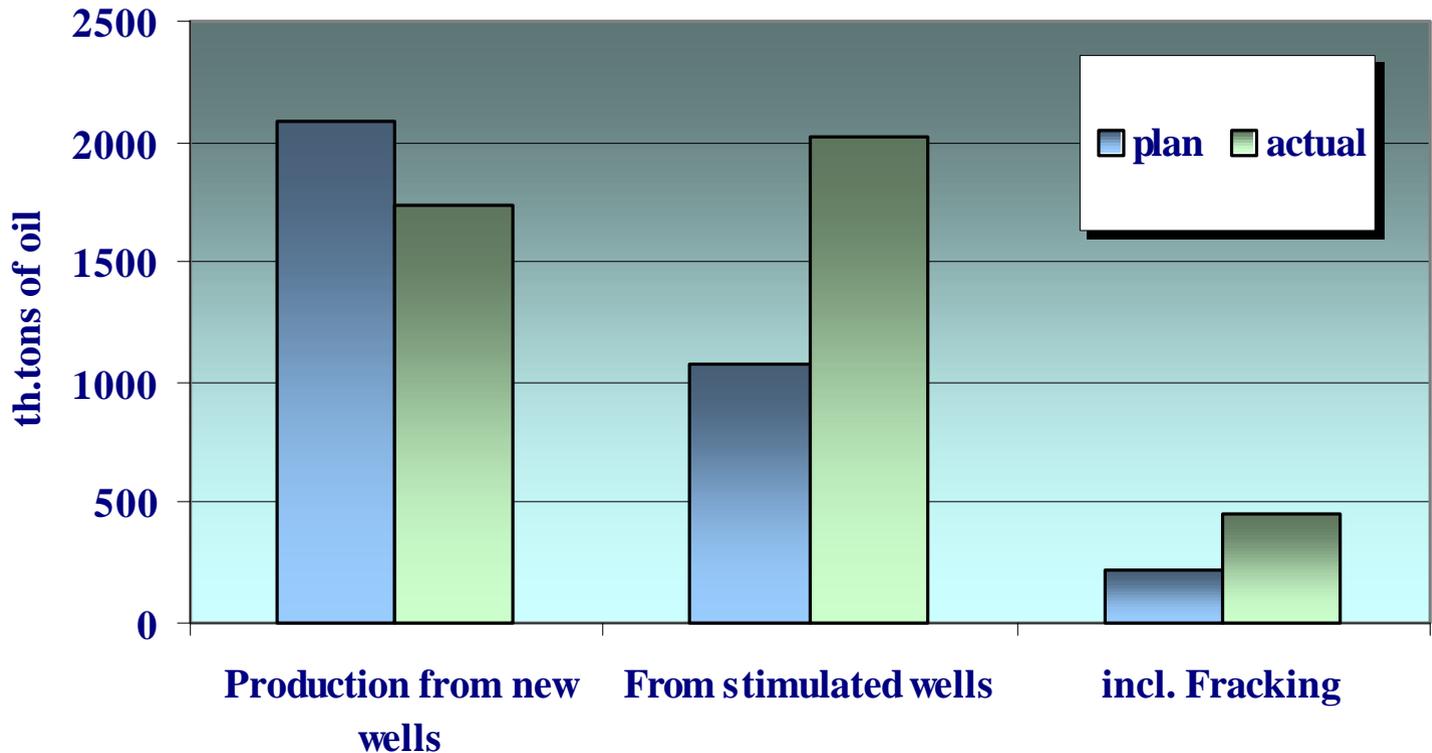


## **Sibneft 2003 Upstream Results**

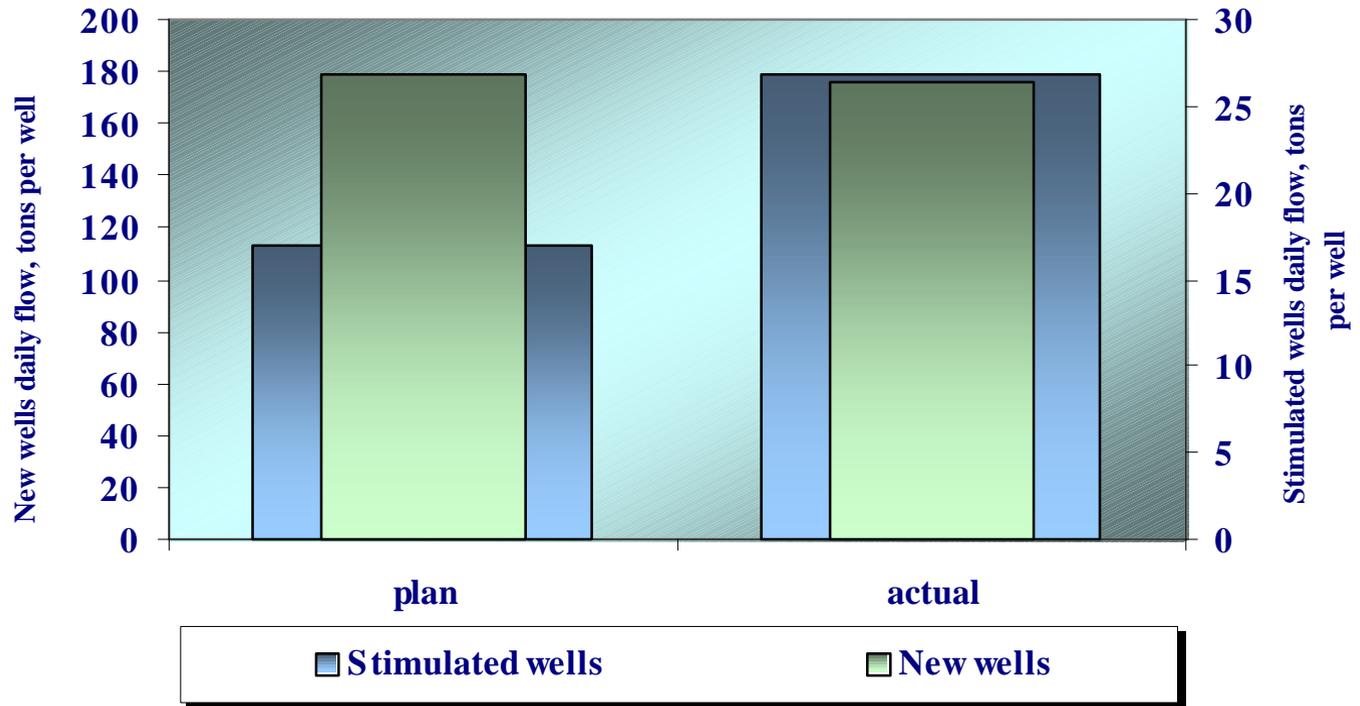


- Full year oil production reached 31.4 million tons, representing growth of 19.2% growth over 2002 output.
- Slavneft achieved 23.1% growth applying Sibneft's management technology and strategy. Sibneft controls 50% of Slavneft.

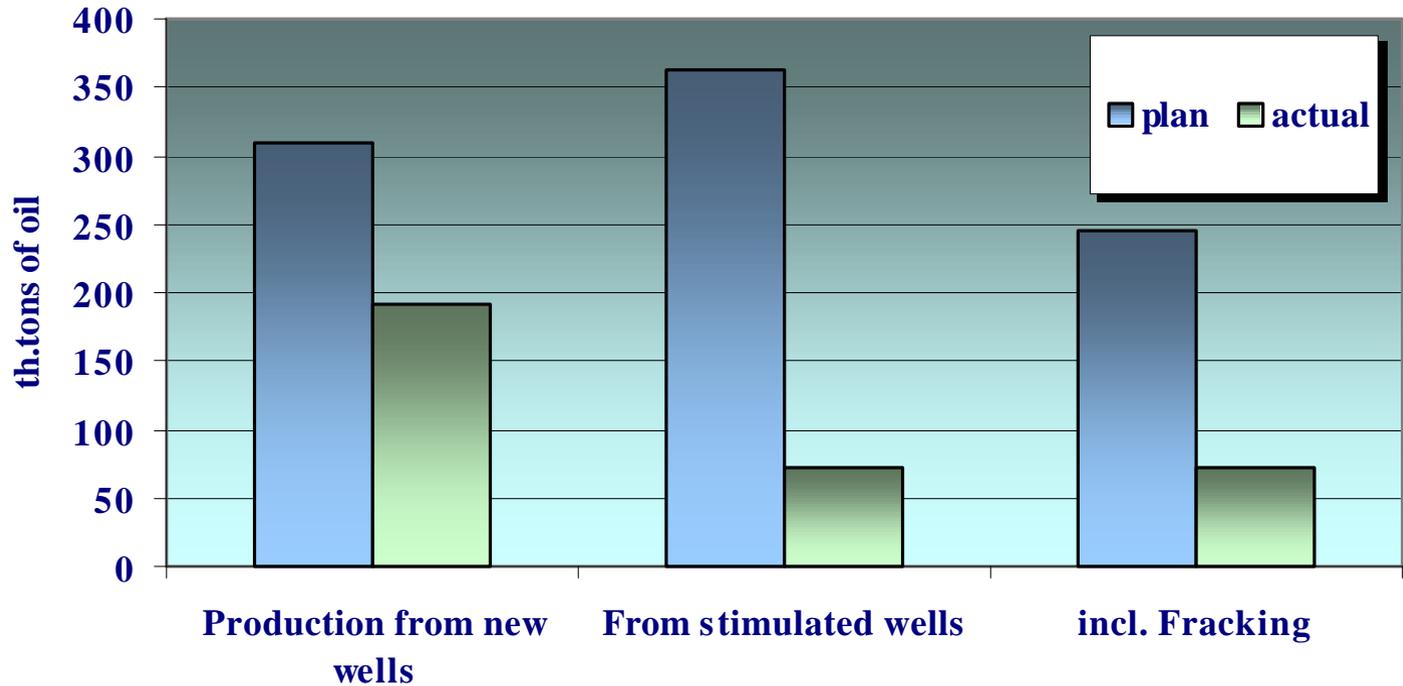
- Our full-year target for 2003 (at the beginning of the year) was 33 million tons, versus actual output of 31.4 million tons.
- Key factors contributing to difference between the target and actual results:
  - ✓ New drilling programs and CapEx on “green-field” projects were cut under an agreement with YUKOS to coordinate all investment programs.
  - ✓ Stimulation programs, like fracturing, sidetrack drilling, and de-conservation of wells were halted on some fields (eg. Priobskoye)
  - ✓ New drilling programs on “brown-field” sites were scaled back.
  - ✓ At the same time, more effective drilling and well stimulation enabled Sibneft to boost relative production targets such as production rate per well, thus minimizing the gap between the initial 2003 production target and actual output.
- 2004 oil production target remains the same – 38.8 million tons.



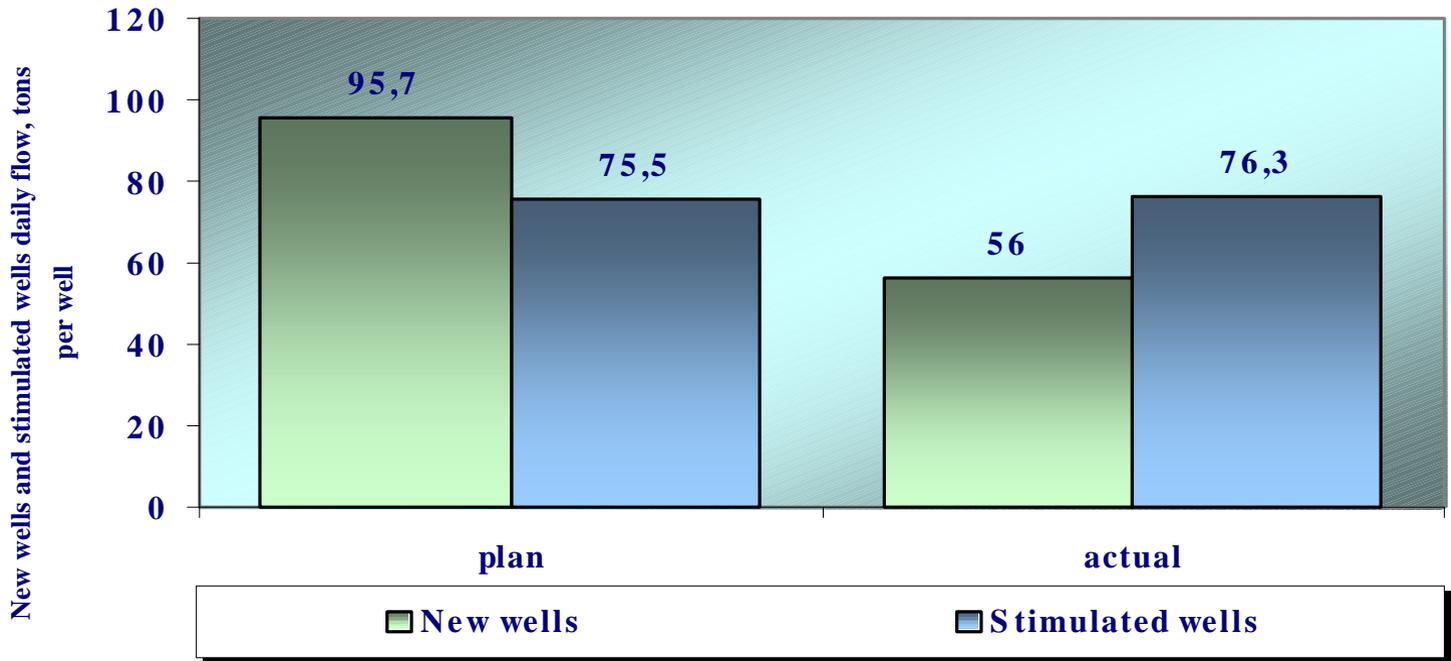
- Drilling programs in Noyabrsk were partially suspended in 2H 2003, pushing new well production below initial targets.
- Effective secondary recovery operations (fracturing, moving to new horizons, sidetracks, etc.) helped offset the natural decline in older wells.



- The average daily flow rate from new wells in Noyabrsk, despite reduced CapEx, was within the expected range (175.5 tons per well versus 179.2 tons per well).
- The daily flow from stimulated wells was 58.6% higher than planned (26.8 tons per well versus 16.9 tons per well).

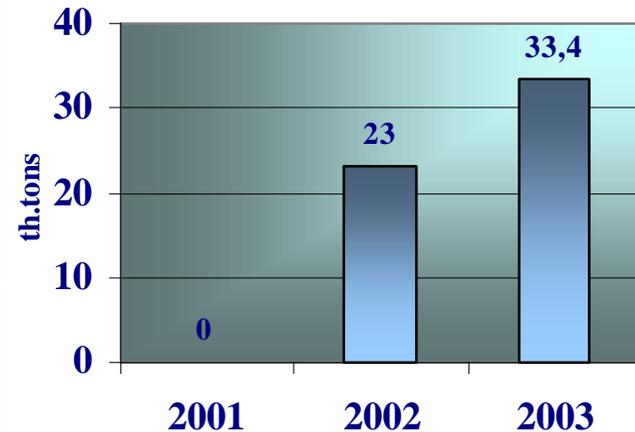


- Production from the Priobskoye field was well below target.
- Only 85% of planned new wells were brought on-stream.
- Secondary recovery operations were carried out at only 38% of planned wells.
- No closed wells, marked for re-opening, were brought on-stream.



- Priobskoye, a green-field upstream asset, is one of the major value drivers of Sibneft. Daily well pay-offs could be 3 times as high as in the Noyabrsk area.
- The upside potential is that production could reach 10 mln. tons/year, or nearly 30% of total production in 2010 (disregarding potential new acquisitions).

- In September 2003, Sibneft acquired three new oil fields in the Tomsk region: the Archinskoye and Urmanskoye fields (ZAO Archinskoye) and the Shenginskoye field (OOO Shenginskoye). Licenses for these fields are currently being transferred to Sibneft.
- Sibneft estimates the extractible reserves to be:
  - Archinskoye – 3.2 mln.ton
  - Urmanskoye – 3.1 mln.ton
  - Shenginskoye – 3.0 mln.ton
- Currently only the Archinskoye field is producing:

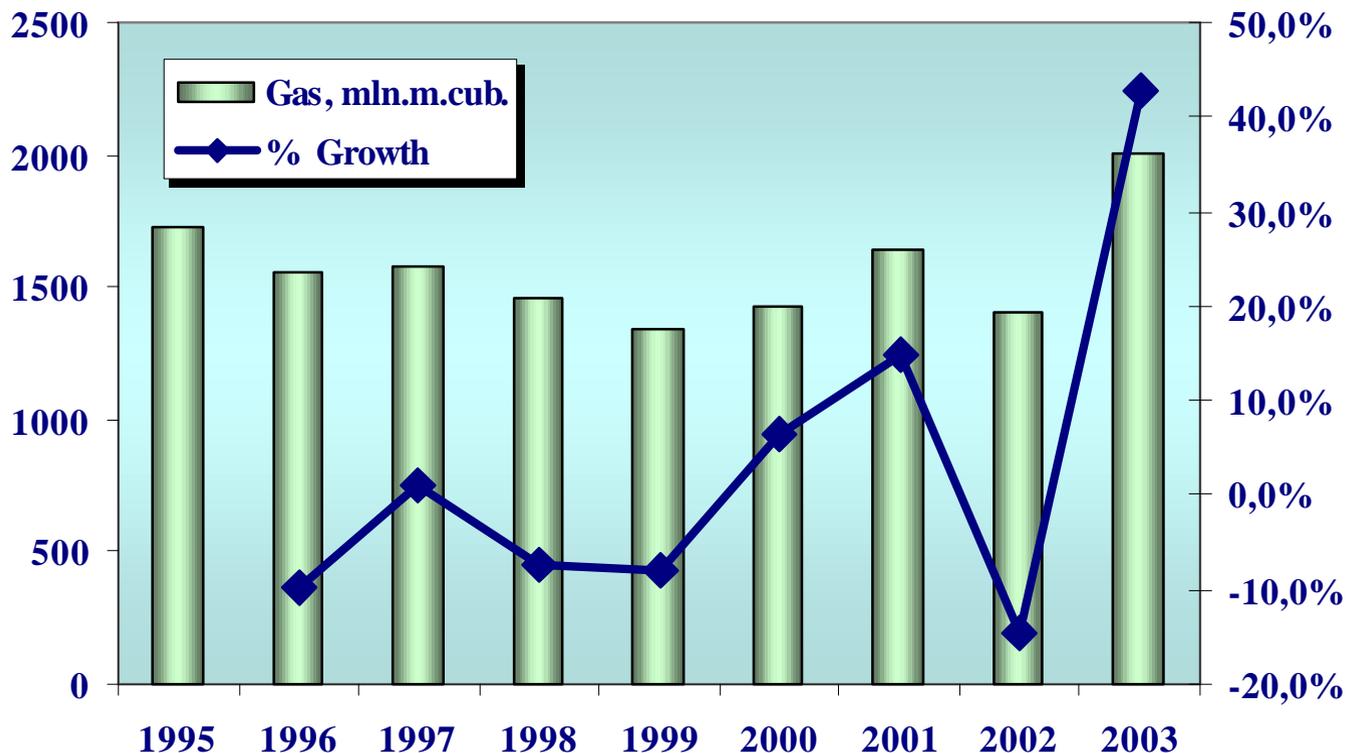


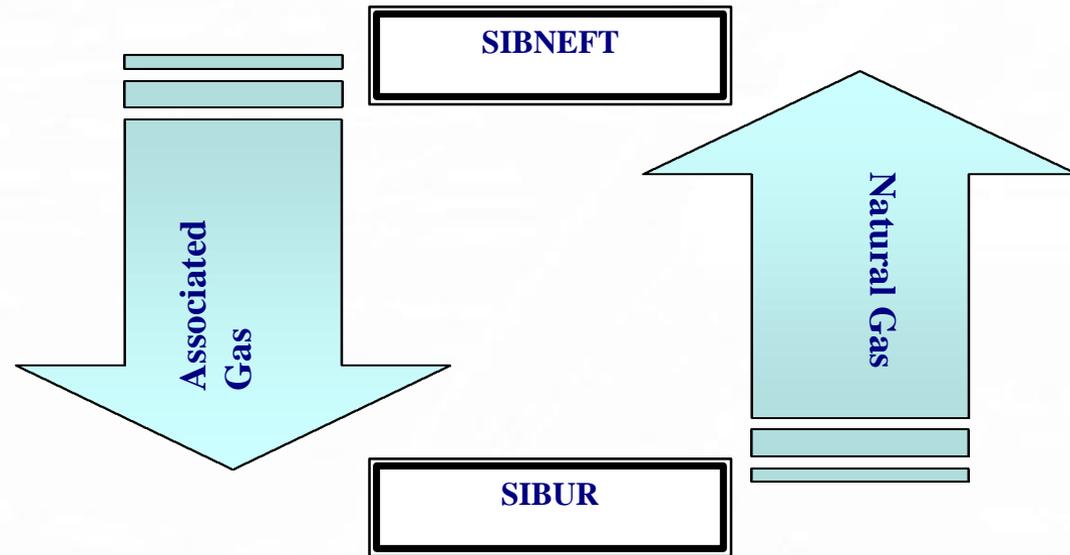
- Our target proved reserve life remains 10-12 years. The current level is 23 years.
- Our reserve strategy is to improve quality by applying 3D seismic, logging and FDP modeling.
- During 2003 we have extended the licenses for several oil fields:

Field	2002 SPE Proved Reserves	Previous license expiry	New license expiry
Sugmutskoye	669 mln.bbl.	2014	2050
Zapadno Noyabrskoye	73 mln.bbl.	2013	2050
Sredne Iturskoye	124 mln.bbl.	2014	2050

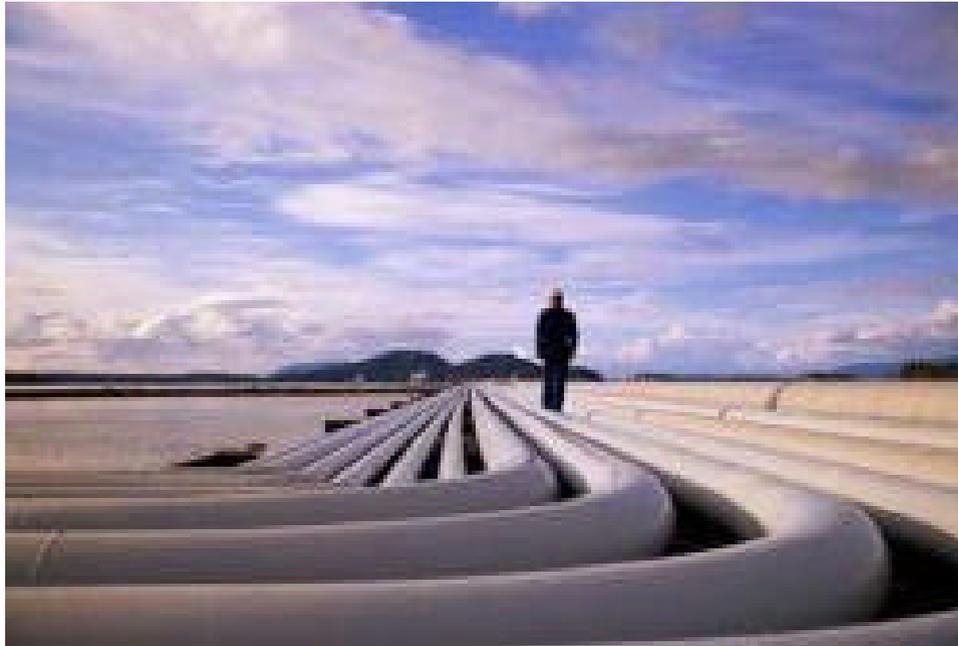
- This work, which was slowed by the merger with YUKOS, will be accelerated in 2004.

- Gas production reached 2.002 billion cub.m., up 42.8% on 2002.





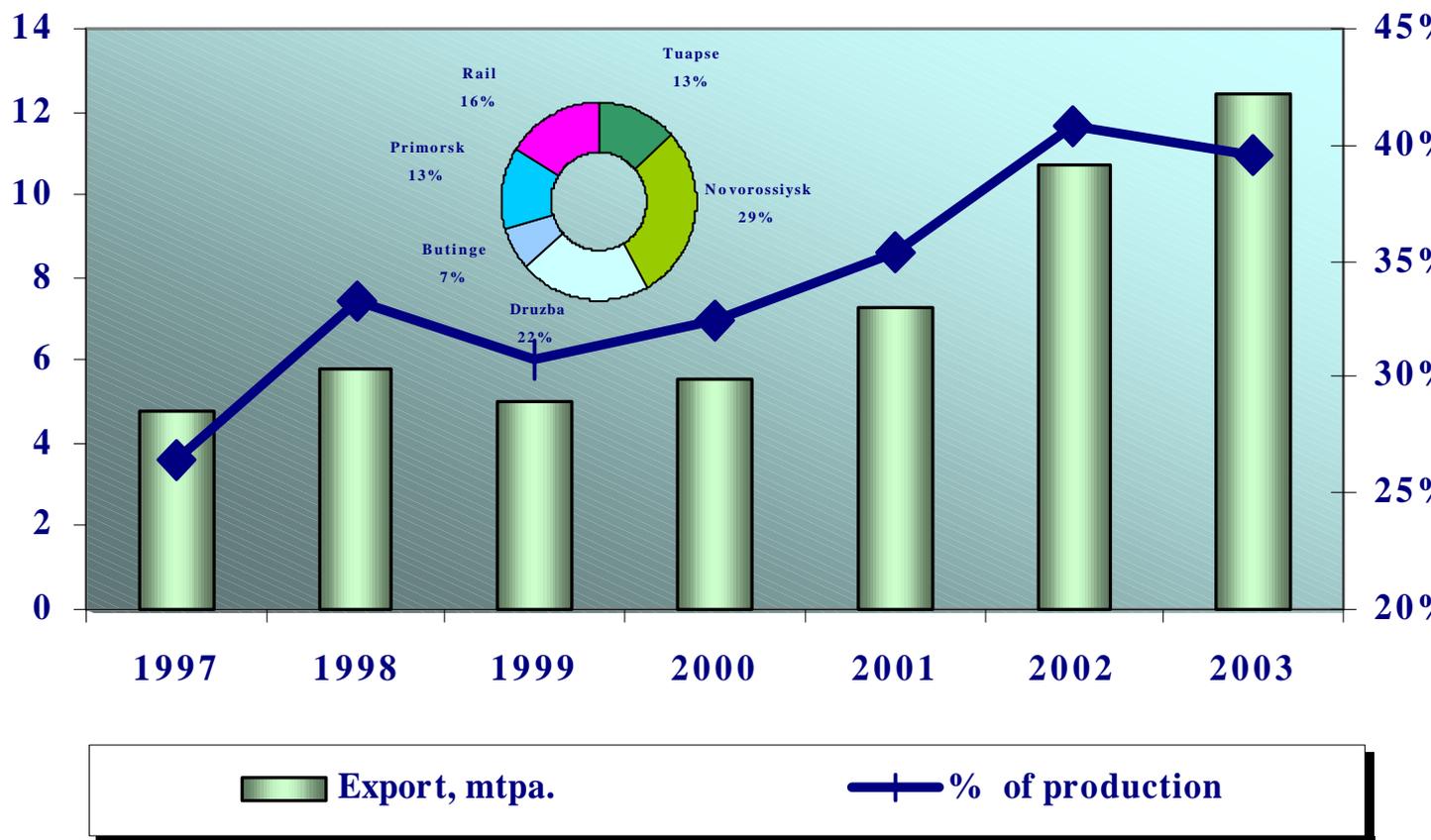
- Sibneft began direct sales of natural gas in 2003.
- Sibneft swaps its associated gas output for natural gas from SIBUR, which is then shipped to our own customer base.
- Sibneft has set up a joint venture with SIBUR to toll associated gas through the Muravlenko Gas Processing plant. Starting in 2004, Sibneft will directly market gas chemical products.



## **Sibneft 2003 Crude and Products Export Operations**

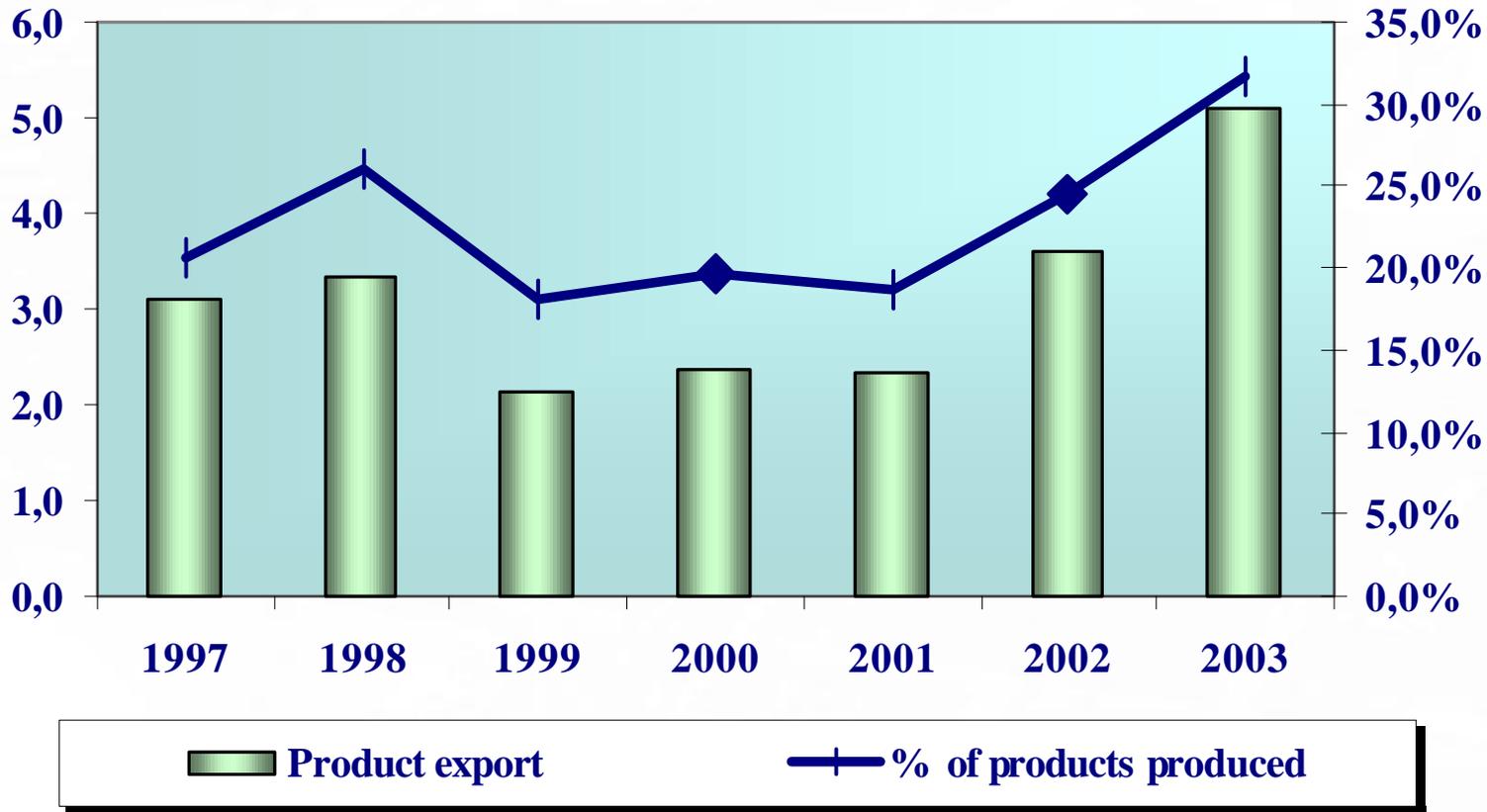
## Crude Exports – Record Growth

- Export to production ratio reached 40%, primarily due to increased deliveries via Novorossiysk, BTS and Vitino.
- The share of rail and combined export was nearly 20%.



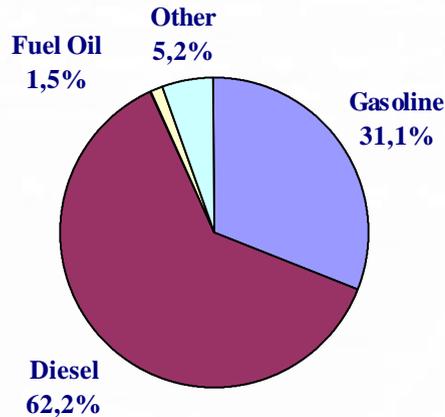
- Sibneft has announced its interest in supplying crude oil to both the proposed Murmansk and China pipelines.



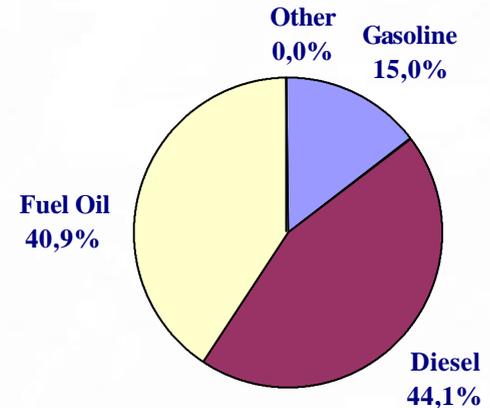


- Sibneft significantly increased oil product exports due to increased refining in Moscow and Yaroslavl.

*Omsk Refinery Export*



*Moscow Refinery Export*



## Omsk Refinery

- Exports of light products, including high grade gasoline.

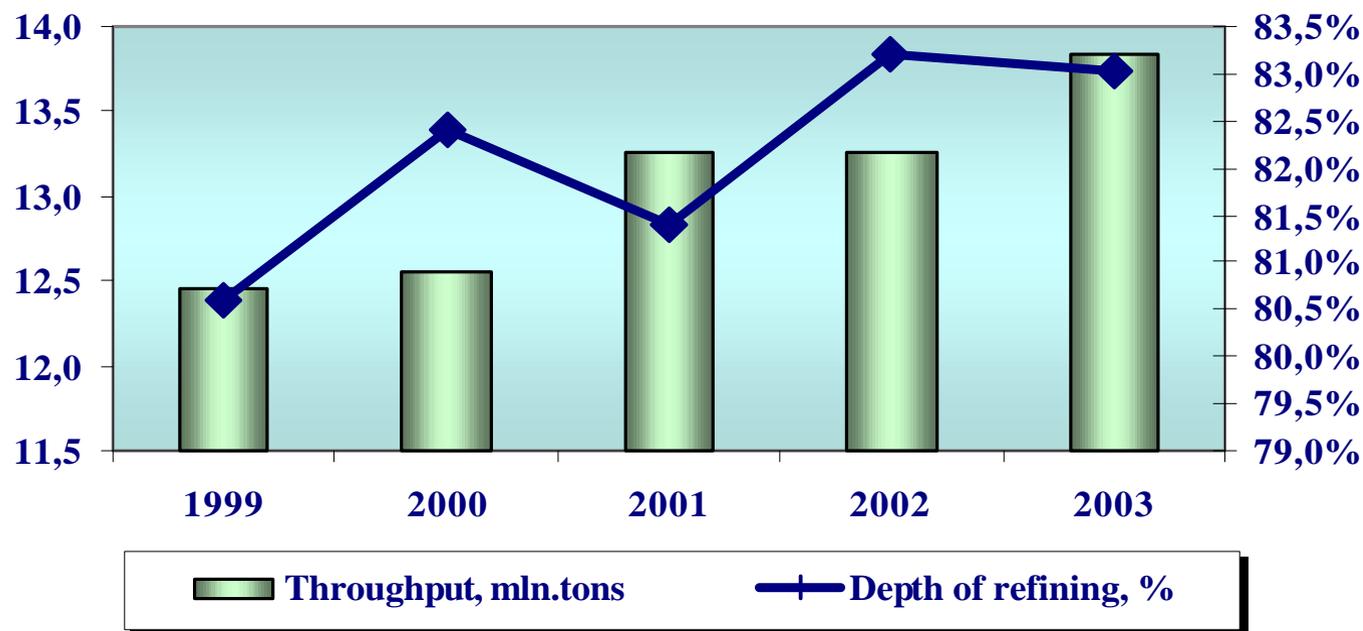
## Moscow + YaNOS

- Location enables higher exports of fuel oil. We also aim to concentrate gasoline sales by developing Sibneft's network of filling stations in the European part of Russia.



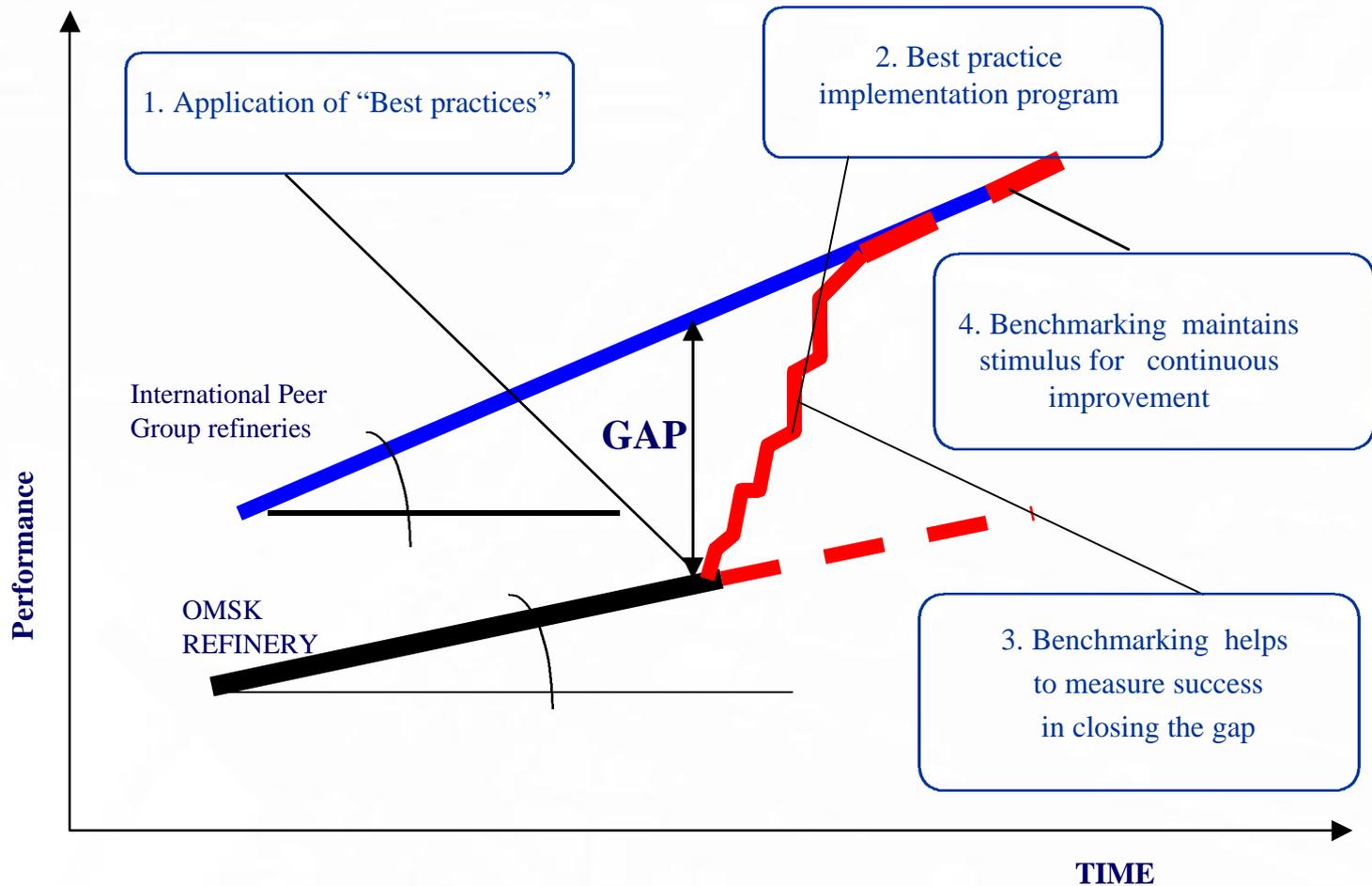
## **Sibneft 2003 Downstream Results**

- Omsk Refinery – throughput growth due to sales optimization.



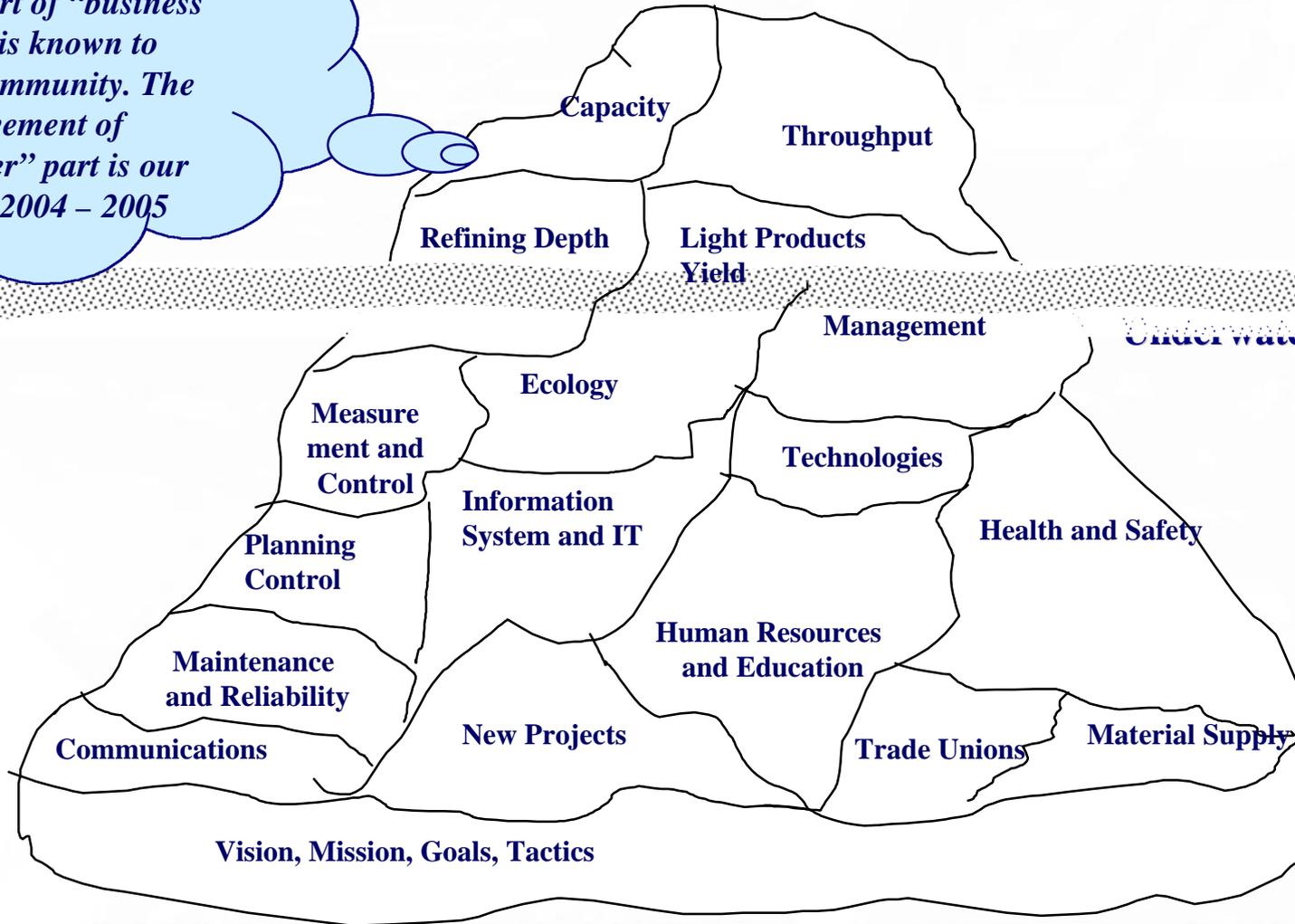
- In 2004 we plan to finish the construction of 1 mtpa. reforming unit (increase the octane number of the gasoline). The unit will substitute the 0.6 mtpa unit, which operates now. The latter will be re-modernized into the isomerization unit in 2005-2006.

- The Omsk Refinery has completed an engineering audit by Shell Global Solutions.
- Next step – refinery improvement with minimum CapEx.
- Technical audit modules:
  - ✓ Benchmarking (Comparative analysis with international refining peer group (refining complexity, technologies, output slate, management, human resources, HSE, risk management, etc... more than 100 categories))
  - ✓ Strategy and Vision (Market survey, Omsk Refinery role in supply chain)
  - ✓ Hydrocarbon Management (technologies and quality of oil products management)
  - ✓ Energy and Loss (refining losses and energy consumption control)
  - ✓ Control and Instrumentation (sampling and measurements)
  - ✓ Maintenance and Reliability (repairs and services)
  - ✓ Procurement Process (supply systems of the refinery)
  - ✓ Business Process Applications, Organizational Effectiveness and Competence (planning process, ARIS implementation)



- Currently, we are preparing for the Implementation Agreement. The implementation of the findings not only will provide for the improvement of our business and economic results, but change the whole system of management of the refinery.
- What steps we undertook already in 2003:
  - ✓ Started to implement ARIS to describe business models on Omsk Refinery. This will optimize the production chains and processes at the refinery.
  - ✓ Hired Saybolt to improve measurement control systems for product outputs.
  - ✓ Planning and measurement improvements lead to a decrease in unsold product residuals in the tanks, thus enabling the refinery to increase throughput.
  - ✓ Decrease in internal fuel consumption, due to more effective usage of gas to heat the raw fuels, thus decreasing the costs of refining.

*Only that part of “business iceberg” is known to investors community. The improvement of “underwater” part is our target for 2004 – 2005*



➤ **Moscow Refinery:**

- ✓ The dispute over management of the refinery was settled in March 2003.
- ✓ Currently, Sibneft refines an amount proportionate to its shareholding in the refinery.
- ✓ In 2003, Sibneft refined approximately 2.98 mln.tons in Moscow

➤ **Yaroslavl Refinery:**

- ✓ During 1H 2003 Sibneft shipped 1.1 mln. tons of crude to the refinery in accordance with an agreement with TNK.
- ✓ Since 2H 2003, in accordance with the agreement with TNK, YaNOS operates as an independent profit center. Sibneft has no obligation to ship crude to YaNOS.
- ✓ Sibneft regards YaNOS as an important asset to refine crude in future. The refinery has an excellent location for future retail operations in the European part of Russia.

- Regional coverage expanded by starting operations in Krasnoyarsk region and expanding our network in Moscow. Currently we own 30 stations and have 25 and 108 as franchised and dealers, correspondingly. In 2003, we also bought several sites in Nizhniy Novgorod and registered an operating company in St. Petersburg. We plan to open up about 10 – 15 stations in these regions in 2004.
- We continued to increase the share of retail sales of our products via petrol stations. About 8% of products sold domestically by Sibneft are sold via its proprietary retail station network.
- We continue to promote our lubricants brand.

