

s i b n e f t



AO SIBERIAN OIL COMPANY

- 1998 Interim Results for the Six Month Ending 30th
June 1998

Agenda



- ● **Introduction**

- EUGENE TENENBAUM, Head of Corporate Finance



- ● **HI 1998 Financials**

- IRINA PANCHENKO, Chief Accountant

- ● **Operating Review**

- **Exploration and Production**

ANDREY MATEVOSOV, General Director, Noyabrsk

- **Refining and Marketing**

VALERY OIF, Vice President, Downstream



- ● **Outlook**

- EUGENE TENENBAUM, Head of Corporate Finance



Our Mission

- To fully realise and enhance the potential of our resource base, our people and the markets we serve
- To provide a world class financial return on a high quality asset base
- To create a simple and transparent corporate structure:
 - one company, one common share
- To set a new Russian benchmark for efficiency and competitiveness in the oil industry



HI 1998 Financials & Outlook

EUGENE TENENBAUM
Head of Corporate Finance

Introduction

- Q1 focus on YUKSI (not cost cutting)
- Q2 renewed emphasis on costs & efficiency
- Driving through change program despite crisis
- Strong balance sheet - no default

Financials

- EBITDA \$150.4 mm
- Success of production costs cutting program realization
- (\$60.4) mm net loss
- Overstocking in Q1
- \$150 mm program of social assets maintenance costs cutting will impact end 1999



HI 1998 Financials & Outlook

IRINA PANCHENKO
Chief Accountant

Income Statement

Thousands of US Dollars	IH 1997	IH 1998
Oil and gas revenues	1,371,727	1,269,195
Total revenues	1,487,586	1,377,727
Operating expenses	1,267,876	1,227,358
EBITDA	219,710	150,369
DD&A	204,701	238,212
EBIT	15,009	(87,843)
Profit before tax	57,200	(45,757)
Net income / (loss)	13,682	(60,388)

Cashflow Statement

Thousands of US Dollars	1997	IH 1998
Net profit / (loss)	68,220	(60,388)
Change in net accounts receivable	80,615	(322,042)
Change in accounts payable	(55,095)	162,955
Change in estimated income and other taxes	14,931	(84,571)
Net cash from operating activities	354,449	(22,812)
Net additions to capital assets	(608,589)	(221,656)
Change in short-term loans	(204,191)	286,555
Increase in long-term debt	150,555	(19,570)
Change in cash and equivalents	89,898	103,220
Cash and equivalents at end of year	108,694	211,914

Balance Sheet

Thousands of US Dollars	Dec 31 1997	June 30 1998
Cash and equivalents	108,694	211,914
Accounts receivable	422,788	744,829
Net oil and gas properties / PP&E	5,323,108	5,301,783
Total assets	6,604,171	6,898,926
Short-term debt	324,177	610,732
Long-term debt	150,000	150,000
Accounts payable and accrued liabilities	407,609	570,564
Estimated income and other taxes	740,625	656,054
Minority interest	2,399,084	2,392,945
Shareholders' capital	2,409,167	2,348,779
Total liabilities and shareholders' capital	6,604,171	6,898,926

Abbreviated accounts

Capitalisation

Thousand of US Dollars	31/12 1996	31/12 1997	30/06 1998
Short-term debt	119 986	324 177	610 732
Long-term debt	0	150 000	150 000
Shareholders` capital	2 340 947	2 409 167	2 348 779
Total debt / Shareholders` capital	5.13%	19.68%	32.39%
Weighted average interest rate at end of period	57%	15%	29%
Weighted average interest rate for period	88%	19%	19%



Operational Review





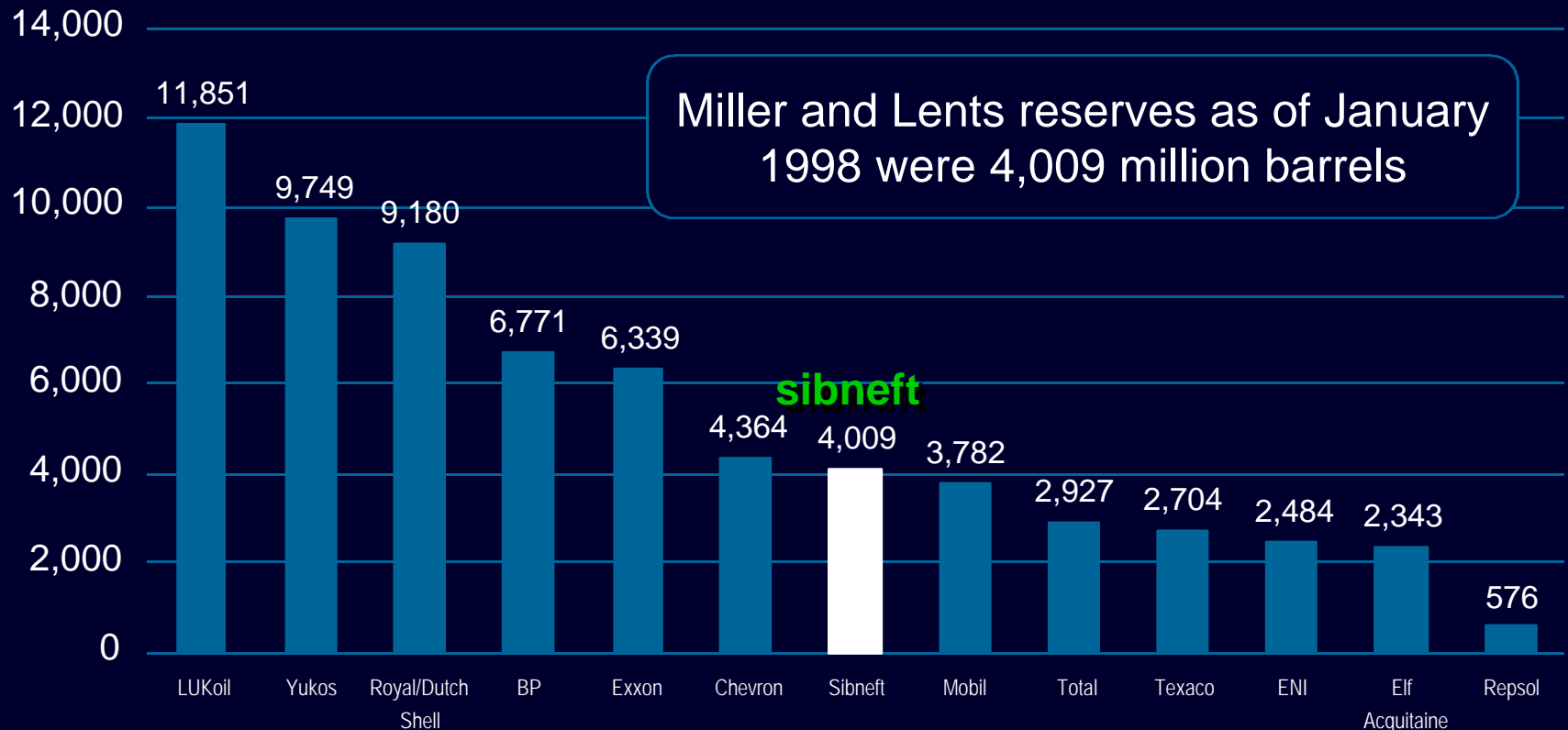
Upstream

ANDREY MATEVOSOV
General Director, Noyabrsk



E&P - 1998 Proved Oil Reserves

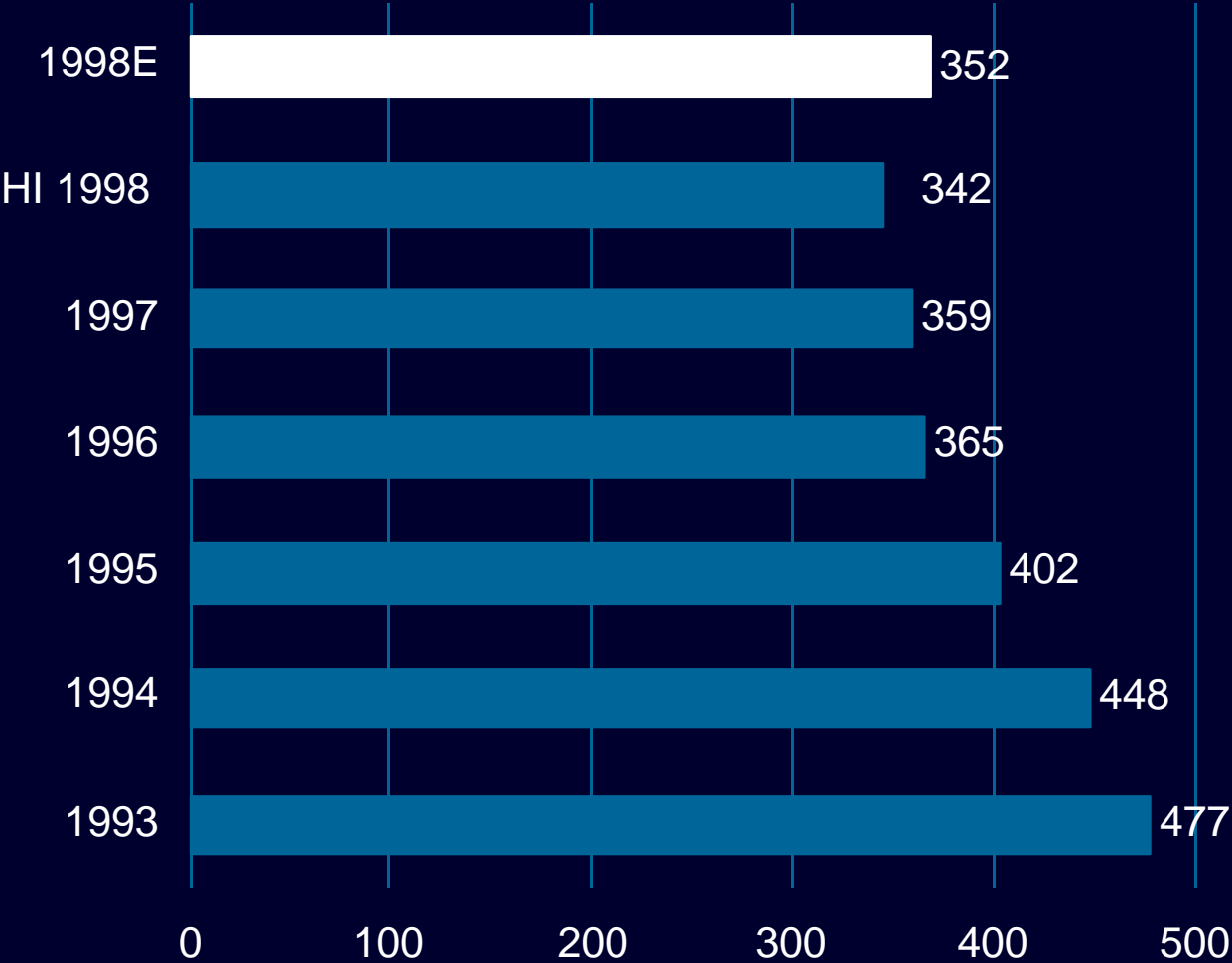
1998 Proved Oil Reserves (million barrels)



Note: Reserves include associates
Reserves as of December 1997, except for LUKoil, Tatneft and Yukos, whose are as of January 1997

Decreased Oil Production

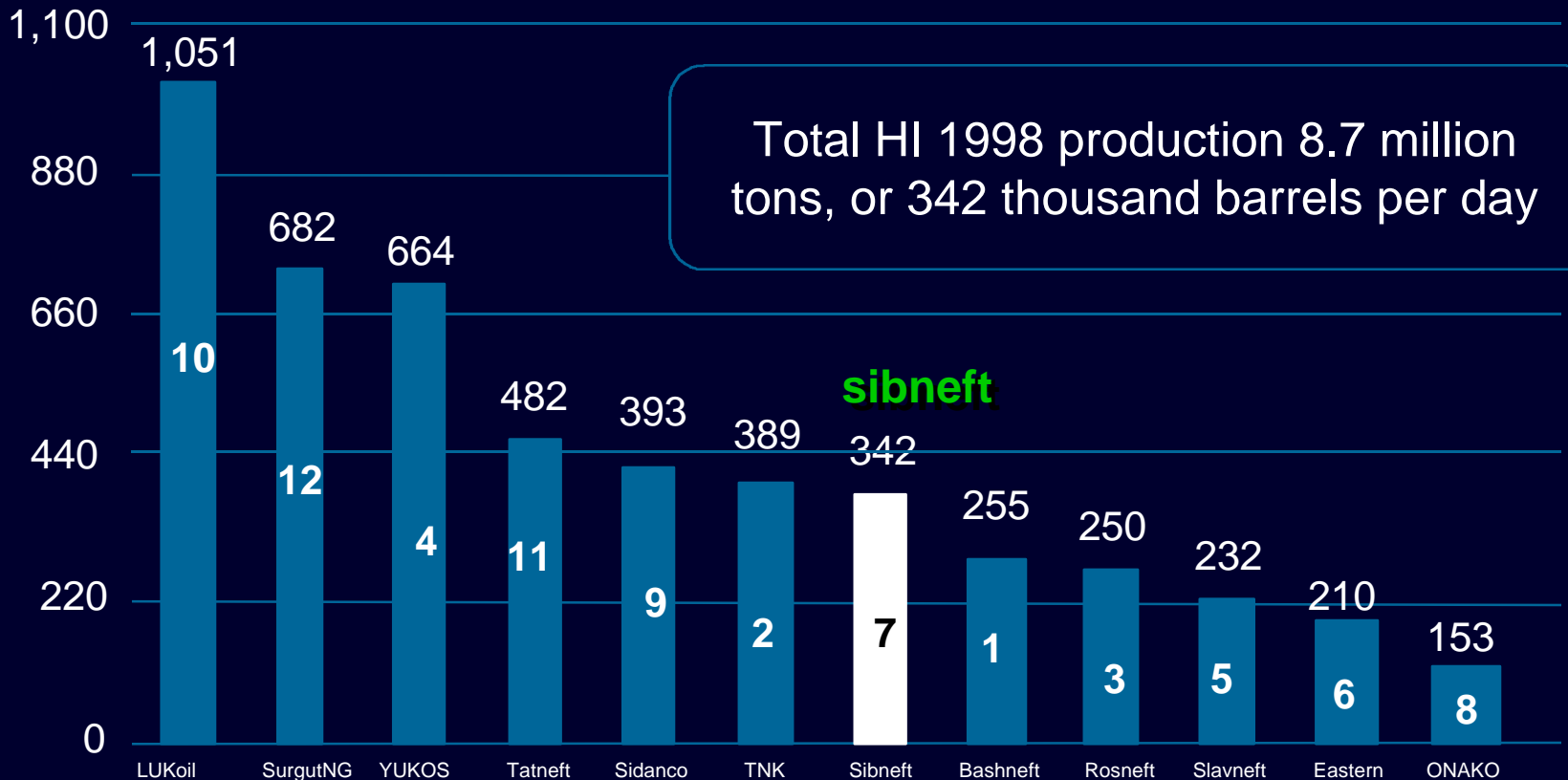
Thousand barrels per day



In light of the sustained low oil price the Company cut production by 3.2% in HI 1998 but projects total production for the year to be approximately 17.4 million tons, or 4.4% decrease compared to 1997

E&P - HI Crude Oil Production

HI Crude Oil Production (thousand barrels per day)



Note: Production include associates

The numbers in the bars indicate the rating of oil production fall in HI 1998 compared to 1997.

Targets for Schlumberger Collaboration

- Jointly identify opportunities where Schlumberger technology can enhance production and optimize reserve recovery
- Utilize Schlumberger's industry leading techniques
- Optimize Production
- Reduce lifting costs
- Enhance reserve recovery
- Gain the joint knowledge required to improve the current and future field development programs

Making It Happen

- Discussing a *Sibneft-Schlumberger Production Enhancement Group (SSPEG)* comprising Schlumberger experts and Sibneft op's personnel whose role will be to:
 - Identify opportunities
 - Propose plans, validate current & predicted results
 - Set targets / measurements for service providers

Making It Happen

- This group then will review the NNG production history to identify the fields with the best opportunity to benefit from a joint production enhancement focus
- Vyngayakhinskoye was selected as the field that would best illustrate the Schlumberger production enhancement opportunities in Sibneft
- A pilot project was initiated to review Vyngayakhinskoye in more detail

Fracturing Results

- Data Frac's completed in key fields
 - well defined understanding of reservoir behavior
- Post production results from Fracturing treatments indicate significant benefits:
 - Case 1*
 - pre-Frac production @4 t/day
 - post frac production (after 15 days) @ 49 t/day
 - Case 2**
 - pre-Frac production @0.8 t/day
 - post frac production (after 14 days) @ 36 t/day

* Fraced on October 6th

** Fraced on October 7th

Four Fields Underway

- Vyngayakhinskoye

 - Schlumberger Fracturing program currently underway
(2 treatments, 2 wells on production)

- Sutorminskoye

 - Schlumberger Fracturing program currently underway
(2 treatments completed to date)

- Sugmut

 - Schlumberger Fracturing program currently underway
(1 treatment completed)

- Vyngapur

 - Schlumberger Fracturing program currently underway
(1 treatment completed)



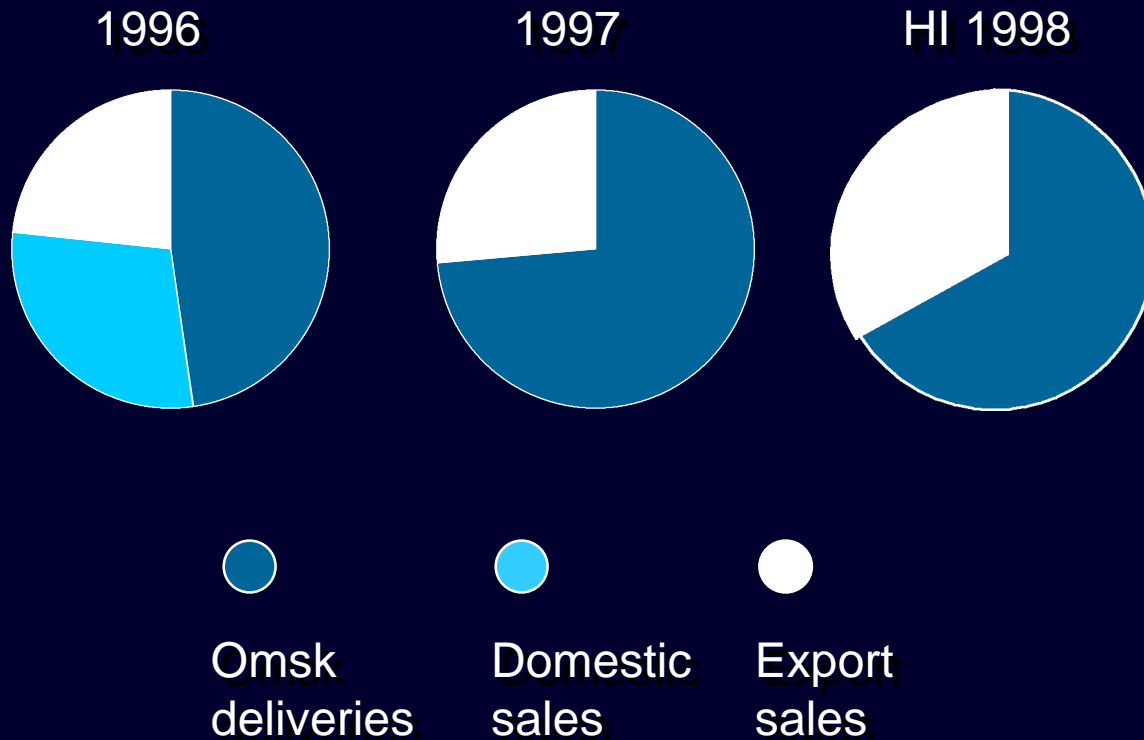
Refining and Marketing

VALERY OIF
Vice President



Crude Oil Marketing

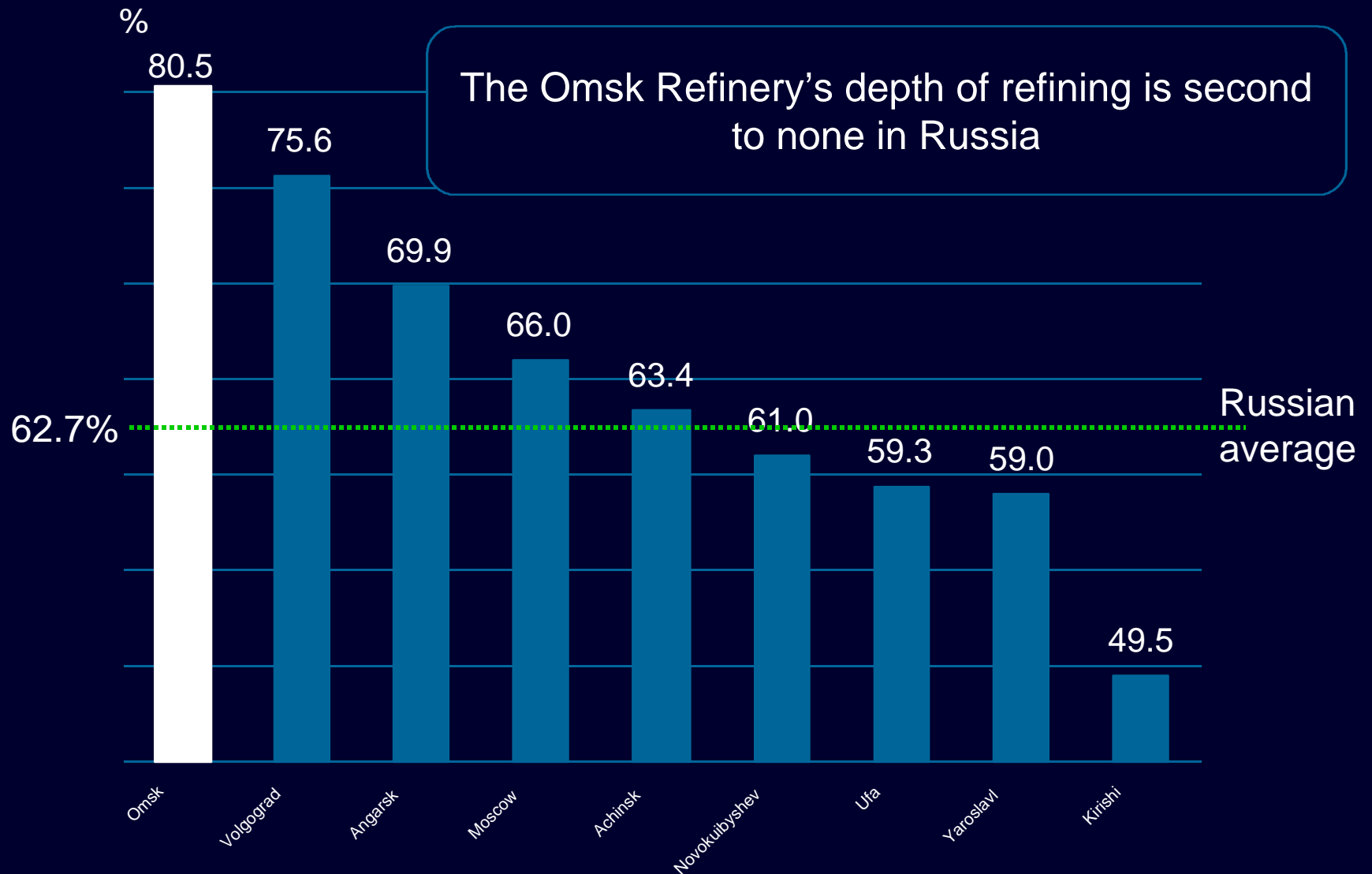
Export sales up to 35.4% to 3.0 million tonnes



Refining - HI 1998 Operational Highlights

- Throughput reduced to 6.8 mm tonnes or 255,000 barrels per day, (20.3%)
- 27.1% of refined products exported compared to 19.2% in 1997
- Depth of refining increased to 80.5% from 79.5% in 1997
- Focus on added value products
- Aggressive penetration of new markets in 1998
- to be continued in 1999

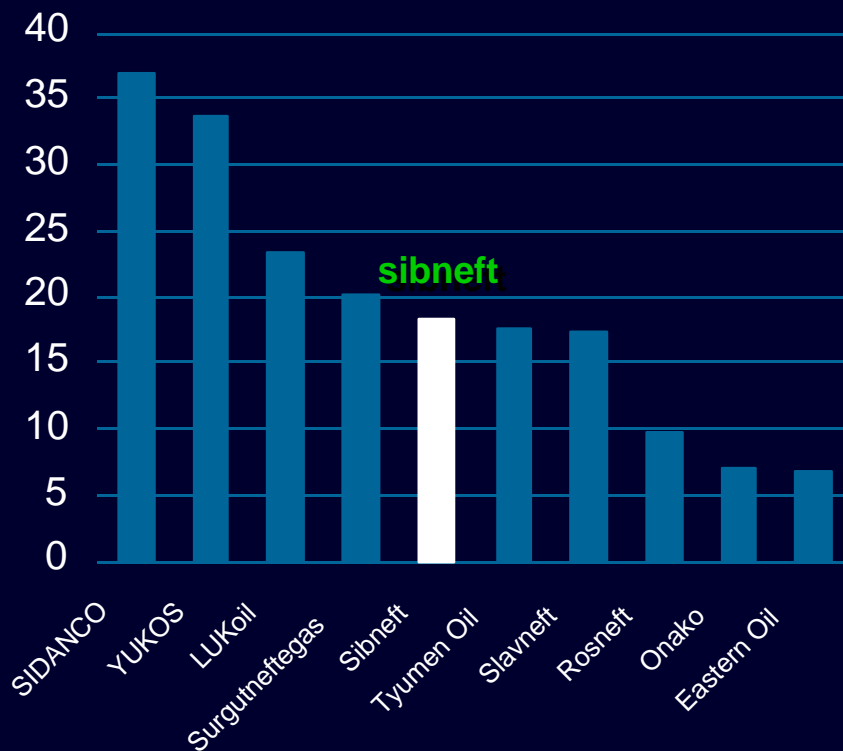
High Depth of Refining - HI 1998



Refining - Russian Comparison

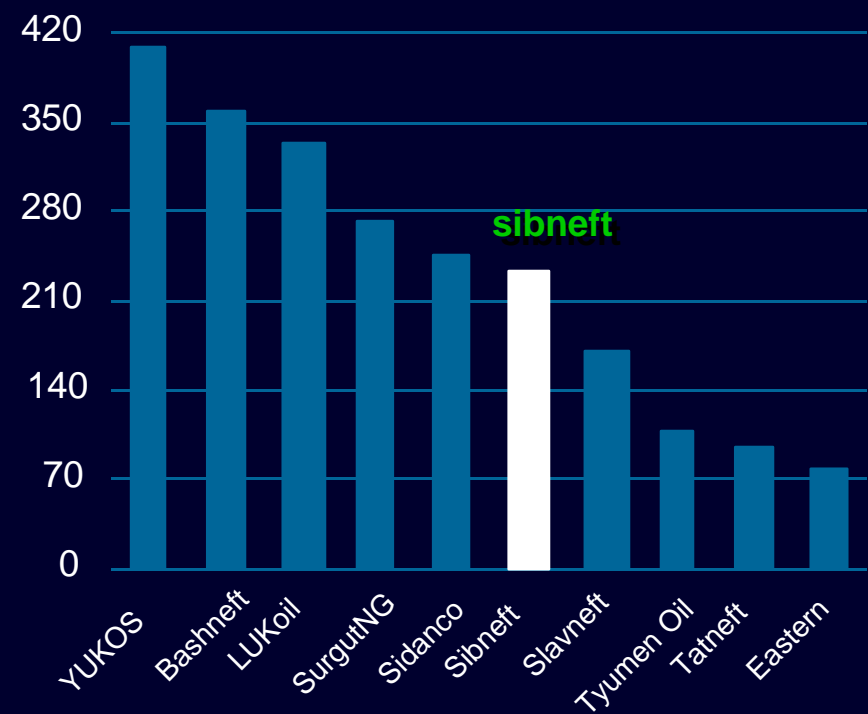
1997 Refining Capacity

(millions of tons)



HI 1998 Refining Throughput

(thousand barrels per day)



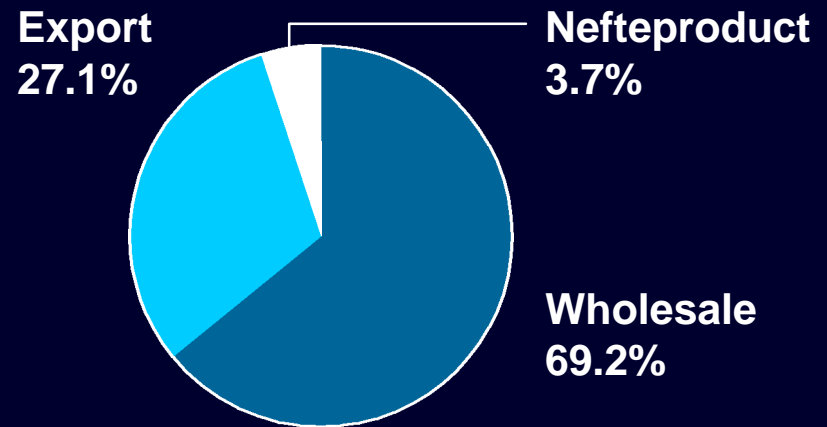
Note: HI 1998 throughput. Refining capacity as of December 1997

Source: InfoTEK

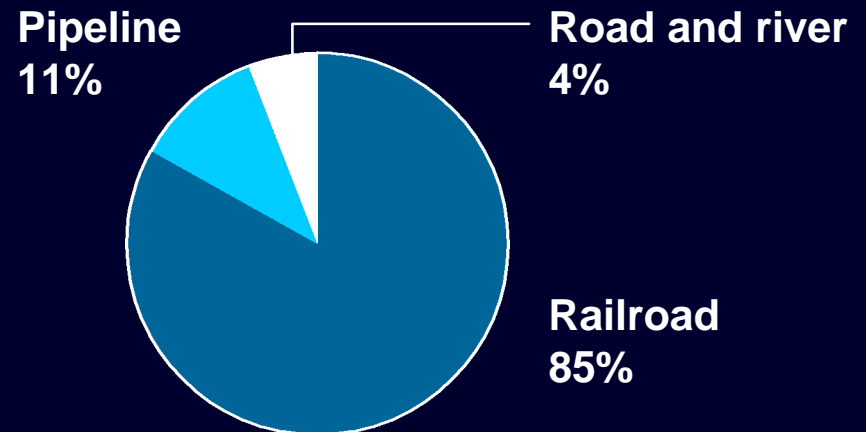
Refined Products Marketing

- Relative isolation of Omsk Oil Refinery, i.e. protection from refining over-capacity of European Russia
- Access to refined products pipeline which extends both East and West from the refinery

Refined product sales HI 1998



Refined product distribution HI 1998





Corporate Developments

EUGENE TENENBAUM
Head of Corporate Finance



Consolidation

- Resubmitting prospectus for share issue
- Meantime workforce swapping NNG shares with Sibneft shares
- NNG consolidation complete Q1, 1999
- Omsk H2 1999

Corporate Initiatives

- ADR level I, January 1999
- Website, www.sibneftoao.com
- Full English annual report 1999
- Analyst site visit spring 1999

Corporate Governance

- Charter published in July 1998
- Recommendations of Committee accepted in full
- Remuneration, audit & nomination & assessment committees established
- Reviewing non-executive positions

Strategic Alliances

- Russian crisis hit Elf equity investment
- Looking at J.V. field developments with several international partners
- Building on relationship with Schlumberger

Crisis Strategy

- Maintain prudent financing
- Flexible response to changes in prices and demand
- Focus on management of receivables
- Focus on productive capex
- Longer term - opportunities will arise

Devaluation Effect

- Refined products more competitive
- Evaluating tax implications