



sibneft

Annual Report

2002



2002 Annual Report

Approved by the Board of Directors
OAO Sibneft
(Protocol № 119 of April 9, 2003)

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I.

General Information

Open Joint Stock Company Siberian Oil Company (OJSC Sibneft) was established in accordance with Decree # 872 by the President of the Russian Federation, "On Founding of the Open Joint Stock Company Siberian Oil Company", of August 24, 1995 and Resolution # 972 by the Government of the Russian Federation, "On Founding of the Open Joint Stock Company Siberian Oil Company", of September 29, 1995. OJSC Sibneft was incorporated on October 6, 1995. The state, as Sibneft's founder, created a vertically-integrated company with assets comprised of shares in oil producer Noyabrskneftegas, the Omsk Refinery, geophysical enterprise NoyabrskneftegasGeophysica and marketing company Omsknefteproduct. The company was completely privatized in May 1997, and OJSC Sibneft today remains a private-sector company.



Location and Mailing Address

Physical Address: 85 Oktyabrskaya Street
Lubinsky industrial community, Lubinsky district
Omsk region, 644160
Russian Federation

Mailing Address: 4 Sadovnicheskaya Street
Moscow, 115035
Russian Federation

State Registration Information

The Omsk State Registration Chamber of the Omsk municipal administration registered Sibneft on October 16, 1995. Its registration certificate is #38606450 and its primary state registration number is 1025501701686.

Share Capital and Shareholders

Sibneft's share capital totals 7,586,079.4224 rubles, formed through the placement of two common nominal share issues granting their holders equal rights. All stock in the company is in the form of voting shares. There are a total of 4,741,299,639 outstanding shares with a face value of 0.0016 rubles each. As of January 1, 2003, there were 13,029 personal accounts listed in the shareholder register, five of which account for 92% of total stock issued.

Registered Shareholders	% of Share Capital
Deutsche Bank LLC (nominee)	13.8478
CJSC ABN AMRO Bank A. O. (nominee)	19.7297
National Depository Center (nominee)	14.8957
OJSC West Siberian Depository (nominee)	19.4567
CJSC ING Bank (Eurasia) CJSC (nominee)	24.1171*
	* including 4.628% as ADRs

Auditor

Independent accounting firm Ernst & Yong audited Sibneft's 2002 accounting and financial statements.

Ernst & Young
20/12 Podsosensky Pereulok
Moscow, 105062
Russian Federation
Telephone/Fax: +7 (095) 705-9292.

OJSC Registrator R. O. S. T.

18 Stromynka Street, Bldg. 13
Moscow, Russia
Telephone: +7 (095) 786-6975
Fax: +7 (095) 786-6974
Internet: <http://www.rrost.ru>
E-mail: rost@rrost.ru

Registrar

OJSC Registrator R. O. S. T. is a specialized registrar acting on the basis of Federal Securities Commission license # 10-000-1-00264 of December 3, 2002. The firm is ranked among the top five registrars in Russia, protecting the rights of over three million securities holders. It has a broad regional network, and combines years of experience with reliable registration and management technologies that comply with international standards.

II.

Commercial and Financial Activity

Industry Positioning

In 2002, Sibneft retained its position as a leader among its peers in Russia. Each year since 2000, Sibneft has posted the highest rates of production growth in the industry. Crude oil output rose by 27.4% in 2002, compared to an industry average of about 9% for the Russian oil sector. Sibneft accounted for 7% of Russia's oil production, up from 6% in 2001.

Sibneft ranked as the fourth largest oil refiner in Russia in 2002, processing over 13 million tons (257,000 barrels per day) at the Omsk Refinery and tallying an additional 2.5 million tons (49,000 barrels per day) at the Moscow Refinery. The company also significantly expanded its network of retail filling stations during the year, likewise ranking fourth in Russia in terms of retail oil product distribution.

Core Activities

Sibneft's primary operations are in the exploration and development of oil and gas fields, oil and gas production, oil and gas refining, oil products production, and crude oil and oil products sales and marketing.

Exploration and Production

In 2002, efficient management and the employment of modern production technologies allowed Sibneft to achieve an unprecedented level of production growth in the history of Russian oil companies. Crude oil output grew by 27.4% to 26.334 million tons (520,000 barrels per day), accounting for fields belonging to OJSC Sibneft, OJSC Sibneft-Noyabrskneftegas, OJSC Sibneft-Yugra and OJSC Meretoyakhaneftegas. The company has set a target of



producing 33 million tons (652,000 barrels per day) of oil in 2003, an increase of 25% over the previous year.

The company's development strategy calls for maximum production levels, profits and oil recovery rates during the entire field development stage. These results are achieved through increasing the efficiency of field development and investing in new technology.

As of year-end 2001, Sibneft had 23 fields under development, including the Krapivinskoye field in Omsk region and 2 fields owned by OJSC Sibneft-Yugra (Priobskoye and Palyanovskoye). In 2002, with the addition of the Meretoyakha field owned by OJSC Meretoyakhaneftegaz, Sibneft already had 24 fields under development. Sibneft and aligned structures have controlled 67% of OJSC Meretoyakhaneftegaz since April 2002.

The top international oilfield services companies – Schlumberger, Pride International, BJ Services, Halliburton, and Deutag – are in action at Sibneft's production sites. Using the most advanced field development technologies available, Sibneft is able to achieve the lowest lifting costs in Russia and higher flow rates for new wells.

The daily flow rate for 2002 was 19.1 tons per well on average, and 84.9 tons per well for new wells.



Sibneft has a strong resource base upon which to build its oil production. According to an audit by American firm Miller & Lents, the company's proved recoverable reserves on January 1, 2002 totaled 644 million tons of oil.

The acquisition, by affiliated structures, of nearly 50% of Slavneft will considerably increase Sibneft's production, reserves and enterprise value.

Refining and Marketing

Crude oil processing at the Omsk Refinery totaled 13.26 million tons in 2002, a slight increase of 0.04% from the previous year. While keeping refinery throughput stable, Sibneft increased the percentage of light oil products to 71.26% of total output. Depth of refining reached 83.2%, an increase of 1.8% over 2001.

The Omsk Refinery is Sibneft's core refining asset. The constant modernization of the plant is one of the company's competitive advantages.

Sibneft exported 20.6% (2.527 million tons) of the petroleum products it produced in 2002. The remaining output (79.4%) was distributed through domestic wholesale sales and through retail sales via the company's own marketing subsidiaries.

Some 75-80% of oil products from the Omsk Refinery are transported via railway tankers, 15-18% by oil product pipelines, about 4% by river tanker and 1% by tanker trucks.

Sibneft is implementing an expansive program for developing its retail network. Accounting for proprietary stations, franchises, and dealers, Sibneft added 180 filling stations in 2002 for a total of 1183 units. Also in 2002, Sibneft established its tenth marketing subsidiary, Sibneft-Krasnoyarsknefteproduct.

In December 2001, Sibneft established Sibneft AZS-Service, Ltd. to operate filling stations that the company acquired in the city of Moscow and Moscow

OJSC Sibneft 2002 Operating Results

Nº	Description	Units	2002 Target	2002 Fact	Difference (%)
1	Oil production, including Sibneft-Noyabrskneftegas	thousand tons	26 017.6	26 148.7	100.5
2	Associated gas production, Sibneft-Noyabrskneftegas	mln. m ³	1 640.6	1 401.5	85.4
3	Oil deliveries to:				
	- Omsk Refinery	thousand tons	13 506.8	14 134.0	104.6
	- Moscow Refinery		4 376.0	2 565.1	58.6
4	Oil refining volume	thousand tons	17 843.0	15 817.6	88.6
	incl.: Omsk Refinery		13 500.0	13 263.5	98.2
	Moscow Refinery		4 343.0	2 554.1	58.8
5	Production of primary oil products	thousand tons	14 057.3	12 358.0	87.9
	incl.: Omsk Refinery		10 606.8	10 275.2	96.9
	Moscow Refinery		3 450.5	2 082.7	60.4
	Gasoline	-"	4 215.4	3 679.3	87.3
	incl.: Omsk Refinery		3 400.4	3 149.4	92.6
	Moscow Refinery		815.0	529.9	65.0
	Diesel Fuel	-"	5 816.8	5 298.8	91.1
	incl.: Omsk Refinery		4 644.9	4 611.4	99.3
	Moscow Refinery		1 171.9	687.4	58.7
	Jet Fuel	-"	669.1	686.2	102.6
	incl.: Omsk Refinery		455.0	552.5	121.4
	Moscow Refinery		214.1	133.7	62.5
	Fuel oil (excluding for internal use)	-"	3 156.6	2 487.5	78.8
	incl.: Omsk Refinery		1 907.2	1 755.7	92.1
	Moscow Refinery		1 249.5	731.8	58.6
	Lubricants	-"	199.4	206.2	103.4
	incl.: Omsk Refinery		199.4	206.2	103.4
	Moscow Refinery		0	0	-
6	Depth of refining (at Omsk Refinery)	%	83.1,	83.2	
7	Output of light oil products (including aromatic hydrocarbons)	%	70,84	71,26	
8	Sales of oil products	thousand tons	16 480.5	14 665.2	89.0
	incl.: Russia and CIS	-"	12 072.2	11 079.7	91,8
	Foreign countries	-"	4 408.3	3 585.5	81,3
9	OJSC Sibneft financials(excluding subsidiaries)				
	Sales proceeds excluding taxes	mln. rubles	63 839.7	82 268.2	128.9
10	Total payroll employees as of year-end 2002 (incl. Noyabrskneftegas and Omsk Refinery)	persons		43 899	
	Total payroll employees (excl. Noyabrskneftegas and Omsk Refinery)	-"		31 508	
	incl. OJSC Sibneft	-"		605	



region. By the end of 2002, Sibneft AZS-Service owned 26 proprietary stations, and retail sales for the year reached 20.5 thousand tons.

In 2003, Sibneft aims to expand its operations in markets in the European part of Russia, especially in Moscow, St. Petersburg and Nizhny Novgorod.

The acquisition of a 37% stake in the Moscow Refinery by affiliated structures considerably reinforced Sibneft's position as one of the major petroleum refiners in Russia.

Major Transactions and Interested Party Transactions

During the reporting period, Sibneft executed a number of major transactions, the scale of which amounted to more than 25%, but less than 50%, of the balance sheet value of company assets on the date of approval:

The company received a loan in the form of Eurobonds in the amount of US\$ 250 million for a term of 5 years with a fixed annual interest rate of 11.5%. The lending bank was Salomon Brothers AG (decision of the board of directors on February 6, 2002).

The aforementioned loan was increased by US\$ 150 million, with a term of five years and a fixed annual interest rate of 11.5%. The lending bank was Salomon Brothers AG (decision of the board of directors on March 13, 2002).

Sibneft entered into a loan agreement for the sum of US\$ 300 million for a term of 42 months with an annual interest rate of LIBOR+3.5%. The lending bank was Westdeutsche Landesbank Girozentrale (decision of the board of directors on June 26, 2002).

A loan in the amount of US\$ 150 million was received under a US\$ 200 million credit line agreement, with a five-year term and an annual interest rate of LIBOR+4.1%. The lending bank was the London branch of BNP Paribas S. A. (decision of the board of directors on June 26, 2002).

The company received a loan in the form of Eurobonds in the amount of US\$ 500 million for a term of seven years with a fixed annual interest rate of 10.75%. The lending bank was Salomon Brothers AG (decision of the board of directors on November 29, 2002).

Sibneft Shares and Dividends

Sibneft's market capitalization grew steadily throughout the year 2002. According to data from the Russian Trading System (RTS) stock exchange, at the beginning of 2002, Sibneft stock was valued at US\$ 0.725 per share. As of year-end, the company's share price had risen over 200% to US\$ 2.221. By comparison, the RTS Stock Exchange index rose by 35% over the same period.

A number of factors contributed to the increase in the company's market capitalization: rapid growth in oil production, reduced costs, the payment of the largest dividends in Russian corporate history (about US\$ 1 billion), share capital and asset consolidation, and an open information policy.

Sibneft shares are listed on the RTS A1-level quotation list, as well as on the Moscow Interbank Currency Exchange (MICEX) quotation list. The company's

Sibneft Net Balance Sheet Assets as of March 1, 2003

Under Russian Accounting Standards, in rubles

Assets	131 897 521 000
Liabilities	88 095 981 000
Net asset value	43 801 540 000

Accounts Receivable and Accounts Payable

Under Russian Accounting Standards

Accounts receivable from customers, for outgoing advance payments, and from other debtors, as of January 1, 2003. (p. 240 f. 1)

62 715 058 000 rubles

Accounts payable to suppliers and contractors, for incoming advance payments, and to other creditors as of January 1, 2003. (p. 620 f. 1)

20 290 685 000 rubles

Company	Market Capitalization Jan. 4, 2003 (USD)
YUKOS	\$ 21 037 923 132
Gazprom	\$ 18 225 633 907
Surgutneftegaz	\$ 13 326 696 153
LUKoil	\$ 13 268 786 778
Sibneft	\$ 10 478 272 202
RAO UES	\$ 5 611 860 857

Level-1 ADR (American Depositary Receipts) program provides international investors with the ability to trade shares on the Berlin Stock Exchange and the Frankfurt Stock Exchange.

As of year-end 2002, OJSC Sibneft ranked fifth among the top ten Russian companies in terms of market capitalization. The company accounts for over 11% of the value of the RTS index.



Sibneft Dividend History		
Dividend period	Total Dividend Payout (rubles)	Dividend per Share (rubles)
2000	1 422 389 891.7	0.3
III quarter 2001	17 969 525 631.8	3.79
IV quarter 2001	10 999 815 162.4	2.32
2002*	34 232 183 393.5	7.22

* recommendation of OJSC Sibneft board of directors, March 14, 2003

Commercial Risks

Risk Management

Risk management is an integral part of Sibneft's corporate development strategy. The company has a mechanism for risk management that allows it to evaluate potential risks when making administrative decisions and carrying out its operations. Risk management not only helps to make operations more predictable and minimize potential losses, but also guarantees stability and security for its shareholders and partners.

Sibneft evaluates and conducts comprehensive monitoring of two main groups of risks:

- **General economic and political risks.** This group consists of risks, the content and character of which the company cannot influence directly but which, nevertheless, have an indirect impact on the company.

These are risks related to the political and economical situation in Russia, and also to the state of affairs in the labor markets, capital markets, and the markets for crude oil and petroleum products. These risks are also connected to changes in international markets and other external factors.

- **Business processes risks.** This group contains risks originating within the company itself. Both the elimination of these risks and their mitigation depend directly on the company.

These are risks connected with the company's operational, financial and investment activities (monetary risk, liquidity risk, credit risk, partnership risk, investment risk, informational risks due to the inadequacy or poor quality of information essential for decision making, etc.).

At Sibneft, the process of risk management is split into several stages. **In the first stage**, the risks are identified. The origin of the risk is also defined, and a risk level evaluation is performed (covering the cost of potential after-effects and risk probability). **In the second stage**, potential losses are compared to possible benefits (Cost/Benefit analysis) and a decision is made whether the identified risk should be accepted or not. **In the third stage**, in cases when the risk is accepted, certain steps are defined and introduced for risk liquidation, compensation or transfer to a third party. **In the fourth stage**, the situation connected with the identified risk is controlled and monitored.

Currently, among the basic risks that the company faces in its day-to-day operations, there are several that have been highlighted as especially important:

Risk of Interest Rate Change

Interest rate risk shall be regarded as the risk of losses due to negative interest rate changes on capital markets. This kind of risk is associated with possible fluctuations in the basic LIBOR rate used in bank lending, and particularly in trade finance transactions secured by oil. Sibneft is working to lower its cost of borrowing by securing lower interest rates, and is striving to replace more "expensive" short-term loans with "cheaper" long-term borrowing.

Credit and Price Risk

Some of the loans secured by OJSC Sibneft were secured by future oil exports and oil products sales. Therefore, when obtaining such financing, the company conducts a thorough analysis and forecasts oil price fluctuations on international market. As far as price risk is concerned, a broad network of filling stations allows the company to compensate for potential losses resulting from international oil price fluctuations.

Monetary Risk

Monetary risk represents the risk of financial losses due to unfavorable currency exchange rate fluctuations. Susceptibility to this risk is defined by the varying degree of assets and liabilities held in any particular currency. Virtually all of Sibneft's short-term and long-term borrowing is denominated in US dollars.

Industrial Risk

Industrial risk represents the potential danger of a reduction in either oil production or refining volume.

Risk of Increasing Competition

This risk covers the potential danger of a weakening in Sibneft's competitive position within the industry in comparison to other vertically integrated companies. To evaluate the company's competitive position on a regular basis, a comparative analysis of the key major indices of competitors' operations (benchmarking) is performed. On the grounds of this analysis, specific actions designed to strengthen the company's competitive position and future development are carried out.

Ecological Risk

Sibneft strives to prevent environmental pollution by actively working to avoid oil spills, pipeline ruptures and pollution emissions from its refinery.



III.

Corporate Activity

Information on Past Shareholders Meetings

Since the 2002 annual general meeting of shareholders, the company has held six extraordinary shareholders meetings in the form of absentee voting. At the meetings, in the context of an earlier declared policy of asset consolidation, decisions were made on the restructuring of the company in the form of acquisition of several affiliated oil traders: Argus Ltd., Antarex Ltd., and Yunikar, Ltd. Furthermore, changes to the Corporate Charter concerning succession in regards to acquired companies were adopted, a new version of the Regulation on the Board of Directors was endorsed, and the Regulation on Information Policy was approved.



Board of Directors Report

In accordance with the company's Charter, ten members shall be elected to the board of directors by cumulative voting at the general shareholders meeting.

The current membership of the board was elected by the general shareholders meeting on June 28, 2002.

The directors' professionalism and experience enable the board to operate effectively, and the presence of independent directors accredited by both the Independent Directors Association and the Russian Institute of Directors contributes to investors' confidence in the company.

The declaration signed by independent directors establishes criteria that correspond with the principles recommended by the Corporate Code of Conduct of the Federal Securities Committee. Executive directors (members of the Management Board) form less than a quarter of the total membership of the board. The chairman of the board has five years of experience in this position, and a highly professional reputation in the company's sphere of operations.

Remuneration to each member of the board was set at the June 2002 general shareholders meeting at a rate equal to US\$ 10,000.00.

The presence of three independent directors on the board of directors helps to form objective opinions on issues it discusses. The company's Corporate Charter stipulates that, when making significant decisions, board meetings should have the following quorum: the attendance and/or written opinion of no fewer than 6 board members, including no less than half of acting independent directors.

On a regular (weekly) basis, board members managing specific operational divisions of the company participate in the Executive (Operations) Board. The Executive Board is a corporate advisory body coordinating departmental operations and providing for performance monitoring on the execution of production, commercial, and financial plans and programs for the company and its subsidiaries.

There are three committees acting under the board of directors, each headed by an independent director: Audit Committee, Human Resources and Remuneration Committee and Minority Shareholders Committee. At their meetings, the committees examine issues concerning preparation for shareholders meetings, corporate information policy, choice and remuneration of an auditor, internal controls, human resources policy, etc.

During the reporting period, there have been 20 meetings of the board of directors. The board made decisions regarding major transactions, calling and preparing for shareholders meetings, and corporate dividends. The board also approved the company's annual business plan and examined certain priorities for company development.

The board of directors has been steadily working on improving Sibneft's system of corporate governance. This work included implementing recommendations by the national Corporate Code of Conduct into the Corporate Charter and other internal documents regulating the activities of executive bodies. The Regulation on Information Policy, approved by a shareholders meeting in September 2002, contributed to Sibneft's increased transparency.

The company's leadership in oil production growth within the industry in Russia is an indicator of the strong role the board of directors has had in defining business goals for the company and its management.

The board of directors' successful implementation of its management strategy and high level of corporate governance together helped to fulfill one of the board's most important functions: the protection of shareholders' rights and interests. In 2002, the Investor Protection Association recognized Sibneft for having the best corporate dividend policy in Russia.

Observance of the Corporate Code of Conduct

In July 1998, Sibneft became the first company to issue to the investment community a Corporate Governance Charter, developed with the assistance of independent European experts.

On November 28, 2001 the government of the Russian Federation approved the Corporate Code of Conduct. A considerable portion of the recommendations laid out in that document has been put into practice in Sibneft's own corporate governance policies. In accordance with current legislation, mechanisms designed to institutionalize these recommendations have been incorporated into the Corporate Charter and other internal documents.

An overview on observance of these corporate governance principles is presented in Sibneft's quarterly securities report for the fourth quarter of 2002.

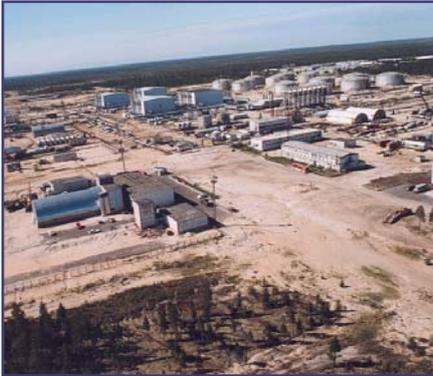
The board of directors has been steadily working on improving the company's system of corporate governance.

Shareholders truly have the ability to exercise their legal rights in relation to their shareholding in the company.

These rights are secured by:

- A reliable system for registration of share ownership rights;





- High liquidity in the company shares;
- A corporate dividend policy that stipulates a payout of not less than 15% of net profits at the end of the reporting period;
- A lack of risks associated with share dilution. (Decisions on the issuance of new shares lie within the competence of the general shareholders meeting. Under the Corporate Charter, there are no authorized shares. The charter also outlines shareholders' priority in buying shares);
- Corporate transparency (Any information referred to in the Regulation on Information Policy is available on the corporate website both in Russian and English at www.sibneft.com);
- Strict observance by the company of all rules and procedures in calling and conducting shareholders meetings, as established by current legislation and laid out in the Corporate Charter, including oversight of these procedures by the Minority Shareholders Committee; and
- Efficient oversight of financial and commercial activities:
 - by the Management Board: fulfilling production, financial, and commercial plans;
 - by the Board of Directors: management results in carrying out work on the company's primary activities;
 - by the Audit Committee under the Board of Directors: efficiency of internal audit systems and risk management;
 - by the company Auditor: authenticity of financial reporting; and
 - by the Audit Commission: financial and commercial activities and administrative bodies.

The Corporate Code of Conduct by the Federal Securities Committee recommends creating additional regulatory and auditing services in joint-stock companies. Currently, however, these recommendations are not supported by applicable legal regulations. Also, the introduction of the position of Corporate

Board of Directors



Shareholdings

0.012085%

Konstantin Potapov

Date of birth: 1956. Mr. Potapov is a graduate of the Institute of Light Industry and Textiles. He began working at the Omsk Refinery in 1981 and, from 1991-1996, served in the posts of production manager, deputy general director and president of the refinery. Mr. Potapov has served as vice president of Sibneft since 1996 and has been a member of the company's Board of Directors since 1997.



0.00000021%

Eugene Shvidler

Date of birth: 1964. Mr. Shvidler is a graduate of the I. M. Gubkin Moscow Institute of Oil and Gas with a specialty in applied mathematics. In 1991, he received an MBA in finance and international tax accounting from Fordham University. From 1992 until 1994, he was a member of Deloitte & Touche's New York international tax group. Mr. Shvidler joined Sibneft as senior vice president in 1996 and has served as president of the company since July 1998. He has been a member of the Sibneft Board of Directors since 1997.



0.00000021%

Tatyana Breeva

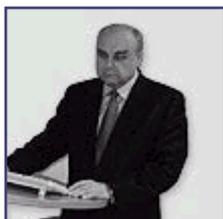
Date of birth: 1951. Ms. Breeva graduated from the Plekhanov Moscow Institute of National Economics with a degree in accounting. From 1990 through 1996, she was employed as chief specialist in the audit department of Deloitte & Touche. In 1996-1997, she served as deputy chief accountant at shipping company Sovmortrans. Ms. Breeva has been working at Sibneft since 1997, initially as head of the Internal Audit Department and later as chief accountant. She was appointed vice president for finance in March 2001 and joined the company's Board of Directors that same year.



None

Valery Oif

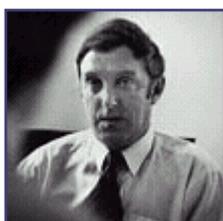
Date of birth: 1964. Mr. Oif is a graduate of the I.M. Gubkin Moscow Institute of Oil and Gas, where he majored in automation and mechanization of chemical technology processes. From 1997 to 1998, he worked as head of the export department of Rosneft. He was appointed Sibneft's vice president for downstream in 1998 and has served on the Board of Directors since the year 2000.



0.000905%

Yevgeny Poltorak

Date of birth: 1947. Mr. Poltorak is a graduate of Lvov Polytechnic Institute and Tyumen State University. From 1988 to 1996, he worked as assistant to the general director of Noyabrskneftegas. Mr. Poltorak held several managerial positions in Sibneft beginning in 1996, and was appointed vice president for administration in 1997. He has been a member of the Board of Directors since 2000.



0.00000021%

Vladimir Novikov

Date of birth: 1945. Mr. Novikov is a graduate of the Moscow Institute of Economics and Statistics. From 1993 to 1995, he served as a consultant and department manager in the Russian government's administrative apparatus. From 1995 to 1996, he worked as executive director of the Property Management Department of oil company Sidanco. Since 1996, Mr. Novikov has been head of the Corporate Management Department of Sibneft. He has been a member of the Board of Directors since 1997, and serves as secretary

to the Board.

Board of Directors



Shareholdings

None

Ivan Tyryshkin

Date of birth: 1973. A graduate of the Russian Economic Academy, Mr. Tyryshkin worked from 1996 to 1998 as a division head at the Federal Securities Commission. From August 1998 to June 2001, he served as chief executive of the National Association of Stock Market Participants (NAUFOR). From June 2001 until early 2003, he worked as president of the Russian Trading System (RTS) stock exchange. Mr. Tyryshkin has been an independent member of the Sibneft Board of Directors since 2001.



None

Mikhail Vinchel

Date of birth: 1961. Mr. Vinchel earned his higher degree in economics and worked from 1980 to 1990 in the USSR Ministry of Trade. In 1993, he headed the OLMA investment firm, later moving on to found and serve as general director of Prospect, one of the ten leading investment firms in Russia. In 2001, Mr. Vinchel was selected as a member of the board of directors of the Russian Trading System (RTS) stock exchange. He currently serves as an independent director on the boards of GUM (a retailer) and Far East Sea Steam Navigation. In 2002, he was elected to the Sibneft Board of Directors as an independent director.



None

Albert Gavrikov

Date of birth: 1970. Mr. Gavrikov is a 2001 graduate of the Academy of National Economics, where he earned a higher degree in strategic management in the Executive MBA program. Since 1995, he has worked at the Aton Investment Group, serving in the capacity of managing director from 1997 until present. The magazine Kariera (Career) ranked Mr. Gavrikov as one of the 30 best corporate strategists in Russia in 2001. Mr. Gavrikov was elected to the Sibneft Board of Directors as an independent director in 2002. He also sits as an independent member on the boards of automaker Avtovaz and Russian Telecommunication Networks.

Management Board Membership and Activities

The Management Board is made of three members, appointed by a decision of the board of directors on April 24, 2001.

The Management Board met seven times during the reporting period (2002). In accordance with its responsibilities, the Management Board made decisions on the completion of transactions with values in the range of 10% to 25% of the book value of Sibneft's assets. The Management Board also approved performance targets for the company's primary operations and reviewed remuneration for employees based on the results of the year.



**Eugene Markovich
Shvidler**

**President,
Management Board Chairman**



**Alexander Leonidovich
Korsik**

Senior Vice President



**Tatyana Alexeevna
Breeva**

**Vice President
Finance**

IV.

Subsidiaries and Affiliated Companies



Secretary, as recommended by the national Code, has not been carried out to date, as this function is performed by the company's Administration. The majority of Sibneft's oil output is produced by **OJSC Sibneft-Noyabrskneftegas**. The enterprise was founded in 1981 to develop fields in the far north of Western Siberia, and is one of the youngest oil and gas producers operating in that region.

In 2002, OJSC Sibneft-Noyabrskneftegas produced 25.4 million tons of oil (502,000 barrels per day), an increase of 5.1 million tons over 2001. Daily output increased by over 19% from 62 thousand tons (447,000 barrels) at the beginning of the year to 73.9 thousand tons (533,000 barrels) by the end of the year.

Each year, the company increases investments in production. In 2002, capital expenditures totaled 16.3 billion rubles, almost 4 billion rubles more than the previous year.

Sibneft-Noyabrskneftegas currently plans to increase further both recovery rates and overall oil production. This goal is made feasible by employing advanced field development methods. To that end, Sibneft-Noyabrskneftegas utilizes the experience of leading international oilfield service companies: Schlumberger, Pride Forasol, BJ Services, Halliburton, and others. Drilling at the important Sugmut oil field is a joint project with Pride Forasol.

OJSC Sibneft-NoyabrskneftegasGeophysica was founded in 1983. The company carries out commercial geophysical research and oilfield services (logging, perforation, preparation of seismic data) at Sibneft-Noyabrskneftegas fields.

The value of services provided by the subsidiary rose by 17% in 2002 over the previous year, totaling 508.3 billion rubles (excluding value added tax). The company's primary activities over the course of the year were:

- Commercial geophysical research in prospect wells, exploration wells, development wells and production wells during the constructing and maintenance cycles;
- Perforation of production layers during development, capital and current repairs by both explosive and non-explosive methods, and stimulation; and
- Seismic research.



OJSC Sibneft-Omsk Refinery is rightly considered one of the top refineries in Russia. In 2002, depth of refining increased by 1.8 percentage points to 83.2% from 81.4% in 2001. Omsk boasts the deepest refining in Russia, comparing favorably with the nationwide average of 69.2%.

In order to keep its technological edge and industry leadership, the refinery is constantly investing in its technical renovation and modernization program.

OJSC Sibneft-Omsknefteproduct is a major petroleum product marketing enterprise. In 2002, it sold 908.4 thousand tons of oil products. OJSC Sibneft-Omsknefteproduct owns 18 tank farms and 104 filling stations, including 99 stationary service stations and 5 container-type stations. Retail sales through its network of filling stations is the company's primary activity. In comparison with 2001, sales volume increased by 6.8% to 188.5 thousand tons of oil products in 2002.

CJSC Kuzbassnefteproduct is the top marketing company in Kemerovo region. The company controls 80 filling stations and 11 tank farms in major industrial cities throughout the region. In 2002, CJSC Kuzbassnefteproduct marketed 487.9 thousand tons of oil products, including 102 thousand tons sold through its retail network.

OJSC Sibneft-Barnaulnefteproduct is the company's marketing enterprise covering the Altai region (Altai Kray). During the reporting period, OJSC Sibneft-Barnaulnefteproduct sold 91.4 thousand tons of oil products, including 13 thousand tons distributed through a network of 14 filling stations owned by the company.

OJSC Sverdlovsknefteproduct is Sibneft's second-largest marketing enterprise in terms of the volume of goods sold. The company operates in the Sverdlovsk region, with 93 filling stations and 19 tank farms. During the reporting period, it sold 567.6 thousand tons of oil products.



Sibneft has one additional marketing subsidiary in the Sverdlovsk region. **OJSC Ekaterinburgnefteproduct** is controlled by the company together with aligned structures, and operates in the city of Ekaterinburg. The enterprise's total oil products sales volume in 2002 was 268.8 thousand tons, with over 52% (140 thousand tons) sold through a network of 45 filling stations (of which 41 are owned by OJSC Ekaterinburgnefteproduct).

OJSC Sibneft-Tyumennefteproduct was consolidated into Sibneft in August 2001 and, since then, has been operating as a retail and wholesale enterprise in one of the most promising West Siberian regions – Tyumen region. In 2002, OJSC Sibneft-Tyumennefteproduct marketed 321.1 thousand tons of oil products. The enterprise owns 66 filling stations and 7 tank farms.

LLC Sibneft-Noyabrsknefteproduct accounted for sales of 78.1 thousand tons of oil products in 2002. The company distributed 47.8 thousand tons of oil products through its wholesale network, and 30.3 thousand tons of oil products through its retail network.

LLC Sibneft-Krasnoyarsknefteproduct started operating in June 2002. From June through December, the subsidiary sold 55.3 thousand tons of oil products including 47.2 thousand tons through its wholesale network and 8.1 thousand tons through its retail network.

CJSC Kompaniya Mobilnaya Karta Kuzbass (Kuzbass Mobile Card Company) is an enterprise specializing in retail sales control systems and automation at Sibneft's marketing enterprises. By year-end 2002, Kuzbass Mobile Card had equipped 153 filling stations, including 36 stations belonging to Omsknefteproduct, 33 stations at Sibneft-Tyumennefteproduct, 70 at Kuzbassnefteproduct and 17 at Sibneft-Barnaulnefteproduct in Altai region.

V.

Prospects for Growth



Sibneft's primary objectives in 2003 for the future growth and success of the company include:

Steady production growth

- Increasing oil production through the use of advanced development technologies; introducing a new standard of preparation for production drilling; and working together with SGG, the establishment of a 3D seismic interpretation center will introduce a new level of standards in logging.
- Optimizing costs in all areas of operations, with the priority given to production costs, and improving service team productivity.
- Forming a joint engineering group with representatives of service companies, aimed at creating a highly qualified engineering and technical service corps.

Entry into the natural gas market

- Effecting the commercialization of associated gas through efficient refining.

Improved oil product quality standards

- Carrying out projects within the context of the Omsk Refinery's technical re-equipment program: catalytic reforming unit reconstruction, going operational in the first quarter of 2004; and engineering of an oil products loading unit, with construction to commence in 2004.

Expanded activity in operating regions

- Working out and introducing a program defining regional market characteristics, evaluating the competitive environment, managing a database on wholesale and retail oil products consumers, and assessing oil product demand, both quantitatively and qualitatively, in the regions.
- Expanding the network of standard filling stations in European Russia, and consolidating and strengthening the company's positions in oil product markets (Moscow and Moscow region, St. Petersburg, Nizhny Novgorod).

Reliable administration

- Ensuring automated maintenance of business planning and budgeting processes both in the company and its subsidiaries, and daily monitoring of cash flows in the company and its subsidiaries.
- Automating procurement procedures in the company and its subsidiaries, and implementing a unified system for electronic tenders in the company and its subsidiaries.

Personnel development

- Supporting the continuous training and development of personnel; preparing for international certification under the Investors in People program; introducing competence models; and transitioning to international standards for personnel rating.
- Forming a unified system of personnel management both within the company and its subsidiaries, and introducing corporate time-keeping and human resources standards at subsidiaries.





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