

Preliminary version approved
by the Board of Directors
OAO Sibneft
(Minutes No. ____ of _____ 2004)

2003 ANNUAL REPORT

OAO SIBNEFT

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1. General Information

Open Joint Stock Company Siberian Oil Company (OAO 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. OAO 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 OAO Sibneft today remains a private-sector company.

Location, Mailing Address, Registration Data

Physical Address: 85 Oktyabrskaya Street
Lyubinsky, Lyubinsky district
Omsk region, 644160
Russian Federation

Mailing Address: 4 Sadovnicheskaya Street
Moscow, 115035
Russian Federation

The Omsk State Registration Chamber of the Omsk municipal administration registered Sibneft on October 16, 1995. Its registration certificate is # 38606450.

Main State Registration No. 1025501701686.

Equity 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, 2004, there were 12,145 shareholders listed in the shareholder register.

The largest shareholders are:

Registered Shareholders	% of Equity
OOO Deutsche Bank (nominee holder)	92.4877
ZAO ABN AMRO Bank A.O. (nominee holder)	0.4769
ZAO Brunswick UBS (nominee holder)	1.8952
ZAO ING Bank (EURASIA) (nominee holder)	3.8465

Auditor

Independent accounting firm Ernst & Yong audited Sibneft's 2003 accounting and financial statements.

Contact information for Ernst & Young:

Address: 20/12 Podsosensky Pereulok
Moscow, 105062
Russian Federation
Telephone/fax: +7 (095) 705-9292.

Registrar

Sibneft's registrar is OAO Registrator R. O. S. T., 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, managing the property 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.

Address: 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

2. Sibneft's Position in the Industry

In 2003, the Russian oil and gas sector reached a record high level of hydrocarbons production, refining and exports for the past decade, largely stemming from high world energy prices.

The price of a barrel of Urals brand crude in 2003 rose by 15%¹ and averaged \$27.3 for the year.

Largely thanks to favorable conditions on world energy markets, primarily the significant rise in prices, exports in 2003 expanded by 12.5%, along with an 11% increase in the production of oil and gas condensate.

Oil Production

Russia's oil and gas condensate output in 2003 totaled 421.3 mln. tons. Thus, the oil industry demonstrated not only steady growth in hydrocarbons production, but also a rapid rate of growth.

¹ A barrel of Urals blend crude in 2002 cost, on average, \$23.7.

The rate of hydrocarbons production growth has been increasing with each passing year: in 1999, annual production grew by 0.5%; in 2000, by 5.9%; in 2001, by 7.7%; in 2002, by 9.1%; and in 2003, by 11%. These dynamics suggest that the industry's potential has not been exhausted, and that possibilities exist for further advancement of hydrocarbons production.

All of the major oil producing companies, without exception, increased their output in 2003.

Russian Oil and Gas Condensate Production (thousand tons)

	2002	Share	2003	Share	Rate of Growth for 2003
YUKOS	69,332	18.2%	80,747	19.2%	16.5%
LUKOIL	75,474	19.9%	78,870	18.7%	4.5%
Surgutneftegaz	49,208	13.0%	54,025	12.8%	9.8%
TNK	37,501	9.9%	42,961	10.2%	14.6%
Sibneft	26,345	6.9%	31,448	7.5%	19.4%
Slavneft	14,700	3.9%	18,097	4.3%	23.1%
Other	107,169	28.2%	115,198	27.3%	7.5%
Total	379 729	100.0%	421,347	100.0%	11.0%

Source: CDC FES

As in the previous year, YUKOS, LUKoil and Surgutneftegaz accounted for over fifty percent of oil production. Slavneft² and Sibneft boosted their output significantly - by 23.1% and 19.4% respectively.

The share of oil production by independent producers fell from 7.2% to 6.9%, the result of a trend persisted in 2003 as small and medium-sized enterprises were taken over by vertically integrated companies (VIOCs).

Refining

In 2003, Russia's refineries took delivery of 217.3 mln. tons of oil, an increase of 7%. The substantial difference between this statistic and production growth is evidence of the limited demand for petroleum products in domestic markets.

Crude Oil Deliveries to Russian Refineries (thousand tons)

	2002	2003	Rate of Growth for 2003
YUKOS	40,338	47,150	16.9%
LUKOIL	34,794	36,747	5.6%
Surgutneftegaz	18,254	18,907	3.6%
TNK	15,894	17,437	9.7%
Sibneft (Omsk refinery)	14,134	14,930	5.6%
Slavneft	12,735	13,720	7.7%
Other	66,949	68,423	2.2%
Total	203, 098	217,314	7.0%

Source: CDC FES

² Including production by companies sold in 2003: ZAO SP Nafta Ulyanovsk, OAO Ulyanovskneft and ZAO Nefterazvedka.

Oil Exports

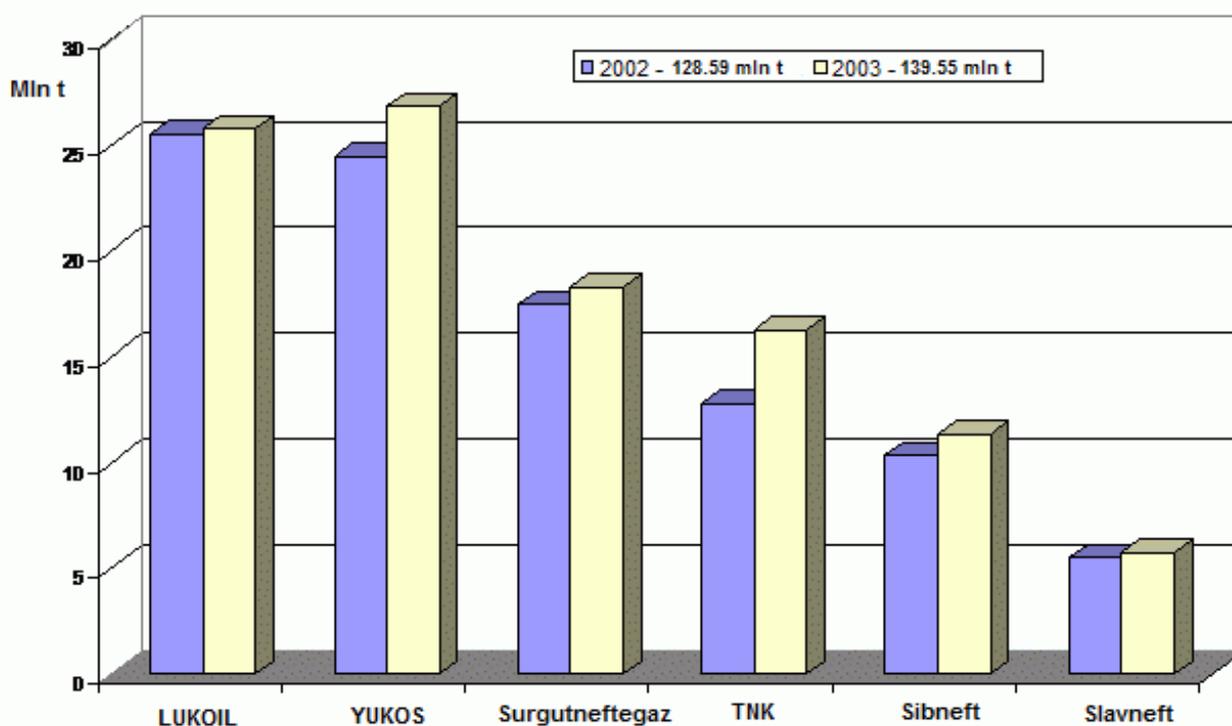
Russian oil export growth in 2003 noticeably exceeded the increase in production. According to data from the Fuel and Energy Ministry, Russian oil exports abroad, not including transit, rose year-on-year by 16.7 mln. tons, or 12.58%, to 149.7 mln. tons.

The bulk of Russian exports goes to international (non-CIS) markets where the prices are highest. Some 111.3 mln. tons were shipped to non-CIS countries (nearly $\frac{3}{4}$ of total Russian oil exports). Compared to the previous year, exports outside the CIS grew by 13.8%.

The main export volumes went through the Transneft system, which supplied to foreign markets with 139.55 mln. tons of Russian oil.

Russian Oil Exports via the Transneft System (mln. tons)

(Source: CDC FES)



Gas Production

Russian gas production increased by 4.2% in 2003, to 620.3 bln. cub. m.

At 87%, Gazprom accounts for the bulk of output (540.2 bln. cub. m); the remaining 13% (80.1 bn cub. m) coming from VIOCs and non-integrated oil and gas producing companies.

The rate of gas production growth among oil companies (16.5%) and non-integrated companies (10%) is significantly higher than at Gazprom (3.1%).

Gas Production by the Oil Companies of Russia (mln. cub. m)

	2002	Share	2003	Share	Rate of growth in 2003
Surgutneftegaz	13,304	39%	13,883	35%	4.3%
Rosneft	6,456	19%	7,012	18%	8.6%
LUKOIL	4,278	12%	4,769	12%	11.5%
TNK	3,643	11%	4,973	12%	36.5%
YUKOS	2,375	7%	3,448	9%	45.2%
Sibneft	1,402	4%	2,002	5%	42.8%
Slavneft	523	2%	823	2%	57.3%
Other	2,218	6%	2,932	7%	32.2%
VIOC total	34,199	100%	39,842	100%	16.5%

Source: CDC FES

3. Key Operational Priorities

Some key operational objectives pursued by Sibneft include:

- Maintaining steady oil production growth
- Commercial sale of associated gas
- Modernization of oil refining capabilities in order to meet new quality standards for oil products
- Increased activity in the regions where the company is present; strengthening the company's position in new sales markets for oil products
- Working for more reliable managerial decision making
- Staff development

4. Report of the Board of Directors on Corporate Developments in Core Operations

OAO Sibneft was an industry leader among Russian oil companies in the year 2003. Since 2000, the company has demonstrated the highest oil production growth rates in the industry. Growth reached 19.4% in 2003, compared to an 11% increase in overall oil output in Russia, and the company's share of nationwide oil production rose from 6.9% in 2002 to 7.5%. A 4.3% increase in primary oil refining volumes at the Omsk Refinery in 2003, to 13.8 mln. tons, was augmented by 2.98 mln. tons of oil refined at the Moscow Refinery and 1.1 mln. tons at YaroslavlNOS. This enabled the company to rank third in the Russian Federation in terms of refining volumes. In the retail market for oil products, OAO Sibneft possesses one of the most developed sales networks.

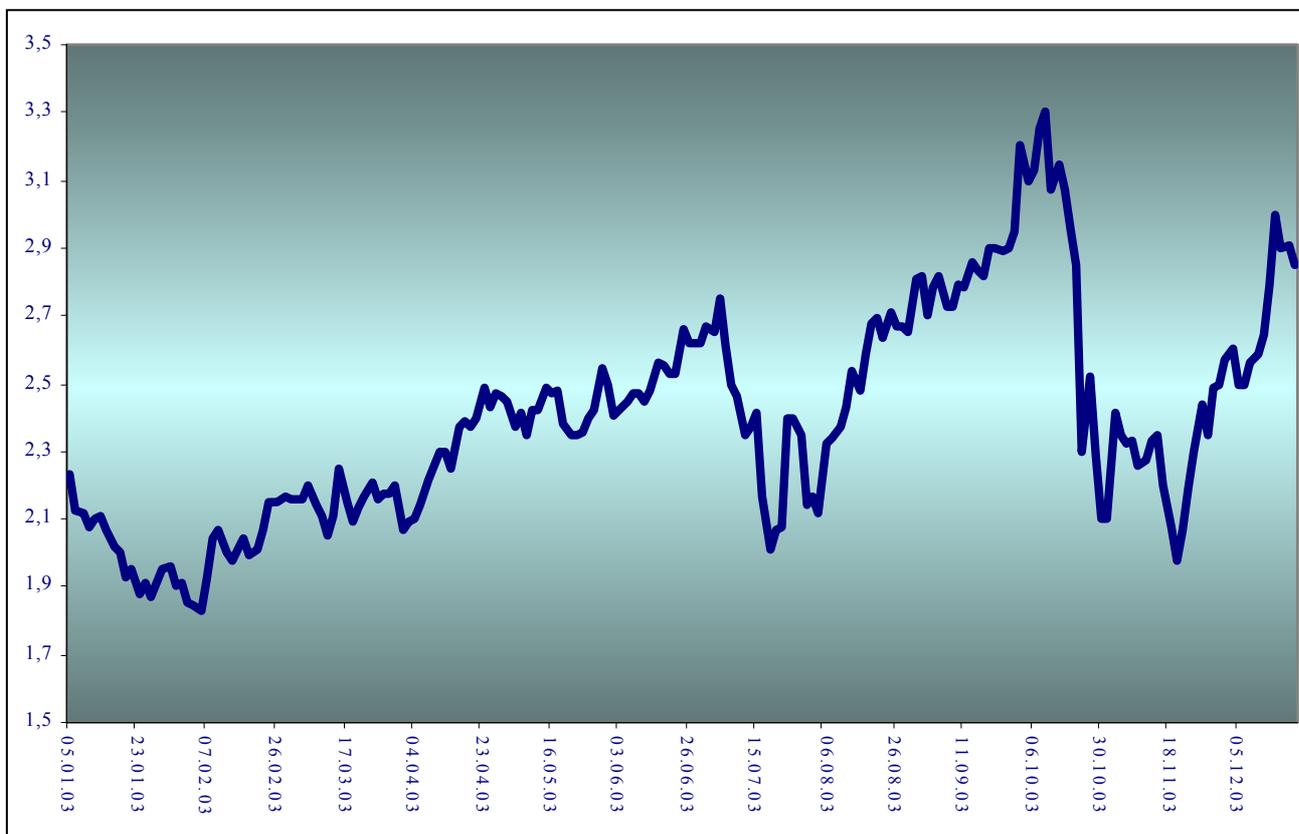
Key Operational and Financial Statistics

№	Description	Unit	2002	2003	2003 as % of 2002
1	Oil production	thous. tons	26,344.5	31,447.7	119.4
2	Associated gas production	mln. m3	1,401.5	2,002.4	142.9
3	Total refined desalinated crude oil	thous. tons	15,817.6	17,957.2	113.5
	<i>incl. Omsk Refinery</i>	"	13,263.5	13,832.1	104.3
	<i>incl. Moscow Refinery</i>	"	2,554.1	2,980.1	116.7
	<i>incl. Yaroslavl NOS</i>	"		1,145.0	
4	Total refined products:	"	14,628.3	16,601.9	113.5
	<i>incl. Omsk Refinery</i>	"	12,258.3	12,735.7	103.9
	<i>incl. Moscow Refinery</i>	"	2,370.1	2,789.4	117.7
	<i>incl. YaNOS</i>	"		1,076.8	
	... of which automotive gasoline	"	3,679.3	3,926.5	106.7
	<i>incl. Omsk Refinery</i>	"	3,149.4	3,143.5	99.8
	<i>incl. Moscow Refinery</i>	"	529.9	642.7	121.3
	<i>incl. YaNOS</i>	"		140.3	
	... of which diesel fuel	"	5,298.8	5,728.6	108.1
	<i>incl. Omsk Refinery</i>	"	4,611.4	4,601.4	99.8
	<i>incl. Moscow Refinery</i>	"	687.4	813.4	118.3
	<i>incl. YaNOS</i>	"		313.9	
	... of which jet fuel	"	686.2	804.0	117.2
	<i>incl. Omsk Refinery</i>	"	552.5	602.2	109.0
	<i>incl. Moscow Refinery</i>	"	133.7	157.7	117.9
	<i>incl. YaNOS</i>	"		44.2	
	... of which fuel oil (commercial)	"	2,487.5	3,160.4	127.1
	<i>incl. Omsk Refinery</i>	"	1,755.7	1,850.8	105.4
	<i>incl. Moscow Refinery</i>	"	731.8	867.2	118.5
	<i>incl. YaNOS</i>	"		442.4	
	... of which lubricants	"	206.2	247.5	120.0
	<i>incl. Omsk Refinery</i>	"	206.2	229.1	111.1
	<i>incl. YaNOS</i>	"		18.4	
5	Depth of refining (Omsk Refinery)	%	83.2	83.0	-0.2
6	Oil product sales	thous. tons	14,664.9	16,800.3	114.6
	<i>incl. Russia and the CIS</i>	"	11,079.7	11,404.6	102.9
	<i>incl. non-CIS</i>	"	3,585.2	5,395.7	150.5
7	Net income from sales for OAO Sibneft (excluding subsidiaries)	mln. rubles	82,268.2	112,821.7	137.1
8	Payroll at end of period (total)	persons	43,899	42,399	96.6

Stock market performance in 2003

Overall, Sibneft's market capitalization grew substantially in 2003. The price for OAO Sibneft shares on the RTS Stock Exchange was \$2.22 at the beginning of 2003, and rose to \$2.85 by the end of the year, demonstrating an increase of more than 28%.

OAO Sibneft Share Price Performance in 2003 (US dollars per share)



Source: RTS

Contributing factors to the increase in market capitalization included rapid oil production growth, controlled costs, and the payment of traditionally-high dividends (about \$1 billion), as well as corporate transparency.

Sibneft's shares are quoted at the RTS Stock Exchange and the Moscow Interbank Currency Exchange. The Level One American Depositary Receipt (ADR) Program instituted by the company provides foreign investors with the ability to make transactions involving the ADRs at the Berlin Stock Exchange and Frankfurt Stock Exchange.

By year-end 2003, OAO Sibneft ranked among Russia's ten largest companies, taking seventh place in terms of market capitalization.

Rank	Name	Market Capitalization (31 December 2003, USD)
1.	GAZPROM	\$ 31.00 bn
2.	YUKOS	\$ 28.76 bn
3.	Surgutneftgaz	\$ 23.73 bn
4.	LUKOIL	\$ 19.77 bn
5.	Nornickel	\$ 13.93 bn

Rank	Name	Market Capitalization (31 December 2003, USD)
6.	RAO Unified Energy Systems	\$ 13.89 bn
7.	SIBNEFT	\$ 13.51 bn

Sibneft shares account for more than 11% of the total share capitalization tracked by the RTS stock market index.

Dividends in 2003

Based on the company's performance in the first half of 2003, shareholders at an extraordinary general meeting on 15 Sept. 2003 passed a resolution to pay dividends in the amount of 6.44 rubles per share.	Ex-dividend date for eligible shareholders: 31.07.2003	Total payout: 30,533,969,675.16 rubles Payout deadline: 31 May 2004
Based on the company's performance in the first nine months of 2003, shareholders at an extraordinary general meeting on 20 Nov. 2003 voted to pay dividends in the amount of 1.46 rubles per share.	Ex-dividend date for eligible shareholders: 30.09.2003	Total payout: 6,922,297,472.94 rubles Payout deadline: 31 May 2004

5. Key Risk Factors Associated with the Company's Operations

A summary assessment of major corporate risks:

№	Description	Risk Assessment
1	Sector risk	Insignificant
2	Country and regional risk	Moderate
3	Financial risk	Moderate
4	Legal risk	Moderate
5	Operational risk	Moderate/high
6	Acquisitions risk	Moderate
7	Corporate governance	Moderate

A Profile of the Company's Major Risks

1. SECTOR RISK

Insignificant

The company's sector risks are determined by competition, processes in domestic and external industry markets, domestic and external prices for raw materials, services and products, and the evolution processes in the company and its competitors.

The company's stable and dynamic growth enables it to occupy and maintain a strong and confident position among the industry's leaders in the domestic market, which reduces to an acceptably safe level the potential adverse impact of the aforementioned risks.

Prices for raw materials and products on both domestic and external markets, which are beyond the company's control, exert significant influence on the company's financial performance, profit and investment.

Steady high oil prices in export markets and the absence of a fall in demand for oil and products domestically do not presage any deterioration of the situation in the industry in the near future. Should that situation change, it is possible to mitigate any adverse impact by realigning the volumes of export and domestic oil products sales in accordance with price fluctuations.

A critical drop in world prices for Russian oil to 14-16 US dollars would not precipitate a failure by the company to cover its obligations.

A limited adverse impact on the company's performance could result from an increase in the costs of energy, services and transportation of raw materials and products, which is basically beyond the company's control. To diminish the influence of these risks, the company has been taking measures to use alternative energy and its own energy sources, concluding long-term contracts and seeking to optimally redistribute transportation volumes across transport formats (pipeline, railway, sea transport).

The company's actions vis-à-vis sector risks depend on a particular situation in each particular case, and are aimed at ensuring the unconditional fulfillment of its obligations.

In the reporting period and at this stage in the company's operations, **sector risk has been insignificant.**

2. COUNTRY AND REGIONAL RISK

Moderate

Country risks for the company are determined by Russia's inherent social, political and economic risks and the international financial rating of Russia, which is beyond its control.

The principal activities of the company occur in the Siberian and Central Districts. The economic and social risks and the development prospects of these districts are reflected in the Program for the Socioeconomic Development of the Russian Federation for the Medium Term.

The risks of military conflict, popular unrest, strikes, and declaration of a state of emergency are low in the regions where the company operates.

Also low for the company in the regions where it operates are risks associated with natural and climatic features, natural disasters and traffic disturbances.

Events in the social, political and economic life of Russia, and the reforms being carried out, directly or indirectly affect the company's activities. The stabilizing social and political situation and the evident economic growth in Russia, along with Russia's successful servicing of its external debt and stable international financial rating tend to reduce the adverse impact of country risks on the company's activities.

Nevertheless, considerable influence on the company's activities may be exerted by the decisions of local, regional or state (including - foreign) authorities with respect to taxation,

tariffs, quotas, trade barriers, currency regulation, nonresident ownership share restraints, nationalization, subsidies, licensing and antimonopoly policies, the setting of interest rates and refinancing rates, expropriation and the seizure of assets.

Actions by the company in case of an adverse change in the situation in the regions where it operates depend on how much these changes affect its performance, and are decided upon in each specific case by the methods that are available for mitigating the impact to the lowest possible level.

In the reporting period and at this stage in the company's operations, **country/regional risk has been moderate.**

3. FINANCIAL RISK

Moderate

In line with its strategic development plan, the company has been intensively building up and expanding its business activity, employing for this purpose both its own and borrowed funds (secured and unsecured). The company's current standing, as well as the situation in the market, permits it to borrow funds with an acceptable cost of capital, therefore the risk associated with the need for capital is insignificant.

The company has been pursuing a well-balanced policy with respect to the use of its own and borrowed funds and at present has ratings by Moody's (Ba3) and S&P (B+).

The company is subject to both currency risks and risks of a change of interest rates, as it employs considerable borrowed funds, including loans secured by supplies of oil traded in dollar prices. As a result of this, the company's performance is subject to impact of fluctuations in the ruble's rate of exchange against foreign currencies, but the risk of such fluctuations is insignificant on the scale of the company.

The company's profit is also adversely affected by the strengthening of the ruble exchange rate and by its real and nominal rate, which increases tax liabilities and adds to overall expenses.

A number of currency regulation restrictions also exert a negative influence, in particular restrictions on the conversion of ruble earnings into foreign exchange and back.

Among the other negative factors is inflation, which, despite some stabilization, is responsible for growth in costs and therefore a decrease in income, but current and forecasted levels of inflation are far from critical values for the industry and the company.

The company does not resort to hedging for those risks, and in each particular situation draws upon internal financial risk management instruments and reserves that enable it to guarantee the fulfillment of its obligations.

In the reporting period and at this stage in the company's operations, **financial risk has been moderate.**

4. LEGAL RISK

Moderate

The company's performance is definitely influenced by reforms being pursued in Russia regarding currency regulation, the banking, judicial, customs and taxation systems, and laws on land use, rational management of nature, the use of mineral resources, the extraction of raw minerals, etc.

The event of introduction of any of the following items could be assigned to the group of substantial legal risks for the company:

- amendments to the Tax Code of the Russian Federation
- new currency regulation provisions
- new rules in the field of licensing
- amendments to legislation on mineral resources
- amendments to legislative acts on charges for adverse environmental impact.

In the reporting period, none of the company's licenses has been revoked, and the risk of revocation or non-extension of licenses is insignificant.

In the reporting period, there have been no changes in judicial practice on issues which could have a negative impact on the company's activities.

Legal risks in the reporting period have had no substantial influence on the company and did not affect the company's fulfillment of its obligations.

In the reporting period and at this stage in the company's operations, **legal risk has been moderate**.

5. OPERATIONAL RISK

Moderate / High

The company is at risk from the absence of diversification in its commercial activities into areas other than prospecting for, extracting, processing and marketing oil and oil products. This risk is compensated for by the stable financial condition of the company, by its quality asset mix, and by the highly professional managerial team.

Operational risks in prospecting for, extracting, preparing and transporting oil are insignificant on the scale of the company.

Restrictions on exports could also have a limited adverse impact on the company's exports, which could occur as the result of a large-scale accident or natural disaster in a cargo port or terminal or in the AK Transneft pipeline system, which is beyond the company's control. The degree of that adverse impact is mitigated by the diversification of its export cargo volumes between the ports of Novorossiisk, Tuapse, Primorsk, Butinge, the Druzhba oil pipeline, and carriage by rail. Based on this, operational risks in oil and products export are moderate on the scale of the company.

The company's activities are subject to risks of accident and breakage of main production equipment. To reduce those risks at the Omsk Refinery, the company is carrying out a set of preventive measures and a large-scale program for the replacement of old equipment. The Omsk Refinery's equipment is insured against damage due to fire, explosion or natural or other disasters, but there is no such insurance for the Moscow and Yaroslavl Refineries, involved in the commercial processing of the company's products. A lengthy disruption or

reduction of production at these refineries because of a major accident can inflict on the company a **substantial loss**, the risk of which is also not insured. The company is in a position to manage, in part, losses due to an operational disruption by increasing product output at other refineries that are not working at full capacity. Nevertheless, since major accidents occur at oil refineries statistically once in ten to 30 years, **operational risk related to oil processing is assessed as moderate to high**.

Risks associated with ecology and environmental protection are moderate on the scale of the company. The company is carrying out an extensive set of measures to reduce harmful impact on the environment and ecosystem, to reduce emissions, to reclaim lands and to process waste, and complies with the requirements of current legislation.

The risk of loss of important information for the company is moderate and is bound to be reduced in 2004 after the installation of additional server stations.

A loss of the company's office building or key personnel (as a result of an explosion, fire, illegal actions, airborne vehicle crash, or other reason) might inflict tangible damage on the company's activities. However, because of the low probability of such events, the related operational risk is moderate.

In the reporting period and at this stage in the company's operations, **operational risk has been moderate / high**.

6. ACQUISITIONS RISK

Moderate

In keeping with its strategic development plan, the company aims to increase its equity participation in other companies, and to acquire other companies and commercial and production assets. The company assesses potential investments and acquisitions comprehensively from the point of view of existing risks, problems in the integration of the assets to be bought into its own structure, relations with shareholders and subsidiary companies, existing and possible liabilities, legal and financial aspects and the introduction of the company's adopted management standards and policies.

In the reporting period and at this stage in the company's operations, **acquisitions risk has been moderate**.

7. CORPORATE GOVERNANCE

Moderate

The company's corporate relations are governed by its Charter (articles of incorporation) and internal documents, and are subject to the current laws of the Russian Federation.

Company management is highly professional and can promptly make decisions. Top management includes former and present shareholders, and plays a significant role in overseeing the strategic and day-to-day activities of the company.

Among the main factors possibly affecting corporate governance are: the process of canceling the deal for the merger with NK YUKOS, issuance of securities and American depository

receipts, a conflict of interest between individual groups of shareholders, and inadequate insurance protection for the liability of officers and directors of the company.

In the reporting period and at this stage in the company's operations, **corporate governance risk has been moderate.**

6. Corporate Activity

About the Work of the Managerial Bodies

Over the reporting period, nine general meetings of shareholders have been held at the Company. The meetings, as part of the earlier declared policy of consolidating the assets, passed resolutions on a reorganization of the Company in the form of the incorporation in it of the oil traders OOO UNIKAR, OOO Kretans Holding and OOO Rubikon, and approved changes in the Charter of the Company with regard to succession in respect of the affiliated companies.

In cumulative voting, under the Charter of the Company, a Board of Directors, made up of nine members, is to be elected by a general meeting of shareholders.

The current membership of the Board of Directors was elected by the general annual meeting of shareholders on May 15, 2003.

Members of the Board of Directors:

Name	Equity stake as of Jan. 1, 2003 (%)	Biography
 Konstantin Nikolayevich Potapov	0.012085	Born in 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.
 Eugene Markovich Shvidler	0.00000021	Born in 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	Born in 1951, Ms. Breeva is a graduate of the Plekhanov Moscow National Economics Institute 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

<p>Tatyana Alexeyevna Breeva</p>		<p>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.</p>
 <p>Valery Alexandrovich Oif</p>	<p>None</p>	<p>Born in 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 served as Sibneft's vice president for downstream from 1998 until March 2004 and has served on the Board of Directors since the year 2000. On March 18, 2004, Mr. Oif suspended his membership in the board of directors upon his election to public service.</p>
 <p>Yevgeny Yakovlevich Poltorak</p>	<p>0.000905</p>	<p>Born in 1947, Mr. Poltorak is a graduate of Lviv 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.</p>
 <p>Vladimir Ivanovich Novikov</p>	<p>0.00000021</p>	<p>Born in 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.</p>
 <p>Ivan Alexandrovich Tyryshkin (independent director)</p>	<p>None</p>	<p>Born in 1973 and 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 April 2003, he worked as president of the Russian Trading System (RTS) stock exchange and from April through October 2003, as executive director of ZAO Skrin. He has been president of OOO Russkoye Zerno since October 2003. Mr. Tyryshkin joined the Sibneft Board of Directors an independent member in 2001.</p>
	<p>None</p>	<p>Born in 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 the Prospect Investment Firm, where he was general director from 1995 through 2003. He has been general director of OAO Kontur since December 2003.</p>

<p>Mikhail Genrikhovich Vinchel (independent director)</p>		<p>In 2002, Mr. Vinchel was elected to the Sibneft Board of Directors as an independent director.</p>
 <p>Albert Alexeyevich Gavrikov (independent director)</p>	<p>None</p>	<p>Born in 1970, Mr. Gavrikov is a graduate of the National Economics Academy, 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.</p>

The professional skills and experience of Sibneft’s directors guarantee effective performance from the Board of Directors, while the presence of independent directors accredited with the Association of Independent Directors and the Russian Institute of Directors is designed to build investors' trust in the company. The Declaration of Independence signed by independent directors has established independence criteria matching the criteria recommended by the Federal Securities Commission Code of Corporate Behavior. Executive directors (members of the company's Board) account for less than a quarter of its members. The Chairman of the Board of Directors has worked in this post for six years and has built up a reputation as a professional in the company's field of operations.

The General Shareholders Meeting has approved bonuses to the members of the Board of Directors equivalent to 10,000 US dollars for each member.

The presence of three independent directors on the board facilitates the formulation of objective opinions on issues under consideration. The company's bylaws fix a special quorum for board meetings when making significant decisions -- at least six members should be present and/or express their opinion in writing, including at least half of current independent directors.

Board of Directors members who supervise certain areas of the company's operations take part on a regular (weekly) basis in the activities of the Operations Board, a collective consultative body coordinating the activities of structural units of the company, and monitoring the implementation of production and financial plans and programs for the company and its subsidiaries.

Three committees work under the Board of Directors, each led by an independent director: the Audit Committee, the Personnel and Remuneration Committee and the Minority Shareholders Committee.

The Board of Directors held 19 meetings during the period under review. The board discussed corporate strategy and made decisions on major transactions; on convening and preparing for shareholders meetings; on issuing recommendations concerning interim dividend payouts; and on approval of the company's annual business plan.

Executive Bodies and Their Activities

The office of president is Sibneft's only individual executive body. Eugene Markovich Shvidler has been the company's president since 1998. He was elected for a new five-year term of office during the annual shareholders meeting in 2002.

The Management Board is the company's collective executive body. It consists of three members appointed by the Board of Directors on April 24, 2001:

- Eugene Markovich Shvidler, president and management board chairman
- Alexander Leonidovich Korsik, senior vice president and chief operating officer
- Tatyana Alexeyevna Breeva, vice president-finance and CFO

The Management Board held four meetings during the period under review (2003). Within its competence, the board made decisions on deals amounting to between 10 and 25 percent of the balance sheet value of the company's assets. The board approved plans and targets for the company's activities and considered payment of remuneration to the company's employees based on the results of 2003.

7. Observance of the Corporate Code of Conduct

Sibneft has adopted corporate practices that guarantee the equal treatment of shareholders, based on shareholding parity.

All shareholders are entitled to receive effective protection in the event that their shareholder rights are violated.

The observance of shareholder rights is guaranteed by:

- the existence of a reliable registration system for stock ownership rights;
- high liquidity in the company's shares;
- Sibneft's dividend policy, which calls for dividend payouts totaling no less than 15 percent of net profits as of the end of the reporting period;
- the absence of risks related to a dilution of equity interest (A shareholders meeting must approve decisions concerning the issuance of new stock. Furthermore, company bylaws state that there are no special rights issues and all shareholders have priority in acquiring new stock.);
- the company's transparency in terms of information dissemination:
 - all information disclosures required by the Regulation on Information Policy are published on the corporate website (www.sibneft.ru) in Russian and English;
 - shareholders have access to full and reliable information, including on the company's financial status, its operations and essential facts related to its financial and economic activities;
- the existence of effective oversight for the company's financial and economic activities:
 - by the Management Board, over implementation of production, financial and economic plans;
 - by the Board of Directors, over the results of work by company managers;
 - by the Board of Directors Audit Committee, over the efficiency of internal audit and risk management systems;
 - by the company's Auditor, over the trustworthiness of financial reports;

- by the Audit Commission, over the company's financial and economic activities and the efforts of management structures.

8. Prospects for Corporate Development

Sibneft's main operational goals for 2004 include:

Promoting steady growth in oil production

- Stepping up oil production on the basis of advanced field development technologies.
- Conducting a reserves appraisal and preparing feasibility studies for oil recovery for the Romanovskoye and Yarainerskoye fields; preparing technical project documentation for the West Sutorminskoye, Kapamovskoye, Sporyshevskoye, Romanovskoye, Novogodneye and Yarainerskoye fields; and building reservoir models for the Kraineye, Muravlenkovskoye, Vyingapur and Priobskoye fields.
- Performing hydrocarbons potential analyses for the Arctic and Far Eastern shelf of the Russian Federation and rating them in terms of investment attractiveness. Plans call for the preparation of models for geological exploration and prospecting in the three most promising shelf areas.

Entering the gas market

- Maximum commercialization of petroleum gas resources by way of effective utilization.
- Introduction of energy-saving technologies in the company's subsidiaries.

Improving standards for refined products

- The further implementation of projects as part of the company's ongoing technical modernization plan for OAO Sibneft-Omsk Oil Refinery, including: modernization of a catalytic reforming unit to be commissioned in the first quarter of 2004; the start of construction of spot loading racks, with the first phase to be commissioned in 2005; and the initiation of the first phase of modernization of the AT-9 crude distillation unit, to be operational in December 2004.
- Shifting to the production of refined products in line with GOST R 51105 standards (analogous to Euro II).

Expanding business in geographical areas of operation

- Improving the quality of services offered to refined product consumers at retail sites, expanding the range of retail services, developing and introducing a unified service product, developing and introducing loyalty programs for corporate clients and private individuals on the basis of Sibneft mobile cards, and initiating promotional campaigns with the purpose of attracting new clients to the company's service stations.
- Modernizing the existing marketing networks and building filling stations in line with European standards, and entering and strengthening the company's positions in new refined product markets (Moscow and surrounding region, St. Petersburg, Nizhny Novgorod).

Improving services company management

- Increasing the operational efficiency of services companies.

- Making sure that the company's subsidiaries expand their business in the Western Siberian market.

Promoting the development of management systems

- Developing and perfecting business processes in the company with the purpose of building an effective system of oversight.
- Instituting process-based support for automation and provision of information for business processes in the company.
- Regulating business processes, developing and introducing clear and workable schemes for actuating the company's regulatory documents.

Personnel development

- Introducing common standards and personnel management processes at the company's central office and its subsidiaries.
- Forming a corporate personnel training system, a unified system for evaluating the business acumen and professional skills of employees.
- Promoting the development of a program for attracting highly skilled specialists and talented young graduates.

_____ **Eugene M. Shvidler**

President

OAO Sibneft

_____ **E. N. Sukharkova**

Chief Accountant

OAO Sibneft