



Russia's best managed oil company

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MIOGE 2001

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Investment needs

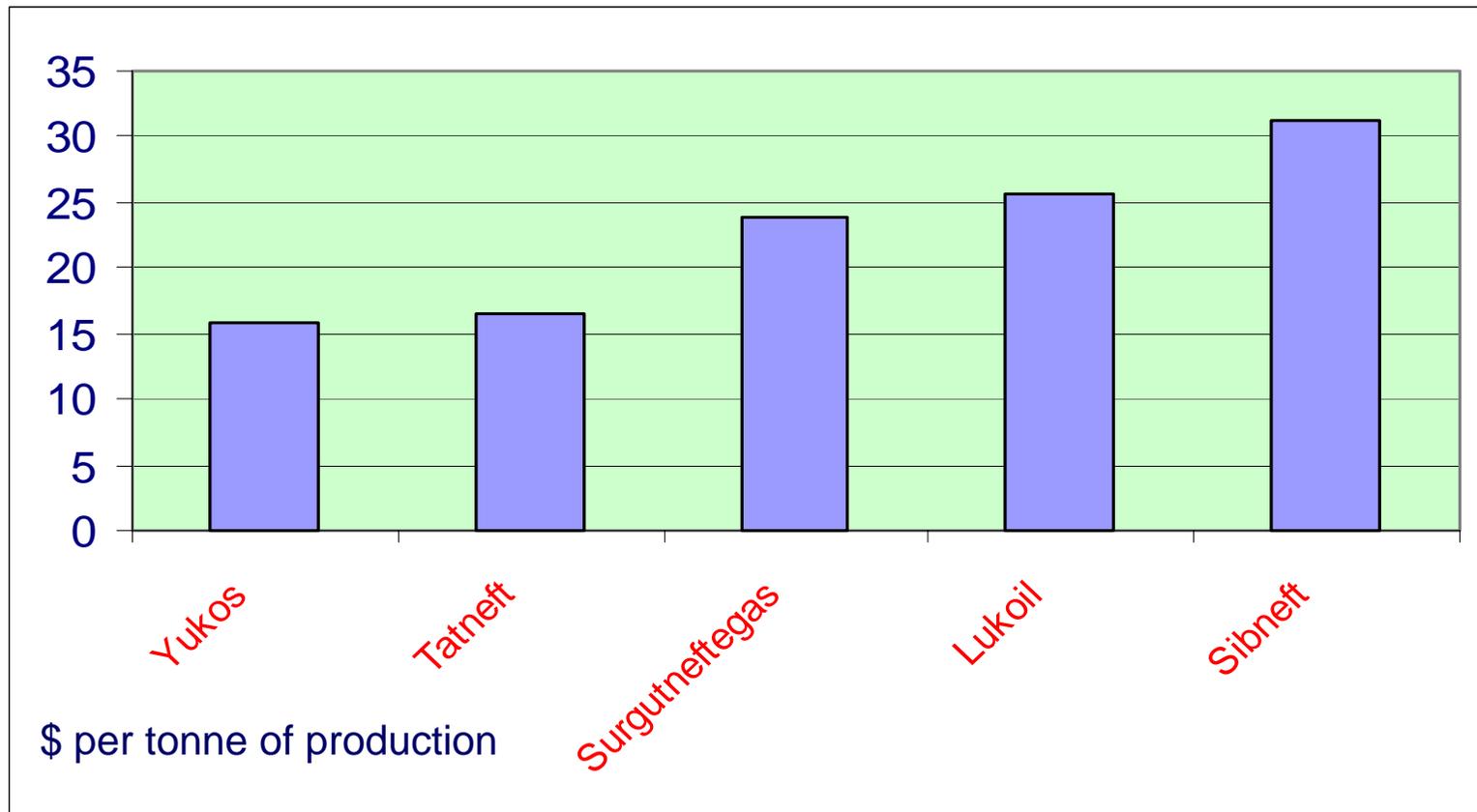


- Sibneft targets oil production growth of 10.5% in 2001 to 375,000 barrels per day
- Sibneft in 2000 launched multi-billion dollar programme to develop new fields
- Sibneft to launch full field development of one billion barrel Sugmut field in 2001
- Upstream capital expenditure to almost triple to \$595 million
- Refining capital expenditure to rise to \$52 million
- Retail capital expenditure to increase to \$20 million

Capital expenditure



- Sibneft's 2001 upstream capital expenditure relative to production outstrips that of its peers



Investment choices



- Generate forecasts for base production and additional production resulting from well workovers, drilling or other investments
- Calculate discounted cash flow over 15 years generated by base production and additional output
- Rank projects according to internal rate of return, pay back period and profitability index

Funding options

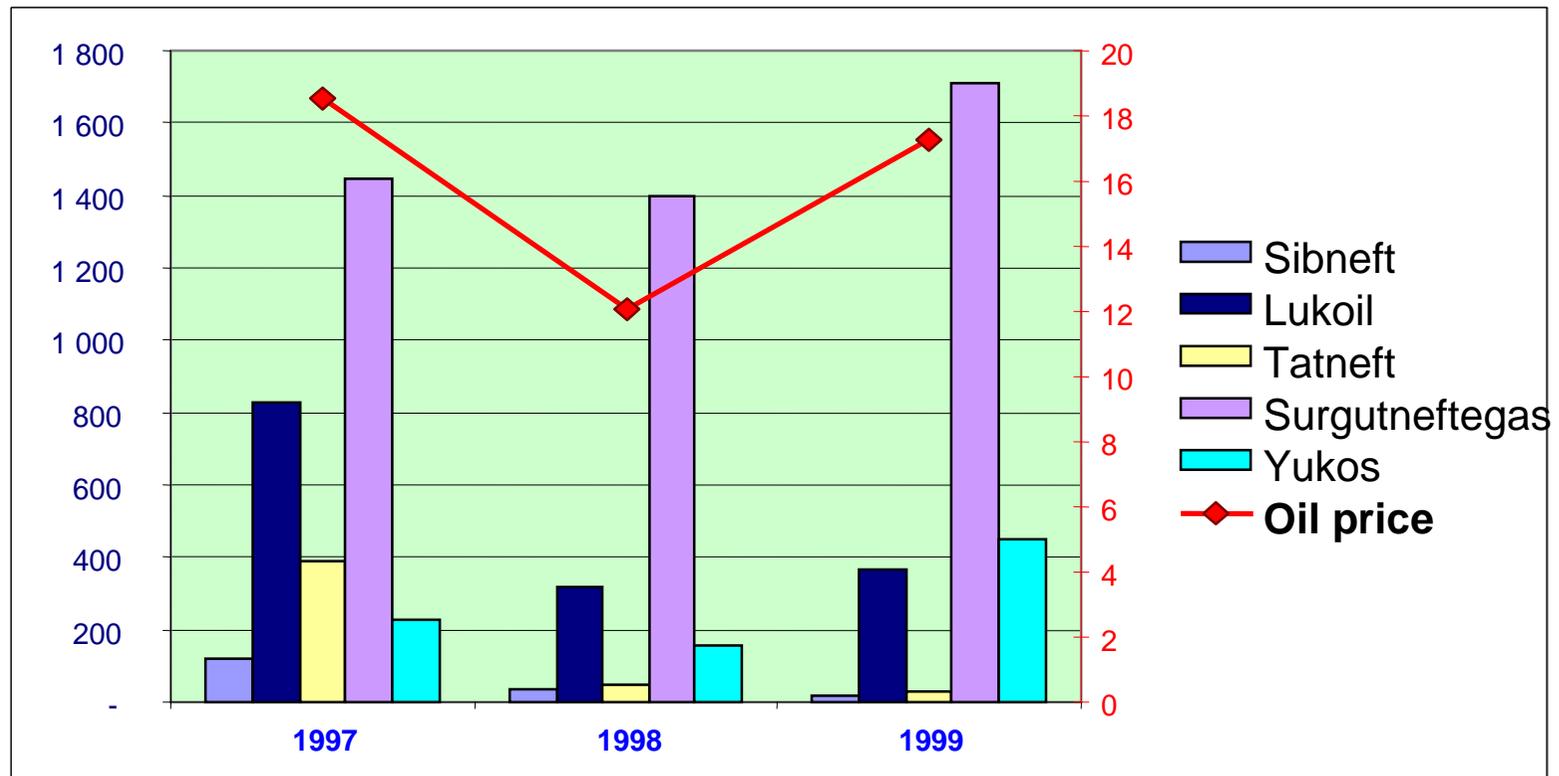


- Cash
- Debt
 - Increase of accounts payable
 - Loans
 - Bonds
- Equity

Cash in the bank

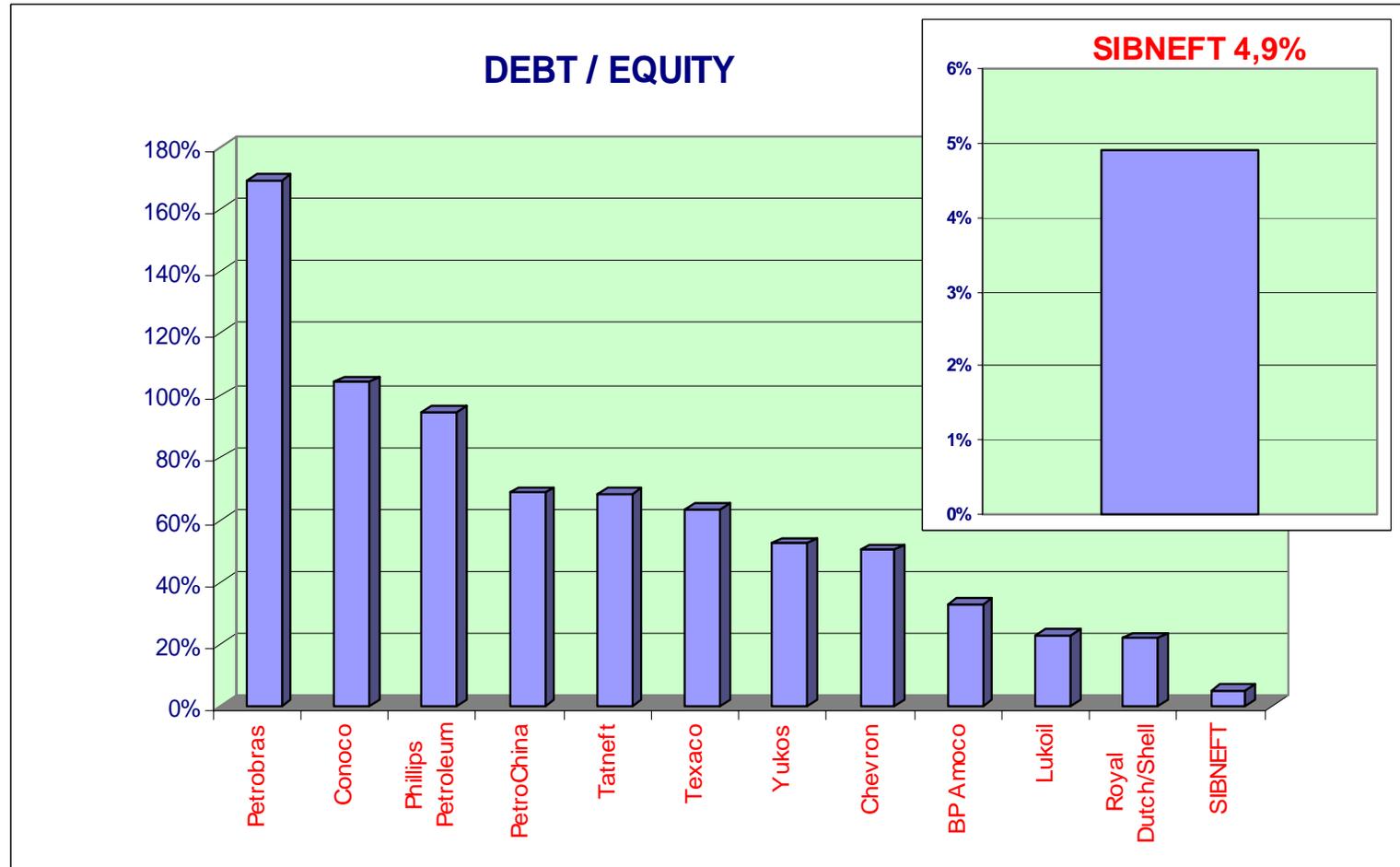


- In a period of high oil prices companies often accumulate cash which cannot be profitably invested



Sibneft's strategy is to meet its debt financing needs by securing *longer term* finance at a *lower cost*

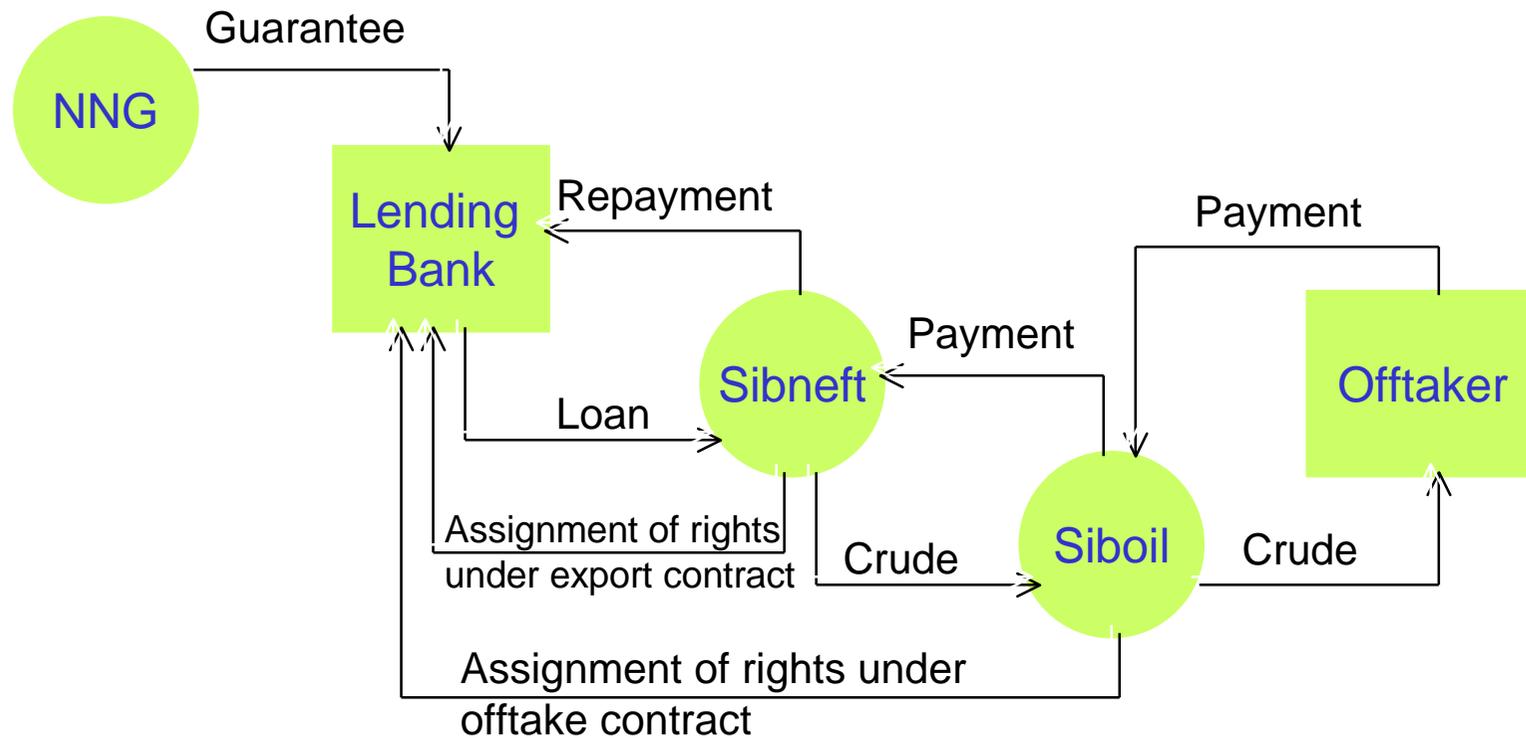
Low leverage



Secured finance



- Loans secured by crude exports significantly cheaper than unsecured finance
- Typical structure for export backed finance



Secured finance



- **March 2001 - Sibneft signs \$175 million loan agreement**
 - Joint arrangers ING Barings and Societe Generale
 - Two-year tenor
 - Loan priced at 500 basis points over Libor all-in
 - Syndication heavily oversubscribed
 - Participants include Commerzbank, Erste Bank, Banque Cantonale Vaudoise, Moscow Narodny Bank and KBC Bank

Secured finance



- **December 2000 - Landmark \$180 million thirteen-month facility named EEMEA Emerging Market Loan of the Year by International Financing Review**

- Largest syndicated loan to be secured by a Russian company since crisis
- Arranger and bookrunner Standard Bank
- Sub-underwriters Standard Bank, ABN Amro, BankAustria Creditanstalt, Natexis, Societe Generale, Moscow Narodny Bank and KBC Bank

Secured finance



Other facilities secured in 2000

- \$100 million one-year facility
 - Lead arranger WestLB
 - Co-arranger Credit Lyonnais
- \$45 million six-month facility
 - Arranger ING Barings
- \$40 million six-month facility
 - Arranger Glencore
- \$40 million three-month facility
 - Lender Sberbank
- \$20 million nine-month facility
 - Arranger RZB

Export credit agencies



- Export credit agencies enable access to longer term and cheaper finance
- 2001 - Sibneft secures a guarantee from French export credit agency Coface in support of a \$60 million contract with the Pride Forasol unit of drilling contractors Pride International
 - Four-year facility at a cost of less than 100 basis points over Libor
- Discussions regarding support from other export credit agencies under way

Bonds



- Eurobonds - Sibneft floated first Russian corporate Eurobond worth \$150 million in August 1997
 - Advantages: unsecured, long term
 - Disadvantages: high cost, expensive preparation, strict reporting standards
- Convertible bonds
- Rouble bonds
 - Advantages: access to captive rouble funds
 - Disadvantages: high cost, limited investor base

Equity finance



- Sibneft launched level one American Depositary Receipt (ADR) programme in April 1999
- Level three ADR programme under review as a means of securing new funds for investment
- Sibneft meets most technical requirements for level three ADR programme
- Key consideration is cost of equity finance
- Current depressed prices of Russian equities make equity finance an unacceptably expensive means of raising capital