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Conference 2002**

# Sibneft acquisition strategy as a key factor of sustained long term growth



## Building a new company

### Modern oil company

- ✓ Business planning and monitoring
- ✓ Field development planning and reservoir management
- ✓ Production technology
- ✓ Outsourcing of services
- ✓ People

**Breaking through**

**Restructuring**

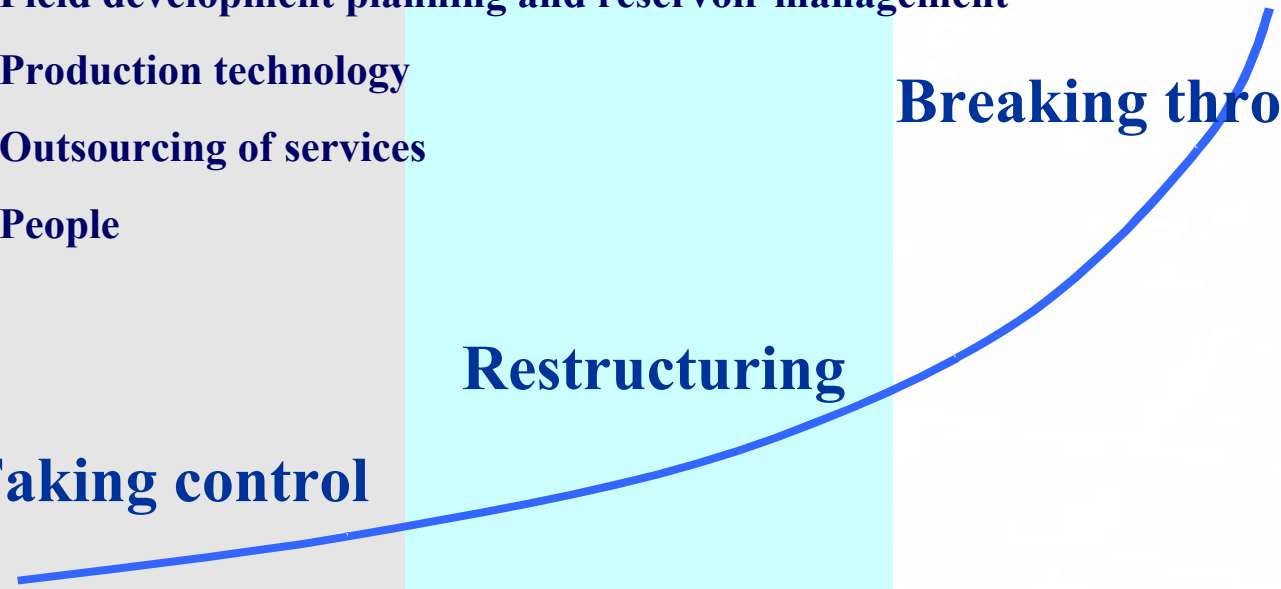
**Taking control**

### Portfolio of legacy assets

**1995 - 1997**

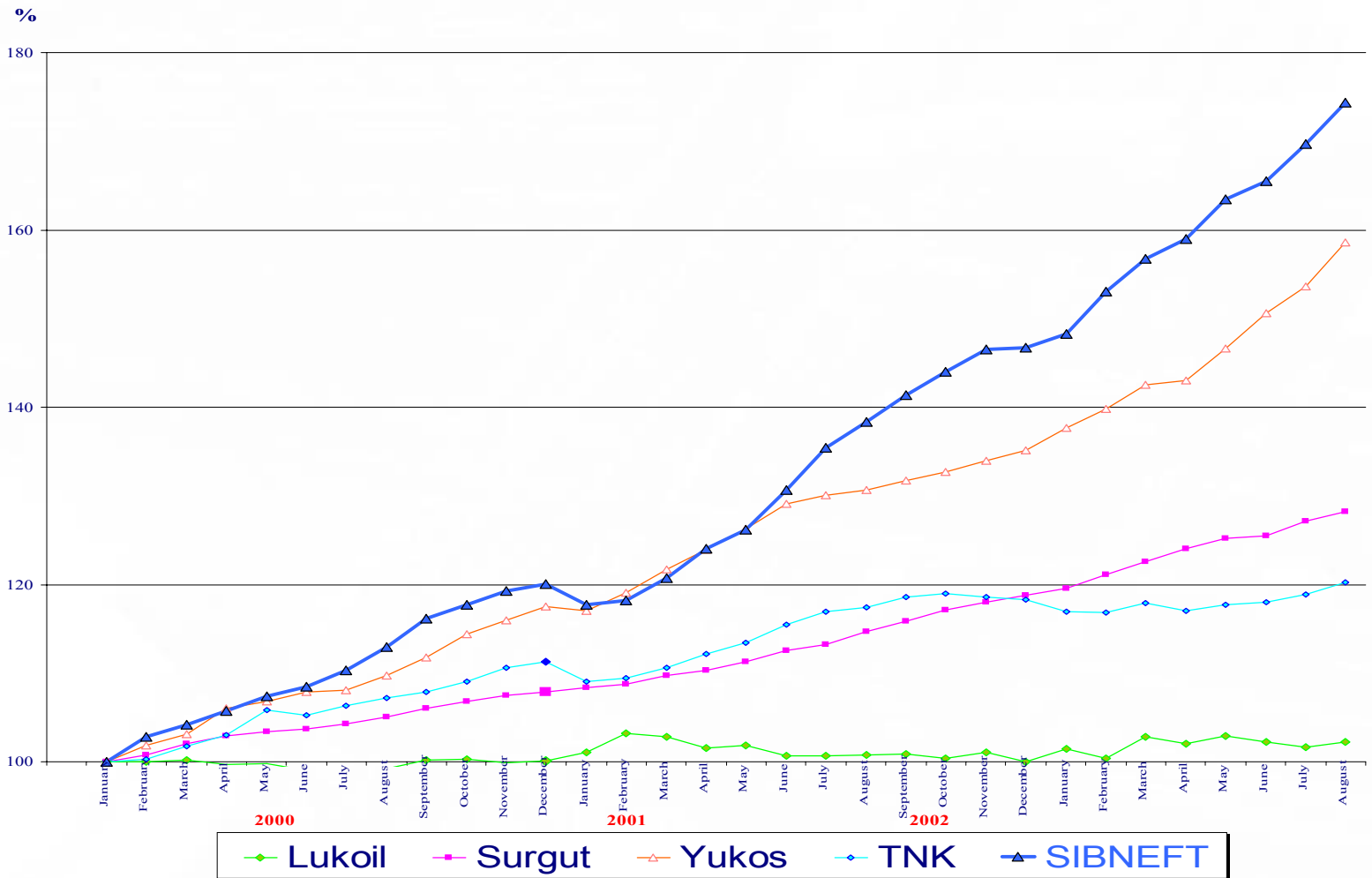
**1998 - 2000**

**2001 - 2002**

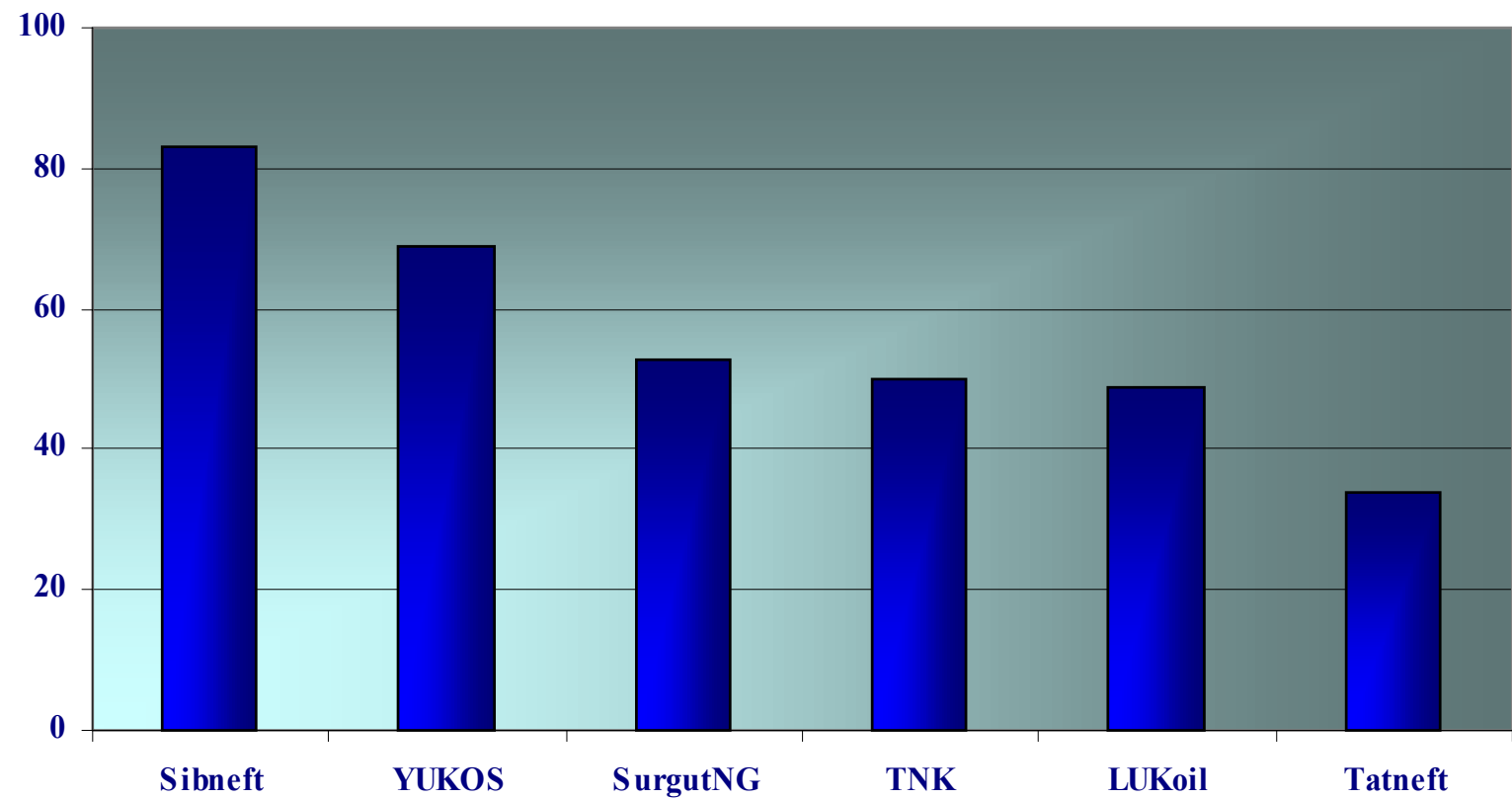


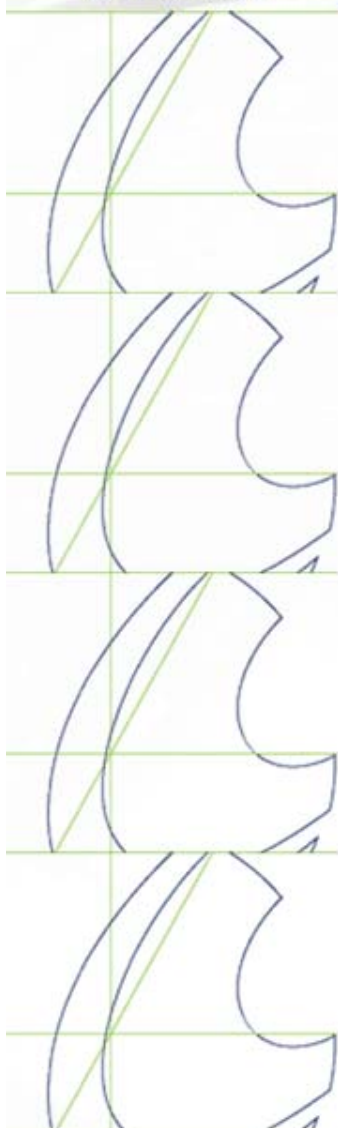
# Production growth ahead of peers

*Growth in output since January 2000 (%)*



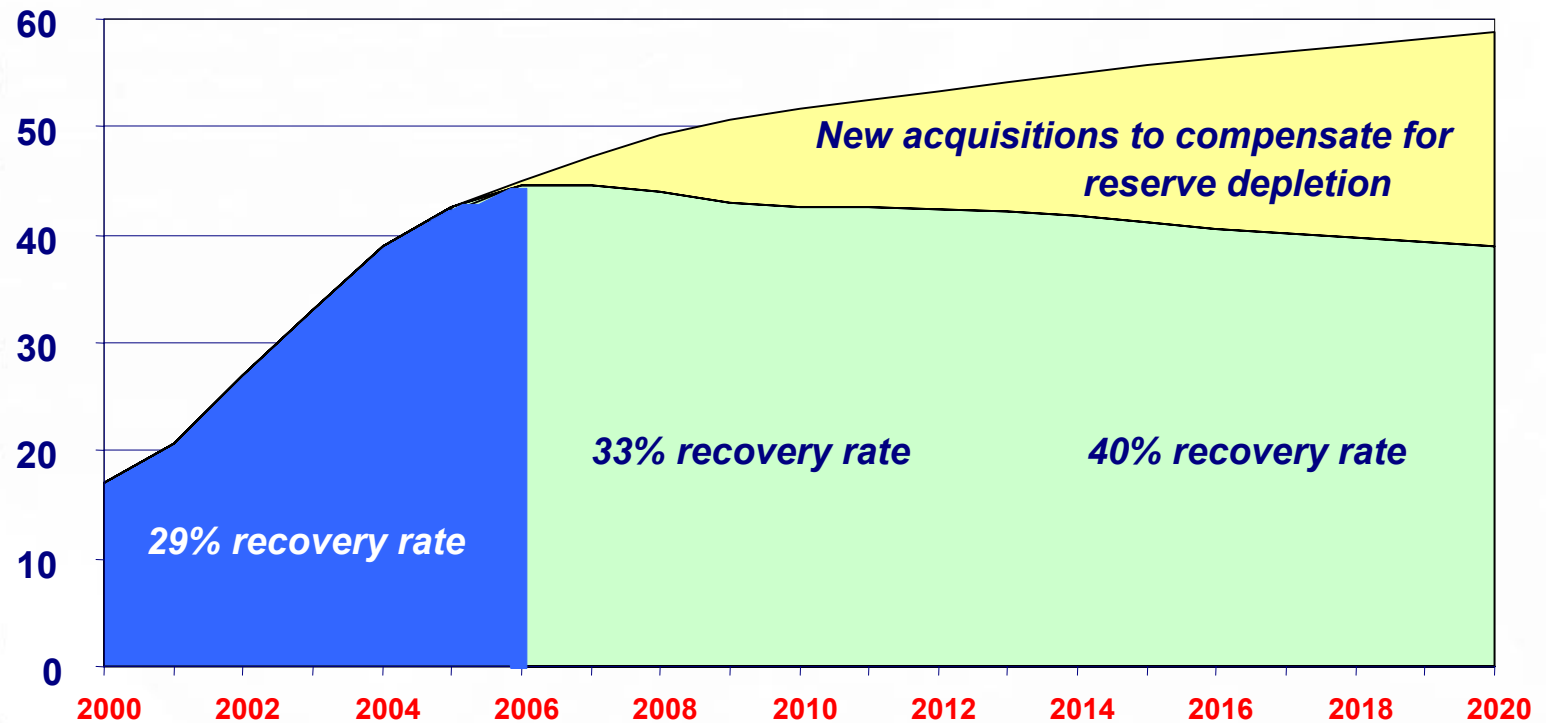
## 2001 EBITDA per ton ahead of peers



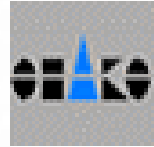
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- A decorative graphic on the left side of the slide, featuring a vertical green line and several horizontal green lines that intersect with curved, overlapping shapes in shades of blue and green, resembling a stylized map or data visualization.
- **World class returns**
  - **Potential of existing assets**
  - **New upstream assets**
  - **Refining capacity**
  - **Retail network**

## Output profile at current and planned recovery rates

Output (million tonnes per annum)



- Acquisitions of new assets
- Production from mature fields assuming enhanced recovery rate
- Current production profile



Orenburgneft

2000 - 38% stake in Orenburgneft.



2001 – 50% stake in Sibneft-Yugra:  
Priobskoye and Palyanovskoye fields.



Slavneft Trust

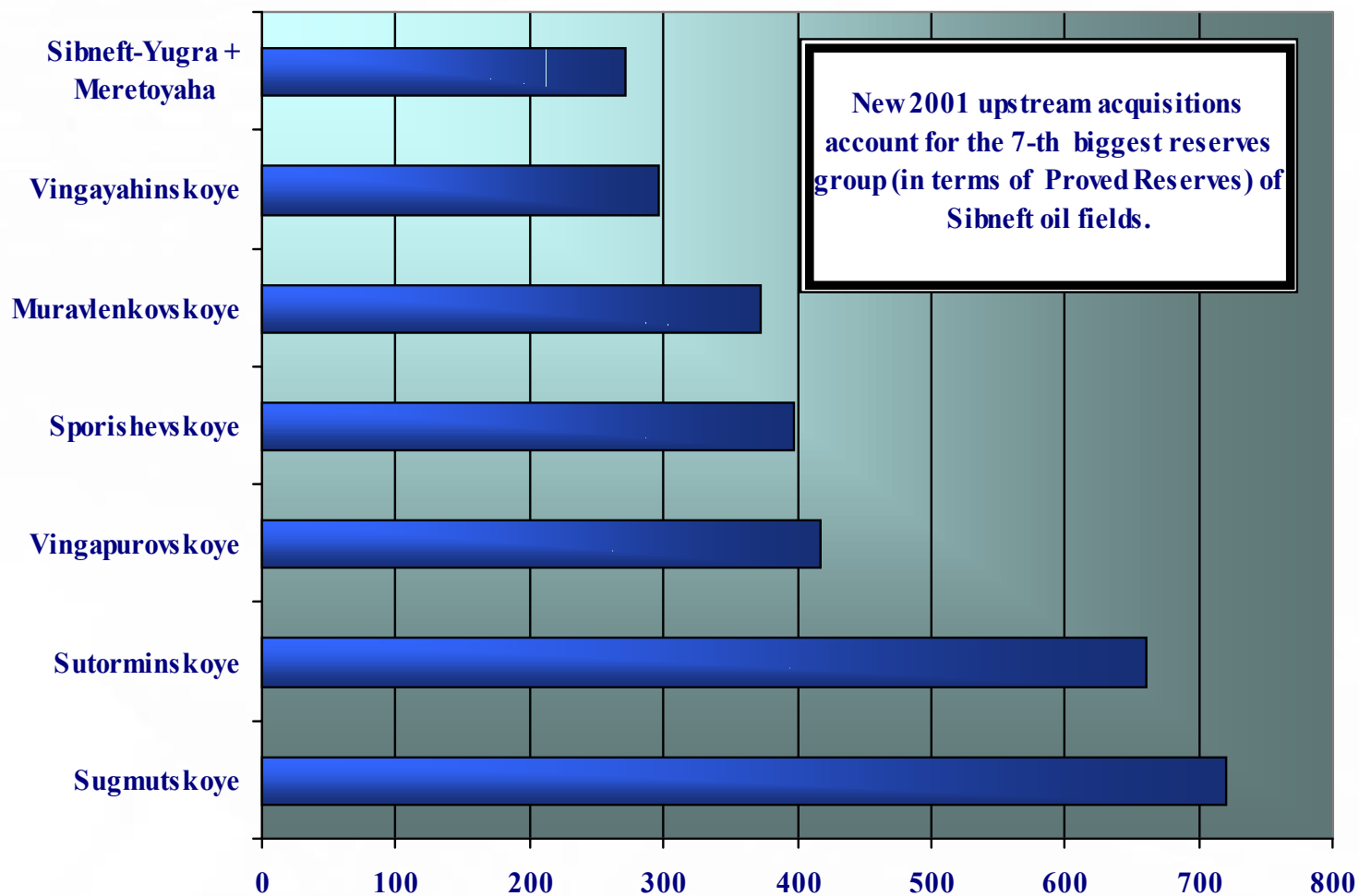
2001 – 25% stake in Slavneft Trust.



2002 – 67% stake in Meretoyahaneftgas:  
Meretoyahskoye field in “Noyabrsk region”.

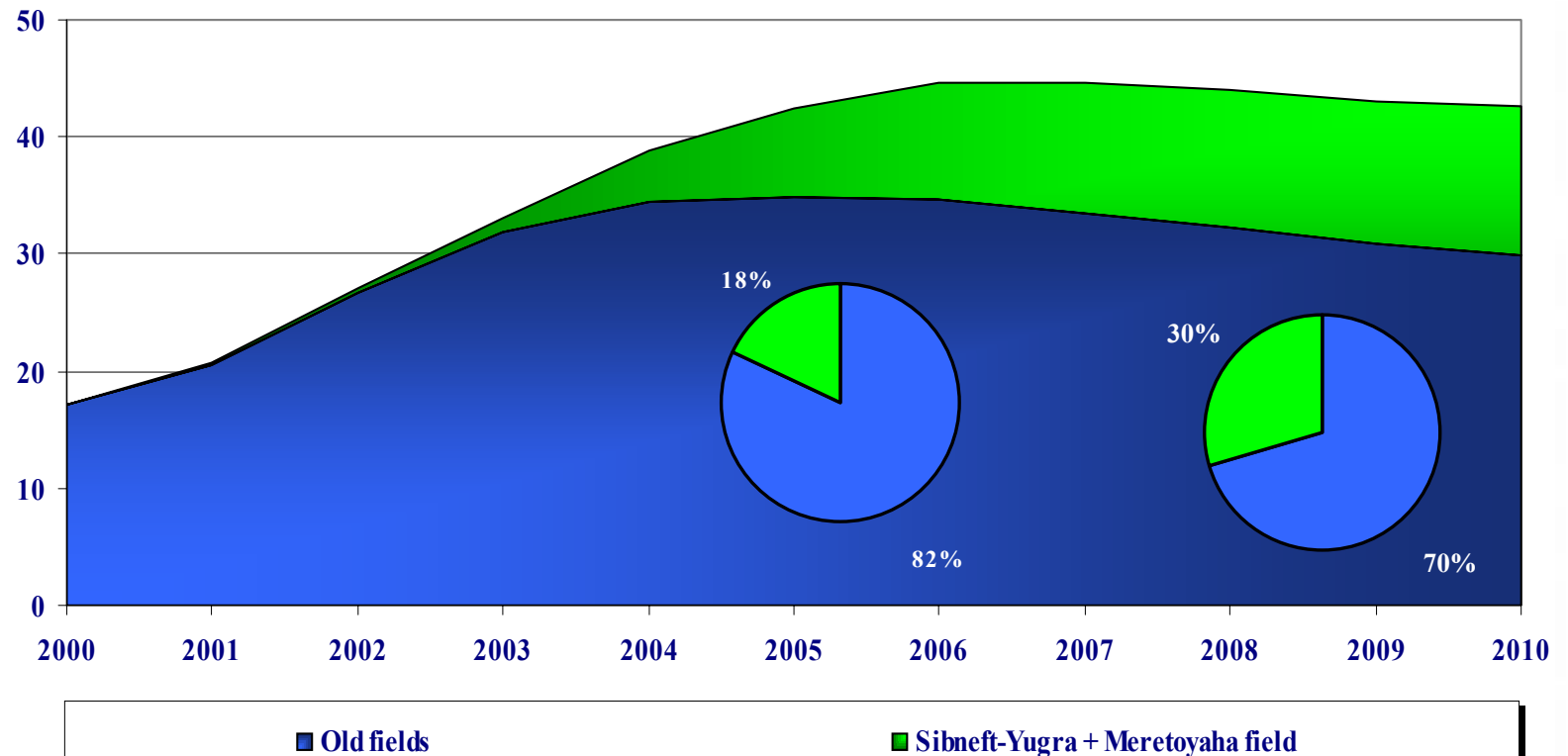


## New upstream acquisitions reserve addition



## Future production growth, mln.tons. Acquisitions vs. old fields

“New acquisitions of 2001 - 2002” will account for 18% in total production by 2005 and up to 30% by 2010.



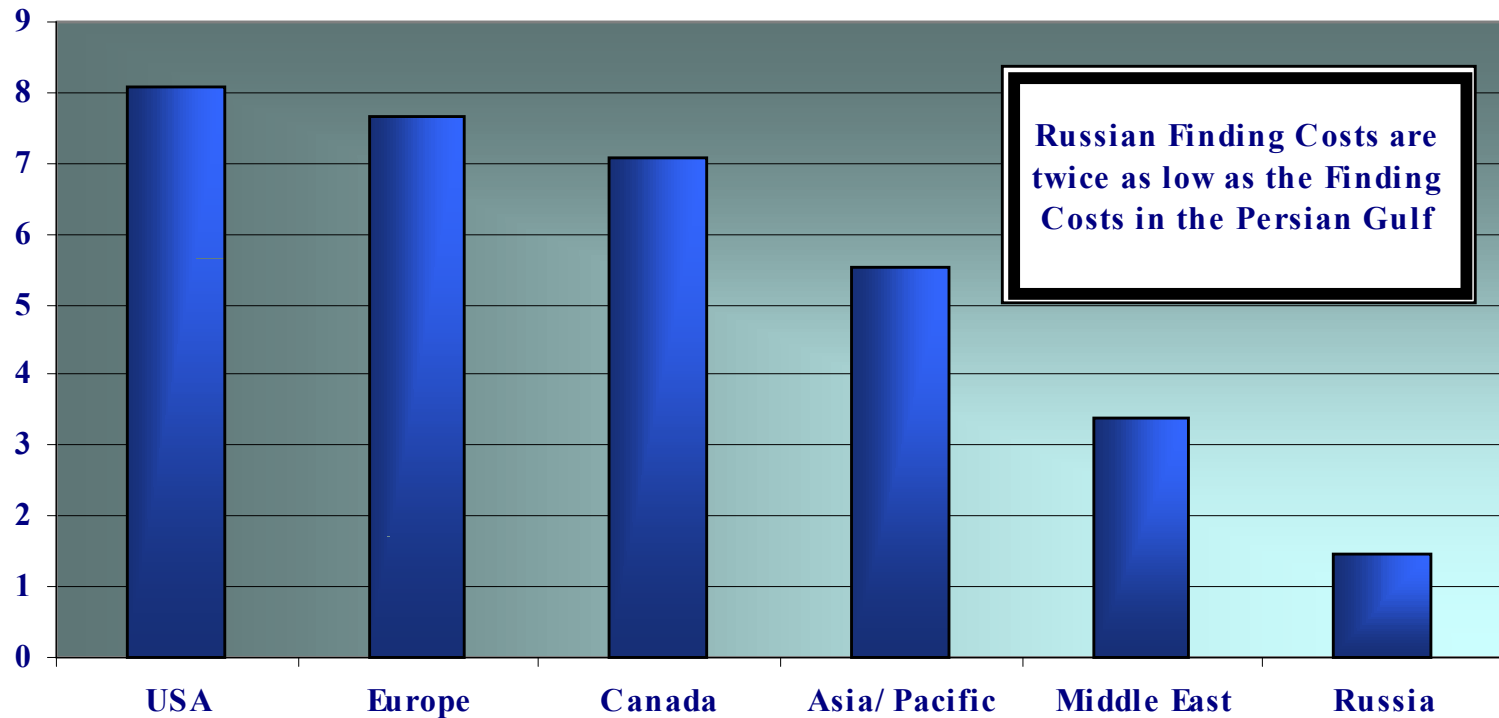


➤ **In Russia or abroad ?**

➤ **At what price?**

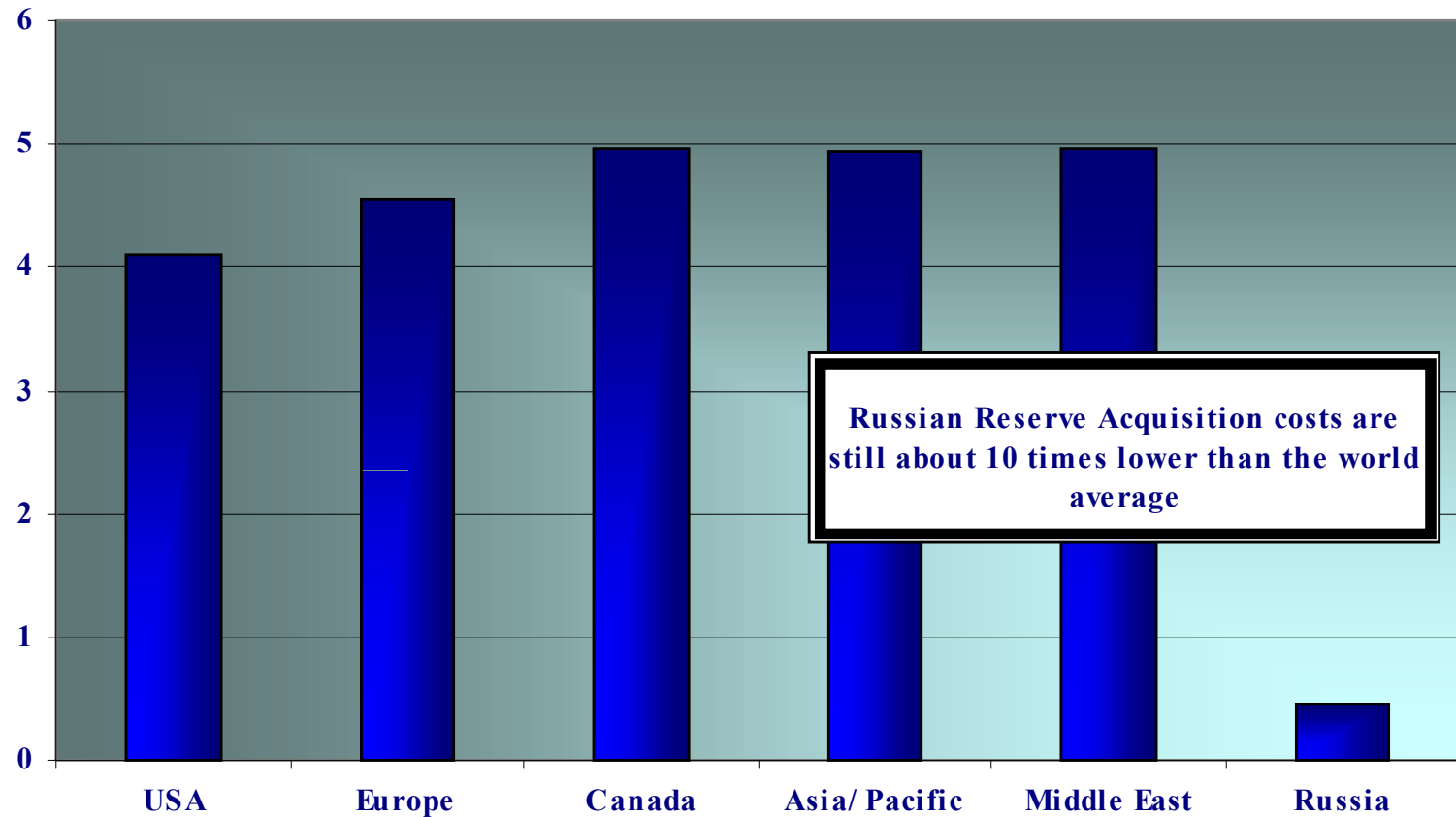
## Why do we go for Russian reserves – Finding Costs are low

$(\text{Exploration} + \text{Development}) / \text{Reserves (extensions} + \text{discoveries} + \text{improved recovery} + \text{revaluation})$  - 5 years average, USD/ boe



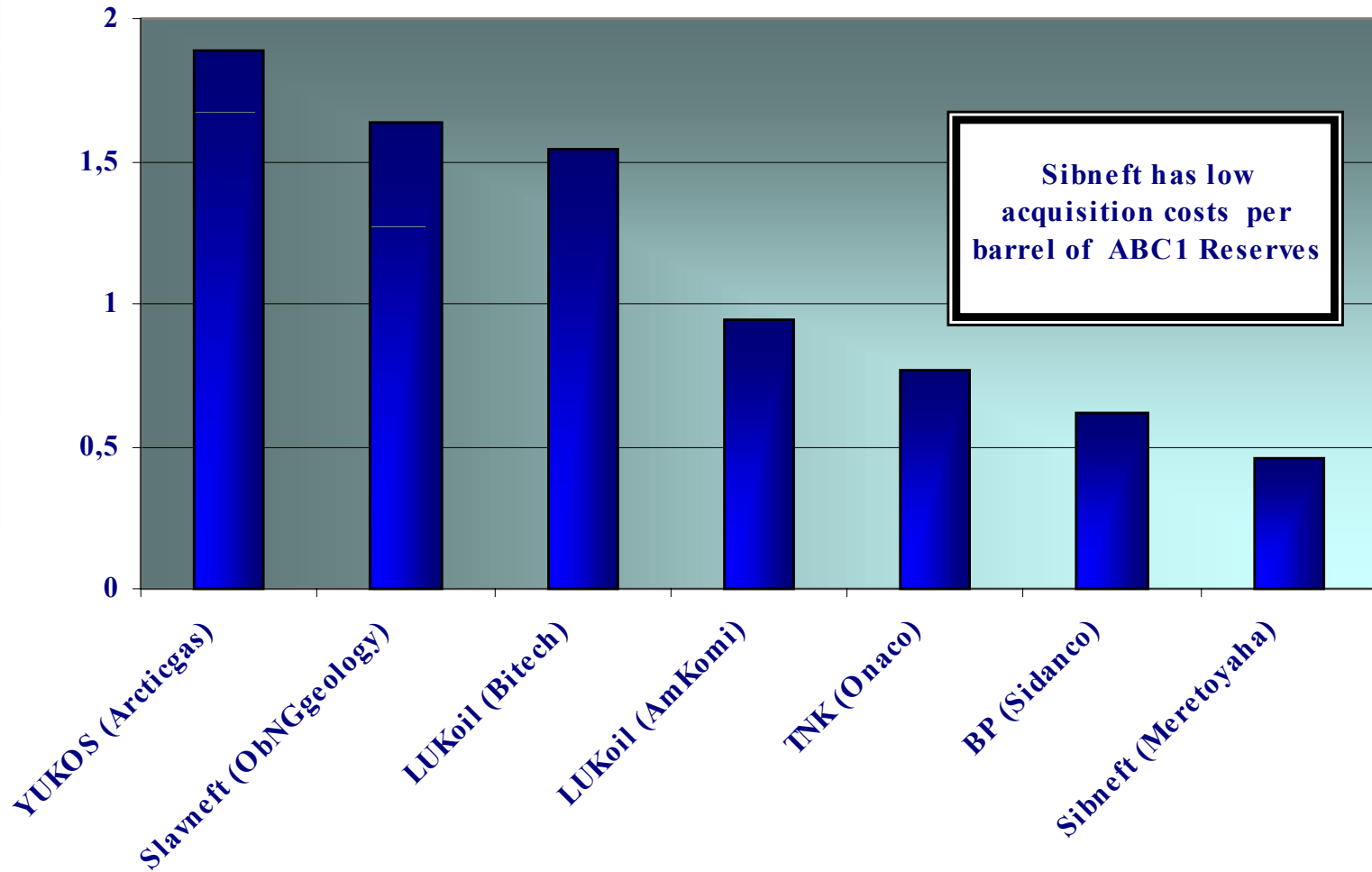
# Why do we go for Russian reserves – Acquisition Costs are low

Acquisition Costs, USD/ boe - 5 year average

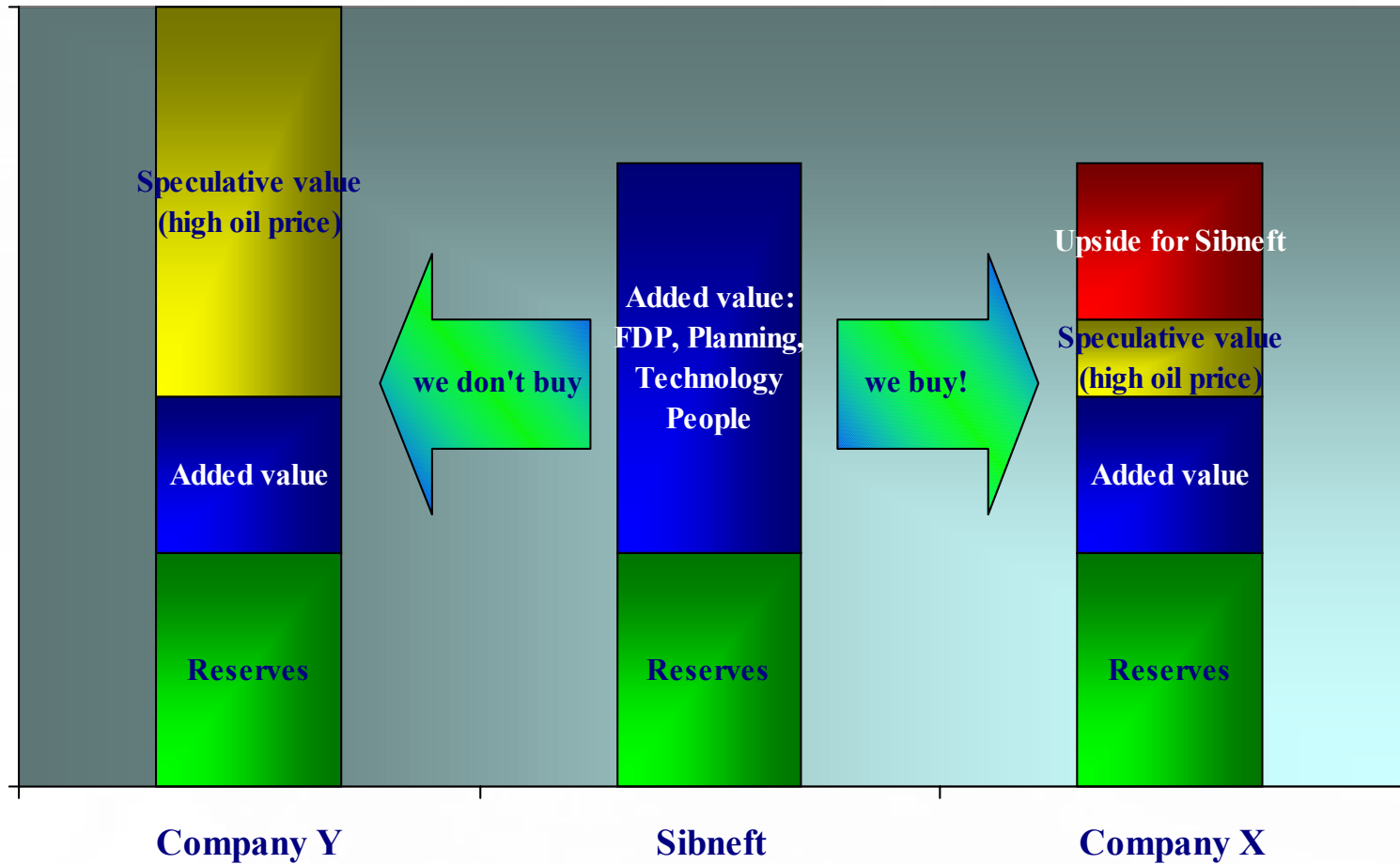




## Sibneft upstream Acquisition Costs versus peers, USD/ boe



# At what price ?



## Sibneft downstream acquisitions 2001



In 2001 Sibneft acquired 37% in Moscow refinery. Currently Sibneft has a long term contract to deliver at least 350 thousand tons of crude a month to the refinery.

### **Moscow refinery characteristics:**

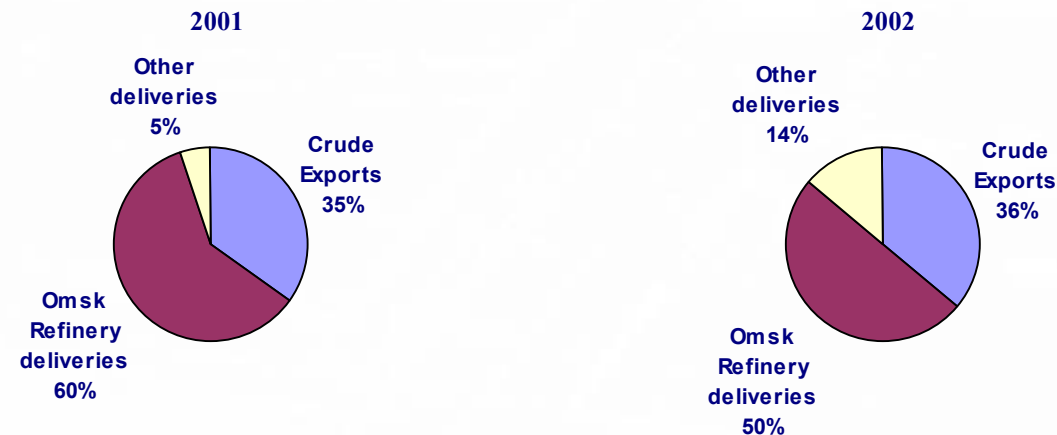
- ✓ **Refining throughput – 9,8 mln.tons annually**
- ✓ **Utilisation ratio – 91%**
- ✓ **Depth of refining – 68%**

**Central Federal Region, which includes Moscow and Moscow region, accounts for 20% of total fuel consumption in Russian Federation. Moscow share in this number is 45%. Moscow refinery is the second closest refinery to European exports markets.**



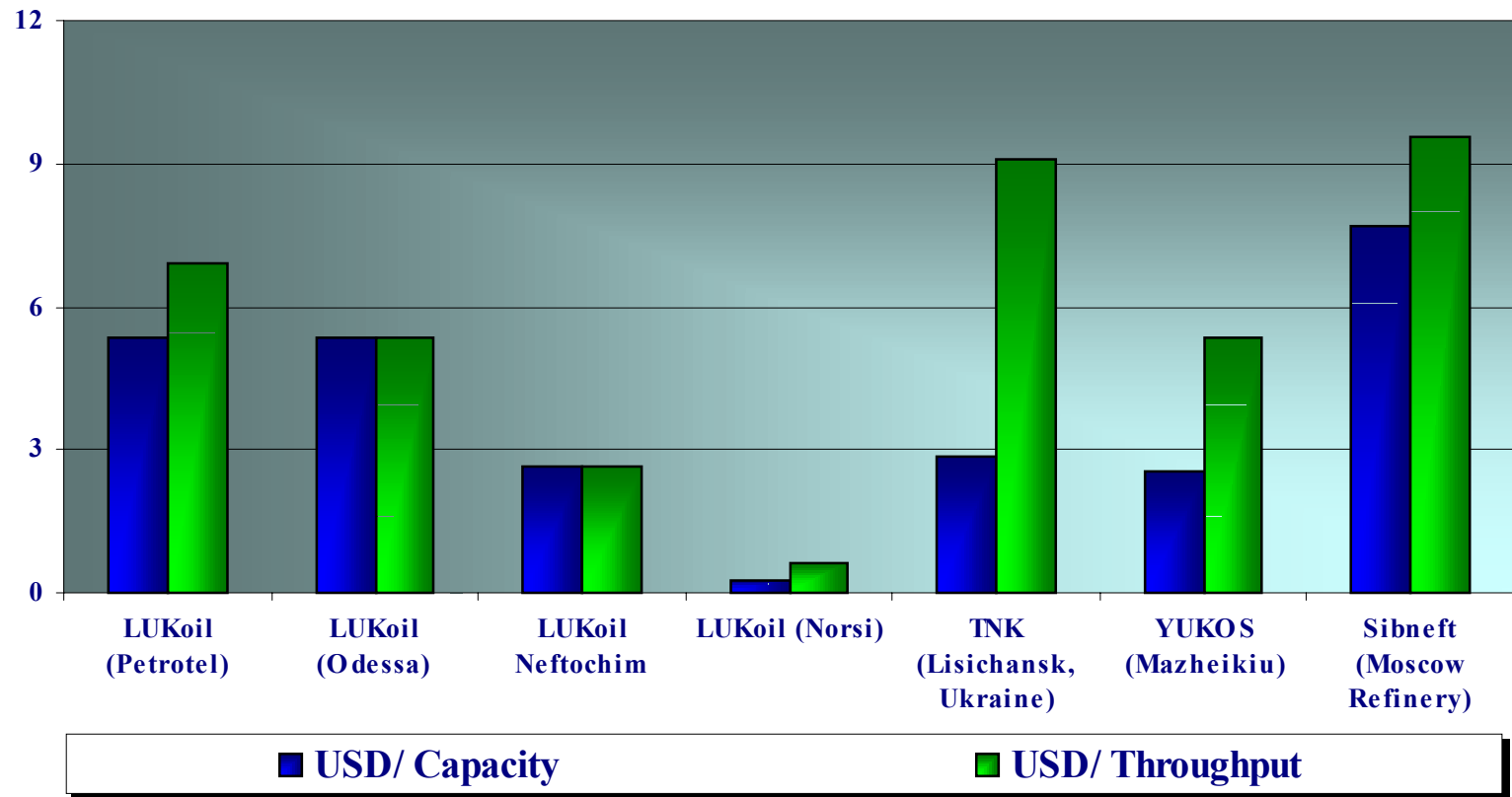
## Sibneft crude deliveries

Sibneft production growth will enable it to load Moscow refinery with its own crude. In 2002 Sibneft has about 14% of spare crude (net of export and Omsk refinery shipments) to supply to Moscow.



Due to the low direct production costs (\$1.70 per barrel in 2001) Sibneft has a safe “transportation cushion” that will allow to transport crude directly from Noyabrsk and still to have competitive oil product prices on Moscow market.

## Acquisition costs in downstream, USD per bbl.



## Was it expensive? Yes, it was value for money !

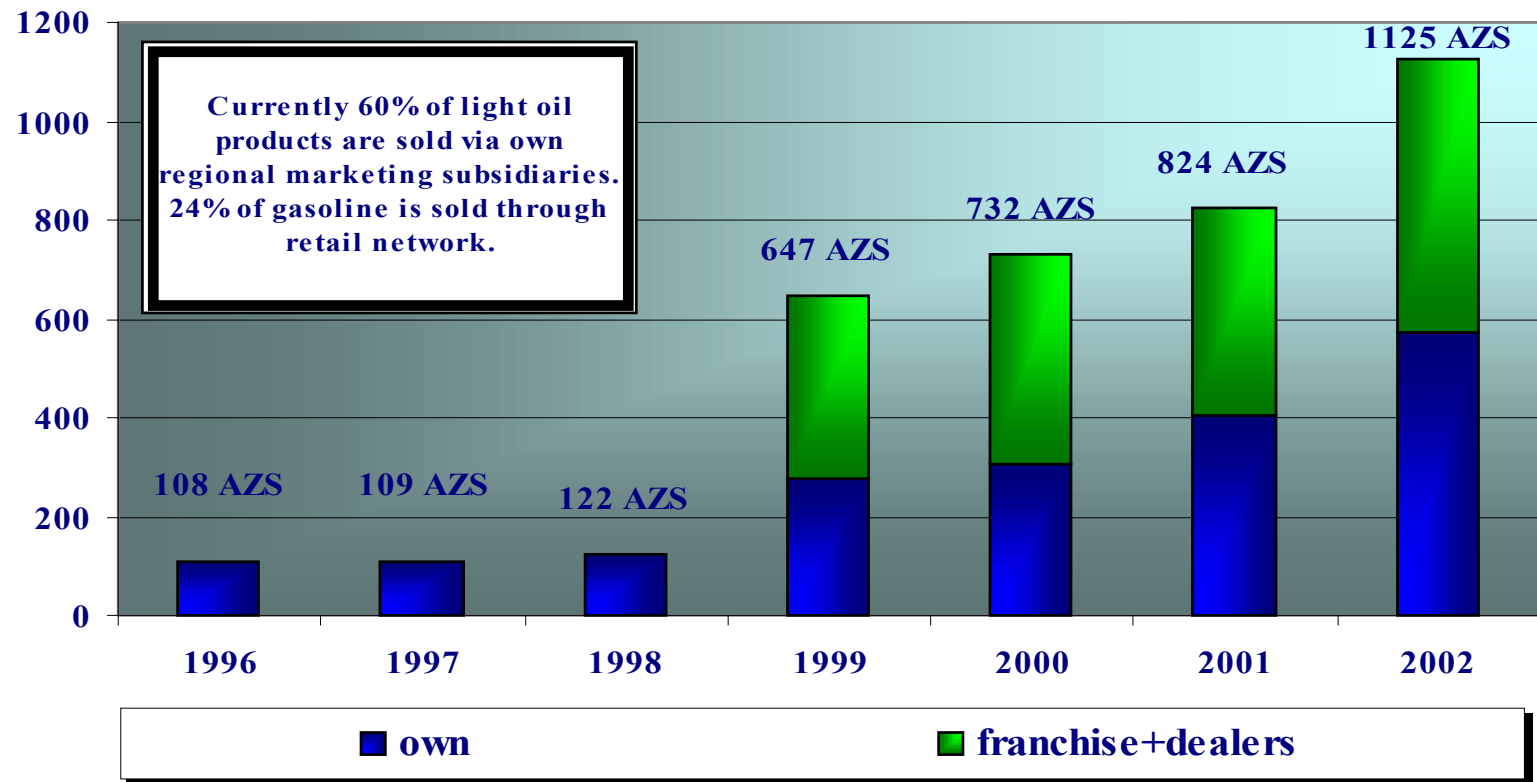
- ✓ **The last refinery for sale ...**
- ✓ **Good refinery for sale ...**
- ✓ **Excellent market ...**
- ✓ **Access to exports ...**
- ✓ **Bridgehead into St.Peterburg and Nizniy Novgorod and other European Russia markets ....**

	<u><b>Moscow</b></u>	<u><b>Europe</b></u>
<i>People per 1 station</i>	13150	2000 - 4700
<i>Cars per 1 station</i>	3850	1000 - 2000
<i>Sales per 1 station (cub.meters/ year)</i>	5500	1300 – 3000



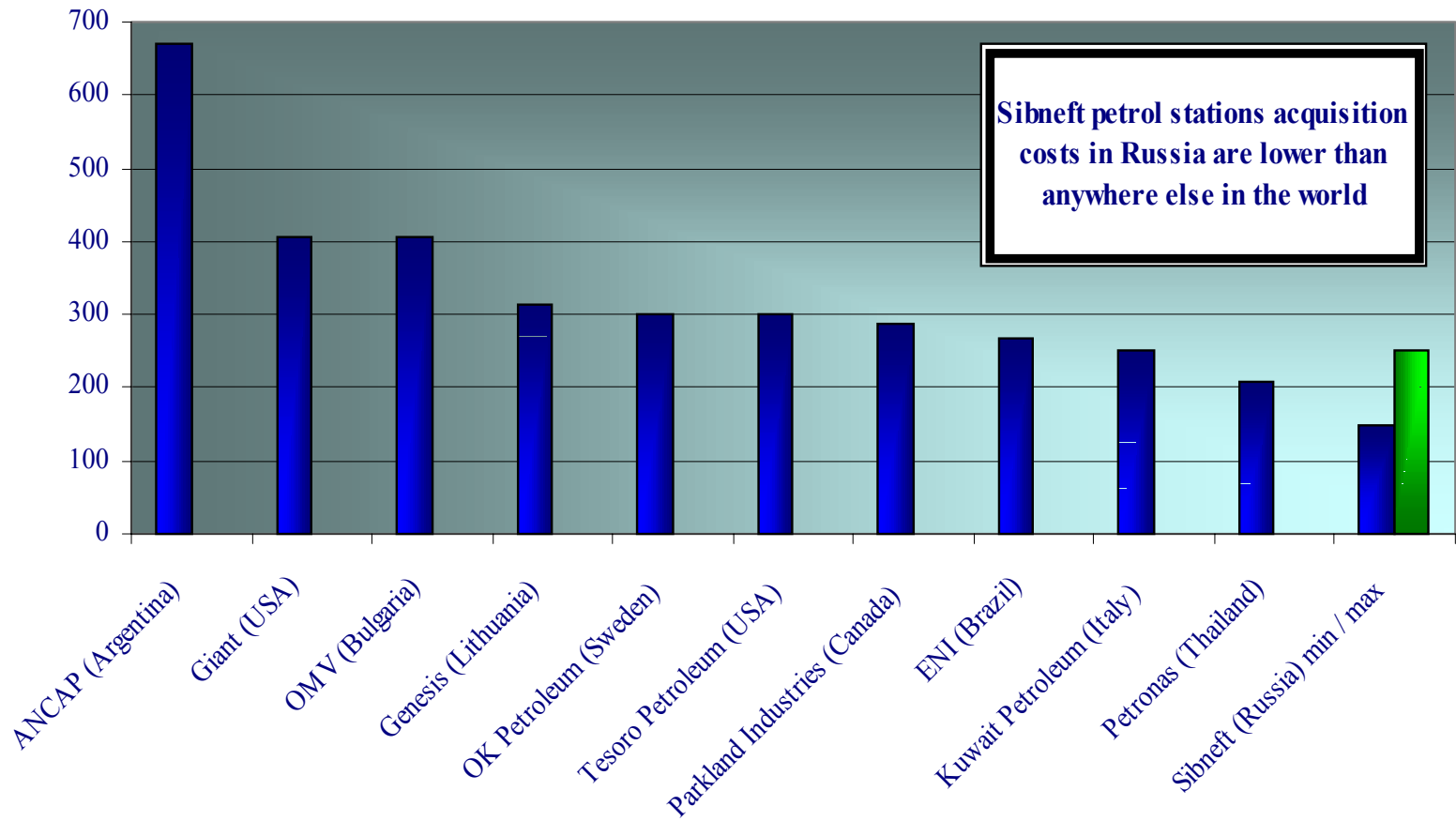
## Retail network growth

Sibneft acquired 20,5% of voting stock in Mosnefteprodukt. In 2002 Sibneft made acquisitions in Moscow, Tomsk and Krasnoyarsk retail businesses. We plan to add up more than 100 filling stations to the current 1125 stations by the end of 2002.





## Sibneft stations acquisition costs versus peers, th.USD per station



## Sibneft competitive position in retail products marketing

- Since 1995 Sibneft added up 10 more oil product distribution companies.
- Sibneft currently sells 25% of the products via marketing subsidiaries.
- We control from 35% to 90% of the markets in the areas we operate.



