



Syntroleum Corporation

2001 Annual Report to Shareholders

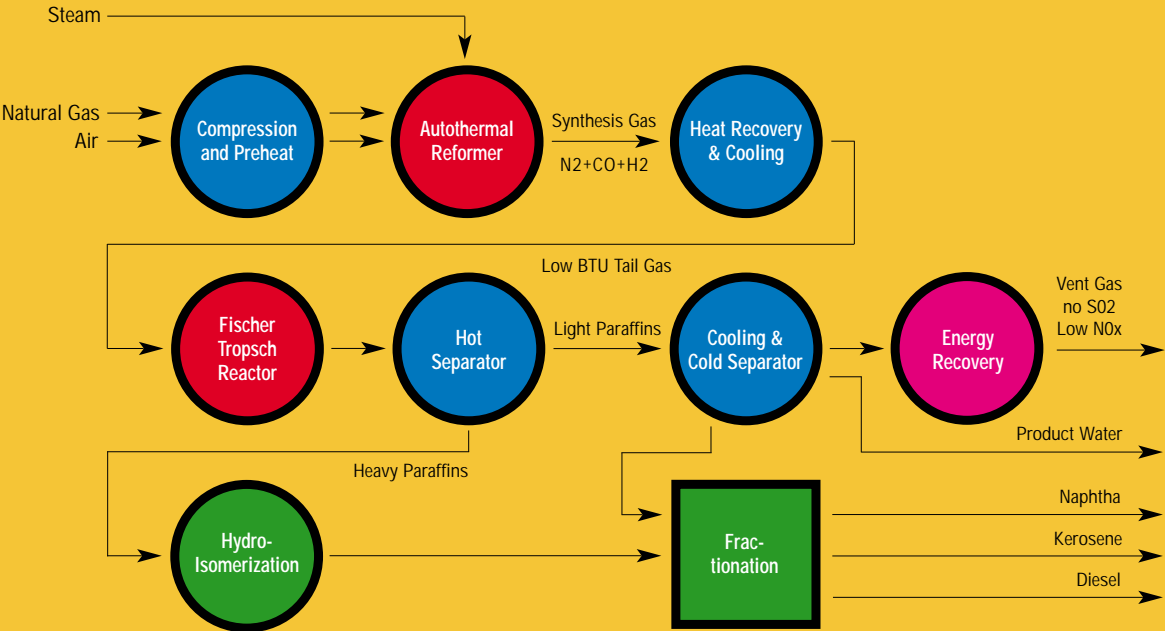
Syntroleum®

Syntroleum Corporation provides technology for converting natural gas and other feed stocks into synthetic liquid hydrocarbons, enabling production and monetization of massive reserves of stranded natural gas or coal deposits. These synthetic liquids can be refined into ultra-clean synthetic fuels for powering conventional engines and fuel cell systems, as well as into environmentally-friendly lubricants and other high-value specialty products.

Syntroleum licenses its technology to the petroleum industry worldwide and, in partnership with others, plans development of gas-to-liquids projects in which the company has equity interests.

# An Energy Technology Company.

*The Syntroleum Process*





*Kenneth L. Agee      Mark A. Agee*

## To Our Shareholders

The decades-long quest to find a way of capturing the value trapped in trillions of cubic feet of remote, stranded natural gas continues to drive development of gas-to-liquids (GTL) technology. Continued advancements in technology combined with new ultra-clean fuels regulations, set to go into effect in 2005-2006 in most of the industrialized world, assures the emergence of the GTL industry. It is no longer a matter of if. It is a matter of when.

Syntroleum has recognized the inevitability of commercial GTL since 1996, when we determined that the Syntroleum Process<sup>®</sup> was economically and commercially viable. Our conviction has only been strengthened in succeeding years as we have steadily improved the cost and efficiency of our technology, while working diligently with industry and governments to pioneer deployment of commercial-scale plants.

In 2001 we pursued commercialization strategies on several fronts. We progressed our Sweetwater project in Australia by clearing site and regulatory hurdles, finalizing the turnkey engineering/construction contract and the long-term operations and maintenance contract. We joined in a congressional delegation for economic development in Nigeria, which resulted in our proposal to develop floating plants to convert natural gas that is currently being flared into ultra-clean fuels. The U.S. Department of Energy selected Syntroleum to supply ultra-clean synthetic fuels for long-term testing in bus fleets and government vehicles. We initiated negotiations with the [Peruvian] power company EEPSA, near Talara, Peru, to assume production of natural gas liquids (NGLs) from existing gas suppliers and develop a parallel GTL facility in several phases, which we hope can ultimately expand to as much as 40 thousand b/d of synthetic fuels. We won concession rights to the 1,155 square mile Z-1 block near Talara, Peru, a concession previously explored but abandoned because of no viable market for the considerable gas that was discovered. We continued working with licensees and prospective licensees to develop GTL projects on four continents.

Our efforts to move forward, however, were most certainly effected by events that took place last year. The "dot com" bust rippled through the economy, slowing business expansion on many fronts. The tragic events of September 11th sent shockwaves around

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the world, undermining confidence and fostering caution. And the ENRON bankruptcy sent tremors throughout the financial markets, especially the energy sector. Syntroleum has not been insulated from the fallout from these events. Some of the projects we have been developing have no doubt been slowed as a result. Financing for our Sweetwater project, for example, has become more difficult to obtain and is taking longer than anticipated. This is just reality. And we are dealing with it.

We are no less intent upon licensing Syntroleum technology and bringing Syntroleum-based GTL plants online to produce ultra-clean fuels and high-value specialty products. Yet, especially after the events of last year, we realize that much of the timing is not under our control. Therefore, to maximize effectiveness from our available resources, we have taken steps to minimize any financial commitments that do not directly bear on development of near-term projects and revenues.

Looking to the future, the fundamentals of our business have not changed. Environmental regulations continue to tighten and the world's stranded gas still needs a viable market. The need for more secure and clean energy sources has only grown. And shareholder pressures will continue to drive energy companies to do more to unlock the full value of their assets. We believe that our technology is the best in the world and we continue to work to see it broadly implemented.

Even so, for all our progress, we are not satisfied. The commercial potential of our technology is closer to realization than ever. Our goal is to be the company that translates that potential into significant economic value for shareholders. We remain driven by that goal and confident that we will achieve it.

Thanks for your continued support



Kenneth L. Agee  
Chairman and CEO



Mark A. Agee  
President and COO

## Board of Directors

Kenneth L. Agee  
*Chief Executive Officer and  
Chairman of the Board of Syntroleum*

Mark A. Agee  
*President and Chief Operating  
Officer of Syntroleum*

Alvin Albe, Jr.  
*Executive Vice President of the TCW Group, Inc.,  
a financial and business management firm  
in Los Angeles.*

Frank M. Bumstead  
*President of Flood, Bumstead, McCready  
& McCarthy, Inc., a financial and business  
management firm in Nashville, Tennessee.*

Robert A. Day  
*Chairman of the Board and Chief Executive  
Officer of Trust Company of the West,  
an investment management company, and  
Chairman and President of W.M. Keck Foundation,  
a philanthropic organization.*

P. Anthony Jacobs  
*President and Chief Executive Officer of  
Lab Holdings, Inc., a company engaged in the  
laboratory testing business.*

Robert Rosene, Jr.  
*Co-founder and President of Boyd Rosene  
and Associates, Inc., a natural gas consulting  
and marketing firm in Tulsa, Oklahoma.*

James R. Seward  
*President and Chief Executive Officer of  
Seward & Company LLC, a financial advisory  
firm in Prairie Village, Kansas.*

J. Edward Sheridan  
*Founder and President of Sheridan Management  
Corporation in Washington, D.C., a company  
that provides support services to businesses  
and industries with global markets for their  
products and services.*

## Senior Officers

Kenneth L. Agee  
*Chief Executive Officer and Chairman of the Board*

Mark A. Agee  
*President, Chief Operating Officer and a Director*

Charles A. Bayens  
*Vice President of Engineering*

Carla S. Covey  
*Controller*

Eric Grimshaw  
*Vice President, General Counsel and Secretary*

Paul F. Schubert  
*Vice President of Research and Development*

Michael L. Stewart  
*Vice President of Information Systems*

Randall M. Thompson  
*Vice President and Chief Financial Officer*

Larry J. Weick  
*Vice President of Licensing and Business Development*

## Corporate Data

Form 10-K  
*The annual report on form 10-K, as filed with the Securities  
and Exchange Commission, is available upon written  
request to Investor Relations.*

Shares Traded  
*Nasdaq Stock Market  
(Ticker Symbol "SYNM")*

Registrar of Stock and Transfer Agent  
*American Stock Transfer  
Investor Relations  
40 Wall Street  
New York, New York 10005  
800-937-5449*

Independent Accountants  
*Arthur Andersen LLP  
6450 South Lewis  
Suite 300  
Tulsa, Oklahoma 74136*

Corporate Offices  
*Syntroleum Corporation  
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Tulsa, Oklahoma 74119  
918-592-7900*

Stockholder Communications  
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**Syntroleum**<sup>®</sup>