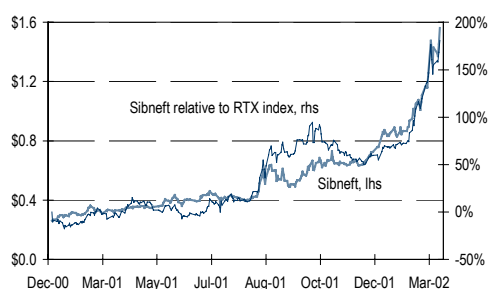


Sibneft [Strong Buy] – PT upgrade

Light years ahead on production and dividends

Ordinary share price: **\$1.56**, price target **\$2.3**, implied upside **47%**

- Yesterday Sibneft held an analyst briefing on its corporate strategy, hosted by six key representatives of senior management, including CEO Yevgeny Shvidler, COO Aleksandr Korsik and R&M Director Valery Oif.
- Management said it expected to pay “at least” \$1 bn in dividends on 2002 results, reiterating its commitment to its policy of paying all free cashflow as dividends. We forecast dividend yields of 14.3% on 2002E results, 22.4% on 2003E, and 27.6% on 2004E. The company plans to release 2001 results by June and a reserves audit by May.
- The company reiterated its production growth target of 29.2% for 2002, but added that it was likely to replicate this next year, now that it had a better understanding of the productivity at the Sugmutskoeye field and results from the ongoing accelerated drilling program.
- Sibneft indicated that taking into account its current refining capacity it can handle all of its incremental crude output over the next 2–3 years without meaningful investment. Crucially, deliveries to the Moscow Refinery are not to be restricted at pro-rata to its ownership stake, as we previously believed.
- We maintain our 2002 production growth forecast, but raise 2003E from 15% to 20%. We retain our forecasts for 2004–05 at 15%. Our earnings forecasts for 2003 and beyond rise roughly 6%.
- In our view the large dividend payouts, quality of guidance, and efforts senior management dedicates to discussing its strategy with the investment community make Sibneft stand out from the crowd.
- We reiterate our **Strong Buy** rating and raise our price target from \$1.90 to \$2.30, derived using a target 2004E EV/DACF multiple of 4.5 and discount rate of 11%. This price target is significantly lower than our DCF valuation of \$3.48, using a 14% discount rate.



Ordinary share price:	\$1.56 (\$0.33–1.56)
No. of shares:	4,741 m
% of preferred:	0%
ADR ratio:	1:10
Market Cap:	\$7,408 m
Freefloat:	12%

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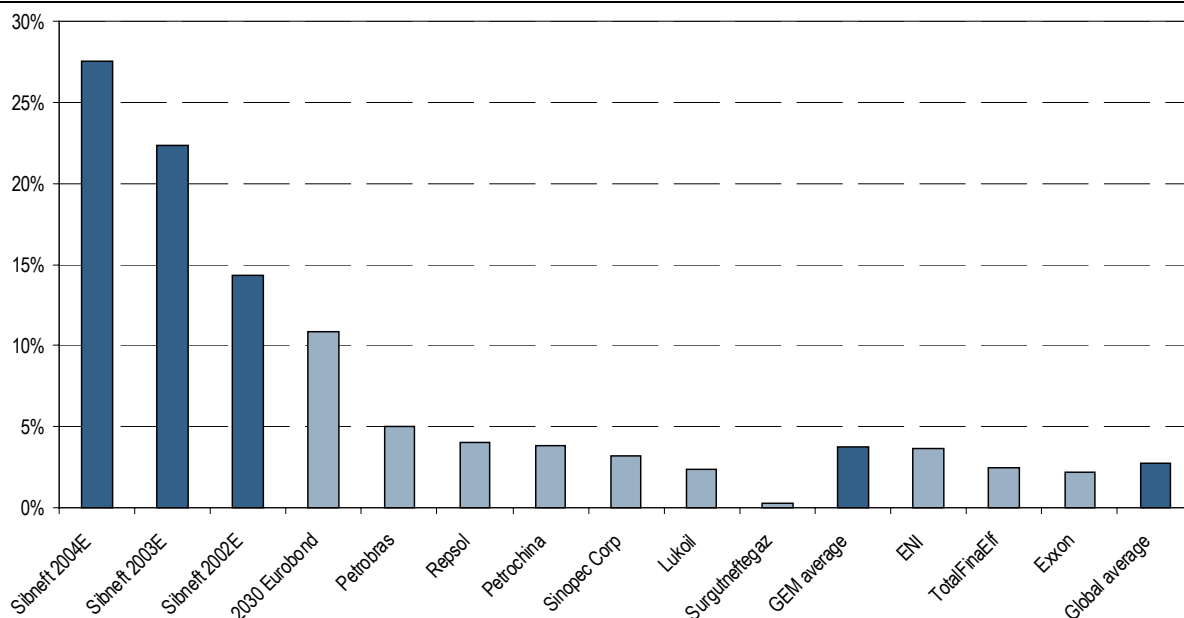
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Revised Sibneft forecasts, \$ m (US GAAP)

	2000	2001E	2002E	2003E (old)	2003E (new)	% chg.	2004E (old)	2004E (new)	% chg.	2005E (old)	2005E (new)	% chg.
Production	125.7	150.4	193.5	222.5	232.2	4%	256	267	4%	292	301	4%
Growth, % chg. y-o-y		20%	29%	15%	20%		15%	15%		14%	13%	
Revenues	2,398	3,306	3,368	4,081	4,213	3%	4,842	4,998	3%	5,658	5,790	3%
EBITDA	1,027	1,600	1,596	2,108	2,214	5%	2,593	2,720	5%	3,110	3,218	5%
Operating profit	727	1,244	1,181	1,656	1,762	6%	2,112	2,239	6%	2,615	2,723	6%
Pretax profit	753	1,289	1,244	1,704	1,811	6%	2,163	2,289	6%	2,668	2,776	6%
Net profit	675	1,096	1,013	1,389	1,476	6%	1,764	1,868	6%	2,177	2,266	6%
DACF	929	1,530	1,461	1,876	1,963	5%	2,285	2,390	5%	2,718	2,807	5%
EBITDA margin	43%	47%	47%	52%	53%		54%	54%		55%	56%	
Operating margin	30%	36%	35%	41%	42%		44%	45%		46%	47%	
Net margin	28%	32%	30%	34%	35%		36%	37%		38%	39%	
Effective tax rate	10%	15%	19%	18%	18%		18%	18%		18%	18%	

Source: Company data, Brunswick UBS Warburg estimates

Sibneft dividend yields relative to international peers, 2002E



Source: UBS Warburg; Brunswick UBS Warburg estimates

International valuation comparison

	Price 14-Mar	Curr.	M. Cap, \$ bn	EV/DACF					P/CEPS				P/E			
				00	01E	02E	03E	04E	00	01E	02E	03E	00	01E	02E	03E
BP	617	GBP	196.4	10.7	10.5	12.4	11.7	11.3	9.7	11.6	10.9	10.4	13.9	21.5	19.6	18.4
ExxonMobil	43.1	USD	290.4	12.3	11.7	12.8	12.0	11.5	11.7	12.8	12.0	11.4	18.3	21.0	19.3	18.2
Royal Dutch	62.3	EUR	113.8	10.5	10.2	10.1	9.6	9.1	9.7	9.8	9.1	8.7	16.0	18.9	17.4	16.4
Shell	523	GBP	71.6	9.8	10.2	9.6	9.1	8.6	9.7	9.2	8.6	8.2	16.0	17.8	16.4	15.4
TotalFinaElf	172	EUR	100.1	7.1	9.6	9.1	8.4	8.0	9.2	8.8	8.0	7.6	15.5	18.5	16.7	15.7
ChevronTexaco	89.4	USD	84.1	7.4	8.8	11.8	8.7	8.2	7.3	10.4	7.2	6.8	12.9	17.3	14.2	13.7
Conoco	28.7	USD	18.0	6.1	7.0	8.0	7.2	6.7	4.9	5.3	4.8	4.5	10.0	17.2	14.0	12.2
Eni	16.4	EUR	54.9	4.8	6.2	7.4	6.9	6.5	6.6	6.4	5.8	5.7	9.2	13.1	11.4	11.1
Repsol YPF	15.5	EUR	16.5	6.8	8.1	8.1	7.3	6.7	3.3	4.8	4.2	3.7	8.5	16.9	12.2	9.7
Phillips	62.5	USD	23.9	5.3	6.1	8.5	7.8	6.8	4.0	6.2	5.7	5.0	10.1	21.6	16.6	12.9
Norsk Hydro	409.5	NKR	11.9	4.2	5.2	5.2	5.2	4.8	4.7	4.3	4.1	3.9	11.3	11.8	10.6	9.4
Amerada Hess	75.5	USD	6.7	3.3	5.0	5.4	5.3	4.8	2.8	3.3	3.3	3.0	6.9	14.9	14.3	13.3
Occidental	28.6	USD	10.7	4.9	5.5	7.6	6.7	6.4	3.8	5.7	5.1	4.9	7.3	22.9	16.7	14.9
Murphy	87.5	USD	3.9	4.5	5.8	7.3	6.2	5.8	5.1	6.4	5.3	5.0	12.7	39.6	24.7	22.0
Imperial Oil	46.0	CAD	11.1	7.8	7.8	11.0	9.5	9.3	8.1	11.4	9.7	9.0	13.6	20.9	16.4	15.3
Petro-Canada	40.0	CAD	6.8	4.5	6.2	7.0	6.3	6.1	6.1	6.8	6.2	5.9	12.2	17.0	14.8	14.0
Shell Canada	53.0	CAD	9.5	6.7	7.4	13.3	9.5	8.2	7.6	13.4	9.9	8.8	11.9	22.6	17.7	15.1
Suncor	55.7	CAD	8.1	11.4	18.6	10.3	9.5	8.3	11.9	8.8	8.3	7.5	30.3	18.0	16.9	15.3
CEPSA	15.6	EUR	3.7	5.4	5.4	7.1	5.6	4.7	4.3	5.8	4.6	4.0	7.5	11.0	8.9	7.8
OMV	104	EUR	2.4	4.7	3.9	4.1	4.1	3.9	2.4	2.9	2.7	2.5	5.8	7.9	8.0	7.6
MOL	5,105	HUF	1.8	7.6	7.7	3.8	3.5	3.1	6.4	2.7	2.5	2.3	0.0	5.0	5.1	4.6
Global integrated average				8.5	9.1	10.2	9.3	8.8	9.3	10.2	9.4	6.9	15.0	19.3	17.3	16.2
Emerging markets																
Perez Companc	2.27	ARS	1.9	8.8	7.3	7.9	7.5	6.6	5.5	3.9	3.3	2.7	9.7	-7.7	4.5	7.1
Petrobras	58.10	BRL	26.9	5.2	6.4	6.9	5.6	5.1	4.7	4.8	3.9	3.4	6.0	6.1	4.8	4.3
Petrochina	1.60	HKD	36.5	n/a	3.8	5.2	5.1	4.8	n/a	4.2	4.1	3.9	n/a	11.8	11.4	10.6
Sasol	12,300	ZAR	6.5	4.6	8.2	5.6	5.7	5.1	7.6	5.6	6.1	5.9	10.0	7.5	8.1	7.8
Sinopec Corp	1.30	HKD	14.5	4.1	4.7	4.3	3.9	3.5	2.7	2.6	2.4	2.2	7.8	8.2	6.9	6.1
PTT E&P	117	THB	1.8	8.3	5.9	6.2	6.7	5.7	6.2	6.7	7.6	7.6	7.1	8.4	9.8	9.6
Tupras	7,800	TRL	1.6	2.9	13.3	5.5	4.7	5.3	6.7	4.7	4.0	4.6	n/m	8.7	6.7	7.9
GEM universe				5.6	7.1	6.0	5.6	5.2	5.6	4.6	4.5	4.3	8.1	6.1	7.4	7.6
Russia, US GAAP																
Lukoil	13.2	USD	11.2	3.0	3.2	5.4	4.7	4.1	2.6	2.9	4.8	4.2	3.2	4.1	8.0	6.6
Surgutneftegaz	0.37	USD	10.2	2.0	1.0	2.3	1.7	1.0	2.8	2.4	4.3	3.9	3.4	3.0	5.3	4.7
Sibneft	1.56	USD	7.4	2.0	1.7	5.1	3.7	3.1	1.6	1.5	5.1	3.8	2.2	2.0	7.3	5.0
Tatneft	0.61	USD	1.4	1.9	1.5	2.5	1.4	0.8	1.2	1.1	2.2	1.6	1.5	1.4	3.9	2.6
Russian average				2.2	1.9	3.8	2.9	2.3	2.0	2.0	4.1	3.4	2.6	2.6	6.1	4.7
Sibneft premium/(discount) to emerging market average				-65%	-76%	-15%	-33%	-41%	-71%	-68%	14%	-13%	-73%	-67%	-2%	-34%
Sibneft premium/(discount) to integrated average				-76%	-82%	-50%	-60%	-65%	-83%	-85%	-46%	-45%	-86%	-89%	-58%	-69%

Note: Based on historic average market capitalization for past years

Source: UBS Warburg; Brunswick UBS Warburg estimates

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