

**Sibneft [Buy] – 1H02 results**Ordinary/ADR price: **\$2.0/20.0**, price target **\$2.4/24**, implied upside **20%**

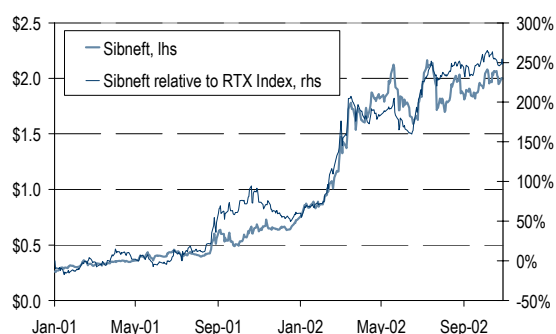
Company snapshot, \$ m (US GAAP)

	Revenues	EBITDA	Operating profit	Net profit	P/S	EV/S	EV/EBITDA	P/E	EPS
1H01	1,663.0	870.0	688.0	613.0					0.13
1H02	1,984.0	785.9	604.9	457.5					0.10
% chg. y-o-y	19%	-10%	-12%	-25%					-25%
2002E	4,335.6	1,851.6	1,451.8	1,185.7	2.18	2.41	5.7	8.0	0.250
2003E	5,135.3	2,384.5	1,905.8	1,527.3	1.84	2.02	4.4	6.2	0.322

Source: Company data; Brunswick UBS Warburg estimates

- Sibneft reported its 1H02 US GAAP results which were generally in line with our expectations on EBITDA and the bottom line, but exceeded our estimates on revenues by about 10% due to third party crude and product marketing which did not have a material impact on EBITDA.
- Sibneft upstream lifting costs continued to decline—to \$1.52/bbl in 1H02 from an average of \$1.7/bbl in 2001—making Sibneft the lowest cost producer among traded Russian oil companies. Sibneft has also demonstrated the highest margins in the sector in 1H02. Downstream costs rose due to additional expenses associated with consolidation of the Moscow Refinery.
- The company did not record any impact from its 38% stake in Orenburgneft, which would have added an additional \$50 m of non-operating income, bringing Sibneft's pretax profit almost exactly in line with our forecasts. The full impact from Orenburgneft will be reflected in the full-year financials.
- Sibneft's net debt rose from \$872 m at the beginning of the year to \$1.34 bn. While operating cashflow was slightly lower and capex was generally in line, the company lent \$313 m to a third party to buy a stake in an undisclosed Russian oil company.
- We expect significant earnings improvement in 2H02 and maintain our long-term positive outlook on Sibneft. We reiterate our **Buy** rating and price target of \$2.4 and make moderate adjustments to our earnings forecasts in order to account for larger third party crude trading.

Disclosures on p. 8

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Ordinary share price:	<b>\$2.0 (\$0.62–2.17)</b>
No. of shares:	<b>4,741 m</b>
% of preferred:	<b>0%</b>
ADR ratio:	<b>1:10</b>
Market Cap:	<b>\$9,471 m</b>
Freefloat:	<b>13%</b>

**Sibneft financials, \$ m (US GAAP)**

	1H01	1H02						2002E	2003E
		Actual	% chg. y-o-y	BUBSW est.	Difference	Consensus est.	Difference		
Revenues	1,663	1,984	19%	1,797	10%	1,926	3%	4,336	5,135
EBITDA	870	786	-10%	763	3%	838	-6%	1,852	2,385
Operating profit	688	605	-12%	563	7%	n/a	n/a	1,452	1,906
Pretax profit	680	524	-23%	574	-9%	n/a	n/a	1,399	1,853
Net profit	613	458	-25%	488	-6%	543	-16%	1,186	1,527
<i>EBITDA margin</i>	52%	40%		42%		44%		43%	46%
<i>Operating margin</i>	41%	30%		31%		n/a		33%	37%
<i>Net margin</i>	37%	23%		27%		28%		27%	30%
<i>Effective tax rate</i>	10%	13%		15%		n/a		15%	18%

Source: Company data, Brunswick UBS Warburg estimates

**Revenues 10% above expectations . . .**

Sibneft reported 1H02 revenues at \$1,984 m—10% above our expectations. The main difference stems from additional third party crude and product trading by Siboil—a fully-owned export trader. In 1H01 this subsidiary added additional revenues of \$138 m. While Sibneft did not comment specifically on the profitability of this business, we believe it to have low margin and contribute little to the overall EBITDA. We also slightly underestimated the level of revenue contributed by the Moscow Refinery, which was consolidated into Sibneft's financials for the first time. Sales of refined products were some \$21 m or 2% higher than our expectations. Other revenues from non-core operations were also \$25 m higher at \$79.9 m compared to our forecast of \$55 m, however we do not consider this difference as material.

As expected, Sibneft's revenues were significantly affected by a price dip for both crude oil and domestic products in 1Q02. Sibneft is more exposed to the domestic product market given the remoteness of its main refinery and overall domestic oriented strategy. Domestic prices began recovering in 2Q02 and somewhat compensated for the financial damage caused by weak pricing environment in 1Q02. Revenues rose 19% year-on-year, which was mainly the function of a 28.3% increase in upstream production.

**Revenue breakdown, 1H02, \$ m**

	1H02	% of total
Domestic crude sales	19.7	1%
Export crude sales	774.2	39%
Domestic product sales	654.4	33%
Export product sales	317.7	16%
Other crude and product sales through Siboil	138.4	7%
Other revenues	79.9	4%
<b>Total</b>	<b>1,984.3</b>	<b>100%</b>

Source: Company data

**. . . but EBITDA generally in line**

EBITDA came in only 3% above our expectations given that the revenue difference mentioned above had a low marginal effect. Our depreciation assumptions were 10% above the actual reported number of \$181 m, which resulted in a 7% higher than expected operating profit. The overall increase in operating costs was generally expected.

## Sibneft's cost structure, \$ m

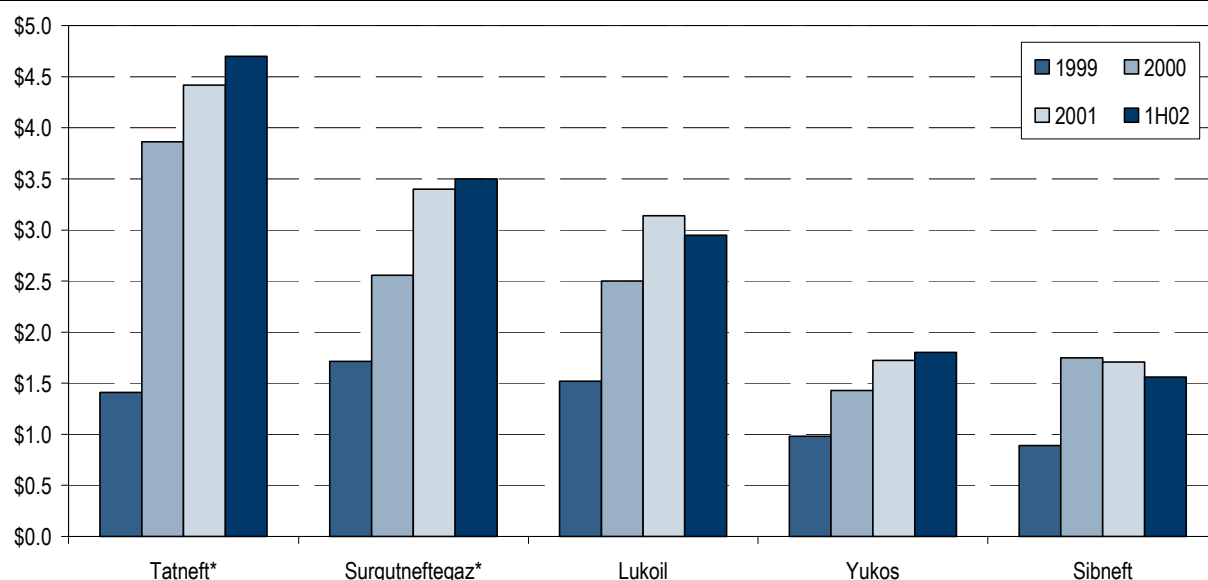
	1H01	2H01*	1H02	% chg y-o-y	% chg h-o-h
Production costs	302.4	399.9	479.9	59%	20%
SG&A	176.1	432.9	312.3	77%	-28%
Cost of other sales	41.2	60.6	41.4	0%	-32%
DD&A	175.7	138.2	181.1	3%	31%
Exploratory expenses	5.8	15.4	-	n/a	n/a
Taxes other than income taxes	267.0	155.2	364.6	37%	135%
<b>Total</b>	<b>968.2</b>	<b>1,202.2</b>	<b>1,379.3</b>	<b>42%</b>	<b>15%</b>

\*Note: 2H01 costs were never reported, derived from the annual financials

Source: Company data

**Production costs** increased 20% compared to 2H01 and nearly 59% year-on-year. Apart from the 28.3% growth contributing to the increase in production costs, Sibneft booked additional costs associated with the Moscow Refinery, including an estimated \$22 m of processing fees and \$82 m of crude purchased for processing. Upstream cash lifting costs actually declined from an average of \$1.7/bbl in 2001 to \$1.5/bbl in 1H02 making Sibneft the most cost-effective producer both domestically and among its GEM peers. Such impressive results were reached through extensive outsourcing and robust production growth.

## Cash lifting costs of major Russian oil companies, \$/bbl



\*Note: Tatneft 1H02 and Surgutneftegaz 2001 and 1H02 numbers are Brunswick UBS Warburg estimates

Source: Company data, Brunswick UBS Warburg estimates

**SG&A.** Since more than 70% of SG&A is comprised of transportation tariffs and export taxes (\$142 m and \$92 m respectively in 1H02), this cost item rose 77% year-on-year triggered by an increase in transportation volumes as well as increases in transportation tariffs, in particular, railroad tariffs which rose by about 13%. Other SG&A costs declined from \$83 m to \$78 m. In our view, going forward, SG&A should continue to rise, given higher export tariff rates and continuing growth in production in 2H02.

**Taxes other than income taxes** rose mainly due to the introduction of the new mineral extraction tax, which amounted to \$2.5/bbl in 1H02 as well as from higher volumes produced.

**Exploration expense** was zero in 1H02, which is not sustainable according to the company. Due to seasonal factors exploration expense will be booked in 2H02.

## ONAKO not included, pretax suffers

Sibneft's pretax profit came in 9% below our expectations as Sibneft did not include the impact of ONAKO/Orenburgneft stake on its financials in 1H02 (Orenburgneft did not have audited financials available at the time Sibneft's results were prepared). The full effect of ONAKO/Orenburgneft will be recorded in full-year financials. Sibneft's Head of International Reporting Olga Pokrovskaya commented that ONAKO/Orenburgneft would have contributed roughly \$50 m to non-operating income, which is generally in line with our expectation of \$52 m. Sibneft's pretax profit including the contribution from ONAKO would have amounted to \$573 m which is almost exactly in line with our estimate of \$574 m.

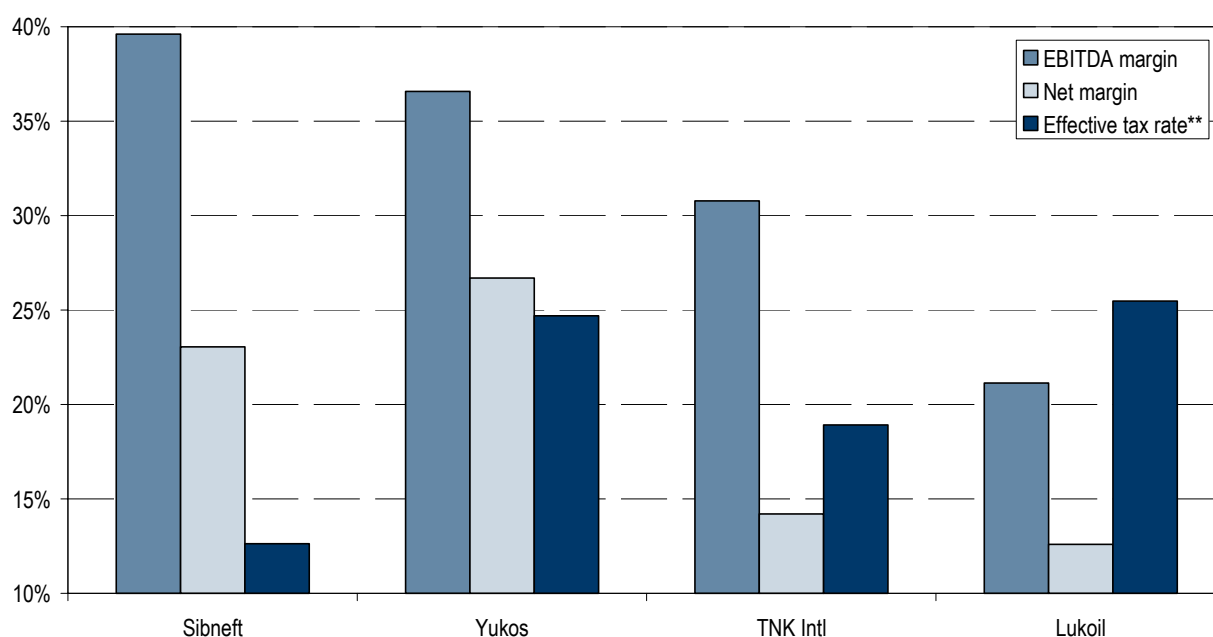
Higher operating profits were offset by a higher than expected non-operating expense of \$50.7 m, which exceeded our estimates by about \$38 m. According to Sibneft, it includes \$26 m loss on fixed assets sales and \$20 m of negative goodwill stemming from acquisition of Meretoyakhaneftegaz.

## Effective tax rate still the lowest in the industry

Sibneft continued to demonstrate the miracles of tax optimization reporting and an effective tax rate of 12.6%—the lowest effective tax rate among the Russian oil companies. Sibneft commented that it sees this tax rate sustainable for the rest of the year and expects it to increase in the following years adding roughly 2–2.5 percentage points each year. Net profit came in 6% below our estimate at \$458 m, nearly 16% below market consensus. With ONAKO/Orenburgneft included we estimate net profit would have been reported at about \$501 m which would be only 8% below consensus.

Based on 1H02 Sibneft stands out as the most profitable oil company in Russia.

## 1H02 margins and effective tax rates for Russian oil majors reporting under US GAAP



\*\* Note: Includes non-cash deferred taxes

Source: Company data

## Cashflows slightly lower, money set aside

Cashflow from operations was reported at \$453 m—some \$86 m short of our estimate (\$538 m). This difference was explained by a higher than expected increase in net working capital of \$210 m, compared to our estimate of \$130 m stemming from a seasonal increase in accounts receivable. Capital expenditures were reported at \$430 m, roughly in line with Sibneft's full-year guidance of \$800 m. There was also additional spending of \$20 m for Meretoyakhaneftgaz with estimated commercial reserves of 73.3 m bbl, implying a valuation of \$0.46/bbl.

During 1H02 Sibneft also issued a zero-interest advance of \$313 m to a third party company “to acquire significant share stakes in a Russian oil and gas company on behalf of Sibneft.” Sibneft refused to provide the name of the third party or specify a target company, but we believe this may be done as part of Sibneft's preparation for the Slavneft tender. Nevertheless, we are concerned that this cash position is not producing any interest income.

Commenting on the Slavneft privatization, Sibneft's management reiterated their intention to bid in the tender, and were waiting for official tender terms from the government. On a related note, Sibneft's representative said the company was not considering a partnership with any other oil company at this stage.

## We maintain our rating and price target, but change our financial forecasts

In general we believe the Sibneft numbers are in line with expectations, with several minor adjustment required to our full-year forecasts. We are increasing our revenue projections for 2002 from \$3.98 bn to \$4.34 bn to account for additional revenues from third party trading; we are raising our cost of purchased crude and products correspondingly, thus the impact on EBITDA is minimal. We are adjusting our depreciation charge from \$469 m to \$400 m and also reducing our non-operating results due to higher non-operating expense. We are changing our effective tax rate in 2002 from 18.5% to 15% for the full year and slightly reducing it—by one percentage point—in the following years. Capex estimates are increased slightly from \$757 m to \$805 m to bring them into line with Sibneft's guidance.

### Revised Sibneft financial forecasts, \$ m (US GAAP)

	2002E (old)	2002E (new)	% chg	2003E (old)	2003E (new)	% chg	2004E (old)	2004E (new)	% chg
Revenues	3,984	4,336	9%	4,784	5,135	7%	5,128	5,389	5%
EBITDA	1,819	1,852	2%	2,351	2,385	1%	2,533	2,549	1%
Operating profit	1,350	1,452	8%	1,858	1,906	3%	1,948	1,999	3%
Pretax profit	1,416	1,395	-1%	1,879	1,851	-1%	1,990	1,973	-1%
Net profit	1,154	1,186	3%	1,531	1,527	0%	1,622	1,618	0%
Capex	757	805	6%	819	831	1%	826	840	2%
Net debt	953	1,119	17%	628	723	15%	25	51	104%

Source: Brunswick UBS Warburg estimates

Our fundamental view on the company remains unchanged and we reiterate our **Buy** rating with a price target of \$2.4, based on a target 2004E EV/DACF multiple of 5.0.

## Risks

We believe investing in Sibneft is subject to the following risks: global and domestic oil prices, a short corporate governance track record, execution risk on its production growth and distribution plans, and whether it will find investment projects that meet its 20% hurdle rate.

## International valuation comparison

	Price 30-Oct	Curr.	M.Cap, \$ bn	EV/DACF					P/CEPS				P/E			
				01	02E	03E	04E	05E	02E	03E	04E	05E	02E	03E	04E	05E
BP	393	GBP	136.9	11.7	9.3	8.5	9.0	8.9	6.9	7.2	7.5	7.2	15.9	15.5	17.4	16.8
ExxonMobil	33.2	USD	224.0	11.1	11.0	9.9	9.9	9.7	11.0	9.8	9.7	9.4	20.0	16.1	16.3	15.8
Royal Dutch	40.4	EUR	82.1	10.4	7.5	6.9	6.9	6.8	7.1	6.2	6.2	6.0	15.1	12.3	12.8	12.4
Shell	381	GBP	56.9	10.4	7.8	7.1	7.2	7.0	7.1	6.4	6.4	6.2	15.1	12.8	13.3	12.9
TotalFinaElf	129	EUR	84.6	8.1	7.6	6.6	6.8	7.0	7.2	6.1	6.2	6.1	14.2	12.4	13.4	13.9
ChevronTexaco	70.2	USD	74.5	9.6	9.2	7.5	8.0	7.9	8.1	6.5	6.9	6.8	14.0	13.5	15.5	15.0
Eni	13.2	EUR	49.8	6.2	6.3	6.0	5.9	5.5	4.9	4.6	4.6	4.4	10.8	9.5	9.7	9.3
Repsol YPF	10.8	EUR	12.9	7.4	4.3	5.6	5.6	5.5	3.1	3.2	3.2	3.1	8.6	7.3	7.6	7.6
Norsk Hydro	280.0	NKR	9.6	6.3	4.6	4.3	4.2	4.0	2.6	2.8	2.7	2.7	9.4	7.8	7.7	7.2
Amerada Hess	49.7	USD	4.4	5.0	3.8	4.4	5.2	4.9	1.9	2.3	2.6	2.4	8.2	9.7	22.6	16.9
Occidental	27.9	USD	10.5	4.9	5.7	6.0	6.0	5.7	4.0	4.4	4.4	4.3	10.8	11.1	12.9	11.6
Murphy	82.6	USD	3.8	5.7	7.1	6.0	5.6	5.0	6.1	5.0	4.6	4.0	31.7	15.0	15.2	12.3
Imperial Oil	42.0	CAD	10.4	7.7	9.6	8.2	8.9	8.4	9.8	8.4	8.8	7.9	16.0	12.6	15.1	13.4
Petro-Canada	44.8	CAD	7.6	6.2	6.4	5.6	6.0	5.8	5.6	4.8	5.1	4.9	12.0	11.9	13.8	12.9
Shell Canada	50.6	CAD	9.0	7.4	15.5	8.9	8.5	8.3	15.1	8.9	8.6	8.5	33.4	15.6	15.1	14.0
Suncor	23.1	CAD	6.7	18.6	8.9	7.5	7.4	6.3	7.2	6.2	6.4	5.6	15.3	11.6	11.9	10.5
CEPSA	16.8	EUR	4.4	5.4	7.9	6.7	6.5	6.4	6.9	5.5	5.4	5.3	12.1	8.3	8.3	8.2
OMV	95	EUR	2.5	3.9	4.4	4.0	4.1	4.0	3.1	3.0	3.0	2.9	8.8	7.1	7.4	7.3
<b>Global integrated average</b>				<b>9.1</b>	<b>8.2</b>	<b>7.5</b>	<b>7.6</b>	<b>7.4</b>	<b>7.9</b>	<b>7.1</b>	<b>7.2</b>	<b>7.0</b>	<b>15.9</b>	<b>13.7</b>	<b>14.6</b>	<b>14.1</b>
<b>Emerging markets</b>																
Perez Companc	1.99	ARS	1.1	7.3	7.3	6.9	6.2	6.1	2.2	1.8	1.5	1.4	neg.	2.5	4.0	3.2
Petrobras	41.40	BRL	11.8	4.7	3.6	2.6	2.6	2.3	2.9	2.3	2.0	1.7	4.0	2.8	2.5	2.1
Petrochina	1.45	HKD	32.7	3.9	3.7	4.0	4.3	4.2	2.9	3.2	3.5	3.5	5.5	6.6	8.5	8.5
Sasol	10,333	ZAR	6.6	7.2	5.4	4.8	4.8	4.4	5.0	4.6	4.7	4.5	7.1	6.6	7.2	7.5
Sinopec Corp	1.17	HKD	13.0	4.7	4.3	4.0	3.8	3.4	2.4	2.4	2.3	2.1	6.6	6.2	6.1	5.0
MOL	4,880	HUF	2.0	7.8	5.1	4.6	3.8	3.6	3.9	3.5	3.0	2.7	n/a	6.0	5.0	5.1
CNOOC	9.95	HKD	10.5	5.2	5.3	5.3	5.0	4.1	5.8	5.9	5.9	5.2	9.2	9.6	10.3	9.2
PTT E&P	119	THB	1.8	5.9	6.2	6.7	5.7	5.1	6.8	7.7	7.8	7.9	8.5	9.9	9.7	9.4
Tupras	8,100	TRL	1.1	5.5	4.0	3.3	3.4	3.5	3.7	2.9	3.1	3.0	7.0	5.2	5.1	5.0
<b>GEM universe</b>				<b>4.8</b>	<b>4.3</b>	<b>4.1</b>	<b>4.2</b>	<b>3.8</b>	<b>3.5</b>	<b>3.5</b>	<b>3.6</b>	<b>3.4</b>	<b>6.0</b>	<b>6.4</b>	<b>7.2</b>	<b>6.8</b>
<b>Russia, US GAAP</b>																
Lukoil	16.10	USD	13.7	3.3	4.6	4.0	3.9	3.8	4.5	4.0	4.0	3.9	6.4	5.5	5.8	5.8
Surgutneftegaz	0.35	USD	9.6	1.8	2.5	2.1	1.8	1.6	4.2	3.6	3.8	3.8	6.1	5.2	5.7	5.8
Sibneft	2.00	USD	9.5	1.9	6.3	5.0	4.4	3.8	6.0	4.7	4.4	3.9	8.0	6.2	5.9	5.2
Tatneft	0.81	USD	1.9	2.6	3.6	2.9	2.8	3.0	2.9	2.4	2.7	3.1	4.1	3.2	3.8	4.7
Yukos	9.15	USD	20.5	1.2	5.7	4.1	3.6	3.3	6.9	5.1	5.1	4.8	7.0	5.8	5.8	5.6
<b>Russian average</b>				<b>2.0</b>	<b>4.9</b>	<b>3.8</b>	<b>3.5</b>	<b>3.2</b>	<b>5.5</b>	<b>4.4</b>	<b>4.4</b>	<b>4.2</b>	<b>6.7</b>	<b>5.6</b>	<b>5.7</b>	<b>5.6</b>
<b>Sibneft discount/premium to emerging market average</b>				<b>-61%</b>	<b>48%</b>	<b>21%</b>	<b>7%</b>	<b>1%</b>	<b>70%</b>	<b>36%</b>	<b>23%</b>	<b>16%</b>	<b>34%</b>	<b>-3%</b>	<b>-19%</b>	<b>-23%</b>
<b>Sibneft discount/premium to integrated average</b>				<b>-79%</b>	<b>-23%</b>	<b>-33%</b>	<b>-41%</b>	<b>-48%</b>	<b>-25%</b>	<b>-34%</b>	<b>-39%</b>	<b>-45%</b>	<b>-50%</b>	<b>-55%</b>	<b>-60%</b>	<b>-63%</b>

Source: UBS Warburg; Brunswick UBS Warburg estimates

**Income statement, \$ m (US GAAP)**

	2001	2002E	2003E	2004E	2005E
Year-average exchange rate, Rb/\$	29.18	31.70	33.00	34.00	35.00
Year-average Brent price, \$/bbl	24.50	25.00	21.50	18.50	18.50
Export net price (FOB), \$/bbl	22.86	23.30	20.50	17.50	17.00
Domestic oil price, \$/bbl	14.50	10.00	13.00	13.00	13.35
Total production, m bbl	151	193	232	267	300
Refining throughput, m bbl	96	120	125	144	162
Crude exports (ex-CIS), % of production	35%	38%	46%	46%	46%
<b>Revenues net of intra-group transactions</b>	<b>3,576</b>	<b>4,336</b>	<b>5,135</b>	<b>5,389</b>	<b>5,978</b>
<b>EBITDA</b>	<b>1,719</b>	<b>1,852</b>	<b>2,385</b>	<b>2,549</b>	<b>2,826</b>
Operating profit	1,405	1,452	1,906	1,999	2,193
Non-operating result	34	(57)	(55)	(26)	29
Pretax profit	1,439	1,395	1,851	1,973	2,221
Current income tax	(132)	(209)	(324)	(355)	(411)
Deferred income tax (charge)/credit	(2)	-	-	-	-
<b>Net profit</b>	<b>1,305</b>	<b>1,186</b>	<b>1,527</b>	<b>1,618</b>	<b>1,810</b>
EPS	0.28	0.25	0.32	0.34	0.38
CEPS	0.34	0.34	0.42	0.46	0.52

Source: Company data, Brunswick UBS Warburg estimates

**Cashflow statement, \$ m (US GAAP)**

	2001	2002E	2003E	2004E	2005E
<b>Net profit</b>	<b>1,305</b>	<b>1,186</b>	<b>1,527</b>	<b>1,618</b>	<b>1,810</b>
Depreciation, depletion & amortization	314	400	479	551	634
Net change in net working capital	(323)	(361)	(310)	(207)	(150)
Other items	15	4	2	-	(0)
<b>Operating cashflow</b>	<b>1,311</b>	<b>1,228</b>	<b>1,698</b>	<b>1,962</b>	<b>2,294</b>
Capital expenditure	(619)	(805)	(831)	(840)	(904)
- E&P	(533)	(705)	(758)	(760)	(809)
- R&M	(85)	(100)	(73)	(80)	(95)
Other investments, net	(112)	(500)	(100)	(50)	(200)
<b>Free cashflow after capex and investment</b>	<b>580</b>	<b>(77)</b>	<b>766</b>	<b>1,072</b>	<b>1,190</b>
Dividends (ref. to previous year)	(850)	(171)	(370)	(400)	(972)
<b>Free cashflow after dividends</b>	<b>(269)</b>	<b>(248)</b>	<b>396</b>	<b>672</b>	<b>218</b>
Net debt/(cash)	872	1,119	723	51	(167)

Source: Company data, Brunswick UBS Warburg estimates

**Balance sheet, \$ m (US GAAP)**

	2001	2002E	2003E	2004E	2005E
Cash and marketable securities	52	199	499	1,071	1,040
Current assets (ex-cash)	1,302	1,672	1,990	2,205	2,363
Non-current assets	4,359	5,264	5,716	6,056	6,526
<b>Total assets</b>	<b>5,713</b>	<b>7,134</b>	<b>8,205</b>	<b>9,331</b>	<b>9,928</b>
Current liabilities (ex-ST debt)	480	488	496	504	512
Non-current liabilities (ex-LT debt)	272	476	401	672	672
Debt (ST+LT)	923	1,318	1,222	1,122	872
Shareholder's funds	4,037	4,852	6,086	7,033	7,872
<b>Total liabilities &amp; equity</b>	<b>5,713</b>	<b>7,134</b>	<b>8,205</b>	<b>9,331</b>	<b>9,928</b>
Working capital (ex-cash)	822	1,183	1,494	1,701	1,851
Net debt	872	1,119	723	51	(167)

Source: Company data, Brunswick UBS Warburg estimates

## **Disclosures**

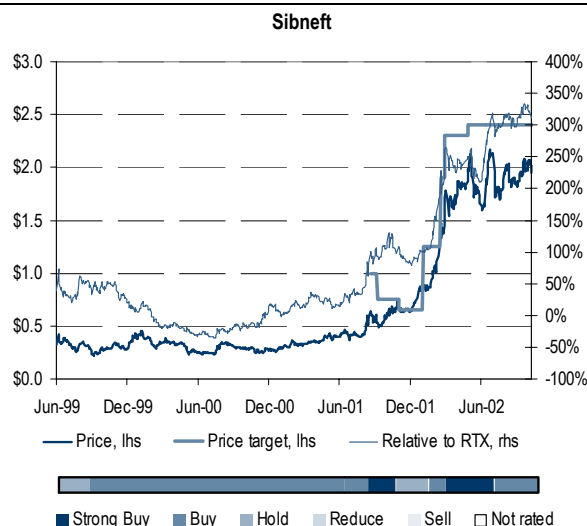
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## Share price performance



Source: RTS; Brunswick UBS Warburg

Unless otherwise indicated, please refer to the Valuation and Risk sections contained within the body of this report.

For a complete set of disclosure statements associated with the companies discussed in this report, including information on valuation and risk, please write to UBS Warburg, 1285 Avenue of the Americas, New York, NY, 10019, Attention: Publishing Administration.

## Global ratings: Definitions and allocations

UBS rating	Definition	Rating category <sup>1</sup>	Coverage <sup>2</sup>	IB services <sup>3</sup>
Strong Buy	Greater than 20% excess return potential; high degree of confidence	Buy	53%	40%
Buy	Positive excess return potential			
Hold	Low excess return potential; low degree of confidence	Hold/Neutral	42%	26%
Reduce	Negative excess return potential			
Sell	Greater than 20% negative excess return potential; high degree of confidence	Sell	5%	18%

Excess return: Target price / current price - 1 + gross dividend yield - 12-month interest rate. The 12-month interest rate used is that of the company's country of incorporation, in the same currency as the predicted return.

1: UBS Strong Buy/Buy = Buy; UBS Hold = Hold/Neutral; UBS Reduce/Sell = Sell.

2: Percentage of companies under coverage globally within this rating category.

3: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS AG, its subsidiaries and affiliates; as of 30 September 2002.

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