

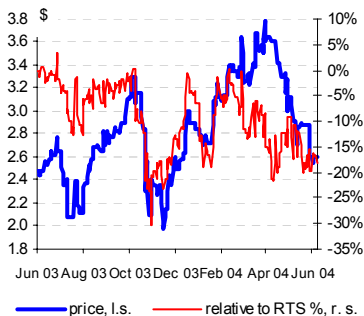
Sibneft

June 08, 2004

Oil and Gas

Ticker	SIBN
Rating	Hold
Current price, \$	2.60
Fair value, \$ (end 04)	3.30
Upside / Downside	27%

Share price



Capitalization & stock data

Market cap, \$mn	12,327
Net debt (cash), \$mn (03)	1,550
EV, \$mn (inc. min. interest)	13,877
Shares out., mn	4,741
Free float	8%
Local shares per ADR	10.00
2003 dividend, \$	0.419
Dividend yield	16.12%

Financials (U.S. GAAP), \$mn	2003F	2004F	2005F
Revenue	7,449	8,344	8,262
EBITDA	2,768	3,047	3,065
Net income (adjusted)*	2,556	2,240	2,186
Operating cash flow	2,526	2,565	2,825
Valuation			
EV/EBITDA	5.0	4.6	4.5
P/E	4.8	5.5	5.6
P/CF	4.9	4.8	4.4

*Net income adjusted to exclude FX gains/losses, inflationary gains/losses and other non-cash non-recurring items

Target price, recommendation upgrade

We have updated our valuation model for Sibneft to reflect:

- 1) actual end-2003 gross and net debt of \$1.64bn and \$1.55bn respectively, disclosed in an investor presentation on the company's web site;
- 2) a potential \$1bn liability associated with a bill presented by the Tax Ministry for 2000 and 2001 (which we expect the company to settle for hopefully a lower amount); and
- 3) a number of small adjustments to operating forecasts.

As a result, our end-2004 fair value target for Sibneft was increased from \$3.1 to \$3.3, providing 27% potential upside from its recent close of \$2.6. Our fair value target implies a total equity valuation of \$15.6bn for the company, just under the \$16bn valuation implied by the potential deal terms with Total as reported some time ago by the Financial Times.

We recognize that Sibneft represents a very likely acquisition target if/when its de-merger from Yukos is finalized (probably not before Yukos' own case is fully resolved) and expect the arrival of a large foreign strategic investor to be perceived as good news by the market.

In the meantime, however, the stock is likely to remain very volatile, with trading heavily influenced by Yukos-related newsflow. On top of that, given its business practices were very similar to those of Yukos, Sibneft also remains vulnerable to past due tax charges and other political pressures, reflecting the current "anti-oligarch" campaign.

Taking into account our fair value target upgrade on the one hand, and remaining high political and merger-related risks on the other, we are upgrading our recommendation on Sibneft from Sell to Hold with a new target price of \$3.3 a share.

Target price calculation

Total NPV of future FCF, \$mn	15,483
Less: Net debt (cash), \$mn (end 03)	1,550
Less: Minority interest, \$mn	0
Less: 2000-2001 tax liabilities, \$mn	1,000
Plus: Value of Slavneft, \$mn	2,700
Total equity value, \$mn	15,633
Common shares outstanding, mn	4,741
Fair value per share, \$	3.3

Source: Company data; Aton estimates

Equity Research

Russia

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Stock ratings methodology

Definition of Aton Capital Group's stock ratings system

Rating	Definition
Buy	Appreciation potential > 15% over the next 12 months
Hold	Appreciation potential between 0% and 15% over the next 12 months
Sell	Appreciation potential < 0% over the next 12 months

Appreciation potential is calculated as the difference between the current market price of a stock and our fair value target for the stock over the next 12 months. The primary basis for calculating fair value targets for most Russian equities is the discounted cash flow method; for a greater discussion of this valuation method please contact Aton Capital Group research or your sales representative. In certain cases, analysts may have leeway on the above-mentioned range of returns in establishing their recommendation to reflect non-quantifiable risks or other considerations.

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