

Sibneft: Dividends Are The Best Friends

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BUY

ordinary \$0.377

Sibneft has announced an unprecedented extraordinary dividend of \$0.13 per share (a 32% dividend yield on pre-announcement price). Sibneft continues to take an uncompromising shareholder value-oriented approach to its business, justifying a premium to the pre-announcement P/E and P/CF multiples. We reiterate our BUY rating on the stock.

- Sibneft will pay a total of \$440 mn of interim dividends, representing 68% of its 2001 forecast earnings, and will pay out at least 15% of its earnings in the future.
- By paying such a high dividend, the company has created \$361 mn in shareholder value, optimising its capital structure. As a result, the company's theoretical residual value has declined by only \$79 mn, or 5.5% of market cap.
- The company became 3.8% cheaper on its 2002 forecast P/E multiple and 5.3% cheaper on its 2002 forecast P/CF. Its 2002F EV/EBITDA has now increased by 20%; however, we believe that this multiple is less significant than the price-based ones.
- Following on the revised production target and the consolidation of domestic traders, we upgrade our 2001 cashflow forecast by 22%.
- We believe that the dividend payout marginally reduces the likelihood of a strategic sale of Sibneft in the short run.

RTS Index	192.01
Market capitalisation	\$1.30 bn
52wk high/low	0.46 / 0.24

Price performance vs. RTS Index

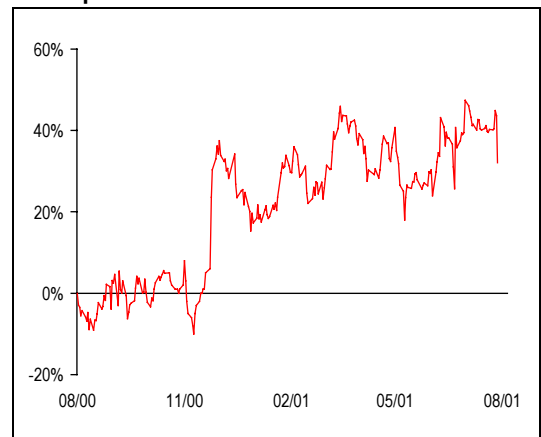


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Reasons for report	Key changes
Extraordinary dividend announcement 1H01 operational overview	Radically changed corporate governance risk profile 2001 earnings upgrade New valuation

Number of shares	Free float	MC of free float	Reuters	Bloomberg
3,450 mn	15%	\$195 mn	SIBN.RTS	SIBN\$ RU

Valuation

	1999	2000F	2001F	2002F
Net sales, \$ mn	1,746	2,398	2,805	2,918
EBITDA, \$ mn	547	1,027	1,156	1,204
Net profit, \$ mn	315	675	472	490
Cashflow, \$ mn	556	906	772	807
P/E ordinary	5.6	1.8	2.0	2.3
P/S ordinary	1.02	0.51	0.45	0.41
P/CF ordinary	3.2	1.3	1.4	1.5
EV/EBITDA, ordinary	3.8	1.5	1.6	1.8

Something at a glance

Financial and operating data

	1998	1999	2000F	2001F	2002F
Financial result					
Net sales	1,781	1,746	2,398	2,884	3,143
EBITDA	211	547	1,027	1,226	1,090
EBITDA margin	12%	31%	43%	42%	35%
Operating profit	(105)	257	727	926	802
Operating margin	-6%	15%	30%	32%	26%
Net profit	36	315	675	645	559
Net profit margin	2%	18%	28%	22%	18%
Operating cashflow	423	556	906	945	847
EPS, cents	0.01	0.07	0.21	0.19	0.16
CFPS, cents	0.09	0.12	0.28	0.27	0.25

Dividends and yields

Dividend ordinary			50	440	
Dividend preferred			n/a	n/a	
Yield ordinary			3%	38%	
Yield preferred			n/a	n/a	

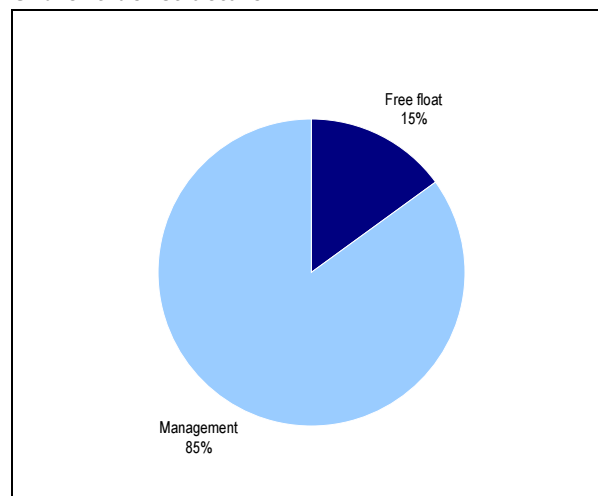
Operating data

Reserves, mn bbls	4,374	4,599			
Reserves, bcf		1,816			
Reserves, mn boe		4,938			
Production, mn bbls	126	119	126	150	165
Refining capacity, mn bbls	145				
Refining throughput	96	91	95	106	107

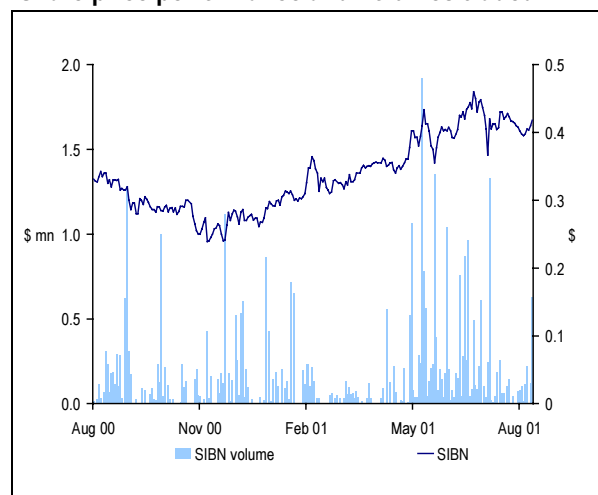
Operating ratios

Reserves/production	35	37	35	29	27
Production change	-4.7%	-5.7%	5.4%	19.2%	10.0%
Refinery utilisation	66%	63%	66%	73%	74%

Shareholder structure



Share price performance and volumes traded



Comparatives

Company	Price \$	Rec	— P/E —			— P/S —			— P/CF —			— EV/EBITDA —			EV/Res \$/boe	EV/Prod \$/boe
			2000	2001F	2002F	2000	2001F	2002F	2000	2001F	2002F	2000	2001F	2002F		
LUKoil																
ordinary	10.74	BUY	2.5	3.2	3.6	0.64	0.69	0.73	2.0	2.5	2.8	1.9	2.3	2.4	0.65	19.84
preferred	10.55	BUY	2.5	3.2	3.6	0.62	0.68	0.71	2.0	2.4	2.8	1.9	2.2	2.4	0.64	19.52
Sibneft	0.38	BUY	1.8	2.0	2.3	0.51	0.45	0.41	1.3	1.4	1.5	1.5	1.6	1.8	0.37	15.20
Surgutneftegaz																
ordinary	0.24	BUY	2.6	2.7	3.2	1.16	1.12	1.12	2.2	2.2	2.5	1.3	1.0	1.0	0.45	10.56
preferred	0.13	BUY	1.5	1.5	1.8	0.64	0.62	0.62	1.2	1.2	1.4	0.4	0.1	0.1	0.06	1.49
Tatneft																
ordinary	0.48	HOLD	1.4	1.8	2.0	0.23	0.24	0.28	1.2	1.3	1.5	1.3	1.2	0.7	0.21	7.46
preferred	0.26	HOLD	0.8	1.0	1.1	0.12	0.13	0.15	0.7	0.7	0.8	0.9	0.8	0.2	0.13	4.62
Yukos	3.33	BUY	2.4	2.5	2.7	0.98	1.04	1.04	1.7	2.3	2.4	1.3	1.1	1.1	0.43	15.39
Average			2.3	2.7	2.9	0.71	0.75	0.77	1.8	2.2	2.3	1.4	1.4	1.4	0.50	15.87