

Sibneft

Hold

Implications of Slavneft acquisition

December 20, 2002

COMMON PRICE	\$2.15
MARKET CAP	\$10.182 mln
ENTERPRISE VALUE	\$11.254 mln
RTS TICKER	SIBN
RTS LEVEL (December 18, 2002)	347.33

Key data

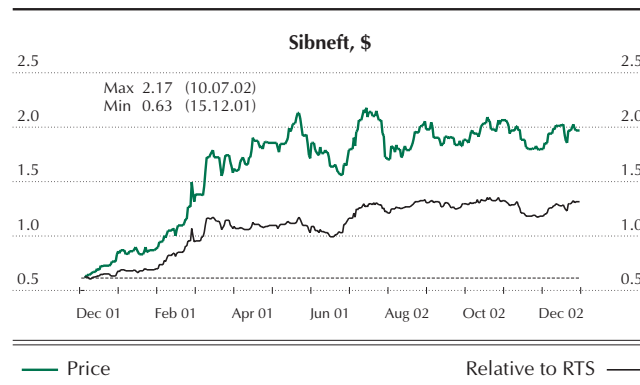
	2000	2001	2002E	2003F
FINANCIALS, \$ mln				
Sales	2,398	3,350	3,931	4,443
EBITDA	1,027	1,719	1,569	2,006
EBIT	727	1,405	1,184	1,598
Net profits	675	1,305	976	1,309
EPS, \$	0.1	0.3	0.2	0.3
Dividend payout	7.4%	46.9%	15.0%	15.0%
OPERATIONS				
EBITDA margin	43%	51%	40%	45%
EBIT margin	30%	42%	30%	36%
Net margin	28%	39%	25%	29%
PRICE RATIOS				
P/S	4.25	3.04	2.59	2.29
EV/EBITDA	10.95	6.55	7.17	5.61
P/E	15.09	7.80	10.43	7.78
SHARES ISSUED				
Common	4,741,299,639			

Share price performance and relative

	1 mo	3 mo	6 mo	1 yr
Price performance	7.7%	3.4%	10.7%	197.0%
Relative to RTS	8.8%	4.7%	24.3%	155.4%

Sibneft and TNK have jointly won the privatization auction in Slavneft, paying \$1,860 mln for the 75% stake. Each company is to take a 50% stake in the holding. While the acquisition is positive for Sibneft, we believe that it adds only a moderate \$0.08 to Sibneft's share value. At a fair value of \$2.42 per share, Sibneft offers 14% upside from the current levels and we rate the company as a HOLD.

- Sibneft and TNK are currently negotiating how to divide the new acquisition. Either Slavneft will be divided up, or Sibneft will consolidate it and offer its shares to TNK. The decision is likely to be made sometime in January, and we believe the second scenario is more likely.
- We value Slavneft's business at \$3,614 mln and its equity (net of debt and minority interest) at \$2,644 mln, making what we believe to be aggressive assumptions about the timing and scale of efficiency gains in the company after privatization.
- After Sibneft shares the acquisition profit with TNK, we estimate its gain at \$360 mln, based on estimated total investment in Slavneft's assets at \$1,210 mln and its valuation at \$1,570 mln. This gain represents about \$0.08 per share of 4% of Sibneft's current market capitalization.
- Joint acquisition should please Megionneftegaz shareholders, as it leaves more funds for their buyout in the hands of the acquirers. Although the timing is still unclear, we would expect conversion or buyout to be proposed within a year.



Source: Datastream

Kaha Kiknavelidze, Valery Nesterov

Phone: 7 (501) 258 0511 Fax: 258 0582

E-mail: Kaha_Kiknavelidze@troika.ru

Valery_Nesterov@troika.ru

Slavneft Auction Results

Sibneft and TNK jointly won the privatization auction for the 75% controlling stake in Slavneft yesterday, bidding \$1,860 mln, or 9% higher than the starting price. The two companies confirmed that Investoil, the structure which submitted the bid, is owned equally by them and that they will share the full payment due in February on a parity basis.

No other bidders participated in the auction. Chinese oil company CNPC withdrew its bid the day before, while Rosneft, the Russian state-owned oil company, was not allowed to participate. Rosneft announced that it plans to appeal the auction results and file a lawsuit against the Russian Federal Property Fund for being illegally excluded from the event. However, we believe the auction results are unlikely to be changed or cancelled, and view the sale as final.

Based on Slavneft's 2002E oil production of 108 mln bbl and estimated proven net reserves of 2.29 bln bbl, the acquisition had respective production and reserve multiples of \$31.9 p/bbl and \$1.18 p/bbl, in line with the average multiples of Russian oil majors.

At analysts' meeting, the Sibneft management said the two companies will each own 50% in Slavneft. This means that they will split all stakes in the company, including the 11% stake acquired by Sibneft in early December from the Belarus government, which we expected Sibneft to keep. The split will be done at the cost of investment (\$207 mln), which implies the two companies will share gains from acquisitions made at different stages.

Sibneft and TNK are now negotiating and will make one of two decisions sometime in January. Either they will split Slavneft's assets, or Sibneft will consolidate Slavneft and TNK will get a stake in Sibneft in exchange for its 50% share of Slavneft. While our impression is that Sibneft prefers the second option, the final result will depend on two issues: 1) whether the two parties reach an agreement on the relative valuation of Slavneft and Sibneft; 2) whether TNK will accept that Sibneft could overtake TNK in size should it consolidate Slavneft.

The Slavneft management is likely to remain unchanged, as it is acceptable to both sides. Sibneft is optimistic about potential efficiency gains in Slavneft and plans to bring either that company or its share of Slavneft assets to the level of Sibneft's efficiency within two years.

Full consolidation of Slavneft is another issue to watch out for. Joint acquisition would probably please Megionneftegaz shareholders, as it leaves more funds in the hands of acquirers for their buyout. However, it is likely to be slow process and time is in favor of Sibneft and TNK, as the longer they wait for a buyout or conversion offer, the lower the costs will be. We would expect conversion or buyout to be proposed within a year.

Implications for Sibneft

The acquisition is positive for Sibneft strategically, despite sharing gains with TNK. Sibneft's size would dramatically increase should it consolidate Slavneft, making it Russia's fourth largest oil company.

Nevertheless, we believe the acquisition has a relatively modest positive impact on Sibneft's valuation, as the \$1,860 mln purchase price for Russian government's stake in Slavneft is close to our derived valuation.

Including the Russian privatization auction, **we estimate Sibneft has spent a total of \$1,210 mln on Slavneft assets.** This includes the \$76 mln paid for the 25% stake in the Sibneft/TNK trust; an unknown amount (we assume \$100 mln) paid to increase this stake to 50%; half of the \$207 mln paid for Belarus' 13% stake in Slavneft; and half of the \$1,860 mln to be paid for the Russian government's stake in Slavneft.

We value those investments at \$1,570 mln, which implies an equity value of \$2,644 mln for Slavneft, \$1,031 mln for Megionneftegaz and \$339 mln for Yaroslavl Refinery (YANOS). We therefore estimate the gain from the investments at \$360 mln, or about 4% of Sibneft's current market capitalization.

Sibneft's investment in Slavneft assets

Entity	Stake	Investments	Value
Investoil	37.5%	930	991
Belarus' stake	5.4%	104	143
Sibneft/TNK trust	50%	176	436
<i>Slavneft</i>	6.5%		189
<i>Megionneftegaz</i>	13.5%		153
YANOS	25%		93
Total		1,210	1,570

Source: Troika Dialog estimates

Our Slavneft valuation is based on two methods: 1) comparative valuation multiples; and 2) a DCF model, which is based on the assumption that Sibneft's management can replicate the efficiency gains achieved on its core assets. We analyzed Slavneft's historical financial statements and identified six major areas where we can expect Sibneft to improve performance. These areas include:

1. Realized crude export prices
2. Cost of purchased crude
3. Well flow rates and production growth
4. Lifting costs
5. Capital expenditures
6. Social costs

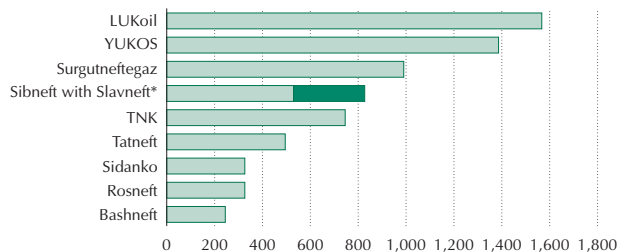
Based on average reserve and production valuation multiples for Russian oil majors, we calculate Slavneft's enterprise value to be \$3,478 mln. Based on DCF modeling and after accounting for future efficiency gains, we derived an enterprise value of \$3,749 mln. After adjusting for net debt, minority interest and non-operating net assets, we calculated Slavneft's equity valuation of \$2,644 mln.

Sibneft and TNK with Slavneft

The tables below show the relative standing of the Russian oil majors after the acquisition. Both scenarios – Sibneft’s consolidation of Slavneft, and Slavneft split between the two companies – are depicted. With Slavneft, Sibneft will overtake TNK to become Russia’s fourth largest oil company in terms of both production and reserves. Based on 2002E production levels, combined consolidated oil output in 2002 could amount to 825 kbpd (41 mln tons). Taking an estimated figure for Slavneft’s proven reserve base of 3.2 bln boe, Sibneft’s combined estimated 8.2 bln boe reserves will again make it fourth. Relative standing does not change if Slavneft is split.

Sibneft with Slavneft consolidated

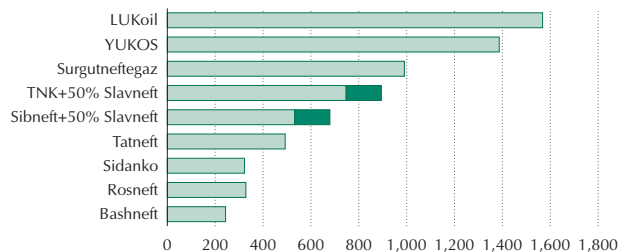
Crude oil production 2002E, '000 bpd



* On a consolidated basis
Source: Companies, Troika Dialog estimates

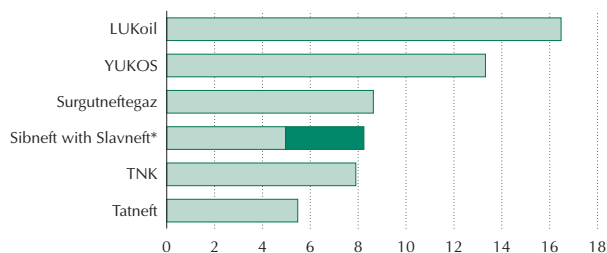
Sibneft and TNK with Slavneft split

Crude oil production 2002E, '000 bpd



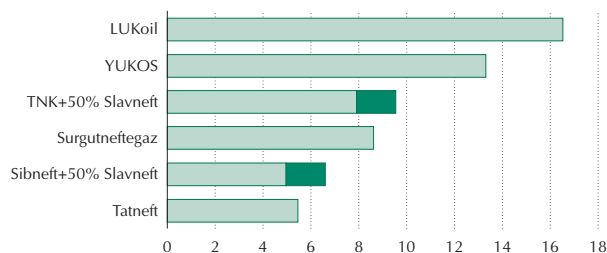
Source: Companies, Troika Dialog estimates

Proven reserves 2001, bln bbl



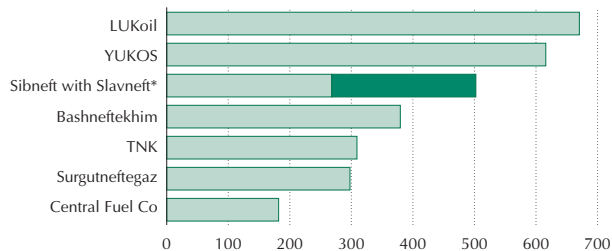
* On a consolidated basis
Source: Companies, Troika Dialog estimates

Proven reserves 2001, bln bbl



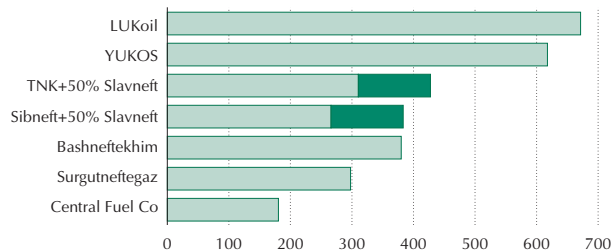
Source: Companies, Troika Dialog estimates

Refining throughput 2002E, '000 bpd



* On a consolidated basis
Source: InfoTEK, Troika Dialog estimates

Refining throughput 2002E, '000 bpd



Source: InfoTEK, Troika Dialog estimates

Slavneft Valuation

Our Slavneft valuation is based on first deriving a fully consolidated value and then deducting net debt, non-operating net assets and the value of minority stakes in its subsidiaries. We have used two methods to calculate a fully consolidated value for Slavneft. The first is a comparable valuation based on reserve and production figures. The second is based on the DCF model that we built based on the 2001 IAS financials (despite being prepared to Western accounting standards, Slavneft financials do not reflect the company's full potential due to imbedded inefficiency, which is characteristic of a state-controlled company). We, and the market in general, expect sharp improvements in Slavneft's financials and operational efficiency once company assets are transferred into private hands. Assumptions regarding timing and the scale of the efficiency gains which the new owners will be able to achieve after acquisition are the key drivers for the Slavneft valuation under the DCF method.

Comparative valuation

We value Slavneft's business at \$3,478 mln based on the average of reserve- and production-based multiples of Russia's first-tier oil majors. Investors should take into account several factors when valuing the company on relative terms:

1. Its reserve base is scattered and largely undeveloped.
2. Its reserve life is 30 years compared an average of 25 for average Russian oil majors. A higher figure justifies a discount on reserve base multiples and a premium on production base multiples. Averaging the two therefore arguably gives a good indication of Slavneft's real value.
3. Even accounting for future efficiency improvements, we believe that the first-tier average, and not Sibneft's multiples, is an appropriate basis for valuing Slavneft. This is based on Sibneft's growth and productivity gains having already been made, unlike those of Slavneft.
4. Sibneft's reserve valuation is based on market recognition of the management's operating and financial achievements, including its ability to find, acquire and develop reserves cheaply. Its reserve replacement cost in 2001 was \$1.16/bbl, much closer to the average Russian reserve-based valuation than Sibneft's own reserve valuation.

Comparative valuation multiples

	Reserve-based ,\$/bbl	Production-based ,\$/bbl
LUKoil	1.08	30.41
Sibneft	2.24	53.35
Surgutneftegaz	0.73	13.48
Tatneft	0.52	16.10
YUKOS	1.30	32.48
First-tier average	1.17	29.16

* Based on 2001 proven reserve figures and 2002E production

Source: Companies, Troika Dialog estimates

Slavneft's fully-consolidated value

	Base	Multiple	Value of the business, \$ mln
Reserves, mln bbl	3,242	1.17	3,804
Production, mln bbl (2002E)	108	29.16	3,151
Average			3,478

Source: Troika Dialog estimates

DCF based valuation

In this method, we based our forecast on Slavneft's 2001 actual financial data using industry-wide estimates for pricing and share of exports. We also made assumptions about the scale and timing of the post-acquisition operating improvements. We estimate Slavneft's full enterprise value at \$3,749 mln, incorporating what we believe to be generous assumptions of efficiency gains in the company.

Summary of Slavneft's DCF model, \$ mln

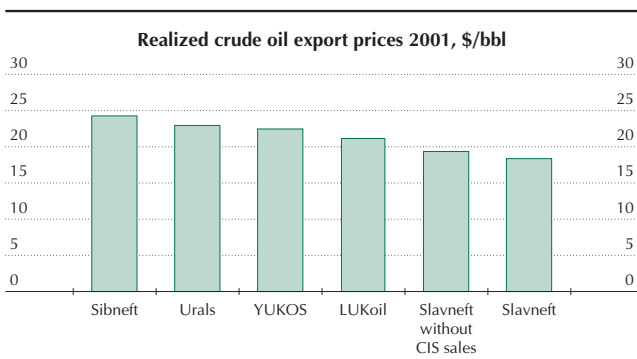
	2000	2001	2002E	2003F	2004F	2005F	2006F	2007F	2008F	2009F	2010F	2011F
Oil price, Urals, \$/bbl	26.53	22.93	23.23	22.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Net revenues	2,981	2,587	2,154	2,349	2,252	2,697	2,738	2,740	2,741	2,743	2,745	2,748
Operating costs	2,198	2,241	1,749	1,661	1,669	1,800	1,821	1,828	1,827	1,826	1,825	1,825
EBIT	783	347	405	688	582	897	918	911	914	917	920	923
Depreciation	86	134	141	137	156	178	179	181	183	185	186	188
Taxes on EBIT	(153)	(124)	(122)	(165)	(140)	(215)	(220)	(219)	(219)	(220)	(221)	(222)
Change in working capital	(260)	183	143	(24)	14	(52)	(1)	5	3	3	3	3
Capital expenditures	(217)	(503)	(543)	(548)	(508)	(473)	(478)	(483)	(452)	(458)	(463)	(469)
Free cashflow	240	37	25	88	105	334	398	395	428	427	426	424
PV of free cashflow				80	85	245	264	236	230	207	186	167
Terminal value												2,048
Value of business												3,749
Terminal growth rate												3%
Discount rate												11%

Source: Company, Troika Dialog estimates

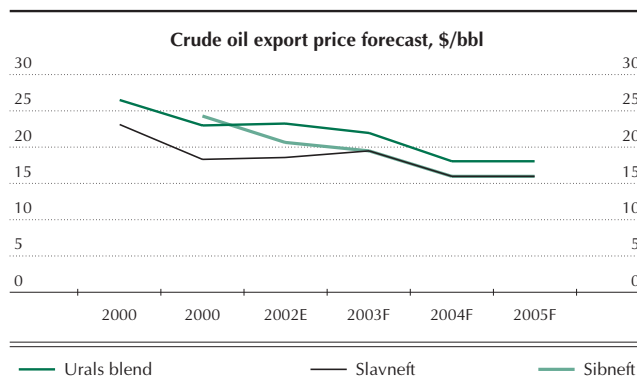
We have identified six different areas where Slavneft has clearly underperformed its industry peers and have used Sibneft's performance as a benchmark:

1. Increased realized crude export prices

Slavneft's average realized crude export price for 2001 was \$18.25 p/bbl, 20% lower than the average oil price that year and the lowest compared to that of Sibneft, YUKOS or LUKoil. While the difference is partly attributable to 20% of exports being shipped to the non-consolidated Mosyr Refinery in Belarus at lower prices, even non-CIS exports do not make up the difference. We assume that the difference between Sibneft's and Slavneft's export prices are due to the Sibneft trading arm's marketing superiority, which can be closed immediately after acquisition. This is an aggressive assumption, as Sibneft's high export prices are partially due to the shipment of its high quality oil through the Tuapse terminal without mixing it with lower-priced Urals blend. Nevertheless, starting 2003, we apply Sibneft's crude oil export price to derive Slavneft's export revenues, which effectively translates into a 10% step-up in prices.



Source: Companies, Troika Dialog

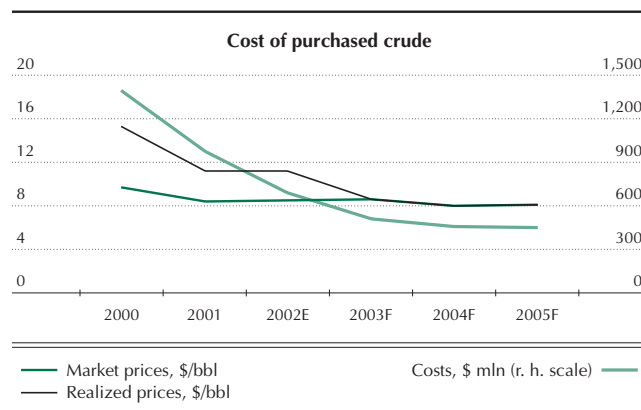


Source: Companies, Bloomberg, Troika Dialog estimates

2. Reduced costs on purchased oil

Slavneft spent \$1,286 mln and \$979 mln on oil and oil products purchases in 2000 and 2001, respectively. Moreover, the company’s Western financials show that around the same volumes of crude and products were purchased and sold on the domestic market. The price differential in product “trading” is in Slavneft’s favor. However, for crude, there is a negative difference of \$4 p/bbl between average domestic sales and purchase prices. While this opaque practice can be explained by oil exchange in Russia’s regions to save on transportation costs, domestic transportation from even the farthest regions did not exceed \$2 p/bbl in 2001.

We expect the practice to end immediately in 2003 and forecast both declining volumes of purchased oil and no losses in trading.



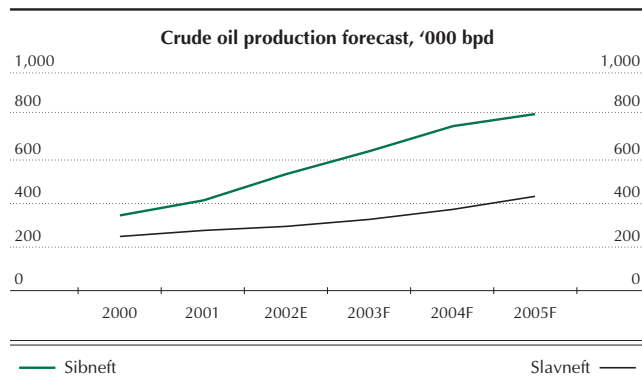
Source: Troika Dialog

3. Production growth

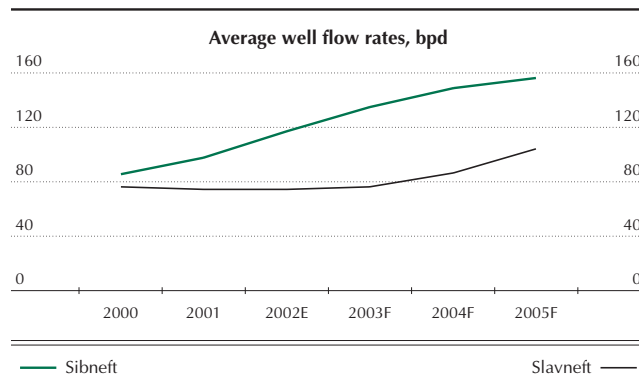
We generously allowed for improvements that Sibneft can achieve in the upstream segment, as the company has already demonstrated sound oilfield management. Specifically, we forecast improved well stock management and thus significantly higher well flow, resulting in overall production growth, declining lifting costs and declining upstream capital expenditures.

We assumed that by 2005, Slavneft’s average well flow will increase to Sibneft’s current well flow levels. Although our Sibneft forecasts imply continued productivity gains in the company’s core reserve base, we believe that Sibneft’s future gains should not be priced into Slavneft’s current valuation.

Greater productivity implies Slavneft's oil production increasing from the 2002E level of 293 bpd (14.58 mln tons) to 422 bpd (21 mln tons) by 2005 and remaining stable thereafter. This is an aggressive estimate, implying 13% CAGR for the next three years.



Source: Companies, Troika Dialog estimates



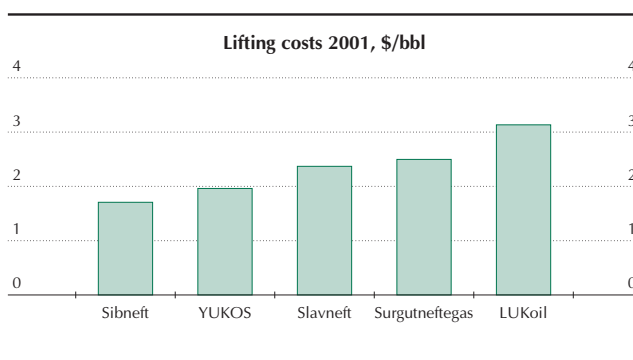
Source: Troika Dialog

4. Decreased opex and capex

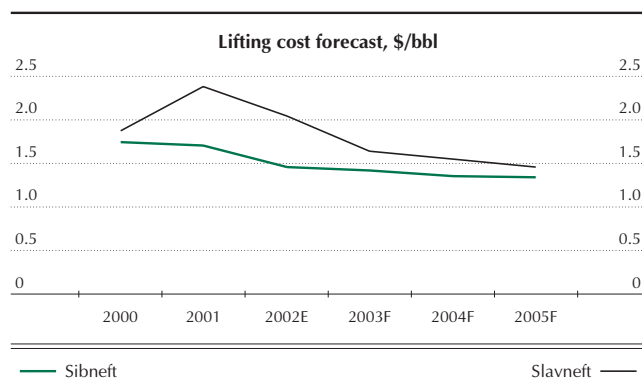
Slavneft's 2001 lifting costs are estimated at \$2.38 p/bbl, marginally lower those of Surgutneftegaz and significantly below those of LUKoil. This figure is based on Miller & Lent's reserve audit of Megionneftegaz, as lifting costs are not reported and cannot be separated out from Slavneft's 2001 IAS financials.

Sibneft clearly has a proven track record of cost reduction. We expect it to achieve its current lifting cost base of \$1.5 p/bbl for Slavneft by 2005, and use this as our underlying assumption for cost cutting.

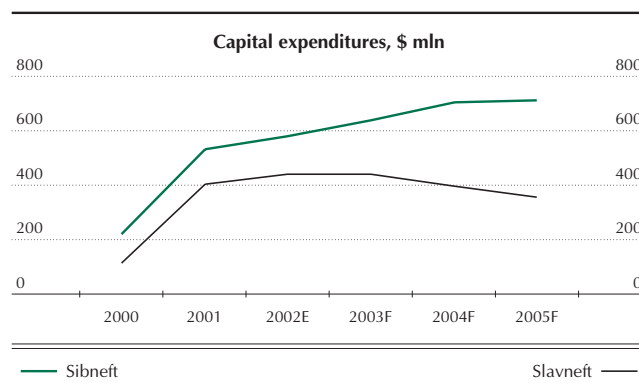
Our models for Sibneft forecast an increase in capex to achieve ambitious production growth targets. However, we actually imply a decline in Slavneft's upstream capex by 2005 to a level corresponding to investment of \$2.5 p/bbl of output, which we expect to be the normalized level for both companies.



Source: Companies, Troika Dialog estimates



Source: Companies, Troika Dialog estimates



Source: Companies, Troika Dialog estimates

5. Decreased social costs

Finally, we expect Sibneft to cut Slavneft’s social expenditures, which amounted to \$98 mln and \$93 mln in 2000 and 2001, respectively. Our model implies a fairly sharp reduction in social costs to around \$26 mln by 2005.

No adjustments to oil flow and taxes

We have made no adjustments to Slavneft’s oil flow except for taking out losses from crude oil purchases. This is reasonable, assuming that at market prices selling crude internally creates no synergies for the group. However, the acquisition arguably increases confidence in Sibneft’s production growth, which is expected to almost double by 2006. Nevertheless, we do not account for this, as our models already allow for Sibneft’s sharp production growth in the coming years, as does the market, we believe.

Although Sibneft may be able to replicate its tax optimization scheme for Slavneft operations, we have conservatively assumed a 24% tax rate for both companies in the coming years.

Slavneft's Equity Valuation

We arrived at an enterprise valuation for Slavneft of \$3,478 mln based on the comparative method and \$3,749 mln using the DCF method. For future analysis we take the simple average of \$3,614 mln.

The next step is to derive an equity value of Slavneft. For this purpose, we make adjustments for net debt, non-operating net assets and minority interest. Slavneft's 2001 IAS balance sheet includes debt of \$629 mln and excess cash, short-term investments and other current assets at \$341 mln.

Minority stakes in Slavneft subsidiaries and the investment in the 43% stake in Mozyr Refinery are valued using comparative valuation multiples. For minority stakes, we focused only on Slavneft's two major subsidiaries, Megionneftegaz and YANOS, as these companies account for 92% of its oil production and 96% of its refining capacity (again, since Mozyr Refinery is not controlled by and consolidated in Slavneft, we value it as an investment).

We value the minority stakes in the two companies at \$754 mln. The Megionneftegaz valuation is based on a production multiple of Orenburgneft, which we believe is the best comparative. The YANOS and Mozyr Refinery valuations are based on acquisition multiples of Moscow and NORSI refineries per ton of capacity. We apply an arbitrary 20% discount to value the stake in Mozyr Refinery and to account for higher sovereign risk in Belarus.

Based on the balance sheet adjustments we derive an equity valuation for Slavneft of \$2,644 mln, which translates into an estimate for the 75% stake of \$1,982 mln.

Balance sheet adjustments, \$ mln

	Face value	Adjust.	Fair value	
Cash	229	(75)	154	Excess cash only
Short-term investments	136	100%	136	*
Other current assets	51	100%	51	
Long-term investments	67	108%	72	Mosyr Refinery
Goodwill	8	0%	–	
Asset adjustments	490		413	
Short-term debt	553	100%	553	
Long-term debt	76	100%	76	
Deferred tax liability	297	0%	–	
Minority interest	872	86%	754	Megionneftegaz and YANOS
Liability adjustments	1,798		1,383	
EV of Slavneft			3,614	
Net balance sheet adjustments		(970)		
Slavneft's equity value			2,644	
Value of the 75% stake			1,982	

* Bank deposits, which were used to partially finance the Varieganneft acquisition in 2002. The funds must have been returned to the company's balance sheet after the transaction was reversed in November 2002.

Source: Company, Troika Dialog estimates

Valuation of minority stakes and the investment in Mozyr Refinery, \$ mln

	Base	Multiple	EV	Net debt	Mcap	Stake valued***	Value
Megionneftegaz*	94.19	12.01	1,131	100	1,031	53%	546
Yaroslavnefteorgsintez**	14.00	26.53	371	32	339	61%	207
Mosyr Refinery**	8.00	21.23	170	0	170	43%	72
Value of minority stake							754
Value of long-term investment							72

* Valued based on 2002E production multiple, mln bbl

** Valued using refining throughput capacity based multiple, tons

*** Minority stakes based on total equity stakes, including preferred shares

Source: Troika Dialog

The value of Sibneft's investments in Slavneft

Sibneft's committed funds in Slavneft assets are estimated at around \$1,210 mln. This includes \$76 mln paid for the 25% stake in the Sibneft/TNK trust; an unknown amount (we assume \$100 mln) to increase this stake to 50%; 50% of the \$207 mln paid for Belarus' 13% stake in Slavneft and 50% of \$ 1,860 mln for the Russian stake. The value of these investments should increase after Sibneft gains effective control of the company. Based on our valuations for Slavneft (with efficiency gains implied), Megionneftegaz and YANOS, we value Sibneft's investments around \$1,570 mln, some \$360 mln higher than their cost.

Sibneft's investment in Slavneft assets

Entity	Stake	Investments	Value
Investoil	37.5%	930	991
Belarus' stake	5.4%	104	143
Sibneft/TNK trust	50%	176	436
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<i>Megionneftegaz</i>	13.5%		153
YANOS	25%		93
Total		1,210	1,570

Source: Troika Dialog estimates

Slavneft at a Glance

Slavneft comprises 36 subsidiaries in which it holds more than 50% of total equity, and eight companies where its control is less than 50% (even though it controls the voting stock in some of them). It holds controlling stakes in its two most valuable assets, Megionneftegaz and Yaroslavl Refinery (YANOS). However, if adjusted for preferred shares, the company's stake in the two assets comes to 47% for Megionneftegaz and 39% for YANOS. Slavneft owns 43% in another major asset, Mozyr Refinery; but since this is controlled by the Belarus government, the company does not consolidate it for financial purposes and it is booked as a long-term investment. In 2002, Slavneft bought the controlling stake in an upstream asset, Varyeganneft. However, the deal was reversed in November and is unlikely to be reported in Slavneft's financial and reserve data, and we exclude the company from our reserve and production figures.

Reserves

Slavneft's reserves are not fully audited to Western standards. Under the Russian reserve classification, its ABC1 category reserves amounted to 5,129 mln bbl (691.7 mln tons). However, reserves of two subsidiaries, Megionneftegaz and Obneftegazgeologiya, which represent 57% of Slavneft's total (Russian) ABC1 reserve base company are audited to Western standards. By applying the two companies' western proven/Russian ABC1 ratio of 68% to Slavneft's other unaudited reserves, we estimate the company's total proven reserve base at 3,242 mln bbl on a fully consolidated basis. Taking the company's stakes in each of the subsidiaries, its net reserves amount to 2,293 mln bbl.

This base was sharply increased in 2000-01, when Slavneft acquired a 100% stake in several small E&P companies, such as Uzunneft, Sheburskoye, Messoyakhaneftegaz, Obneftegazgeologiya, Nafta Ulyanovsk, Obneftegeologiya, Suzun, Russko-Rechenskoye, Payakha, Nefterazvedka and Sobol (JV). As a result, Slavneft has managed to boost its reserve base according to Russian geological standards by 50% in the last two years. However, the reserves are scattered and largely undeveloped.

Slavneft's oil reserves by subsidiary

	ABC1 mln bbl	Proven mln bbl	Slavneft Stake		Net reserves mln bbl
			Total	Voting	
Megionneftegaz	2,467	1,682	47%	62%	791
Megionneftegazageologiya	70	48	59%	76%	28
NGK Slavneft (holding)	353	241	100%	100%	241
Krasnoyarskneftegaz	360	245	100%	100%	245
Ulyanovskneft	145	99	100%	100%	99
Slavneft-Nizhnevartovsk	141	96	100%	100%	96
Obneftegazgeologiya	464	62	80%	80%	49
Messoyakhaneftegaz	638	435	100%	100%	435
Nafta-Ulyanovsk	91	62	76%	76%	47
Sobol (JV)	60	41	80%	85%	32
Suzun	174	119	100%	100%	119
Russko-Rechinskoye	40	27	100%	100%	27
Pajakha	9	6	100%	100%	6
Nefterazvedka	7	5	51%	51%	2
Obneftegeologiya	110	75	100%	100%	75
Total	5,129	3,242			2,293

Source: Company, Troika Dialog estimates

Production

Slavneft produced 100 mln bbl in 2001 and has been increasing this by around 7% in 2002. In terms of production, the company is among the top 50 oil producers in the world, together with Norsk Hydro, Oxidental, Marathon, etc. Megionneftegaz is the main production subsidiary, accounting for 92% of the company's total output.

Slavneft production breakdown

Megionneftegaz	92.81
Sobol	3.19
Obneftegeologiya	1.75
Other	2.64
Total	100.39

Source: Troika Dialog estimates

Refining

Slavneft ranks seventh among the Russian companies in terms of refining capacity. Primary distillation capacity (excluding the stake in Mozyr Refinery in Belarus) amounts to 295 kbpd (14.5 mln tons).

Slavneft is also one of Russia's leaders in terms of oil product exports. Slavneft is short of its own crude, producing around 1.5 times less than it processes at its refineries. Nevertheless, capacity use of Slavneft's two refineries averaged at 87% in 2001, a level well above Russia's average of 66%.

The share of light products in the "basket" of five main oil products at Yaroslavl and Mendeleev refineries is 59%, relatively high compared to that of Russian peers. Last year, the share of high-octane gasoline in total mogas output was 60%.

Slavneft's refining subsidiaries, '000 bpd

	Refining capacity	Refining 2002E	Capacity use 2002E	Processing depth 2001
Yaroslavl Refinery	284	253	89%	62%
Mendeleev Refinery	11	4	36%	90%
Total	295	257	87%	63%

Source: Company, Troika Dialog estimates

Slavneft's financial statements, \$ mln

	2000	2001
Basis of presentation	IAS	IAS
Sales	2,981	2,587
Operating costs	2,198	2,241
EBIT	783	347
Depreciation	86	134
EBITDA	869	480
Net interest expenses	(12)	(55)
FX gain (loss)	(1)	(1)
Monetary gain (loss)	(81)	(39)
Net other expenses	26	40
EBT	715	292
Tax	(140)	(104)
Profits before minority interest	575	188
Minority interest	(110)	(69)
Net profits	465	119
Net profits adjusted for deferred taxation	457	83

Source: Troika Dialog

Balance sheet, \$ mln

	2000	2001
Basis of presentation	IAS	IAS
Fixed assets and investments	1,813	2,653
Current assets	1,165	1,133
Stock and inventories	214	190
Accounts receivable	783	552
Cash and securities	70	204
Other current assets	98	187
Total assets	2,978	3,786
Current liabilities	630	901
Accounts payable	511	348
Short-term debt	118	553
Def. taxes and provisions	–	–
Other current liabilities	–	–
Long-term liabilities	364	401
Long-term debt	72	76
Other long-term liabilities	293	325
Total liabilities	994	1,302
Interest of minorities	616	872
Equity	1,369	1,612
Share capital	428	475
Retained earnings	941	1,137
Total liabilities and equity	2,978	3,786

Source: Troika Dialog

Cashflow statement, \$ mln

	2000	2001
Net income	465	119
Adjustments for non-cash items	218	245
(Increase)/decrease in working capital	(260)	183
(Increase)/decrease in other assets	(88)	84
Operating cashflow	336	631
Capital expenditures	(205)	(503)
Other investments, net	(187)	(320)
Investing cashflow	(392)	(823)
Increase/(decrease) in debt	86	395
Dividends	(10)	(32)
Additional share issues (purchase)	(13)	(34)
Financing cashflow	62	329
FX and monetary effects on cash	(1)	(3)
Other sources (uses) of funds	–	–
Change in cash position	4	133
Cash at beginning of period	66	70
Cash at end of period	70	204

Source: Troika Dialog

**President,
Chief Executive Officer**

Ruben Vardanian

Managing Director, Capital MarketsJacques
Der Megreditchian**Chief Economist**

Evgeny Gavrilencov

CONTACT DETAILS

Phone	7 (501) 258 0500
Fax	7 (501) 258 0547
Internet	http://www.troika.ru

Research

Phone	7 (501) 258 0511
E-mail	research@troika.ru

Equity Sales

Phone	7 (501) 258 0550
E-mail	salesdesk@troika.ru

Fixed Income Sales

Phone	7 (501) 258 0510
E-mail	fid@troika.ru

Trading

Phone	7 (501) 258 0525
E-mail	tradingdesk@troika.ru

Structured Products

Phone	7 (501) 258 0572
E-mail	structures@troika.ru

New York Office

Phone	1 (646) 613 8585
E-mail	ny_office@troika.ru

RESEARCH

Chief Equity Strategist, Head of Research	James Fenkner, CFA
--	--------------------

Assistant Analyst	Denis Gorvat
-------------------	--------------

Consumer, Industrial, Banking

Senior Analyst	Andrei Ivanov, CFA
----------------	--------------------

Corporate Governance

Analyst	Elena Krasnitskaya
---------	--------------------

Economy

Economist	Anton Stroutchenevski
-----------	-----------------------

Electricity

Senior Analyst	Lauri Sillantaka, CFA
----------------	-----------------------

Fixed Income

Analyst	Alexander Kudrin
---------	------------------

Machinery

Analyst	Andrei Kormilitsin
---------	--------------------

Metals and Mining

Analyst	Vasily Nikolaev
---------	-----------------

Oil and Gas

Senior Analyst	Kaha Kiknavelidze
Analyst	Valery Nesterov

Politics

Senior Analyst	Tom Adshead
----------------	-------------

Technical Analysis

Analyst	Lev Snykov
---------	------------

Telecoms and Internet

Senior Analyst	Tom Adshead
Analyst	Evgeny Golossnoy

Production

Production Manager	Olga Sereda
Research Design and Editing	Jonathan Pyne
Editor/Translator	Vladimir Romanov
Translator	Pavel Mishachev
Administrator	Sergey Tkachev
Assistant	Yulia Baimler
Assistant	Marina Zhukova

Production and Layout: Karen Kessoyan, Andrey Demchuk

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