

September 19, 2005

## Fair Values Raised on New Forecasts for Crude

*We have increased our estimate for the average Urals oil price this year from \$48.00/bbl to \$50.00/bbl, which implies \$56.50/bbl for 3Q05 and \$51.80/bbl for 4Q05. We have also raised our forecast for 2006 from \$42.00/bbl to \$45.00/bbl and our long-term projection from \$32.00/bbl to \$33.00/bbl. The changes have lifted our net income estimates for oil firms significantly: by around 15% for 2005 and 9% for 2006.*

- In view of the robust oil prices worldwide, we believe that the strong earnings momentum in the oil and gas industry will continue this and next year. Following the increases in our oil price estimates, we now expect integrated companies LUKoil and TNK-BP Holding to report net incomes of \$6.5 bln and \$5.2 bln, respectively, both up by around 51% y-o-y.
- The relatively lower export duty on products has created an opportunity for integrations with large downstream exposure to boost earnings and for investors to capture this earnings growth. Using an average Urals price of \$50.00/bbl for this year, we calculate that non-CIS export netbacks for integrations such as TNK-BP and LUKoil will be around \$29/bbl for pipeline shipments and \$26/bbl for rail shipments, while the figure for refined products is more than \$35/bbl. This leads us to believe that companies with major downstream exposure, such as LUKoil and TNK-BP Holding, will be strong outperformers in the sector.
- As regards Gazprom, liberalization of the 'ring-fence' is a powerful short-term catalyst. At the same time, we believe that this (along with the massive resource base, industry dominance and ambitions to acquire new hydrocarbon assets) will not be the key factor driving the share price unless supported by strong free cashflow generation. The extremely favorable gas pricing environment in Russia and abroad, not internal operating and capital cost efficiency, is likely to drive Gazprom's financial performance. While our fair value has increased to \$4.80 per local share, we continue to rate Gazprom as a HOLD.

### New fair values for oil companies

	2005E net income, \$ mln			Fair value, \$/share			Recommendation
	Old	New	Change	Old	New	Change	
Gazprom	15,243	15,834	4%	4.2	4.8	13%	HOLD
LUKoil	5,484	6,484	18%	56.2	63.4	13%	BUY
Sibneft	2,866	3,288	15%	3.5	3.6	3%	SELL
Surgutneftegaz	3,609	4,113	14%	0.97	1.03	6%	HOLD
Tatneft	994	1,107	11%	2.35	2.65	13%	HOLD
TNK-BP Holding	4,573	5,212	14%	2.6	2.88	13%	BUY
OAo TNK*				6.8	7.66	13%	BUY
Orenburgneft*				62.2	69.9	13%	BUY
Varyeganneftegaz*				72.2	81.3	13%	BUY
Udmurtneft*				701	789	13%	BUY
Saratovneftegaz*				210	236	13%	BUY

\* based on conversion ratios and fair value of TNK-BP Holding

Source: Troika Dialog estimates

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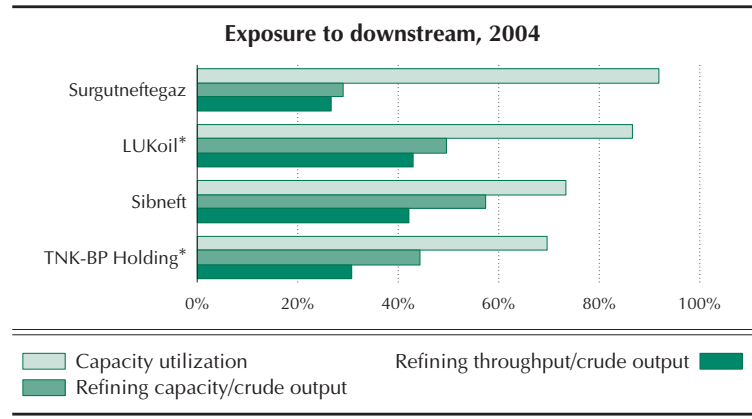
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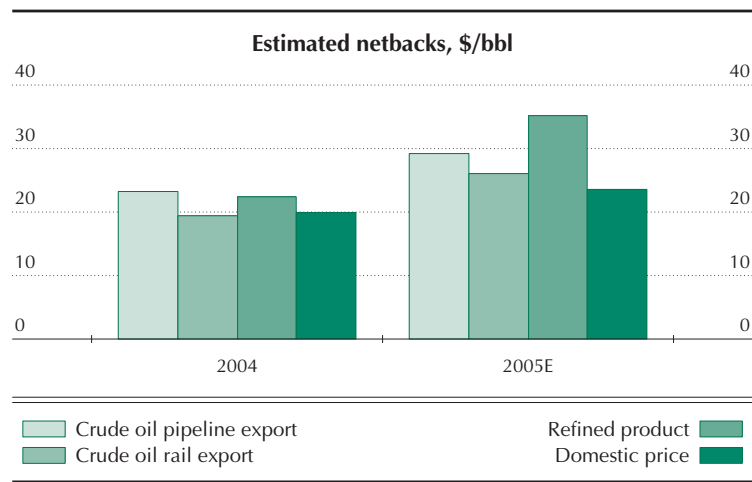
**Taxation favors downstream, refining exposure becomes key**

The lower export duty on products means an earnings opportunity for integrated companies with large downstream exposure and for investors to capture this earnings growth. This suggests that those integrations with large downstream exposure, such as LUKoil and TNK-BP Holding, which are the largest and third largest (after YUKOS) refiners in Russia in terms of refined volumes, will be strong outperformers in the sector. LUKoil channeled around 40% of its domestically produced crude to its Russian refineries last year, and TNK-BP Holding 32%.



\* domestic business only  
 Source: Companies, Troika Dialog estimates

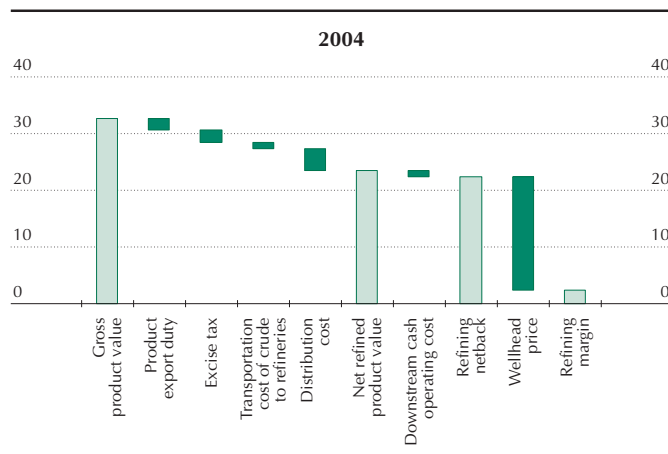
For the first time, refining has become more profitable in Russia than pipeline crude exports, let alone rail exports. At our forecast price for Urals crude this year of \$50/bbl, we calculate that non-CIS export netbacks for integrations such as TNK-BP and LUKoil will be around \$29/bbl for pipeline shipments and \$26/bbl for rail shipments, while the figure for refined products is more than \$35/bbl. This is likely to force Russian integrations to channel more crude to their refineries and invest more heavily in the downstream to improve the product slate.



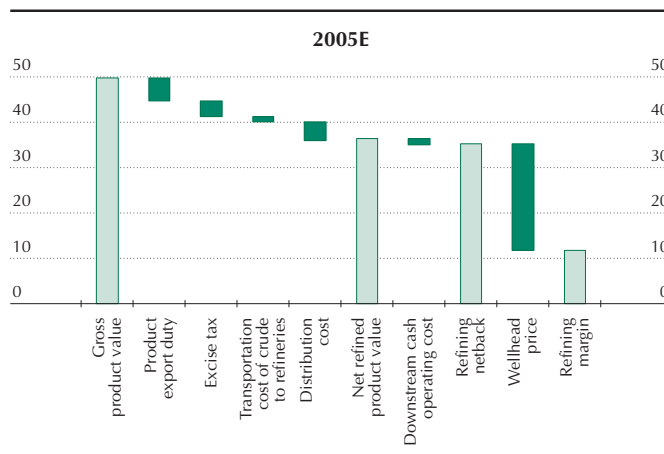
Source: Troika Dialog estimates

Assuming that our forecast for the domestic oil price of \$23.50/bbl holds, the average refining margin for LUKoil or TNK-BP Holding could rise to around \$11.00/bbl, from just \$2.30/bbl last year. Refining margins in Russia should expand in 4Q05, especially if the domestic oil price declines from the current high of \$35.00/bbl (the expected \$24.60/bbl export duty in 4Q05 will inevitably put pressure on domestic prices, which are essentially the netbacks on pipeline and rail crude exports).

**TNK-BP estimated refining margin, \$/bbl**



Source: TNK-BP, Transneft, Troika Dialog estimates



Source: TNK-BP, Transneft, Troika Dialog estimates

Looking at the sensitivity of our fair values to changes in the oil price, the positive effect does not appear to be significant, as the new taxes eat into most companies' marginal profits.

**TNK-BP Holding fair value sensivity, \$ per share**

WACC	Long-term oil price (Urals), \$/bbl														
	33	35	37	39	41	43	45	47	49	51	53	55	57	59	61
9.1%	3.37	3.54	3.71	3.88	4.05	4.22	4.40	4.57	4.74	4.91	5.08	5.25	5.42	5.59	5.76
9.6%	3.10	3.26	3.42	3.57	3.73	3.89	4.04	4.20	4.36	4.51	4.67	4.82	4.98	5.14	5.29
10.1%	<b>2.88</b>	3.02	3.16	3.31	3.45	3.60	3.74	3.88	4.03	4.17	4.32	4.46	4.60	4.75	4.89
10.6%	2.68	2.81	2.94	3.08	3.21	3.34	3.48	3.61	3.74	3.88	4.01	4.14	4.28	4.41	4.54
11.1%	2.50	2.63	2.75	2.88	3.00	3.12	3.25	3.37	3.50	3.62	3.74	3.87	3.99	4.11	4.24
11.6%	2.35	2.47	2.58	2.70	2.81	2.93	3.04	3.16	3.28	3.39	3.51	3.62	3.74	3.85	3.97
12.1%	2.21	2.32	2.43	2.54	2.65	2.76	2.86	2.97	3.08	3.19	3.30	3.41	3.51	3.62	3.73
12.6%	2.09	2.19	2.30	2.40	2.50	2.60	2.70	2.80	2.91	3.01	3.11	3.21	3.31	3.42	3.52
13.1%	1.98	2.08	2.17	2.27	2.37	2.46	2.56	2.65	2.75	2.85	2.94	3.04	3.13	3.23	3.32

Source: Troika Dialog estimates

## LUKoil fair value sensitivity, \$ per share

WACC	Long-term oil price (Urals), \$/bbl														
	33	35	37	39	41	43	45	47	49	51	53	55	57	59	61
9.1%	73.91	80.22	86.53	92.84	99.15	105.46	111.76	118.07	124.38	130.69	137.00	143.31	149.62	155.93	162.24
9.6%	68.22	73.99	79.76	85.53	91.30	97.07	102.84	108.61	114.38	120.15	125.92	131.69	137.46	143.23	149.00
10.1%	<b>63.32</b>	68.63	73.94	79.25	84.55	89.86	95.17	100.48	105.78	111.09	116.40	121.70	127.01	132.32	137.63
10.6%	59.07	63.98	68.88	73.79	78.70	83.60	88.51	93.41	98.32	103.22	108.13	113.04	117.94	122.85	127.75
11.1%	55.35	59.90	64.45	69.01	73.56	78.12	82.67	87.23	91.78	96.33	100.89	105.44	110.00	114.55	119.11
11.6%	52.05	56.29	60.54	64.78	69.03	73.27	77.52	81.76	86.00	90.25	94.49	98.74	102.98	107.23	111.47
12.1%	49.12	53.09	57.05	61.02	64.99	68.96	72.93	76.90	80.87	84.84	88.81	92.77	96.74	100.71	104.68
12.6%	46.49	50.21	53.93	57.66	61.38	65.10	68.82	72.55	76.27	79.99	83.71	87.44	91.16	94.88	98.61
13.1%	44.12	47.62	51.12	54.62	58.12	61.63	65.13	68.63	72.13	75.63	79.13	82.63	86.14	89.64	93.14

Source: Troika Dialog estimates

However, this exercise fails to capture the increasing share of refining in total volume sales, as the companies *will* go after the highest netbacks, i.e. refining in the current taxation environment. If the integrations increase their supplies of crude to refineries at the expense of crude oil exports, the impact on the bottom line becomes much more significant, as the incremental gains would more than offset the "lost" crude oil export volumes. Assuming, for example, that TNK-BP's refined volume sales increase 4% y-o-y, instead of 3% y-o-y, from 2007 onwards, as we currently model, the fair value would rise by 4% to \$2.99 per share, even at a constant oil price of \$33/bbl (Urals). In this case, refined product sales would make up around 32.3% of total oil sales by 2011 (up from a current 30.8%), while revenues from the sale of crude (both export and domestic) would fall from 69.2% to 67.7%.

While our calculation is only an approximation of the integrations' refining margins, it emphasizes the increasing value of refining. Common sense dictates that the future outperformers in the sector ought to have large downstream exposure, especially if the government starts to reward the downstream through tax breaks or a flattening in the production tax, while raising the crude oil export duty.

## TNK-BP Holding fair value sensitivity, \$ per share

Change in refining volume sales growth	Long-term oil price (Urals, 2007 onwards), \$/bbl														
	33	35	37	39	41	43	45	47	49	51	53	55	57	59	61
2.0%	2.77	2.91	3.05	3.18	3.32	3.46	3.59	3.73	3.87	4.00	4.14	4.28	4.41	4.55	4.69
2.5%	2.82	2.96	3.10	3.24	3.38	3.52	3.66	3.81	3.95	4.09	4.23	4.37	4.51	4.65	4.79
3.0%	<b>2.88</b>	3.02	3.16	3.31	3.45	3.60	3.74	3.88	4.03	4.17	4.32	4.46	4.60	4.75	4.89
3.5%	2.93	3.08	3.23	3.37	3.52	3.67	3.82	3.97	4.11	4.26	4.41	4.56	4.71	4.85	5.00
4.0%	2.99	3.14	3.29	3.44	3.60	3.75	3.90	4.05	4.20	4.36	4.51	4.66	4.81	4.96	5.12
4.5%	3.05	3.21	3.36	3.52	3.67	3.83	3.99	4.14	4.30	4.45	4.61	4.77	4.92	5.08	5.24
5.0%	3.11	3.27	3.43	3.60	3.76	3.92	4.08	4.24	4.40	4.56	4.72	4.88	5.04	5.20	5.36
5.5%	3.18	3.35	3.51	3.68	3.84	4.01	4.17	4.34	4.50	4.67	4.83	5.00	5.16	5.33	5.49
6.0%	3.25	3.42	3.59	3.76	3.93	4.10	4.27	4.44	4.61	4.78	4.95	5.12	5.29	5.46	5.63

Source: Troika Dialog estimates

# LUKoil

## Vital statistics

RECOMMENDATION	BUY
COMMON PRICE	\$52.23
PREFERRED PRICE	–
FAIR VALUE	\$63.40
UPSIDE	21%
MARKET CAP	\$42,906 mln
ENTERPRISE VALUE	\$45,526 mln
RTS TICKER	LKOH
ADR TICKER (LSE)	LKOD LI

## Key data

	2003	2004	2005E	2006F
<b>FINANCIALS (US GAAP), \$ mln</b>				
Revenues	22,299	34,058	50,113	47,413
EBITDA	5,507	7,109	10,190	8,409
EBIT	4,587	6,034	9,011	7,235
Net income	3,701	4,248	6,484	5,345
EPS, \$	4.50	5.17	7.89	6.51
<b>Margins</b>				
EBITDA margin	25%	21%	20%	18%
EBIT margin	21%	18%	18%	15%
Net margin	17%	12%	13%	11%
<b>PRICE RATIOS</b>				
P/S	1.9	1.3	0.9	0.9
EV/EBIT	9.9	7.5	5.1	6.3
EV/EBITDA	8.3	6.4	4.5	5.4
P/E	11.6	10.1	6.6	8.0
P/CF	15.3	10.3	7.9	7.1
<b>GROWTH</b>				
Revenues	44%	53%	47%	–5%
EBITDA	58%	29%	43%	–17%
Net income	101%	15%	53%	–18%
<b>SHARES ISSUED</b>				
Common			821,563,255	
Preferred				–

## Price performance

	1 mo	3 mo	6 mo	1 yr
Common	14.4%	40.1%	46.0%	67.7%
Relative to RTS	2.8%	7.0%	16.2%	19.6%

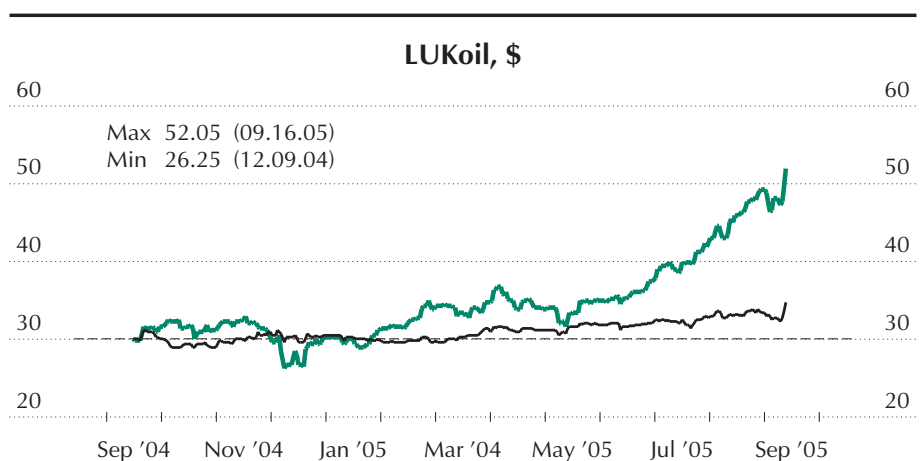
## Average daily turnover

ADT, 30 days, \$ mln	233
ADT, 100 days, \$ mln	210
MCap/ADT, days	192

## Income statement (US GAAP), \$ mln

	2004	2005E	2006F	2007F	2008F	2009F	2010F
<b>Revenues</b>	<b>34,058</b>	<b>50,113</b>	<b>47,413</b>	<b>38,056</b>	<b>39,031</b>	<b>39,675</b>	<b>40,390</b>
Operating costs	28,024	41,102	40,179	31,767	32,463	32,905	33,398
<b>EBIT</b>	<b>6,034</b>	<b>9,011</b>	<b>7,235</b>	<b>6,290</b>	<b>6,567</b>	<b>6,770</b>	<b>6,992</b>
Depreciation	1,075	1,179	1,174	1,253	1,333	1,398	1,461
<b>EBITDA</b>	<b>7,109</b>	<b>10,190</b>	<b>8,409</b>	<b>7,543</b>	<b>7,900</b>	<b>8,168</b>	<b>8,454</b>
Net interest expenses	(120)	(255)	(99)	(34)	103	230	372
FX gain (loss)	135	(0)	(28)	(41)	(77)	(95)	(116)
Net other gain (loss)	21	21	21	21	21	21	21
<b>Pre-tax income</b>	<b>6,070</b>	<b>8,777</b>	<b>7,129</b>	<b>6,236</b>	<b>6,614</b>	<b>6,926</b>	<b>7,269</b>
Tax	(1,760)	(2,203)	(1,711)	(1,497)	(1,587)	(1,662)	(1,745)
Income before minority interest	4,310	6,574	5,418	4,740	5,027	5,264	5,525
Minority interest	(62)	(90)	(73)	(64)	(68)	(71)	(74)
<b>Net income</b>	<b>4,248</b>	<b>6,484</b>	<b>5,345</b>	<b>4,676</b>	<b>4,959</b>	<b>5,193</b>	<b>5,451</b>

Source: Company, Troika Dialog estimates



— Share price

— Relative to RTS

Source: Bloomberg

# TNK-BP Holding

## Vital statistics

RECOMMENDATION	BUY
COMMON PRICE (IMPLIED)*	\$2.42
PREFERRED PRICE (IMPLIED)*	\$1.79
FAIR VALUE	\$2.88
UPSIDE	19%
MARKET CAP	\$38,803 mln
ENTERPRISE VALUE	\$41,655 mln
RTS TICKER	—
ADR TICKER	—

## Key data

	2003	2004	2005E	2006F
<b>FINANCIALS (US GAAP), \$ mln</b>				
Revenues	12,079	17,226	28,179	26,467
EBITDA	3,495	5,741	8,056	6,602
EBIT	2,710	4,696	6,905	5,390
Net income	2,383	3,444	5,324	4,185
EPS, \$	0.15	0.22	0.34	0.27
<b>MARGINS</b>				
EBITDA margin	29%	33%	29%	25%
EBIT margin	22%	27%	25%	20%
Net margin	20%	20%	19%	16%
<b>PRICE RATIOS</b>				
P/S	3.2	2.3	1.4	1.5
EV/EBIT	15.4	8.9	6.0	7.7
EV/EBITDA	11.9	7.3	5.2	6.3
P/E	16.3	11.3	7.3	9.3
P/CF	11.4	9.4	6.1	6.9
<b>GROWTH</b>				
Revenues	32%	43%	64%	-6%
EBITDA	28%	64%	40%	-18%
Net income	54%	45%	55%	-21%
<b>SHARES ISSUED**</b>				
Common		15,645,161,290		
Preferred		483,870,967		

\* based on average of share prices and announced conversion ratios of TNK-BP's subsidiaries

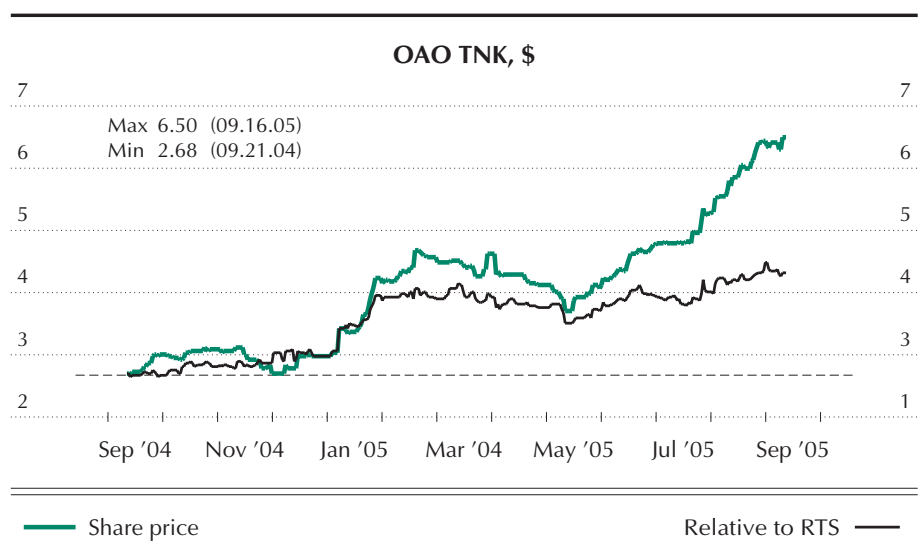
\*\* assumes 7% dilution of the current 15 bln shares outstanding

## Income statement (US GAAP), \$ mln\*

	2004	2005E	2006F	2007F	2008F	2009F	2010F
<b>Revenues</b>	<b>17,226</b>	<b>28,179</b>	<b>26,467</b>	<b>21,054</b>	<b>21,904</b>	<b>22,719</b>	<b>23,365</b>
Operating costs	12,530	21,275	21,077	16,457	16,905	17,298	17,539
<b>EBIT</b>	<b>4,696</b>	<b>6,905</b>	<b>5,390</b>	<b>4,598</b>	<b>4,999</b>	<b>5,421</b>	<b>5,826</b>
Depreciation	1,045	1,151	1,212	1,273	1,311	1,351	1,378
<b>EBITDA</b>	<b>5,741</b>	<b>8,056</b>	<b>6,602</b>	<b>5,871</b>	<b>6,310</b>	<b>6,771</b>	<b>7,204</b>
Net interest expenses	(42)	(77)	(42)	(38)	(38)	(38)	(38)
FX gain (loss)	(6)	—	—	—	—	—	—
Net other expenses	72	76	79	83	88	92	96
<b>Pre-tax income</b>	<b>4,720</b>	<b>6,904</b>	<b>5,427</b>	<b>4,642</b>	<b>5,048</b>	<b>5,474</b>	<b>5,884</b>
Tax	(1,231)	(1,579)	(1,242)	(1,062)	(1,155)	(1,252)	(1,346)
Income before minority interest	3,489	5,324	4,185	3,580	3,893	4,222	4,538
Minority interest	(45)	—	—	—	—	—	—
<b>Net income</b>	<b>3,444</b>	<b>5,324</b>	<b>4,185</b>	<b>3,580</b>	<b>3,893</b>	<b>4,222</b>	<b>4,538</b>

\* adjusted from TNK-BP to TNK-BP Holding

Source: Company, Troika Dialog estimates



Source: Bloomberg

## TNK-BP offered swap ratios

Name	Ticker	Market price, \$		Conversion ratio*	Implied conversion price, \$/share	Upside		MCap \$ mln
		Common	Preferred			Common	Preferred	
Orenburgneft	ORNB	55.50	46.00	24.28	70.02	26%	52%	4,668
Varyeganneftegaz	VJGZ	66.00	51.00	28.22	81.39	23%	60%	1,494
Udmurtneft	UDMN	650	525.00	274	790.01	22%	50%	2,204
Saratovneftegaz	snfg	190.00	153.00	81.95	236.34	24%	54%	597
OAO TNK	tnko	6.45	—	2.66	7.67	19%		20,403
<b>TNK-BP Holding (our valuation)</b>		<b>2.88</b>	<b>2.88</b>					<b>46,516</b>

\* number of shares TNK-BP Holding

Source: Company, Troika Dialog estimates

# Gazprom

## Vital statistics

RECOMMENDATION	HOLD
COMMON PRICE	\$4.33
PREFERRED PRICE	–
FAIR VALUE	\$4.80
UPSIDE	11%
MARKET CAP	\$97,992 mln
ENTERPRISE VALUE	\$109,507 mln
RTS TICKER	GSPBEX
ADR TICKER	OGZD LI

## Key data

	2003	2004	2005E	2006F
<b>FINANCIALS (IFRS), \$ mln</b>				
Revenues	26,718	33,914	43,178	45,019
EBITDA	10,616	13,128	18,203	19,391
EBIT	7,369	9,299	13,899	14,902
Net income	5,184	7,141	15,834	11,593
EPS, \$	0.23	0.32	0.70	0.51
<b>MARGINS</b>				
EBITDA margin	40%	39%	42%	43%
EBIT margin	28%	27%	32%	33%
Net margin	19%	21%	37%	26%
<b>PRICE RATIOS</b>				
P/S	3.7	2.9	2.3	2.2
EV/EBIT	14.9	11.8	7.9	7.3
EV/EBITDA	10.3	8.3	6.0	5.6
P/E	18.9	13.7	6.2	8.5
P/CF	21.2	18.9	8.3	6.6
<b>GROWTH</b>				
Revenues	39%	27%	27%	4%
EBITDA	57%	24%	39%	7%
Net income	782%	38%	122%	–27%
<b>SHARES ISSUED</b>				
Common		20,103,512,900		
Preferred				–

## Price performance, %

	1 mo	3 mo	6 mo	1 yr
Common	22.0	48.1	47.0	81.5
Relative to RTS	11.6	12.3	10.7	31.5

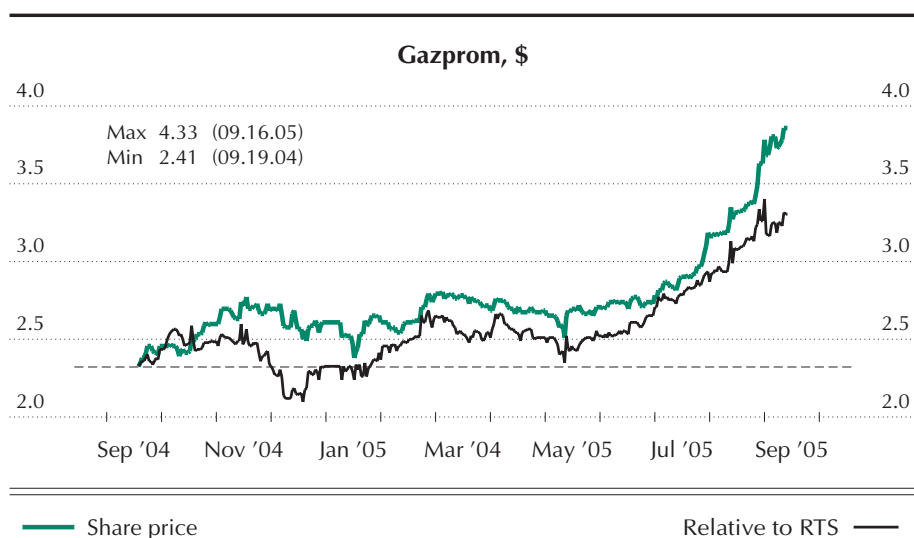
## Average daily turnover

ADT, 30 days, \$ mln	105.6
ADT, 100 days, \$ mln	83.4
MCap/ADT, days	928

## Income statement (IFRS), \$ mln

	2004	2005E	2006F	2007F	2008F	2009F	2010F
<b>Revenues</b>	<b>33,914</b>	<b>43,178</b>	<b>45,019</b>	<b>44,907</b>	<b>44,473</b>	<b>46,236</b>	<b>48,293</b>
Operating costs	24,615	29,279	30,117	34,597	35,200	36,494	37,135
<b>EBIT</b>	<b>9,299</b>	<b>13,899</b>	<b>14,902</b>	<b>10,311</b>	<b>9,273</b>	<b>9,741</b>	<b>11,158</b>
Depreciation	3,828	4,304	4,489	4,666	4,820	4,962	5,093
<b>EBITDA</b>	<b>13,128</b>	<b>18,203</b>	<b>19,391</b>	<b>14,976</b>	<b>14,093</b>	<b>14,703</b>	<b>16,251</b>
Net interest expenses	(332)	(986)	23	496	808	1,063	1,302
FX gain (loss)	530	26	(12)	(18)	5	9	5
Net other expenses	498	7,620	503	511	520	529	539
<b>Pre-tax income</b>	<b>9,995</b>	<b>20,559</b>	<b>15,416</b>	<b>11,300</b>	<b>10,606</b>	<b>11,343</b>	<b>13,004</b>
Tax	(2,774)	(4,561)	(3,700)	(2,712)	(2,545)	(2,722)	(3,121)
Income before minority interest	7,221	15,998	11,716	8,588	8,060	8,621	9,883
Minority interest	(80)	(164)	(123)	(90)	(84)	(90)	(104)
<b>Net income</b>	<b>7,141</b>	<b>15,834</b>	<b>11,593</b>	<b>8,498</b>	<b>7,976</b>	<b>8,530</b>	<b>9,780</b>

Source: Company, Troika Dialog estimates



Source: Bloomberg

# Sibneft

## Vital statistics

RECOMMENDATION	SELL
COMMON PRICE	\$3.40
PREFERRED PRICE	–
FAIR VALUE	\$3.60
UPSIDE	6%
MARKET CAP	\$16,120 mln
ENTERPRISE VALUE	\$16,428 mln
RTS TICKER	SIBN
ADR TICKER	SIF LI

## Key data

	2003	2004	2005E	2006F
<b>FINANCIALS (US GAAP), \$ mln</b>				
Revenues	6,716	8,887	14,540	13,774
EBITDA	2,338	3,241	4,626	4,111
EBIT	1,845	2,639	4,015	3,441
Net income	2,279	2,045	3,288	2,834
EPS, \$	0.48	0.43	0.69	0.60
<b>MARGINS</b>				
EBITDA margin	35%	36%	32%	30%
EBIT margin	27%	30%	28%	25%
Net margin	34%	23%	23%	21%
<b>PRICE RATIOS</b>				
P/S	2.4	1.8	1.1	1.2
EV/EBIT	8.9	6.2	4.1	4.8
EV/EBITDA	7.0	5.1	3.6	4.0
P/E	7.1	7.9	4.9	5.7
P/CF	6.0	6.8	3.0	4.3
<b>GROWTH</b>				
Revenues	41%	32%	64%	–5%
EBITDA	30%	39%	43%	–11%
Net income	96%	–10%	61%	–14%
<b>SHARES ISSUED</b>				
Common		4,741,299,639		
Preferred				–

## Price performance, %

	1 mo	3 mo	6 mo	1 yr
Common	1.6	11.9	6.5	7.4
Relative to RTS	–8.7	–23.9	–29.8	–42.6

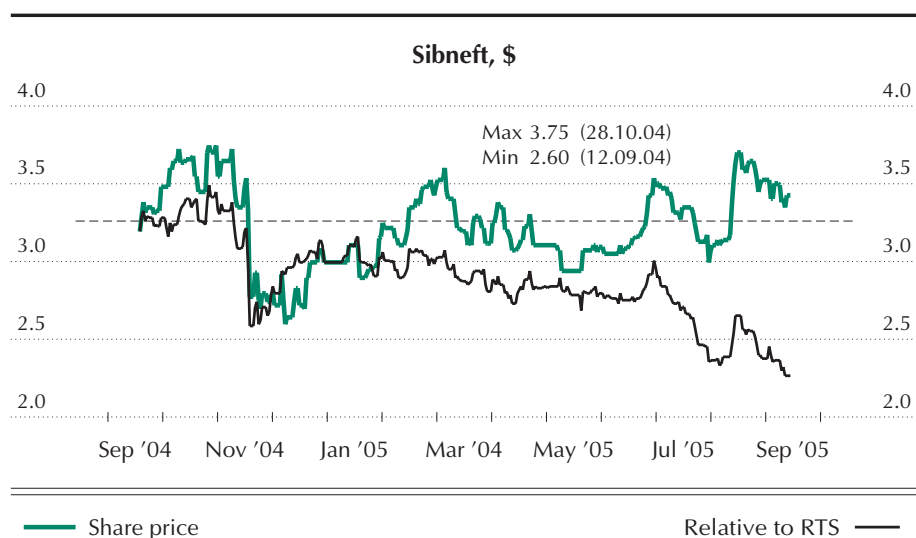
## Average daily turnover

ADT, 30 days, \$ mln	11.5
ADT, 100 days, \$ mln	18.0
MCap/ADT, days	1,398

## Income statement (US GAAP), \$ mln

	2004	2005E	2006F	2007F	2008F	2009F	2010F
<b>Revenues</b>	<b>8,887</b>	<b>14,540</b>	<b>13,774</b>	<b>10,756</b>	<b>10,928</b>	<b>11,234</b>	<b>11,428</b>
Operating costs	6,248	10,525	10,333	8,211	8,369	8,542	8,723
<b>EBIT</b>	<b>2,639</b>	<b>4,015</b>	<b>3,441</b>	<b>2,546</b>	<b>2,559</b>	<b>2,692</b>	<b>2,705</b>
Depreciation	603	611	670	663	650	646	647
<b>EBITDA</b>	<b>3,241</b>	<b>4,626</b>	<b>4,111</b>	<b>3,209</b>	<b>3,208</b>	<b>3,338</b>	<b>3,352</b>
Net interest expenses	(106)	(143)	(70)	(32)	(1)	22	47
FX gain (loss)	8	8	16	15	11	9	7
Net other expenses	379	445	342	181	183	207	210
<b>Pre-tax income</b>	<b>2,920</b>	<b>4,326</b>	<b>3,729</b>	<b>2,710</b>	<b>2,752</b>	<b>2,931</b>	<b>2,969</b>
Tax	(875)	(1,038)	(895)	(650)	(660)	(703)	(713)
Income before minority interest	2,045	3,288	2,834	2,059	2,091	2,227	2,257
<b>Net income</b>	<b>2,045</b>	<b>3,288</b>	<b>2,834</b>	<b>2,059</b>	<b>2,091</b>	<b>2,227</b>	<b>2,257</b>

Source: Company, Troika Dialog estimates



Source: Bloomberg

# Surgutneftegaz

## Vital statistics

RECOMMENDATION	HOLD
COMMON PRICE	\$0.986
PREFERRED PRICE	\$0.711
FAIR VALUE	\$1.030
UPSIDE	4%
MARKET CAP	\$23,832 mln
ENTERPRISE VALUE	\$21,383 mln
RTS TICKER	SNGS/SNGSP
ADR TICKER	SGGD LI

## Key data

	2003	2004	2005E	2006F
<b>FINANCIALS (US GAAP), \$ mln</b>				
Revenues	7,254	10,459	14,243	12,590
EBITDA	2,883	4,489	5,811	4,527
EBIT	2,261	3,805	5,078	3,772
Net income	1,828	3,092	4,113	3,251
EPS, \$	0.07	0.12	0.16	0.13
<b>MARGINS</b>				
EBITDA margin	40%	43%	41%	36%
EBIT margin	31%	36%	36%	30%
Net margin	25%	30%	29%	26%
<b>PRICE RATIOS</b>				
P/S	3.3	2.3	1.7	1.9
EV/EBIT	9.5	5.6	4.2	5.7
EV/EBITDA	7.4	4.8	3.7	4.7
P/E	13.0	7.7	5.8	7.3
P/CF	8.9	6.2	4.5	5.3
<b>GROWTH</b>				
Revenues	10%	44%	36%	-12%
EBITDA	-1%	56%	29%	-22%
Net income	-2%	69%	33%	-21%
<b>SHARES ISSUED</b>				
Common		18,145,994,705		
Preferred		7,701,998,235		

## Price performance, %

	1 mo	3 mo	6 mo	1 yr
Common	17.1	35.3	32.6	35.3
Relative to RTS	6.7	-0.5	-3.7	-14.6

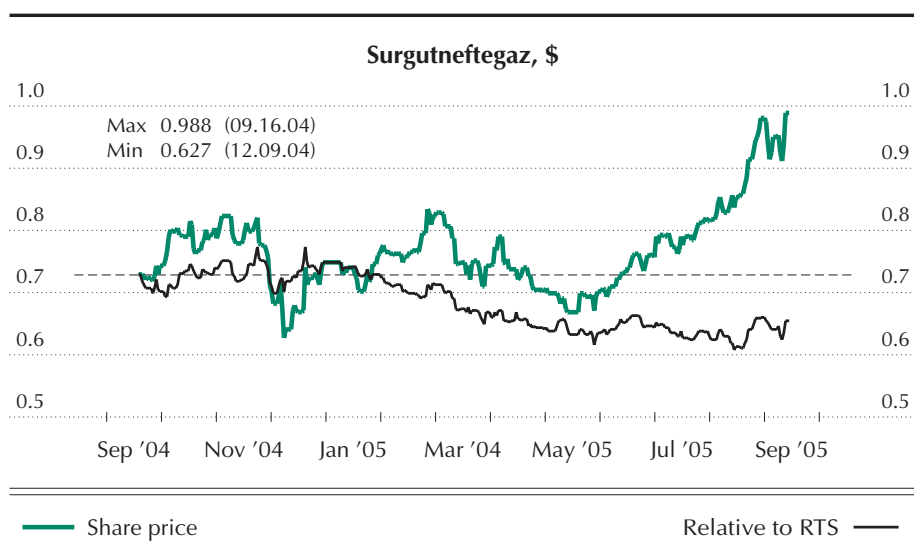
## Average daily turnover

ADT, 30 days, \$ mln	79.0
ADT, 100 days, \$ mln	56.4
MCap/ADT, days	226

## Income statement (US GAAP), \$ mln

	2004E	2005E	2006F	2007F	2008F	2009F	2010F
<b>Revenues</b>	<b>10,459</b>	<b>14,243</b>	<b>12,590</b>	<b>10,863</b>	<b>11,198</b>	<b>11,543</b>	<b>11,666</b>
Operating costs	6,654	9,166	8,819	7,742	7,902	8,060	8,105
<b>EBIT</b>	<b>3,805</b>	<b>5,078</b>	<b>3,772</b>	<b>3,120</b>	<b>3,297</b>	<b>3,483</b>	<b>3,561</b>
Depreciation	684	734	756	778	802	826	834
<b>EBITDA</b>	<b>4,489</b>	<b>5,811</b>	<b>4,527</b>	<b>3,899</b>	<b>4,098</b>	<b>4,309</b>	<b>4,395</b>
Net interest expenses	257	372	554	691	806	924	1,050
FX gain (loss)	26	-17	-28	-40	-49	-53	-58
Net other expenses	-20	-20	-20	-20	-20	-20	-20
<b>Pre-tax income</b>	<b>4,068</b>	<b>5,412</b>	<b>4,278</b>	<b>3,751</b>	<b>4,034</b>	<b>4,334</b>	<b>4,533</b>
Tax	-976	-1,299	-1,027	-900	-968	-1,040	-1,088
Income before minority interest	3,092	4,113	3,251	2,851	3,066	3,294	3,445
<b>Net income</b>	<b>3,092</b>	<b>4,113</b>	<b>3,251</b>	<b>2,851</b>	<b>3,066</b>	<b>3,294</b>	<b>3,445</b>

Source: Company, Troika Dialog estimates



Source: Bloomberg

# Tatneft

## Vital statistics

RECOMMENDATION	HOLD
COMMON PRICE	\$2.62
PREFERRED PRICE	\$1.62
FAIR VALUE	\$2.65
UPSIDE	1%
MARKET CAP	\$5,481 mln
ENTERPRISE VALUE	\$6,242 mln
RTS TICKER	TATN/TATNP
ADR TICKER	-

## Key data

	2003	2004	2005E	2006F
<b>FINANCIALS (US GAAP), \$ mln</b>				
Revenues	5,079	7,357	10,225	9,440
EBITDA	756	1,283	1,698	1,365
EBIT	468	997	1,444	1,112
Net income	485	757	1,107	872
EPS, \$	0.23	0.35	0.51	0.41
<b>MARGINS</b>				
EBITDA margin	15%	17%	17%	14%
EBIT margin	9%	14%	14%	12%
Net margin	10%	10%	11%	9%
<b>PRICE RATIOS</b>				
P/S	1.1	0.7	0.5	0.6
EV/EBIT	13.3	6.3	4.3	5.6
EV/EBITDA	8.3	4.9	3.7	4.6
P/E	11.3	7.2	4.9	6.3
P/CF	9.3	3.7	4.1	5.2
<b>GROWTH</b>				
Revenues	9%	45%	39%	-8%
EBITDA	-6%	70%	32%	-20%
Net income	13%	56%	46%	-21%
<b>SHARES ISSUED</b>				
Common		18,145,994,705		
Preferred		7,701,998,235		

## Price performance, %

	1 mo	3 mo	6 mo	1 yr
Common	9.9	39.3	50.0	71.1
Relative to RTS	-0.5	3.5	13.7	21.2

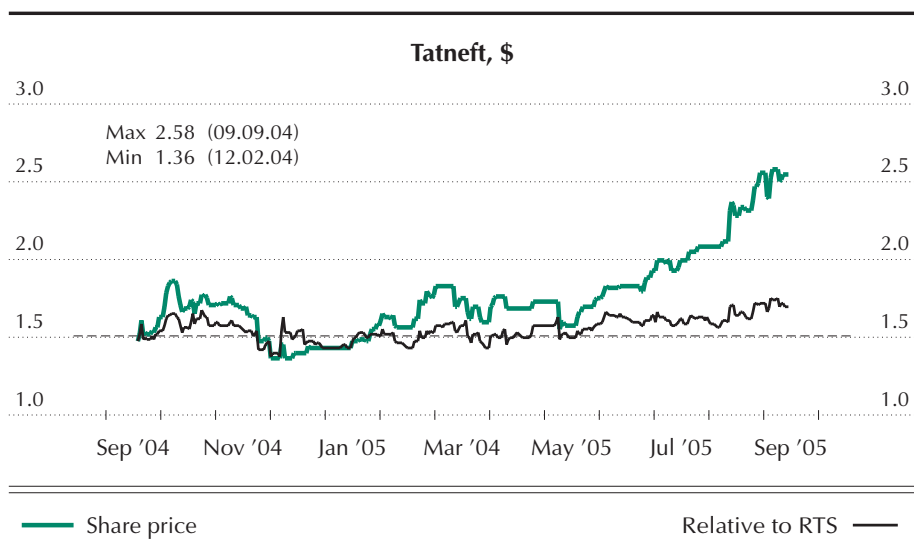
## Average daily turnover

ADT, 30 days, \$ mln	8.0
ADT, 100 days, \$ mln	6.7
MCAp/ADT, days	654

## Income statement (US GAAP), \$ mln

	2004E	2005E	2006F	2007F	2008F	2009F	2010F
<b>Revenues</b>	<b>7,357</b>	<b>10,225</b>	<b>9,440</b>	<b>7,597</b>	<b>7,633</b>	<b>7,672</b>	<b>7,714</b>
Operating costs	6,359	8,781	8,328	6,652	6,682	6,719	6,762
<b>EBIT</b>	<b>997</b>	<b>1,444</b>	<b>1,112</b>	<b>945</b>	<b>951</b>	<b>954</b>	<b>953</b>
Depreciation	286	254	253	252	250	249	248
<b>EBITDA</b>	<b>1,283</b>	<b>1,698</b>	<b>1,365</b>	<b>1,197</b>	<b>1,202</b>	<b>1,203</b>	<b>1,201</b>
Net interest expenses	(17)	14	47	75	98	123	149
FX gain (loss)	0	(21)	(32)	(46)	(55)	(59)	(63)
Net other expenses	10	12	14	16	19	22	25
<b>Pre-tax income</b>	<b>990</b>	<b>1,449</b>	<b>1,141</b>	<b>990</b>	<b>1,013</b>	<b>1,040</b>	<b>1,064</b>
Tax	(238)	(348)	(274)	(237)	(243)	(250)	(255)
Income before minority interest	752	1,101	867	752	770	790	808
Minority interest	4	6	5	4	4	4	5
<b>Net income</b>	<b>757</b>	<b>1,107</b>	<b>872</b>	<b>756</b>	<b>774</b>	<b>795</b>	<b>813</b>

Source: Company, Troika Dialog estimates



Source: Bloomberg

# NOVATEK

## Vital statistics

RECOMMENDATION	HOLD
COMMON PRICE	\$21.88
PREFERRED PRICE	–
FAIR VALUE	\$24.16
UPSIDE	10%
MARKET CAP	\$6,642 mln
ENTERPRISE VALUE	\$6,882 mln
RTS TICKER	NVTK
ADR TICKER	–

## Key data

	2003	2004	2005E	2006F
<b>FINANCIALS (IFRS), \$ mln</b>				
Revenues	562	875	1,571	1,903
EBITDA	150	288	828	863
EBIT	136	264	700	690
Net income	107	198	519	511
EPS, \$	35.22	65.11	170.88	168.15
<b>MARGINS</b>				
EBITDA margin	27%	33%	53%	45%
EBIT margin	24%	30%	45%	36%
Net margin	19%	23%	33%	27%
<b>PRICE RATIOS</b>				
P/S	11.8	7.6	4.2	3.5
EV/EBIT	50.6	26.0	9.8	10.0
EV/EBITDA	45.9	23.9	8.3	8.0
P/E	62.1	33.6	12.8	13.0
P/CF	42.6	28.5	20.5	14.6
<b>GROWTH</b>				
Revenues	234%	56%	80%	21%
EBITDA	634%	92%	188%	4%
Net income	460%	85%	162%	–2%
<b>SHARES ISSUED</b>				
Common			3,036,306	
Preferred				–

## Price performance, %

	1 mo	3 mo	6 mo	1 yr
Common	–1.1	–	–	–
Relative to RTS	–11.5	–	–	–

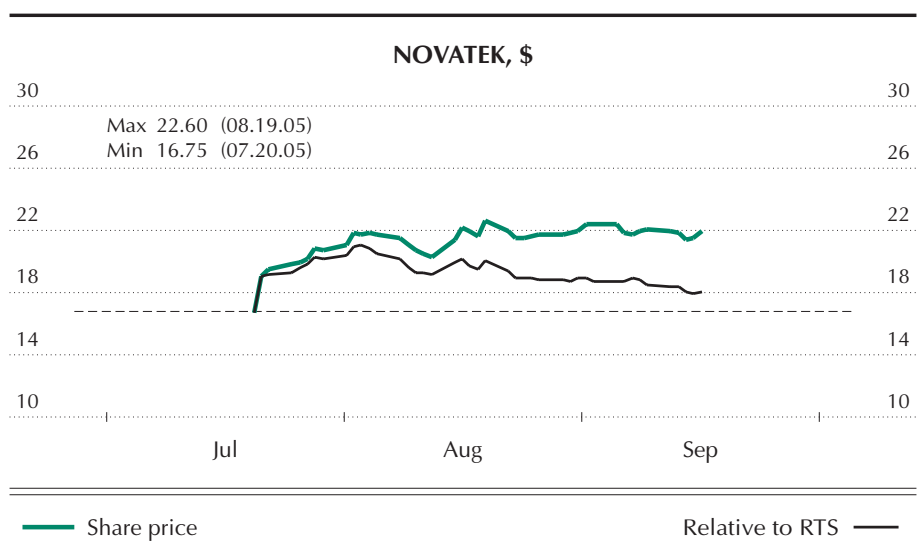
## Average daily turnover

ADT, 30 days, \$ mln	5.8
ADT, 100 days, \$ mln	9.9
MCap/ADT, days	11

## Income statement (IFRS), \$ mln

	2004E	2005E	2006F	2007F	2008F	2009F	2010F
<b>Revenues</b>	<b>875</b>	<b>1,571</b>	<b>1,903</b>	<b>2,156</b>	<b>2,566</b>	<b>3,115</b>	<b>3,499</b>
Operating costs	611	871	1,214	1,390	1,680	1,977	2,139
<b>EBIT</b>	<b>264</b>	<b>700</b>	<b>690</b>	<b>766</b>	<b>886</b>	<b>1,138</b>	<b>1,360</b>
Depreciation	24	128	173	192	213	243	246
<b>EBITDA</b>	<b>288</b>	<b>828</b>	<b>863</b>	<b>958</b>	<b>1,099</b>	<b>1,381</b>	<b>1,606</b>
Net interest expenses	(14)	(14)	(18)	(18)	(18)	(18)	(18)
FX gain (loss)	4	(13)	–	–	–	–	–
Net other gain (loss)	25	7	–	–	–	–	–
<b>Pre-tax income</b>	<b>279</b>	<b>680</b>	<b>672</b>	<b>748</b>	<b>868</b>	<b>1,120</b>	<b>1,342</b>
Tax	(72)	(162)	(161)	(179)	(208)	(269)	(322)
Income before minority interest	207	518	511	568	660	851	1,020
Minority interest	(10)	1	–	–	–	–	–
<b>Net income</b>	<b>198</b>	<b>519</b>	<b>511</b>	<b>568</b>	<b>660</b>	<b>851</b>	<b>1,020</b>

Source: Company, Troika Dialog estimates



## DISCLOSURE APPENDIX

### IMPORTANT US REGULATORY DISCLOSURES

IN THE NEXT 3 MONTHS, AN AFFILIATE OF TROIKA DIALOG USA EXPECTS TO RECEIVE OR INTENDS TO SEEK COMPENSATION FOR INVESTMENT BANKING SERVICES FROM GAZPROM, SIBNEFT.

AN AFFILIATE OF TROIKA DIALOG USA MAKES A MARKET IN THE SECURITIES OF GAZPROM, LUKOIL, OAO TNK, ORENBURGNEFT, SARATOVNEFTEGAZ, SIBNEFT, SURGUTNEFTEGAZ, TATNEFT, UDMURTNEFT, VARYEGANNEFTEGAZ.

THE RESEARCH ANALYSTS, STRATEGISTS, OR RESEARCH ASSOCIATES PRINCIPALLY RESPONSIBLE FOR THE PREPARATION OF THIS RESEARCH REPORT HAVE RECEIVED COMPENSATION BASED UPON VARIOUS FACTORS, INCLUDING QUALITY OF RESEARCH, INVESTOR CLIENT FEEDBACK, STOCK PICKING, COMPETITIVE FACTORS, FIRM REVENUES AND OVERALL INVESTMENT BANKING REVENUES.

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