

Rating: Buy  
S&P 500: 1115

## **Lukoil Oil Company** **ConocoPhillips Partner Confirmed**

<i>Symbol</i>	(LKOH) LUKOY	<i>Ebitda Next Twelve Months ending 9/30/05 (US\$mm)</i>	9,600
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	124.25	<i>Natural Gas and Oil Production/Ebitda (%)</i>	59
<i>Pricing Date</i>	9/29/04	<i>Adjusted Reserves/Production NTM</i>	20.0
<i>Shares (mm)</i>	209	<i>EV/Ebitda</i>	2.9
<i>Market Capitalization (US\$mm)</i>	25,900	<i>PV/Ebitda</i>	4.7
<i>Debt (US\$mm)</i>	2,200	<i>Undeveloped Reserves (%)</i>	47
<i>Enterprise Value (EV) (US\$mm)</i>	28,200	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	9.05
<i>Present Value (PV) (US\$mm)</i>	45,700	<i>Present Value Proven Reserves(US\$/boe)</i>	1.35
<i>Net Present Value (US\$/share)</i>	208	<i>Present Value Proven Reserves(US\$/mcfe)</i>	0.22
<i>Debt/Present Value</i>	0.05	<i>Earnings Next Twelve Months (US\$/sh)</i>	25.62
<i>McDep Ratio - EV/PV</i>	0.62	<i>Price/Earnings Next Twelve Months</i>	5
<i>Dividend Yield (%/year)</i>	2.6	<i>Indicated Annual Dividend (US\$/sh)</i>	3.29

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and refined products.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

### **Summary and Recommendation**

We continue to recommend current purchase of the American Depositary Receipts of Russian producer, **Lukoil**, now the target of a tender offer for 10% of its shares launched by **ConocoPhillips (COP)**. Also a buy recommendation, the American company apparently was the successful bidder to acquire the remaining 9.6% government interest in Lukoil up for auction on September 29. The COP tender at a price of \$123.04 per ADR is unlikely to attract shares from public international investors because the price is below the current market. Insiders and Russian owners have the opportunity to monetize holdings at a stable price temporarily. The COP association reduces the political risk in Lukoil thereby strengthening the likelihood that the shares can appreciate to estimated net present value of US\$208 a share.

Kurt H. Wulff, CFA

**Please see disclosures on the final page.**

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