

Russian stock market roundup

Big oil brings shares down

Bloomberg

Russian stocks fell, led by LUKoil and Surgutneftegaz, after the government started selling 5.9 percent of LUKoil, prompting some investors to sell Surgut shares to buy the country's largest oil producer's stock.

LUKoil "is falling initially on concerns that there will be more shares coming on to the market and that they will be offered at a discount to the current price," said Guven Giray, head of equities at Alfa Bank in London.

"Once this is out of the way, LUKoil will pick up."

The Russian Trading System index declined 2.4 percent to close at 352.24, a two-week low.

The RTS Index, which tracks the eight biggest stocks on the RTS, fell 2.5 percent to 582.65, with seven stocks falling and one unchanged.

The following is a list of companies whose shares are fluctuating or are among the most active in Russian markets. Prices are as of 6 p.m. in Moscow.

LUKoil fell 41 cents, or 2.5 percent, to \$15.83, a five-week low. Russia is selling as many as 50 million shares of the country's largest oil company in a sale managed by Morgan

Stanley, the Russian Federal Property Fund announced yesterday.

The sale, worth as much as \$794 million, is set to be completed by Wednesday and would be the country's largest share offering.

Surgutneftegaz, Russia's No. 4 oil company, declined 1.5 cents, or 4.5 percent, to 31.9 cents, the lowest since August.

Traders said some investors sold Surgut shares to get money so they could buy LUKoil shares being sold by the government.

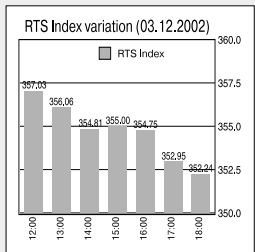
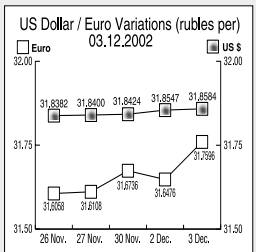
Sibneft fell 9 cents, or 4.5 percent, to \$1.93.

China National Petroleum Corp., the nation's biggest oil producer, may bid for a 75 percent stake in Slavneft, an oil producer Russia is selling on Dec. 18, Vedomosti daily reported, citing unidentified people familiar with the matter.

Sibneft, the country's No. 6 oil company, has said it will bid for Slavneft.

Yukos Oil Co. fell 21 cents, or 2.3 percent, to \$8.86.

Russia's No. 2 oil producer and other oil companies followed declines in rival LUKoil as the government's sale of shares in the company increased the supply of oil company shares on the market.



Global market roundup

NEW YORK — Stocks reclaimed some earlier losses, but still declined in early-afternoon trading on Tuesday after media giant AOL Time Warner Inc. forecast flat revenue for 2003.

Despite the day's declines, traders said they expected the market to rally into the end of the year. The Dow Jones industrial average was down 119.64 points, or 1.35 percent, at 8,742.93. The Nasdaq Composite Index was down 35.81 points, or 2.41 percent, at 1,448.97.

LONDON: European stocks fell after Barclays indicated full-year profit will decline and Nokia Oyj backed away from a sales forecast, prompting concern earnings forecasts are too high. The Dow Jones Stoxx 50 Index shed 2.2 percent to 2605.49. All 17 Western European benchmarks fell.

HONG KONG: Asian stock markets closed mixed Tuesday, with prices rising slightly both in

Tokyo and Hong Kong. Japan's benchmark 225-issue Nikkei Stock Average gained 30.64 points, or 0.33 percent, to 9,205.11. Traders said the weak yen helped investors overcome damped sentiment from Wall Street's lackluster performance overnight.

In Hong Kong, the Hang Seng Index edged up 21.85 points, or 0.21 percent, ending at 10,227.01. Taiwan shares ended sharply higher. The Weighted Price Index of the Taiwan Stock Exchange rose 110.75 points, or 2.4 percent, to 4,793.93.

SINGAPORE: The Straits Times Index fell 14.94 points, or 1.1 percent, to 1,381.87.

SYDNEY: Australian shares closed lower. The All Ordinaries Index fell 10.40 points, or 0.34 percent, to 3,037.20.

SEOUL: Shares closed higher on continued buying by foreign investors. The Korea Composite Stock Price Index, or Kospi, rose 0.9 percent, or 6.41 points, to 736.57.

Court fines Tengiz oil venture

By Dmitry Solovoy

Reuters

ALMATY — A court in Kazakhstan has fined ChevronTexaco-led oil venture Tengizchevroil (TCO) 11 billion tenge (\$71 million) for "ecological damage" caused by storing millions of tons of sulphur at its Tengiz field.

The fine is the latest in a series of blows to TCO, the highest profile joint venture in Kazakhstan, whose energy-based economy is heavily dependent on foreign investment. TCO said it was "very disappointed" and was considering an appeal.

"According to our data, this sulphur negatively affects the environment," Turaly Onerbayev, regional representative of the natural resources and environmental protection ministry, told Reuters on Tuesday from the Central Asian state's oil capital Atyrau in western Kazakhstan.

TCO, a 40-year, multi-billion project and until now a showcase of successful foreign investment, was prompt to react. "Tengizchevroil is very disappointed with the decision made by the Atyrau Oblast (Regional) Court," it said in a statement.

"Tengizchevroil is now considering an appeal of the court's decision in the Supreme Court of Kazakhstan," a TCO spokesman told Reuters by telephone from Atyrau.

Onerbayev said the regional court had ruled that Tengizchevroil lacked permission to store some 6 million metric tons of sulphur at the site. Tengiz crude has an extremely high sulphur content, and the sulphur is separated out

FACT BOX

Tengizchevroil

- Located on the northeast corner of the Caspian Sea, Tengizchevroil is a Kazak-American partnership comprised of Chevron (45 percent), Kazakol (25 percent), ExxonMobil (25 percent) and Lukarko (5 percent).
- Formed in 1993, Tengizchevroil is the operating company responsible for the development of the massive Tengiz field, which is the world's deepest oil field.
- The Tengiz field contains some 6 to 9 billion barrels of recoverable oil.
- TengizChevroil pumps 270,000 million barrels of oil a day at Tengiz and aims to produce 700,000 barrels a day by 2010.
- Crude oil production represents 30 percent of Kazakhstan's total crude oil production.

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at the field and stored there.

TCO said it viewed sulphur as a product, not a waste, and "the materials temporarily stored at Tengizchevroil facilities, including sulphur, are stored and handled in accordance with Kazakhstan's state standards and international standards."

TCO has repeatedly said it is looking to export its sulphur, stored in giant yellow blocks, each the size of several soccer fields. Sulphur can be used for road building and fertilizers. "There is no evidence of any significant environmental impact from the storage of sulphur," the TCO statement said.

The court ruling is only the latest in a series of troubles between TCO and the Kazak state. Last month TCO halted work on an ambitious \$3 billion expansion project following a row over how to fund it. The expansion will nearly double TCO's output to 22 million metric tons (440,000 barrels per day) from this year's expected 12.7 million metric tons (254,000 bpd).

TCO wants to pay for it by reinvesting revenues from current and future production. But the government wanted it to raise additional financing through external

borrowing, and to continue paying taxes on its crude export revenues.

The authorities say this would allow it to maintain the current level of payments to the budget. TCO now accounts for 12 to 15 percent of all state budget revenues. Energy Minister Vladimir Shkolnik said recently that the expansion plan would remain on hold until the row was resolved.

Officials say the state could lose an average \$200 million in unpaid taxes per year until 2006 if foreign partners in TCO reinvest their profits in the expansion. TCO, set up in 1993, is developing the giant Tengiz offshore field, sitting on an oil column almost a mile thick. Its recoverable reserves are put at 6-9 billion barrels.

Tengiz is the main source of crude for the new Caspian Pipeline Consortium from Tengiz to Russia's Black Sea port of Novorossiisk, the first private link in the former Soviet Union.

TCO is led by U.S. ChevronTexaco with 50 percent. Kazak state energy company KazMunaiGaz holds 20 percent, ExxonMobil 25 percent, and LUKArco 5 percent. ■

Brewer optimistic about Russia

By David Jones

Reuters

LONDON — Britain's biggest brewer, Scottish and Newcastle, expressed renewed confidence in the potentially huge Russian beer market on Tuesday as it reported a 28 percent rise in half-year profit and a higher dividend.

The firm brews three of Europe's top 10 beers, Kronenbourg, Foster's and Baltika, and owns 1,500 UK pubs. Scottish and Newcastle said although many of its markets were less buoyant than a year ago, its business was fundamentally strong. Chairman Brian Stewart said poor weather in Western Europe had hampered first-half progress, but sales, margins and brands all grew.

The brewer, which bought Finland's Hartwall in May to expand in Russia, reported pre-tax profits for the 26 weeks to Oct. 27 of 309.8 million pounds (\$480 million), towards the top of analysts' forecasts of 281-314 million pounds. The group pushed up its half-year dividend 3 percent to 10.18 pence a share.

The shares ticked higher to stand up 1.9 percent at 461 pence by 0940 GMT, supported by confirmation the group will raise its dividend in line with inflation despite low dividend cover — the number of times the dividend can be paid out of profits.

"The results were fractionally ahead of expectations, and there

were no surprises, but there are strategic issues such as dividend cover and dividend cash flow cover," said analyst Andrew Gowen at Lehman Brothers.

But fund manager David Liston at Gerrard was more positive, saying despite a low dividend cover, the group was capable of achieving 6-8 percent earnings growth in the future while a 3 percent dividend rise would help rebuild cover.

"This is a critical year for S&N, but in future years things should get better," he added.

The share's main attraction is a yield of nearly 7 percent. They have outperformed the FTSE 100 index by 7 percent but underperformed

the DJ Stoxx European food and beverage index by 10 percent over the past year.

Stewart said the Russian beer market remained strong despite worries that sales growth may slow. He says the Russian market is expected to grow 10 percent this year and next year, with beer consumption among traditionally vodka-loving Russians only half that in western nations.

S&N entered the Russian market through its acquisition of Hartwall, whose key asset is its 50-50 ownership of Baltic Beverages Holdings (BBH), Russia's biggest brewer, which is a joint venture with Danish brewer Carlsberg. ■

LUKoil sale to wrap

Reuters

Russia should this week wrap up the sale of a 5.9 percent stake in top oil producer LUKoil, a source close to the deal said on Tuesday, and a fund manager estimated it would fetch some \$750 million.

The government announced on Monday that it would try again to sell the LUKoil stake after calling off an earlier attempt in August because it thought the price offered then for the shares was too low.

This time, fund managers said, the government was likely to close

the deal, warning another delay in the key privatization could spell problems for Moscow. "The placement started on Monday. The deal will be closed within a maximum of three days," a source told Reuters.

The government is selling 50 million ordinary shares of LUKoil through an offering of 12.5 million American Depositary Shares, each covering four ordinary shares, the same amount offered in August.

A London fund manager, who declined to be named, said the deal was being done at \$63-1/2 an ADS, or \$15.75 per share. That exceeds the price in August at \$54 per ADS.