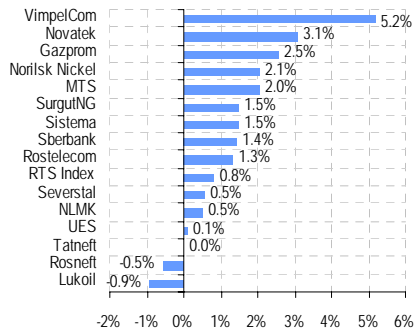
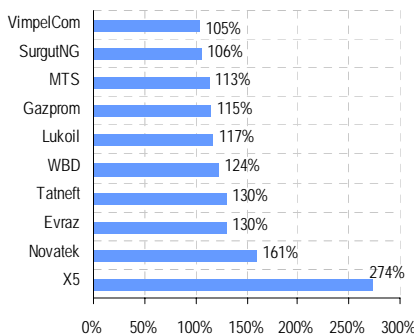


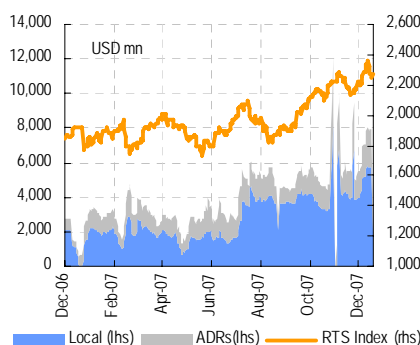
#### Blue chips: Advancers and decliners



#### Volume monitor: Daily/3M avg. volume



#### RTS index and weekly trading volumes



#### Upcoming events

20-Dec	VTB 3Q07 IFRS results
21-Dec	AFK Sistema 3Q07 US GAAP results
21-24 Dec	Russian Nov CPI
End Dec	TGK-9 new share issue
27-Dec	Rosneft Oil 3Q07 results
20-Jan	Dixy 4Q07 IFRS results
25-Jan	Sberbank 9M07 IFRS results

#### Market

Yesterday's recovery in commodity markets and in most European emerging markets helped Russian equities to claw back some of Monday's losses. The RTS advanced 0.8% to 2269 and the MICEX gained 1.1% to 1909. Japan's economic growth forecasts may have a negative impact on today's opening, with US oil inventories hitting the market this afternoon.

#### Top news and ideas

- TNK-BP: Gazprom Kovykta talks hit a wall?** Talks are complicated by Gazprom interest in buying a stake in TNK-BP. We believe there is good reason for TNK-BP's low valuation, and believe the future is not bright for minorities.
- OGK-1: Mixed 9M07 IFRS financials.** Costs and earnings were above our projections, both mainly due to power purchased on the free market. EBITDA dipped below our expectations, but we see clear cost cutting potential and reiterate our 'Hold' recommendation, with our target price at USD0.135 per share.
- Polyus Gold: BoD blocked by Potanin.** BoD was to discuss the 'carve out' of its exploration assets. We fear this is a sign that the Potanin-Prokhorov feud may escalate to affect all stocks of companies controlled by the two oligarchs.
- Mobile Telecoms: Subscriber growth continued in November.** MTS led the way in net adds in Russia, while VimpelCom remains better exposed to the CIS. Subscriber statistics are no longer mobile stock drivers.
- Economics: One time orders cause November industrial production to drop to 4.7% y-o-y.** We believe manufacturing has probably slowed, but we see nothing to persuade us that manufacturing competitiveness is under threat.

#### Other highlights

- Brief - A Tokyo Gas Co. representative said yesterday that Gazprom notified his company of a possible delay in LNG cargoes – perhaps to early 2009 (Bloomberg).** This confirms our note in yesterday's MC that Sakhalin-2 LNG exports will be delayed due to pipeline construction issues, with the cost to Gazprom of the delay unknown. This could lead to lower FY08 earnings estimates for Gazprom.

>>> More news on page 7

#### Russian market in context

	Last Close	Performance/Trends				
		1D	1WK	1M	3M	12M
RTS Index	2,269	0.8%	-3.1%	4.8%	12.6%	23.5%
MSCI EM Europe Index	798	1.4%	-4.9%	4.4%	12.5%	29.0%
MSCI EM Index	1,189	0.5%	-6.5%	-3.1%	3.8%	34.9%
S&P500 Index	1,455	0.6%	-1.5%	1.5%	-4.8%	2.1%
OIX (Oil majors) Index	848	1.8%	2.0%	7.1%	5.1%	28.4%
GSCI (Commodities) index	5,813	0.7%	-1.0%	-1.6%	1.4%	-15.7%
Oil (WTI), USD/bbl	90.5	-0.2%	1.0%	-4.9%	11.0%	45.5%
Nickel, USD/ton	25,675	0.7%	-1.3%	-17.8%	-12.1%	-26.9%
Steel (HR), USD/ton	590	-0.8%	-0.8%	0.4%	4.4%	16.8%
LT U.S. Treasury YTM	4.6%	4.7%	4.5%	4.5%	4.8%	4.8%
EMBI-Russia spread, bp	148	137	135	155	156	102
RUB/USD	24.71	24.51	24.49	24.46	25.33	26.33

Source: Datastream, Bloomberg

## TNK-BP: Gazprom Kovykta talks hit a wall?

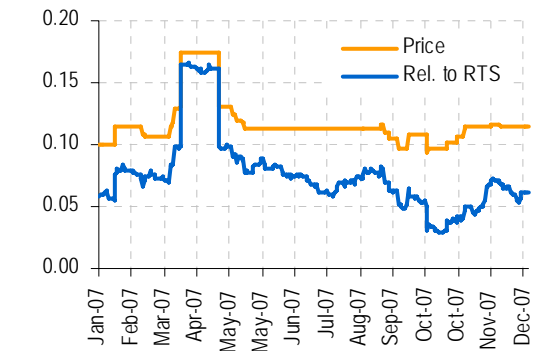
George Lilis, CFA, e-mail: [George.Lilis@mdmbank.com](mailto:George.Lilis@mdmbank.com)

**No deal reached again.** UK newspaper the *Daily Telegraph* reports this morning that negotiations between BP CEO Tony Hayward and his Gazprom counterpart Alexei Miller in Moscow hit a wall. The main topic of the meeting was the future of the Kovykta gas field, owned by TNK-BP, and was the third meeting between the two men in the last few months. The main point of disagreement, according to the newspaper's sources, seems to be total valuation of the costs already expended by TNK-BP on the field, which need to be estimated in order to finalize the value of the field. We remind clients that back in June, when an initial agreement was reached, the value of the 62.4% stake TNK-BP owns at Kovykta was estimated at between USD700mn to USD900 mn. In addition at that time, BP and Gazprom agreed on a USD3 bn joint venture with assets to be contributed not yet defined.

**Complicated negotiations could take long time.** Huge volumes of speculation and rumor have long swirled around these talks. The issue is complicated by the fact that the TNK partners' will be able to sell their 50% TNK-BP stake from the beginning of 2008 when a lock-out ends, and Gazprom has expressed "theoretical" interest in buying them out. In our view, tough talking on Kovykta is another tool by which Gazprom can apply pressure to TNK-BP, which certainly worked for the state owned gas company when it was able to take control of Sakhalin-2 from Royal Dutch Shell. BP and TNK-BP are trying to get the best possible price for their asset, but they know that they cannot develop this asset by themselves and at the end of the day they will have to sell it to Gazprom. Although we believe there will be delays in the talks (time works in Gazprom's favor), the future for TNK-BP minority shareholders is not bright. Losing one of its most promising assets, Kovykta – possibly for very low valuation – and the threat of Gazprom becoming a 50% owner of the company will limit the stock's upside in our view. The share price looks attractive, but we believe the valuation is low for a reason.

## OGK-1: Mixed 9M07 IFRS financials

Vladislav Nigmatullin, e-mail: Vladislav.Nigmatullin@mdmbank.com

Bloomberg ticker	Price, USD	FV, USD	Rating	12M High/Low	1M Perf.	3M Perf.	12M Perf.
OGKA RU	0.12	0.14	Hold	0.18/0.09	0.0%	6.5%	n/a
Financials, USD mn	2006A	2007E	2008E	Price performance, USD			
Revenue	1,106	1,229	1,527				
EBITDA	122	186	260				
Net income	27	91	133				
Revenue growth		11%	24%				
EBITDA growth		52%	40%				
Net income growth		237%	46%				
EBITDA margin	11%	15%	17%				
Net margin	2%	7%	9%				
EV/Revenue	4.7	4.2	3.4				
EV/EBITDA	42.3	27.8	19.9				
P/E	190.1	56.4	38.6				
MCAP, USD mn	5,134	Com., mn	44,643				
EV, USD mn	5,164	Pref., mn					
Free float	8%	Total, mn	44,643				

Source: Bloomberg

Source: Bloomberg, MDM estimates

**9M07 revenues exceed our expectations.** OGK-1 released non-audited 9M07 IFRS financials yesterday, which reported sales of RUB32.545 bn, 37.5% above our forecast. Most of this difference comes from the inclusion in its revenues of the sale of the power purchased on the free market, which also resulted in an increase in the cost of purchased power on the cost side. Netting the two numbers out, OGK-1 revenue was in line with our expectations, with volumes generated dipping just 2.5% below our estimate. Approximately 97% of total revenues came from electricity sales, with the remaining 2% from heat supply.

**High costs tarnished expectation-busting fuel efficiency.** Costs reached RUB30.412 bn, soaring above our RUB21.4 bn projection by 42% – again as a result of the high cost of purchased power. Fuel costs weighed in at RUB14.04 bn vs. our forecast of RUB15.32 bn, and the company generated 35.765 bn kWh – compared to our 36.677 bn kWh estimate – which places average fuel costs at RUB392.7/MWh, 6% better than our projection. Employee benefits totaled RUB2.476 bn, a whopping 89.3% above our estimates, while repairs, maintenance and third parties expenses hit RUB1.748 bn, sailing 65.1% past our projected landing point.

**EBITDA, adjusted net income disappointed.** EBITDA disappointed, coming in at RUB3.282 bn, below our forecasted RUB3.560 bn. EBITDA margin reached only 10% vs. our estimate of 15%, primarily due to higher than expected employee benefits and repairs and maintenance costs. On the bottom line, the company reported net income of RUB1.109 bn, undercutting our forecast of RUB1.709 bn by 35.5%. On this particular point, we would like to draw investor attention to the 9M07 financials' effective tax rate of 46%, which was far higher than expected.

**We expect future cost performance improvements.** We believe that there is significant room for cost cutting in the future, especially where employee benefits and fuel efficiency are concerned. Overall, we view the results as below market expectations but believe investors should focus on the company's future earnings potential, which will become more visible in 2008 as well as on the forthcoming placement. We reiterate our "Hold" recommendation with our target price at USD0.135 per share.

### OGK-1 IFRS financials for 9M07, RUB bn

	9M07A	9M07MDM	Actual vs. MDM
Revenue	32.55	23.67	37%
Fuel expenses	14.044	15.32	-8%
Repairs and maintenance	1.748	1.06	65%
DD&A	1.149	1.21	-5%
Employee benefits	2.476	1.31	89%
Operating expenses	30.412	21.40	42%
EBITDA	3.28	3.56	-8%
Net income	1.109	1.72	-35%
EBITDA margin	10%	15%	-5ppt
Net margin	3.4%	7%	-3.6ppt

Source: Company data, MDM estimates

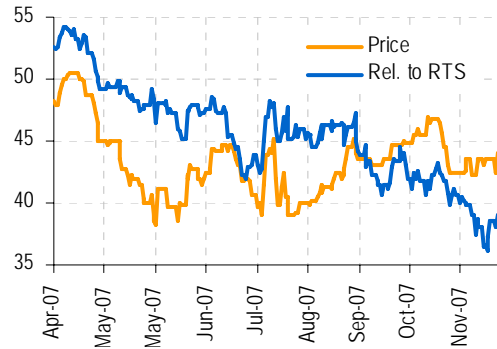
## Polyus Gold: BoD blocked by Potanin

George Lilis, CFA, e-mail: George.Lilis@mdmbank.com

Bloomberg ticker	Price, USD	FV, USD	Rating	12M High/Low	1M Perf.	3M Perf.	12M Perf.
PLZL RU Equity	44.00	n/a	Not Rated	55.25/38.3	2.3%	3.0%	-8.3%

Financials, USD mn	2006A	2007E	2008E
Revenue	854	892	856
EBITDA	360	301	303
Net income	181	144	157
Revenue growth		4%	-4%
EBITDA growth		-16%	1%
Net income growth		-20%	9%
EBITDA margin	42%	34%	35%
Net margin	21%	16%	18%
EV/Revenue	7.9	7.6	7.9
EV/EBITDA	18.8	22.5	22.3
P/E	46.4	58.3	53.5
MCAP, USD mn	8,404	Com., mn	191
EV, USD mn	6,750	Pref., mn	
Free float	45%	Total, mn	191

Price performance, USD



Source: Bloomberg

Source: Datastream, IBES consensus

**Polyus Gold dragged into divorce clash.** There's never a dull day while the Mikhail Prokhorov and Vladimir Potanin divorce saga rumbles on. The latest episode was yesterday's BoD meeting of Polyus Gold, the world's third largest gold reserves holder. There was a lack of quorum in the nine member BoD as the three members close to Potanin boycotted the meeting and one of the two independent directors was absent (the remaining four members represent Prokhorov's interests). The main topic on the agenda was the 'carve out' of the company's exploration licenses to an independent company that would be later either listed on both domestic and international stock exchanges or be sold to strategic investors. Prokhorov's side has repeatedly claimed that the company needs to raise cash in order to develop its reserves. Potanin's representatives claimed that this 'carve out' would hurt shareholders interests and attacked Prokhorov's men for the low corporate governance standards at Polyus Gold.

**Escalating asset tug-of-war affecting Polyus minorities.** This is, in our view, the first sign of aggressiveness from Potanin's side. Thus far, he had expressed no dissatisfaction and had blocked no decisions on Polyus Gold, which is essentially run by Prokhorov's team. Furthermore, this is a sign in our view that the two sides are getting further away, not closer. While this move by Potanin could have been made in order to put more pressure on Prokhorov, we believe that it lowers the probability of the two sides agreeing on the sale of Prokhorov's 25% Norilsk Nickel stake or the spin-off of Norilsk's energy assets. In our view, the risk of this crisis escalating has increased, and unfortunately it seems that it could affect all stocks of the companies that have been jointly owned by the two oligarchs: Norilsk Nickel, Polyus Gold, OGK-3, et al. Polyus Gold, which also announced yesterday that it will produce 2.6% more gold in 2007 than previously planned, had so far only been affected by the Potanin-Prokhorov feud to a relatively small degree. In our opinion, the risk for this stock has increased now with minority shareholders being caught in the eye of the storm.

## Mobile Telecoms: Subscriber growth continued in November

Ekaterina Generalova, e-mail: Ekaterina.Generalova@mdmbank.com

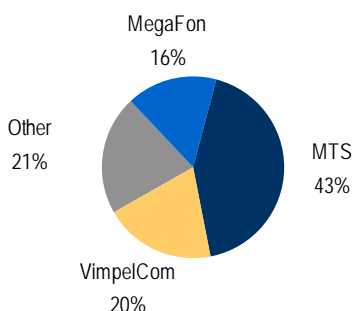
**Russian market kept growing in November.** ACM-Consulting reported yesterday that the Russian mobile market finished November with 169 mn subscribers, up 1.2% m-o-m and 12% YTD. Net additions in Russia exceeded 2 mn for a second straight month in November, and nominal penetration rate was up 1.4pp m-o-m to 116.7%.

**MTS led the way in net adds.** MTS signed up 42% of all net adds in Russia, beating VimpelCom for the sixth month in a row. We also note that the later saw net subscriber outflow in Moscow in November. Meantime, MegaFon still remains the most successful in terms of subscriber base growth YTD, up 18% vs. 9% at MTS and 6% at VimpelCom. Overall, however, the Russian market breakdown is virtually intact, with MTS, VimpelCom and MegaFon accounting for 33%, 30% and 21%, respectively.

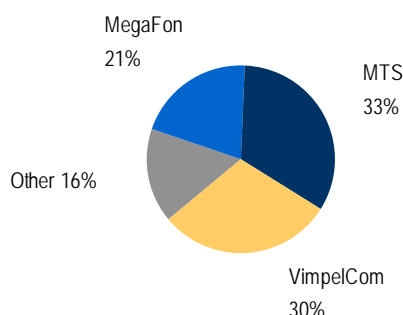
**Ukraine remains strong.** The Ukrainian market grew 0.7% m-o-m to 54.8 mn subs and the penetration rate edged up 7pp to 117.8% in November. Turkcell's Astelit was the most aggressive in November, signing up 83% of all net additions. This was mostly at the expense of VimpelCom's URS and Kyivstar which saw subscriber outflows. Though MTS's UMC took 7% of net adds in November, its subscriber base is still showing a net loss of about 0.07 mn YTD, and its market share shrank to 36% vs. 41% as of the beginning of this year as a result of fierce price wars.

**Subscriber statistics are no longer drivers.** Elsewhere in CIS, we note that MTS's VivaCell in Armenia saw a 0.4% m-o-m subscriber outflow in November following a 30% m-o-m gain in October which was due to the introduction of a 6-month disconnection policy upon its acquisition at the end of September. Overall, MTS's consolidated subscriber base grew 10% YTD to 83.9 mn, with Russia accounting for 61% of the incremental increase. VimpelCom is still number two in terms of subscriber base, which was up 13% YTD to 62.4 mn, with 60% of incremental increase from CIS. Distorted by 'clean-up' efforts, subscriber base data are no longer mobile stock drivers.

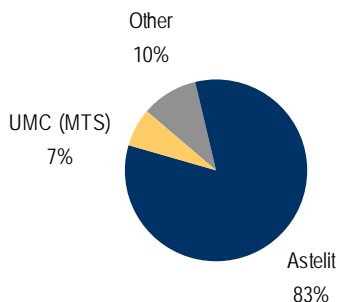
Russia: share of net subscriber adds, November 2007



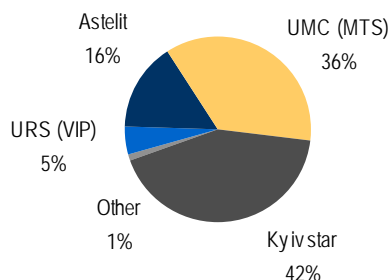
Russia: market share, November 2007



Ukraine: share of net subscriber adds, November 2007



Ukraine: market share, November 2007



Source: ACM-Consulting

Source: ACM-Consulting

**Economics: One time orders cause November industrial production to drop to 4.7% y-o-y**

George Lilis, CFA, e-mail: [George.Lilis@mdmbank.com](mailto:George.Lilis@mdmbank.com)

**November industrial production headline figure deteriorates.** Rosstat yesterday released November industrial production data, with a somewhat disappointing headline figure. November's y-o-y rate fell to 4.7%, down from October's 6.1%, although still higher than the 3-4% rate in August and September that raised concerns about the competitiveness of Russian industry. The YTD rate is around 6.3%, which represents a slowdown from the 7% touched earlier this year. The headline figure dropped below Bloomberg's 18 economist consensus estimate of 6.5%. However, digging into the data details reveals a different, not so concerning diagnosis.

**Steam turbines behind disappointment.** In terms of components, manufacturing rose by 6.3% y-o-y, down from the impressive 9% rate in October. Lumber and plywood showed impressive y-o-y growth rates while cranes, tractors and bulldozers continued their strong trend from last month. This data points to very healthy construction activity supporting manufacturing growth. On the other hand, cement production, which was flat, and a relatively big decline in steam turbines (33%) were the primary drivers of the deterioration in manufacturing's y-o-y rate. Mining returned to the flatish growth rates it has exhibited for the majority of the year (0.5% y-o-y) after a spike in October. Within mining, oil, coal and iron-ore all saw declines in their y-o-y growth rates, with the only encouraging factor the production of natural gas (turned positive y-o-y), which was probably affected by weather patterns. Finally, electricity was the only major component that showed improvement, moving from a flat rate in October to an impressive 4% in November. This was accompanied by a further increase in output from thermal plants, and further losses for hydro power output.

**Still strong trends in the core manufacturing output.** Despite Russian manufacturers having to work against the prevailing wind of several negative trends, including ruble depreciation and the ongoing credit crisis, it appears that overall competitiveness has maintained at a very good level. In our view, industrial production escaped a mini crisis back in August-September that had government officials concerned over their FX policy and raised grumbles from manufacturers. While the headline appears to be a somewhat disappointing, that adjusting for the well-known volatility of big steam turbines orders would bring the figure close to the 6% level. Overall, we do not see any reasons to question our belief that manufacturing is still strong, supported by construction and consumer spending – but also probably slowing down slightly from an admittedly very high level.

## News Briefs

### Oil and Gas

**Transneft announced yesterday that it will use USD2.1 bn of additional shares to buy out the oil product pipeline operator Transnefteproduct** (Bloomberg). This amount is equal to 19% of the company's voting stock and it will be used to swap stakes with the government (Federal Property Management Agency). The news is in line with previous announcements.

**Gazprom and Germany's BASF officially opened the Yuzhno-Russkoye field in western Siberia yesterday** (Interfax). Gazprom officials said that the first stage of the field will cost EUR2 bn with Gazprom already having paid EUR850 mn that will be reimbursed later on by its partners. BASF has a 25% stake in the project while German utilities E.On seeks a stake as well. The news is probably already reflected in Gazprom's stock price.

### Telecoms and Technology

**Comstar said its broadband subscriber base increased 70% y-o-y to 40,000 in the regions**, with more than 30,000 of them signed up by DTN, an altnet in the Russian South acquired in 2H07. Though it is still less than half of its main rival Golden Telecom (83,000 as of 3Q07), Comstar looks efficient in its regional expansion via selective M&A's, and its plans to get 27.5% of revenues in the regions by 2011 look achievable in our view.

**VolgaTelecom's BoD will likely consider SMARTS's takeover price of USD510 mn on 20 Dec.** (Interfax). Though the acquisition would increase VolgaTelecom's mobile market share to 40% in the Povolzhye region, we doubt it will take place given SMARTS legal issues and heavy debt. The news comes on the heels of VimpelCom's alleged bid of USD750 mn recently, which, rumor has it, has been rejected.

### Industrials, Consumer, Banks

**Wimm Bill Dann is planning an issue of three bonds** (in total third WBD issue – RUB5 bn, fourth and fifth - RUB3 bn each) (Interfax). All bonds have a 5 year maturity. The bonds will be available for open book subscription. As announced earlier, one of the options to utilize the additional capital will be to refinance existing Eurobonds.

**X5 Retail Group gets a 3-year syndicated loan for USD1.1 bn**, with LIBOR+2.25% terms to elongate its credit portfolio. The loan will be applied to refinancing the existing USD1 bn bridge credit. The participating banks were BNP Paribas, Calyon, HSBC, ING, Raiffeisen Zentralbank Osterreich and Societe Generale.

**Auchan signed an agreement yesterday to buy 1 Ramstore hypermarket and lease 13 for EUR182 mn** (Bloomberg). Enka will remain the owner of these 13 outlets, 9 of them are located in Moscow. Although adding Ramstore operations doubles Auchan's presence in Russia in number terms (currently 15 Auchans in Russia), Auchan's primary concentration is still hypermarkets.

Stock performance summary									
	Company name	Last price, USD	1D	1WK	1M	3M	12M	YTD	12M High/Low
Oil and gas	Gazprom	14.13	2.5%	-2.1%	11.3%	28.5%	24.9%	22.9%	14.58/8.75
	Novatek	74.20	3.1%	-1.5%	27.7%	49.0%	17.2%	16.9%	76.8/46.5
	Rosneft	9.10	-0.5%	-5.0%	2.8%	3.9%	-0.7%	-0.5%	9.7/7.66
	Lukoil	86.20	-0.9%	-5.4%	1.2%	7.8%	0.5%	-2.0%	95/71.9
	TNK-BP Holding	2.12	-1.2%	-2.5%	-5.8%	6.5%	-14.4%	-18.5%	2.6/1.67
	Surgutneftegaz	1.24	1.5%	-1.7%	3.3%	-3.1%	-13.4%	-19.1%	1.53/1.07
	Gazprom Neft	6.05	-3.2%	2.5%	17.0%	53.2%	40.7%	32.7%	6.25/3.7
	Tatneft	5.84	0.5%	-4.0%	3.6%	11.2%	19.4%	18.2%	6.26/3.95
	Bashneft	16.30	0.0%	0.6%	1.9%	16.4%	0.0%	1.9%	16.3/12
	Transneft pref	2,015.00	1.5%	-4.3%	3.9%	19.6%	-9.6%	-12.2%	2495/1435
	Integra	14.70	0.0%	-0.7%	-2.8%	n/a	n/a	n/a	21.55/13.55
	C.A.T Oil	14.20	3.4%	-2.5%	-17.0%	-27.1%	-25.5%	-29.0%	25.56/13.73
	West Siberian Resources	0.69	0.4%	-5.4%	-3.2%	-13.1%	-38.5%	-38.5%	1.1/0.66
	UES	1.32	0.1%	-0.8%	8.0%	7.6%	44.3%	31.2%	1.37/0.92
Utilities	OGK-1	0.12	n/a	n/a	n/a	n/a	n/a	n/a	0.18/0.09
	OGK-2	0.14	n/a	n/a	n/a	n/a	n/a	n/a	0.18/0.12
	OGK-3	0.15	0.0%	2.0%	3.4%	12.7%	29.6%	23.3%	0.18/0.11
	OGK-4	0.13	0.3%	0.3%	3.1%	4.7%	67.3%	66.3%	0.13/0.08
	OGK 5	0.18	0.0%	0.7%	2.2%	9.5%	26.0%	32.0%	0.18/0.12
	OGK-6	0.13	n/a	n/a	n/a	n/a	n/a	n/a	0.17/0.12
Telecoms and technology	MTS	91.78	2.0%	-2.2%	3.8%	32.7%	91.4%	82.9%	99.16/45.81
	Sistema	39.27	1.5%	-1.8%	-1.8%	20.8%	33.6%	22.7%	41.9/25.85
	VimpelCom	37.60	5.2%	1.4%	24.9%	38.4%	144.2%	138.1%	40.67/14.79
	Comstar	11.75	0.0%	-4.0%	-4.5%	-1.3%	46.9%	39.9%	13.71/7.7
	Rostelecom	11.32	1.3%	-5.3%	15.5%	10.1%	59.4%	48.0%	11.95/7.1
	Golden Telecom	102.28	2.3%	-3.0%	4.9%	36.8%	130.2%	118.4%	108.85/43.98
	MGTS	33.15	0.8%	1.1%	9.2%	6.6%	30.6%	26.0%	34.29/23.37
	Uralsvyazinform	0.06	1.1%	-1.4%	0.8%	9.2%	-7.1%	-6.9%	0.07/0.05
	Volga Telecom	5.79	0.7%	-1.7%	-5.9%	24.2%	3.4%	-4.3%	6.6/4.57
	Sibirtelecom	0.12	-2.1%	-2.9%	-4.1%	24.2%	15.7%	4.9%	0.13/0.09
	Northwest Telecom	1.73	-0.5%	-2.8%	-5.4%	17.7%	4.0%	2.1%	1.92/1.23
	Center Telecom	0.91	0.0%	-0.3%	-1.8%	-1.3%	22.7%	21.1%	1/0.71
	Southern Telecom	0.20	-2.0%	-3.4%	-7.4%	16.6%	25.0%	11.1%	0.23/0.16
	Dalsvyaz	5.31	-0.7%	-1.7%	-6.8%	13.2%	43.5%	27.6%	5.7/3.7
	Bashinformsvyaz	0.16	0.0%	0.0%	-6.9%	-8.8%	-14.6%	-29.0%	0.23/0.16
	RBC	10.28	0.0%	5.4%	10.9%	24.5%	-11.6%	-15.3%	12.1/7.53
	Metals and mining	Sitronics	5.75	3.0%	4.0%	-11.5%	4.9%	n/a	n/a
CTC Media		26.49	-0.7%	-2.1%	7.8%	9.6%	18.1%	10.3%	28.77/19.59
Rambler Media		27.81	-4.1%	-7.4%	-12.5%	-30.0%	-15.7%	-17.6%	55/27.81
Norilsk Nickel		257.30	2.1%	-6.1%	-5.4%	7.2%	70.4%	63.9%	309.9/135.5
Polyus Gold		44.00	3.5%	1.1%	2.3%	3.0%	-8.3%	-10.8%	55.25/38.3
Severstal		22.35	0.5%	-3.9%	2.5%	18.3%	103.6%	99.6%	23.84/10.85
Evraz Group		77.10	1.4%	-7.6%	11.9%	40.2%	214.7%	200.1%	86/24.5
Mechel		89.36	3.9%	-3.5%	23.8%	81.3%	252.0%	250.7%	99.89/23.73
NLMK		39.19	0.5%	-7.7%	5.2%	18.2%	70.4%	68.6%	44.89/20.8
MMK		1.29	0.8%	-5.8%	7.1%	15.8%	55.5%	48.4%	1.4/0.83
TMK		44.00	-2.2%	-6.9%	15.8%	11.4%	n/a	25.7%	47.49/30.9
VSMPO		304.00	0.5%	-1.8%	-5.3%	4.1%	4.8%	3.8%	330/275
Sberbank		4.26	1.4%	-3.6%	1.7%	3.9%	37.4%	23.5%	4.42/3.08
Rosbank		7.07	0.5%	-1.3%	-0.8%	2.8%	4.0%	-8.1%	7.67/5.94
X5	32.63	4.2%	-3.2%	-3.2%	-0.2%	26.0%	25.5%	37.5/24.6	
Industrials, consumer, banks	Seventh Continent	26.26	0.0%	-0.5%	-3.1%	4.4%	4.0%	-1.6%	29.3/24.1
	Dixy Group	14.80	0.0%	0.0%	1.6%	16.4%	44.1%	37.3%	15.6/13.85
	Magnit	49.00	0.5%	0.5%	1.6%	16.4%	44.1%	37.3%	49/34
	Wimm-Bill-Dann	123.00	5.7%	7.3%	2.1%	4.9%	113.0%	84.8%	134.62/56.49
	Lebedyansky	88.00	0.0%	0.0%	-1.1%	-1.1%	9.0%	10.0%	99/73.5
	Nutritek	51.00	0.0%	0.0%	-3.8%	6.4%	16.3%	13.0%	53.8/44.9
	Baltika (euro)	34.13	0.0%	0.0%	2.6%	6.4%	16.3%	13.0%	36.96/32.58
	Razgulay	5.80	6.0%	11.1%	14.9%	43.6%	47.2%	45.0%	5.8/3.6
	Severstal Auto	55.00	1.3%	7.3%	11.1%	24.3%	96.4%	81.8%	55/28
	AvtoVAZ	1.75	0.0%	-2.8%	-1.1%	20.7%	59.8%	59.8%	2.05/0.67
	Aeroflot	3.50	0.0%	-2.8%	-1.1%	20.7%	59.8%	59.8%	3.6/2.19
	Veropharm	52.00	0.0%	3.5%	8.3%	20.9%	76.9%	63.8%	52/29.4
	Apteka 36.6	77.00	0.0%	0.0%	1.7%	2.0%	37.5%	32.2%	96.1/56
	Pharmstandard	22.40	-3.9%	-11.5%	1.4%	16.1%	n/a	n/a	27.4/13.6
	Kalina	42.00	0.0%	-3.2%	-3.2%	21.7%	-13.4%	-18.4%	51.5/34.25
	Oriflame (euro)	43.42	0.2%	3.7%	11.5%	5.5%	49.3%	45.6%	44.28/28
	Cherkizovo	14.08	-0.1%	0.2%	-4.7%	14.9%	2.0%	3.5%	17.35/11.05
Sistema Hals	10.00	0.7%	0.5%	8.1%	-8.3%	n/a	-24.8%	15.05/8.75	
<b>RTS Index</b>	<b>2,269.09</b>	<b>0.8%</b>	<b>-3.1%</b>	<b>4.8%</b>	<b>12.6%</b>	<b>23.5%</b>	<b>18.1%</b>	<b>2359.85/1724.69</b>	

Source: Bloomberg

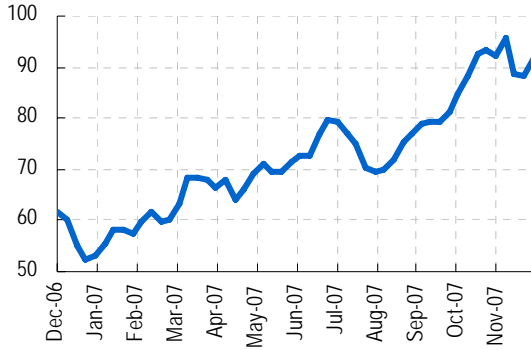


Stock valuation summary											
	Company name	MCAP, USD mn	P/E			EV/EBITDA			EV/Revenue		
			2006	2007E	2008E	2006	2007E	2008E	2006	2007E	2008E
Oil and gas	Gazprom	321,443	13.5	11.5	10.0	9.6	8.2	7.2	4.2	3.7	3.3
	Novatek	22,527	29.3	22.4	19.4	18.6	14.3	13.1	9.1	6.9	5.7
	Lukoil	73,356	8.9	8.8	10.2	6.0	5.9	6.2	1.1	1.1	1.1
	Rosneft	96,451	19.7	15.7	16.6	10.6	9.1	8.8	2.7	2.4	2.4
	Surгутneftegaz	49,235	11.9	13.2	14.0	5.2	6.0	6.3	1.9	1.9	1.9
	Gazprom Neft	28,683	7.6	8.2	8.7	5.4	5.6	5.8	1.4	1.4	1.4
	Tatneft	13,193	10.0	11.1	9.9	6.1	6.9	6.2	1.0	1.0	1.0
	Bashneft	2,771	6.3	5.2	5.4	3.4	3.1	3.1	0.7	0.7	0.8
	Transneft pref	13,927	5.6	5.4	5.0	3.9	3.5	3.2	2.1	1.9	1.7
	West Siberian Resources	812	18.3	8.6	6.6	8.4	5.2	4.0	2.9	2.0	1.6
<b>Aggregate - oil and gas</b>	<b>621,586</b>	<b>12.5</b>	<b>11.3</b>	<b>11.0</b>	<b>7.7</b>	<b>7.0</b>	<b>6.7</b>	<b>2.7</b>	<b>2.3</b>	<b>2.1</b>	
Utilities	UES	54,340	31.2	25.9	20.8	17.0	13.1	11.3	3.4	2.9	2.6
	Mosenergo	9,739	83.8	44.7	23.6	26.7	18.3	11.6	3.2	2.6	2.1
	OGK-1	5,134	n/a	56.4	38.6	42.3	27.8	19.9	4.7	4.2	3.4
	OGK-2	3,628	n/a	45.3	25.5	199.0	22.5	13.4	4.0	3.4	2.7
	OGK-3	7,171	n/a	84.4	51.2	103.8	40.8	36.7	9.4	7.7	6.7
	OGK-4	6,534	n/a	n/a	54.0	81.3	48.9	26.9	6.8	6.2	4.8
	OGK 5	6,190	52.5	64.5	45.9	66.3	30.1	22.3	6.5	5.1	4.2
	OGK-6	3,475	48.6	27.5	19.4	20.7	16.0	10.2	3.1	2.6	2.1
<b>Aggregate - utilities</b>	<b>96,210</b>	<b>24.4</b>	<b>27.3</b>	<b>21.6</b>	<b>36.1</b>	<b>15.9</b>	<b>11.9</b>	<b>3.4</b>	<b>2.9</b>	<b>2.5</b>	
Telecoms and technology	MTS	36,620	29.4	20.6	18.4	12.2	10.3	9.4	6.2	5.2	4.7
	Sistema	18,967	21.0	15.7	14.4	10.0	8.3	7.6	3.7	3.3	3.0
	VimpelCom	38,563	47.5	32.1	28.5	16.5	13.4	12.4	8.3	6.8	6.2
	<b>Aggregate - mobile telecoms</b>	<b>94,150</b>	<b>32.6</b>	<b>22.8</b>	<b>20.4</b>	<b>12.9</b>	<b>10.7</b>	<b>9.8</b>	<b>6.1</b>	<b>5.1</b>	<b>4.7</b>
	Comstar	4,911	59.9	44.2	14.4	16.9	9.7	8.4	5.5	4.2	3.7
	Rostelecom	9,006	n/a	78.3	65.7	23.0	20.6	18.3	3.9	3.9	3.6
	Golden Telecom	3,748	43.8	32.0	23.9	16.6	11.7	8.9	4.4	3.2	2.6
	MGTS	3,121	9.9	9.2	9.0	6.4	6.4	6.2	3.2	3.0	2.9
	Uralsvyazinform	2,402	77.5	17.5	13.5	9.7	6.5	5.7	2.7	2.3	2.1
	Volga Telecom	1,752	22.5	13.2	10.9	7.0	5.3	4.7	2.4	2.0	1.8
	Sibirtelecom	1,738	40.8	8.3	6.5	8.7	5.0	4.2	2.1	1.7	1.6
	Northwest Telecom	1,834	39.0	15.5	14.9	8.9	6.0	5.6	2.9	2.3	2.1
	Center Telecom	1,757	26.0	27.4	16.0	6.4	5.9	5.0	2.3	2.0	1.8
	Southern Telecom	716	55.1	17.9	15.9	6.5	6.0	5.5	2.3	2.0	1.9
	Dalsvyaz	649	49.9	13.5	9.3	8.9	5.2	4.1	2.2	1.6	1.5
	Bashinformsvyaz	158	9.2	8.5	6.7	3.5	3.2	n/a	0.9	0.9	0.8
	Sitronics	1,098	18.0	n/a	21.4	8.6	10.9	6.5	0.9	0.7	0.6
	<b>Aggregate - fixed line telecoms</b>	<b>31,791</b>	<b>39.4</b>	<b>23.8</b>	<b>17.2</b>	<b>10.2</b>	<b>7.6</b>	<b>7.0</b>	<b>2.9</b>	<b>2.4</b>	<b>2.2</b>
RBC	1,182	20.1	16.8	18.3	12.7	11.6	8.8	4.9	3.8	3.2	
CTC Media	4,024	29.4	21.5	16.8	16.1	12.0	9.5	8.2	6.2	5.0	
Rambler Media	418	34.5	17.3	11.3	21.1	9.6	6.7	5.2	3.0	2.4	
<b>Aggregate - media</b>	<b>5,624</b>	<b>28.0</b>	<b>18.5</b>	<b>15.4</b>	<b>16.6</b>	<b>11.1</b>	<b>8.3</b>	<b>6.1</b>	<b>4.4</b>	<b>3.5</b>	
Metals and mining	Norilsk Nickel	47,086	6.5	7.8	8.4	4.2	4.6	4.8	2.9	3.0	3.0
	Polyus Gold	8,404	46.4	58.3	53.5	18.8	22.5	22.3	7.9	7.6	7.9
	Severstal	22,522	11.4	9.7	9.9	6.0	5.4	5.3	1.6	1.5	1.4
	Evrz Group	27,040	12.0	10.6	10.8	7.5	6.7	7.2	2.7	2.3	2.4
	Mechel	12,060	13.9	10.3	10.4	8.0	5.8	5.7	2.1	1.7	1.6
	NLMK	23,487	10.8	10.7	10.4	7.3	7.0	6.9	3.4	3.2	3.0
	MMK	13,117	7.3	7.1	6.5	5.3	4.9	4.6	1.6	1.5	1.4
	TMK	9,592	16.1	12.1	9.3	10.4	8.1	6.4	2.6	2.2	2.0
	VSMPO	3,648	13.8	12.0	9.5	9.0	7.7	6.1	3.5	3.0	2.4
	<b>Aggregate - metals and mining</b>	<b>166,956</b>	<b>16.6</b>	<b>15.7</b>	<b>14.4</b>	<b>9.3</b>	<b>8.4</b>	<b>7.8</b>	<b>3.4</b>	<b>3.0</b>	<b>2.9</b>
Industrials, consumer, banks	Sberbank *	237	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	<b>Aggregate - banks</b>	<b>237</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
	X5	7,064	45.1	28.2	21.5	16.7	12.2	9.6	1.6	1.1	0.8
	Magnit	3,528	40.6	30.1	20.6	18.4	12.7	9.3	1.0	0.7	0.5
	Seventh Continent	1,970	26.6	22.5	16.3	14.5	10.4	7.8	1.5	1.1	0.8
	Lebedyansky	1,796	18.0	15.3	13.2	11.5	9.6	8.5	2.1	1.7	1.5
	Baltika (euro)	5,835	11.4	9.8	8.2	7.2	6.2	5.4	2.2	1.9	1.5
	Wimm-Bill-Dann	5,412	37.0	27.1	21.3	18.2	14.2	11.8	2.4	2.0	1.7
	<b>Aggregate - FMCG</b>	<b>25,605</b>	<b>29.8</b>	<b>22.1</b>	<b>16.8</b>	<b>14.4</b>	<b>10.9</b>	<b>8.7</b>	<b>1.8</b>	<b>1.4</b>	<b>1.1</b>
	Razulay	615	28.9	14.9	13.0	9.4	7.0	6.5	1.2	1.0	0.9
	Severstal Auto	1,870	17.2	14.4	11.1	11.5	8.6	6.8	1.4	1.1	0.8
	AvtoVAZ	51	0.4	0.2	0.2	1.4	1.1	n/a	0.1	0.1	0.1
	Aeroflot	3,889	12.9	13.1	9.4	8.9	7.5	5.7	1.3	1.1	1.0
	Veropharm	520	19.2	13.9	11.1	13.0	9.5	8.0	4.0	3.2	2.6
	Kalina	410	13.3	11.2	10.6	8.1	7.0	7.0	1.2	1.0	1.0
Oriflame (euro)	2,419	24.5	18.5	14.9	16.3	13.4	11.3	2.4	2.1	1.9	
<b>Aggregate valuation</b>	<b>1,051,931</b>	<b>13.2</b>	<b>11.8</b>	<b>11.0</b>	<b>8.4</b>	<b>7.6</b>	<b>7.1</b>	<b>2.7</b>	<b>2.4</b>	<b>2.2</b>	
FF-adj. MCAP W.A. valuation	301,644	16.7	15.2	13.7	10.5	8.6	7.9	3.8	3.3	3.0	

Source: MDM estimates, IBES consensus

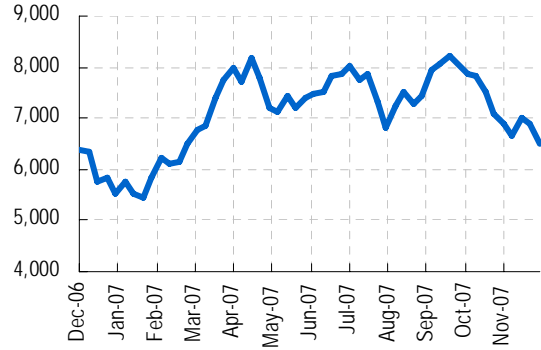
## Key commodities

London WTI Crude Oil Index – PRICE INDEX, USD/bbl



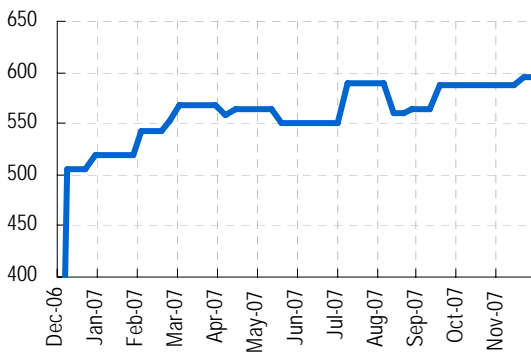
Source: Bloomberg

LME-Copper, Grade A Cash – A.M. OFFICIAL, USD/ton



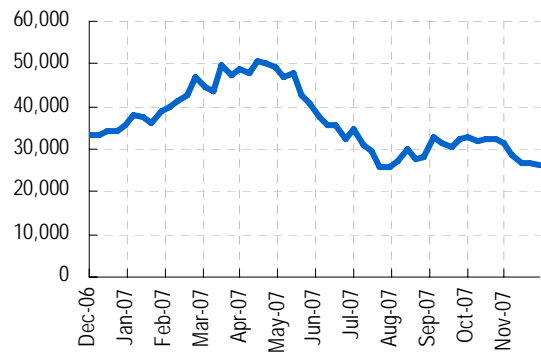
Source: Bloomberg

MB-Steel HR Coil CIS, USD/ton



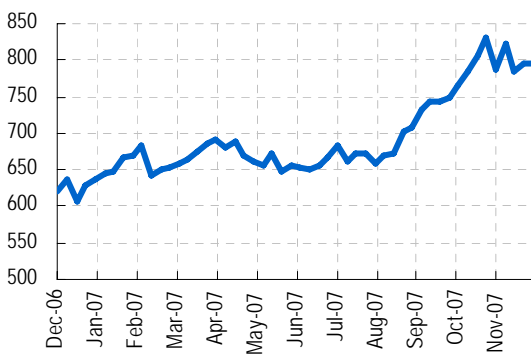
Source: Bloomberg

LME-Nickel Cash – A.M. OFFICIAL, USD/ton



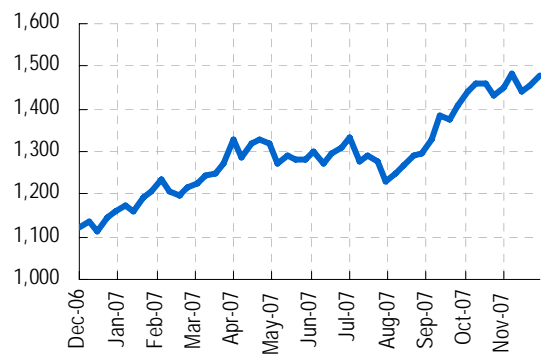
Source: Bloomberg

Gold Bullion, USD/oz



Source: Bloomberg

MB-Platinum Matthey, USD/oz



Source: Bloomberg



**MDM Bank**  
Investment Division  
33/1 Kotelnicheskaya Nab.  
Moscow, Russia 115172

### Institutional Sales

Kate Korolkevich	Kate.Korolkevich@mdmbank.com	+7 495 411-6223
Martynenko Sergey	Sergey. Martynenko@mdmbank.com	+7 495 228-3304

**research@mdmbank.com**  
**+7(495) 795-2521**  
Bloomberg: MDMB <GO>  
Reuters Dealing: MBWM, MDMB  
<http://www.mdmbank.com>

### Research Team

George Lilis, CFA	George.Lilis@mdmbank.com
Vladislav Nigmatullin	Vladislav.Nigmatullin@mdmbank.com
Ekaterina Generalova	Ekaterina.Generalova@mdmbank.com
Maria Shevtsova	Maria.Shevtsova@mdmbank.com

### Editors/Production

Andrey Goncharov	Andrey.Goncharov@mdmbank.com
Andrew Mullinder	Andrew.Mullinder@mdmbank.com

© 2007 OAO MDM Bank. All rights reserved.

*This report is being distributed in the Russian Federation by OAO MDM Bank (the "Bank"), which accepts responsibility for its contents. This report is for your private information, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security and is specifically not a recommendation to purchase or sell any securities. The information herein has been obtained from, and any opinions herein are based upon, sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. We accept no liability in relation to the use of this information or any investor activity taken in the securities described herein. Opinions, forecasts and estimates expressed are current as of the date appearing on this report only and are subject to change without notice. We make no representation that we will update the information discussed in this report on a regular basis, or correct any inaccuracies contained herein. We and our affiliates and employees may, from time to time, have long or short positions in, and buy, sell, make a market or otherwise act as principal in transactions in the securities, or derivatives thereof, of companies mentioned herein. Investors should assume that the Bank does, or seeks to do, investment banking business with any of the companies mentioned in this report.*

*This report was prepared by the Bank and may be used by investors in the Russian Federation subject to the laws of the Russian Federation. The Bank is not registered as a broker or dealer with the SEC or NASD in the United States and this report may be distributed in the United States only to persons who by the acceptance hereof confirm that they are a "major U.S. institutional investor" as defined in Regulation 15a-16 of the Securities Exchange Act of 1934. The Bank is not registered with the FSA in the United Kingdom and this report may not be distributed in the United Kingdom to private clients. This report may be distributed to foreign investors in other jurisdictions only to institutional investors to subject to the laws of their home jurisdiction.*

*This report is confidential and may not be distributed or reproduced, in whole or part, without the express written permission of the Bank.*