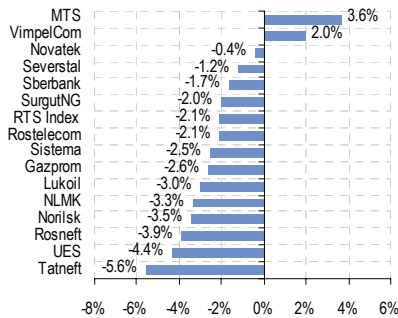
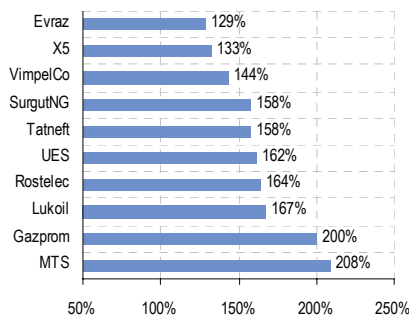


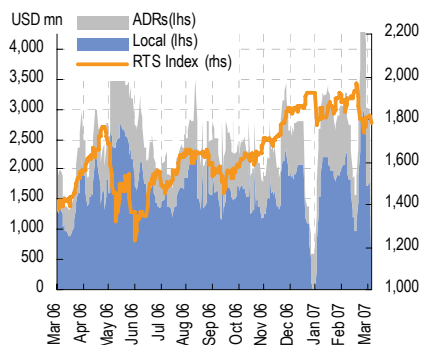
### Blue chips: advancers and decliners



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



### RTS index and weekly trading volumes



### Upcoming events

15-Mar	X5 to announce new strategy
15-Mar	State to auction 3.3% of Northwest Telecom
15-Mar	Baltika 2006 consolidated results
15-Mar	Golden Telecom 2006 U.S. GAAP results
15-Mar	Magnit trading update for February
17-Mar	Surgutneftegaz record date
21-Mar	MTS 4Q06/2006 U.S. GAAP results
21-Mar	Razgulay board meeting
27-Mar	Auction of Yukos's 9.4% stake in Rosneft
28-Mar	WBD 2006 US GAAP financials

### Market

Global equity market tremors sent Russian stocks down, with the RTS Index losing 2.1%. A bounce in the U.S. and Asia and firm oil should help beaten-up Russian shares today.

### Top news and ideas

- Novatek: Proven reserves rose 2% in 2006.** The reserve replacement ratio thus remains at 144%. These are good numbers for any oil and gas company.
- Surgutneftegaz: AGM set for May 5.** The register will close on March 17. We expect dividends to be announced in early April with an estimated dividend yield of 2.2% for commons and 4.3% for prefs.
- Volga Telecom: Posts negative 2006 RAS results on one-offs.** Negative 4Q06 and full-year EBITDA growth were related to wages, in particular lay-off costs. We view the negative 4Q06 results as a one-off and expect margin improvements going forward.
- VimpelCom: Altimo borrowed USD1.5 bn for international expansion.** The move may turn out to be positive for VimpelCom, if Altimo decides to sell it the acquired assets, as happen before.
- Golden Telecom: 4Q06 to show 3% organic growth.** We are more conservative then consensus on the 4Q06 results due today, which we expect to show organic growth of 3% q-o-q.
- Mobiles: Russian subscriber growth picked up in February.** Growth reached 0.8% m-o-m in February vs. 0.3% in January. There is a scope for upgrades for our penetration forecasts.
- Sberbank: CEO talks of strong SPO figure, share split.** Sberbank hopes to raise RUB250 bn (USD9.5 bn), implying all initial orders have been paid. The split would be a technical positive, but is nine months too late, in our view.
- Baltika: Reports strong consolidated 2006 results under IFRS.** Net income jumped 43% and margins were sharply stronger thanks to strong volume growth and a positive pricing environment.
- January trade surplus down 21.5% y-o-y to USD9.7 bn.** Despite record low annual export growth in January, the trade balance remained strong.

>>>More news on page 10

### Russian market in context

	Last Close	Performance/Trends				
		1D	1WK	1M	3M	12M
RTS Index	1,779	-2.1%	0.9%	-6.1%	-4.0%	29.2%
MSCI EM Europe Index	586	-1.8%	-0.5%	-6.8%	-7.4%	7.7%
MSCI EM Index	872	-1.9%	-1.2%	-6.7%	-2.2%	12.7%
S&P500 Index	1,387	-0.2%	-0.3%	-4.8%	-2.8%	6.5%
OIX (Oil majors) Index	620	1.2%	-0.4%	-2.7%	-7.2%	10.0%
GSCI (Commodities) index	5,557	0.3%	-3.0%	1.7%	-5.2%	-13.1%
Oil (WTI), USD/bbl	58.2	0.4%	1.0%	0.3%	-7.0%	-7.8%
Nickel, USD/ton	47,198	1.3%	8.4%	22.1%	38.2%	219.4%
Steel (HR), USD/ton	553	1.8%	1.8%	6.3%	9.4%	30.0%
LT U.S. Treasury YTM	4.8%	4.7%	4.7%	4.9%	4.8%	4.8%
EMBI-Russia spread, bp	112	114	109	115	100	112
RUB/USD	26.19	26.23	26.24	26.38	26.23	28.01

Source: Datastream, Bloomberg

## Novatek: Proven reserves rose 2% in 2006

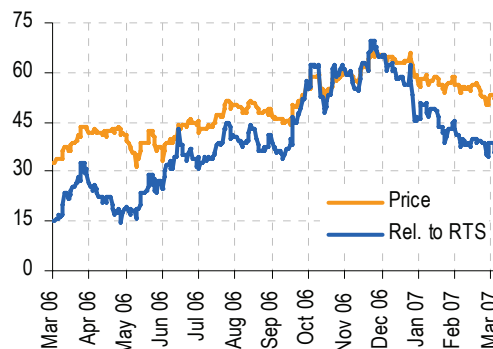
Analysts: Nadia Kazakova, CFA, Andrey Gromadin, CFA e-mail: Nadia.Kazakova@mdmbank.com

Tel: + 7 495 795 2521

Bloomberg ticker	Price, USD	FV, USD	Rating	12M High/Low	1M Perf.	3M Perf.	12M Perf.
NVTK LI Equity	51.80	7.70	Buy	66/31.5	-6.5%	-19.7%	58.9%

Financials, USD mn	2006E	2007E	2008E
Revenue	1,841	2,365	3,065
EBITDA	703	857	1,139
Net income	527	686	947
Revenue growth	55%	28%	30%
EBITDA growth	184%	22%	33%
Net income growth	169%	30%	38%
EBITDA margin	38%	36%	37%
Net margin	29%	29%	31%
EV/Revenue	8.5	6.6	5.1
EV/EBITDA	22.3	18.3	13.8
P/E	29.8	22.9	16.6
MCAP, USD mn	15,726	Com., mn	3,036
EV, USD mn	15,706	Pref., mn	
Free float	19%	Total, mn	3,036

Price performance, USD



Source: Bloomberg

Source: Bloomberg, MDM estimates

**Proven/probable reserves reported under SEC rules for 2006.** Total proven hydrocarbon reserves rose 2.0% in 2006 to 4.66 bn boe, while proven and probable reserves increased 1.2% to 7.45 bn boe. Crude oil and gas condensate reserves grew at a slightly faster pace in comparison to natural gas reserves. However, due to the smaller share of liquids, total reserves rose almost in line with natural gas reserves. Reserve data demonstrates the company succeeded in replacing production with proven reserves by 1.44 times. The reserve replacement ratio for natural gas reaches 135%, and for crude oil and gas condensate it equals 233%.

**Positive numbers for the company.** Based on this information, we can conclude the main factor behind growth in proven reserves is the transference of reserves from the probable to the proven category. At the same time, probable reserves remained almost unchanged, even showing a slight decline. In any case, we believe the published reserve numbers are positive for the company, as they demonstrate moderate growth in total reserves and a reserve replacement ratio considerably above 100%. Moreover we think the reserve life of 22.5 years is very comfortable, although company needs to more intensively develop its reserve base, taking into account a planned increase in natural gas production to 45 bcm by 2010, up from 29 bcm in 2006.

**We reiterate our Buy recommendation for Novatek shares.** Our target price is USD7.7, offering 48.6% upside from current levels. We believe Novatek could be one of the main beneficiaries of domestic natural gas market liberalization and see hidden upside potential from undeveloped gas resources.

### Novatek reserve data under SEC rules

Natural gas, bcm	2004	2005	2006	y-o-y	Reserve replacement ratio	Reserve life
Proven	585	641	651	1.6%	135%	22.6
Probable	338	365	364	-0.3%		
Proven and probable	923	1,006	1,015	0.9%		
Oil and gas condensate, mn tons						
Proven	43	46	50	7.5%	233%	19.1
Probable	54	49	50	2.7%		
Proven and probable	97	95	100	5.0%		
Total, mn boe						
Proven	4,178	4,573	4,664	2.0%	144%	22.5
Probable	2,643	2,785	2,781	-0.2%		
Proven and probable	6,821	7,358	7,445	1.2%		

Source: Company data, MDM estimates

## Surgutneftegaz: AGM set for May 5

Analysts: Nadia Kazakova, CFA, Andrey Gromadin, CFA e-mail: Nadia.Kazakova@mdmbank.com

Tel: + 7 495 795 2521

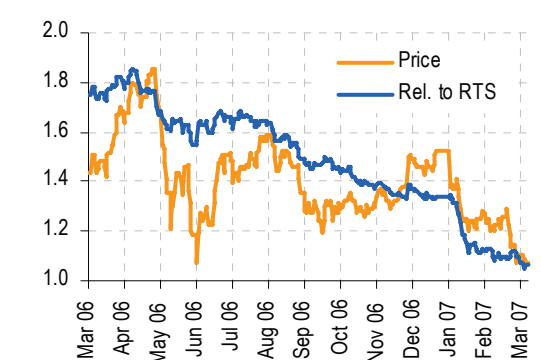
Bloomberg ticker	Price, USD	FV, USD	Rating	12M High/Low	1M Perf.	3M Perf.	12M Perf.
SNGS RM Equity	1.07	1.50	Buy	1.85/1.07	-11.5%	-27.6%	-29.9%
SNGSP RM Equity	0.76	1.25	Buy	1.4/0.73	-11.4%	-27.0%	-41.0%

Financials, USD mn	2006E	2007E	2008E
Revenue	26,977	25,137	25,157
EBITDA	7,663	6,875	7,161
Net income	4,418	3,556	3,715
Revenue growth	59%	-7%	0%
EBITDA growth	34%	-10%	4%
Net income growth	32%	-20%	4%
EBITDA margin	28%	27%	28%
Net margin	16%	14%	15%
EV/Revenue	1.1	1.2	1.2
EV/EBITDA	3.9	4.4	4.2
P/E	10.0	12.4	11.8
MCAP, USD mn	44,001	Com., mn	35,726
EV, USD mn	30,129	Pref., mn	7,702
Free float	24%	Total, mn	43,428

Price performance, USD	
Price	Rel. to RTS



Source: Bloomberg

Source: Bloomberg, MDM estimates

**Shareholders to gather in May.** SurgutNG will hold its annual shareholders meeting, which will approve a new board of directors, annual financials and dividends, on May 5. The company's board is expected to meet around April 2-5 (20-30 days before the AGM) to decide on dividends for preferred and ordinary shares. The shareholders' register will close on March 17. Effectively, the stock will trade ex-dividend from March 19. Please note for ADR shareholders the register will close on the date of dividend announcement in April.

**Dividends are expected to decline on weaker RAS profits.** We estimate the company might pay RUB0.63 (USD0.024) per ordinary share and RUB0.84 (USD0.032) per preferred share, a 14% decline y-o-y. The resulting dividend yield would be 2.2% on ordinary shares and 4.3% on prefs. Any improvement over a payout ratio of 32% would be positive surprise for the market.

### SurgutNG dividend payments, 2004-06E

	2004	2005	2006E
Net income (RAS), RUB mn	69,600	114,479	91,442
Net income (RAS), USD mn	2,416	4,047	3,497
Ordinary dividend, RUB	0.40	0.80	0.63
Ordinary dividend, USD **	0.014	0.028	0.024
Preferred dividend, RUB	0.607	1.05	0.84
Preferred dividend, USD **	0.021	0.037	0.032
Dividend yield (common), %	1.30%	2.64%	2.24%
Dividend yield (pref), %	2.78%	4.90%	4.25%
No of ordinary shares, mn	35,726	35,726	35,726
No of pref shares, mn	7,702	7,702	7,702
Payout ratio, %	27%	32%	32%
Share price (USD/share)			
common	1.07	1.07	1.07
pref	0.76	0.76	0.76
** = FX rate	28.80	28.29	26.15

Source: SurgutNG, MDM estimates

## Volga Telecom: Posts negative 2006 RAS results on one-offs

Analysts: Elena Bazhenova, Ekaterina Generalova e-mail: Elena.Bazhenova@mdmbank.com

Tel: + 7 495 795 2521

Bloomberg ticker	Price, USD	FV, USD	Rating	12M High/Low	1M Perf.	3M Perf.	12M Perf.
NNSI RU Equity	5.75	6.31	Buy	6.6/2.85	-11.5%	20.0%	41.6%
NNSIP RU Equity	3.80	5.68	Buy	4.35/2.75	-7.1%	-3.3%	0.4%
Financials, USD mn		2006E	2007E	2008E	Price performance, USD		
Revenue	938	1,095	1,211				
EBITDA	360	419	473				
Net income	119	133	160				
Revenue growth	9%	17%	11%				
EBITDA growth	17%	16%	13%				
Net income growth	11%	12%	20%				
EBITDA margin	38%	38%	39%				
Net margin	13%	12%	13%				
EV/Revenue	2.4	2.0	1.9				
EV/EBITDA	6.2	5.4	4.7				
P/E	14.5	13.0	10.8				
MCAP, USD mn	1,726	Com., mn	246				
EV, USD mn	2,243	Pref., mn	82				
Free float	62%	Total, mn	328				

Source: Bloomberg, MDM estimates

Source: Bloomberg

**Preliminary RAS headline in line.** Volga Telecom yesterday reported that 2006 revenues rose 6% y-o-y in dollar terms under RAS to USD797 mn, in line with our expectations. The company consolidates only a small part of its cellular business under RAS, and if we add in our forecast for the remaining cellular business, the figure would be in line with our IFRS-based FY06 revenue forecast of USD938 mn.

**Operating income declined.** Volga Telecom was the third regional operator, after Southern Telecom and Sibirtelecom, to report negative quarterly EBITDA and operating income dynamics for 4Q06. EBITDA fell 19% q-o-q, taking the full-year figure down 8% y-o-y to USD280 mn. As a result, EBITDA margin was slashed by 5 pp y-o-y, though it remained one of the highest in the sector at 35%. Operating income was down 58% q-o-q in 4Q06 and 18% y-o-y for the full year as a result of 56% q-o-q growth in ruble terms of wage expenses in 4Q06, which we believe is related to staff-cutting (19% over 2006), in particular redundancy payments similar to those seen in Sibirtelecom's results. We believe the redundancy payments will have a one-off effect on 2006 margins and we see scope for margin recovery in 2007.

**4Q06 net income reduced by one-offs.** The company reported net income of just USD0.16 mn in 4Q06, which we attribute to one-offs, as described above. For full-year 2006, Volga Telecom's net income was up 11% y-o-y to USD89 mn, which is 25% less than what we expected. The implied dividends of USD0.0598 per common and USD0.1082 per preferred shares gives dividend yields of 1% for the commons and 2.8% for the prefs.

**Impact on IFRS forecasts may be negative.** While our revenue forecasts remain intact, we may revise our 2006 IFRS earnings forecasts. However the impact on our FV should be relatively minor and we reiterate our Buy recommendation on the shares

### Volga Telecom 4Q/2006 RAS results, USD mn

	3Q06	4Q06	q-o-q change	2006	y-o-y change
Revenue	208	223	7%	797	6%
Costs	153	200	31%	623	15%
EBITDA	74	60	-19%	280	-8%
Operating income	56	24	-58%	174	-18%
Net income	35	0.16	-100%	89	11%
EBITDA margin	35%	27%	-8pp	35%	-5pp
Net margin	17%	0.1%	-16.9pp	11%	0pp

Source: Company data, MDM estimates

## VimpelCom: Altimo borrows USD1.5 bn for international expansion

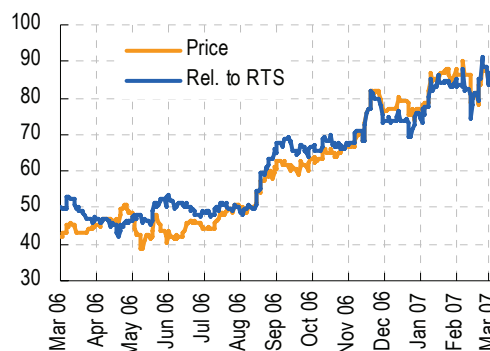
Analysts: Elena Bazhenova, Ekaterina Generalova e-mail: Elena.Bazhenova@mdmbank.com

Tel: + 7 495 795 2521

Bloomberg ticker	Price, USD	FV, USD	Rating	12M High/Low	1M Perf.	3M Perf.	12M Perf.
VIP US Equity	85.63	81.40	Buy	90.18/38.59	-0.5%	11.9%	103.2%

Financials, USD mn	2006E	2007E	2008E
Revenue	4,715	5,453	6,008
EBITDA	2,302	2,672	2,940
Net income	894	1,180	1,374
Revenue growth	47%	16%	10%
EBITDA growth	47%	16%	10%
Net income growth	45%	32%	16%
EBITDA margin	49%	49%	49%
Net margin	19%	22%	23%
EV/Revenue	4.0	3.4	3.1
EV/EBITDA	8.2	7.0	6.4
P/E	19.6	14.9	12.8
MCAP, USD mn	17,564	ADRs, mn	205
EV, USD mn	18,767		
Free float	38%	Total, mn	205

Price performance, USD



Source: Bloomberg

Source: Bloomberg, MDM estimates

**Altimo borrows from Deutsche Bank.** Altimo said it has borrowed USD1.5 bn under a two-year loan agreement with Deutsche Bank to expand into countries with higher growth rates than Russia and Ukraine. Altimo previously stated on several occasions that it has targeted developing markets such as India, Indonesia and Vietnam.

**Move may turn positive for VimpelCom.** We believe this development could be positive for VimpelCom's shares, as Altimo previously acquired telecom assets (in Kazakhstan, Uzbekistan and Ukraine) and sold them on to VimpelCom in value-accretive deals for the latter. Exposure to the fast-growing Indian, Indonesian or Vietnamese markets would be a strategic positive for VimpelCom.

**Buying spree may continue.** We doubt Altimo will spend all of the loan funds on buying VimpelCom stock on the open market, although it may still continue to do so, which would support the shares. Altimo now has a reported 40% stake in VimpelCom after buying shares on the market. Altimo claims this gives it "structural control" over VimpelCom and a majority on the nine-seat board. However, under an agreement between Telenor and Altimo, a 44% stake would give one party a board majority, which suggests Altimo may indeed make further purchases on the market.

## Golden Telecom: 4Q06 to show 3% organic growth

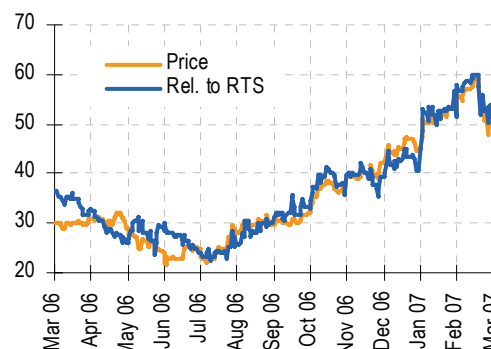
Analysts: Elena Bazhenova, Ekaterina Generalova e-mail: Elena.Bazhenova@mdmbank.com

Tel: + 7 495 795 2521

Bloomberg ticker	Price, USD	FV, USD	Rating	12M High/Low	1M Perf.	3M Perf.	12M Perf.
GLDN US Equity	50.19	48.00	Buy	59.05/21.73	-12.2%	14.0%	67.0%

Financials, USD mn	2006E	2007E	2008E
Revenue	828	1,094	1,352
EBITDA	232	295	352
Net income	88	124	170
Revenue growth	26%	32%	24%
EBITDA growth	13%	27%	19%
Net income growth	19%	41%	37%
EBITDA margin	28%	27%	26%
Net margin	11%	11%	13%
EV/Revenue	2.2	1.7	1.3
EV/EBITDA	7.8	6.1	5.1
P/E	20.9	14.8	10.8
MCAP, USD mn	1,839	ADRs, mn	37
EV, USD mn	1,811		
Free float	36%	Total, mn	37

### Price performance, USD



Source: Bloomberg

Source: Bloomberg, MDM estimates

**We are less optimistic vs. consensus.** Golden Telecom is scheduled to post 4Q06 and FY06 U.S. GAAP results later today. Overall we are more conservative than consensus. We project a 2% q-o-q fall in revenues to USD224 mn vs. Bloomberg consensus expectations of a 4% increase. Adjusted for one-offs in 3Q06, we forecast 3% organic growth in 4Q06 vs. 4% q-o-q in 3Q06. For the full year we anticipate revenue growth of 24% to USD828 mn, supported by one-offs such as the new interconnect regime, the introduction of CPP, the switch to ruble pricing and regional acquisitions.

**Margins to remain under pressure.** We expect EBITDA margin to decline by 1 pp q-o-q to 27% in 4Q06 and by 2 pp y-o-y to 28% for the full year. Efficiency was dented in 3Q06 by CPP and incremental expenses related to new projects (Wi-Fi, long distance services and FMC in Ukraine). We anticipate a similar expense pattern in 4Q06. We forecast net margin will fall 0.7 pp q-o-q to 10% in 4Q06 and by 0.8 pp y-o-y to 10.7% in 2006, reflecting the deterioration in EBITDA margin performance. However, there may be a non-operating one-off in 4Q06 related to the company's management option program.

**Good results for 2006 priced in – what next?** At a 2007E P/E of 14.8 and EV/EBITDA of 6.1 the company is traded in line with other fixed-line Russian telecoms. However, any further details on the progress of the company's new projects (including Corbina, WiFi and long distance) and additional growth potential from these projects should support further stock growth and valuation upgrades.

### Golden Telecom 4Q06/2006 US GAAP preview, USD mn

	2Q06	3Q06	4Q06 MDM est.	% change, q-o-q	4Q06E consensus	4Q06E MDM vs. consensus	2005	2006-MDM	% change, y-o-y	2006E consensus	2006 MDM vs. consensus
Revenues	197	229	224	-2%	237	-5%	667	828	24%	841	-2%
EBITDA	58	63	60.5	-4%	64.5	-6%	200	232	16%	236	-2%
Net income	23	24	22	-8%	24.7	-11%	76	88	16%	90	-2%
EBITDA margin	29%	28%	27%	-0.6 pp	27%	0 pp	30%	28%	-1.9 pp	28%	0 pp
Net margin	11.7%	10.5%	9.8%	-0.7 pp	10%	-0.2 pp	11.4%	10.6%	-0.8 pp	10.7%	-0.1 pp

Source: Company data, Bloomberg, MDM estimates

## Mobiles: Russian subscriber growth picked up in February

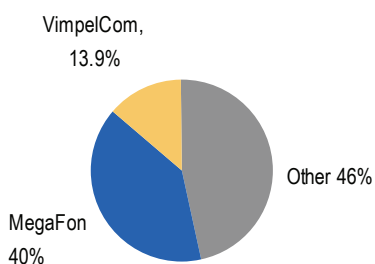
Analysts: Elena Bazhenova, Ekaterina Generalova, e-mail: Elena.Bazhenova@mdmbank.com

**Growth up to 0.8%.** Russian mobile market subscriber growth rose to 0.8% m-o-m in February vs. 0.3% in the previous month, research firm ACM-Consulting said yesterday. For the second consecutive month MTS posted close to zero net adds in the regions as it was cleaning up non-active subscribers from its books. Market share remained stable, with 33% for MTS, 31% for VimpelCom, 20% for MegaFon and 16% for other operators.

**Ukrainian market growth slightly above Russia's.** The Ukrainian market grew slightly faster (0.9%) than the Russian and reached a penetration rate of 107.7% vs. 105.7% for Russia. Notably, MTS's Ukrainian subsidiary Kyivstar also showed close to zero net adds, for the same reason as the parent company.

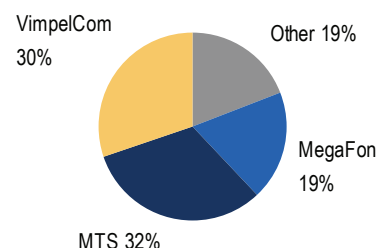
**Growth continuation demands penetration forecast upgrade.** Surprisingly, despite nominal penetration of 106%, the Russian mobile market continues to expand by almost 1% per month, which in our view serves to confirm MTS's recent guidance of 116% nominal penetration by end-2007. MTS also said it expects real penetration of 70% by end-2007 and a market saturation point at 80-85%. This guidance, which looks credible to us, warrants an upgrade to our valuations as we forecast a more conservative end-2007 penetration rate of 108%. We are currently reviewing our target prices for the mobile operators but in the meantime we maintain our Buy recommendations for both.

Russia: Share of net subscriber adds, February 2007



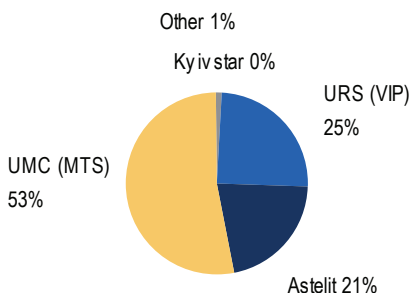
Source: ACM-Consulting

Russia: Market share, February 2007



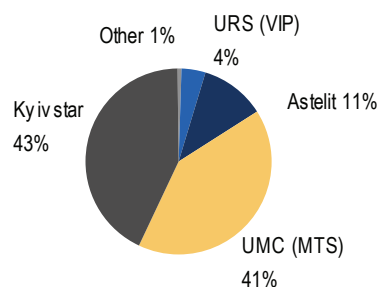
Source: ACM-Consulting

Ukraine: Share of net subscriber adds, February 2007



Source: ACM-Consulting

Ukraine: Market share, February 2007



Source: ACM-Consulting

## Sberbank: CEO talks of strong SPO figure, share split

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Bloomberg ticker	Price, USD	FV, USD	Rating	12M High/Low	1M Perf.	3M Perf.	12M Perf.
SBER RU Equity	3455.00	3631.00	Hold	3780/1370	-3.4%	16.7%	145.9%
SBERP RU Equity	51.50	65.36	Buy	60/21.5	-9.6%	7.7%	106.0%
Financials, USD mn	2006E	2007E	2008E	Price performance, USD			
Gross revenue	10,282	12,990	15,700				
Net income	2,924	3,827	4,548				
BV of equity	11,800	23,137	27,362				
Revenue growth	31%	26%	21%				
Net income growth	26%	31%	19%				
BV growth	47%	96%	18%				
Net interest margin	8.2%	7.9%	7.3%				
Net margin	28%	29%	29%				
ROE	28%	18%	18%				
P/E	23.3	17.8	15.0				
P/BV	5.8	2.9	2.5				
Mcap, USD mn	68,220	Com., mn	19				
EV, USD mn	68,220	Pref., mn	50				
Free float	39%	Total (adj), mn	20				

Source: Bloomberg, MDM estimates

Source: Bloomberg

**Kazmin talks about plans for a share split this year.** This should be approved by shareholders, but given state control the measure has likely been “pre-agreed” and will certainly pass. The move should help improve retail participation and is thus a technical positive but is nine months too late, in our view. The CEO discussed this idea before so the split is not news to the market.

**CEO expects SPO to fetch RUB250 bn (USD9.5 bn).** The figure is in line with the initial order book and in essence assumes no cancellations, which appears a bit optimistic. Still, whether the final sum is somewhat lower should not have a material difference on fundamentals – in any case, Sberbank will be overcapitalized for some years to come. In a way, we are glad that Sberbank can raise the targeted amount (RUB200 bn +) by issuing fewer shares. Kazmin also said the share of non-residents in the bank’s capital would increase to 21.8% from 20%, which is not surprising, as the CBR (with 64% of common shares pre-SPO) took only 25% of its rights. By our estimates, the rights take-up figure among other shareholders was less than 60%.

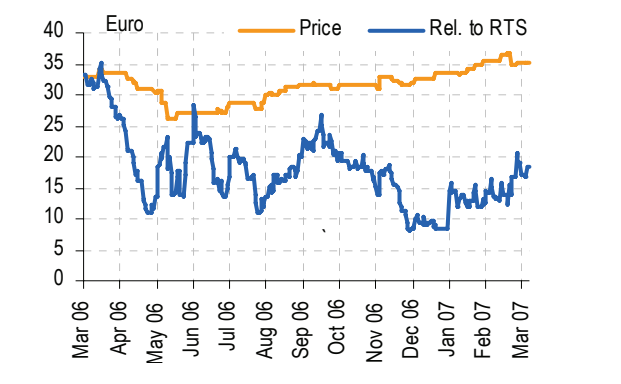
**Jan-Feb 2007 net income is RUB14 bn.** The figure given by Kazmin is in line with the monthly “run-rate” for 2006 (based on a 2006 RAS figure of RUB89 bn). 2M pre-tax profit was RUB17.7 bn compared to RUB13.6 bn in January, implying a sharp m-o-m decline. However, Sberbank was unable to confirm the figures and we would downplay the news.

**Bottom line: beware of technical headwind.** Small positives are duly noted and we believe the shares should be viewed as a good value on a 12M horizon. Nevertheless, our concern is that the level of participation among portfolio investors is low – flagging poor support for the shares in the months to come. The technical negatives from the overhang and an IPO by VTB will remain in place until 3Q07. Although there is a scope for upgrades to our estimates and FV, we reiterate our Hold recommendation for now.

## Baltika: Reports strong consolidated 2006 results under IFRS

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Bloomberg ticker	Price, USD	FV, USD	Rating	12M High/Low	1M Perf.	3M Perf.	12M Perf.
PKBAP RU Equity	35.14	n/a	Not Rated	36.65/26.14	-1.1%	7.0%	16.5%
PKBAP RU Equity	22.92	n/a	Not Rated	27.76/20.87	n/a	n/a	n/a
Financials, USD mn	2006E	2007E	2008E	Price performance, USD			
Revenue	1,457	2,208	2,582				
EBITDA	486	626	751				
Net income	275	442	531				
Revenue growth	25%	52%	17%				
EBITDA growth	33%	29%	20%				
Net income growth	29%	60%	20%				
EBITDA margin	33%	28%	29%				
Net margin	19%	20%	21%				
EV/Revenue	2.8	1.9	1.6				
EV/EBITDA	8.4	6.5	5.4				
P/E	14.4	9.0	7.5				
MCAP, USD mn	3,965	Com., mn	159				
EV, USD mn	4,091	Pref., mn	14				
Free float	27%	Total, mn	173				

Source: Datastream, IBES consensus

Source: Bloomberg

**First consolidated full-year results.** Baltika Group yesterday reported consolidated full-year results for the first time for all of its 10 production plants, including the Pikra, Vena and Yarpivo breweries, which had previously been consolidated by BBH, Baltika's majority shareholder. Revenues rose 20.8% to EUR1.74 bn, EBITDA increased 37.4% to EUR556 mn, and net income grew 43.4% to EUR338 mn. Beer volumes rose by 10.6% to 36.6 mn hl vs. an overall market increase of 10%. This was mostly due to a very strong 2H06, which resulted from an exceptionally warm winter in 2006 and a shortage of wine and spirits following the botched introduction of new alcohol excise duties, which benefited domestic beer producers. Baltika Group's market share remained almost flat y-o-y at 36.4%. Average prices rose by 5.9% compared with 2005, indicating a strong pricing environment.

**Improvement in margins across the board.** Margin improvement came on the back of increased operating efficiencies thanks to the integration of the BBH assets. According to management, integrated operations allowed synergies on logistics of USD80 mn (USD20 mn of which were booked in 2005). As a result, EBITA margin rose 3.9 pp during the period, with lower per unit COGS in part compensating for an increase in promotional expenses. Baltika Group reported a slight increase of 0.1 pp in SG&A as a percentage of sales over 2006, compared with 2005. Nevertheless, Baltika Group boasts of one of the highest EBITDA margins among peers (32% in 2006 vs. an emerging markets average of 25.1% and a developed markets average of 20.7%), and the highest net margin by far at 19.5% (vs. 10.9% and 8.5% for emerging and developed market peers, respectively).

### Baltika Group 2006 IFRS results, EUR mn

	2006	2005	% change
Net revenue	1739	1440	20.8%
Gross profit	932	723	29.0%
EBITDA	556	405	37.4%
Net profit	338	236	43.4%
Gross margin	53.6%	50.2%	3.4 pp
EBITDA margin	32.0%	28.1%	3.9 pp
Net margin	19.5%	16.4%	3.1 pp

Source: Company data

## January trade surplus down 21.5% y-o-y to USD9.7 bn

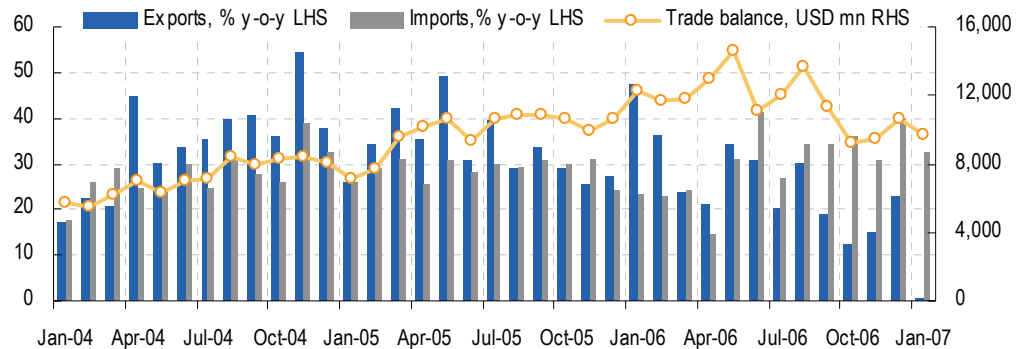
Analysts: Peter Westin, Irina Plevako, e-mail: Peter.Westin@mdmbank.com

**Exports annual growth was record low in January.** Russia's trade surplus declined to USD9.7 bn in January, from USD12.4 bn in January 2006 (down 21.5% y-o-y), the Central Bank reported yesterday. Exports were up 0.5% y-o-y to USD21 bn in the month, while imports rose 32.3% y-o-y to USD11.4 bn.

**Growth of imports continues to expand.** Exports to CIS countries increased by 3.7% y-o-y to USD2.9 bn in January, while imports from the CIS rose 31% y-o-y to USD2 bn. As for trade with non-CIS countries, exports amounted to USD18.2 bn, flat y-o-y, while imports amounted to USD9.4 bn, up 32.6%.

**Trade balance remains strong.** The graph below shows that the trade balance has been on a descending trend since May 2006. January marked an interesting phenomenon of almost zero growth of exports, most likely on the back of a much weaker average oil price (USD50.5/bbl in January vs. USD59.7/bbl in January 2006). Adding to this was a seasonal drop in exports from January to December. Imports continue to grow faster than exports, solidifying the downward trade balance trend. Still, despite these converging trends, Russia's trade surplus remains strong, underpinned by favorable price conditions for commodity exports. Import growth continues to be driven by solid growth in domestic demand and the strong ruble.

Record low export growth in January 2007 was a surprise



Source: Central Bank

## News Briefs

- **Gold producer Visochayshiy may make another attempt to place its shares on the market in 2Q07.** With previous valuation guidance of USD428-515 mn and stagnating gold prices, it could be a tough sell.
- **Comstar said it has sold its 45% stake in St. Petersburg altnet Metrocom for USD20 mn** after failing to obtain control. The price was above the USD12 mn paid for the asset in 2005.
- **The Economy Ministry forecasts transport tariffs for independent gas producers** will increase 10% in 2008, 11% in 2009, and 11% in 2010. The estimates are below our forecasts of 19%, 15% and 12%, a positive for independents.

Stock performance summary								
Company name	Last price, USD	1D	1WK	1M	3M	12M	YTD	12M High/Low
<b>Oil and gas</b>								
Gazprom	9.68	-2.6%	1.6%	-9.4%	-16.6%	21.8%	-15.8%	12.8/7.94
Novatek	51.80	-0.4%	3.0%	-6.5%	-19.7%	58.9%	-18.4%	66/31.5
Rosneft	7.86	-3.9%	1.7%	-9.3%	-17.5%	n/a	-15.8%	9.47/7.37
Lukoil	77.05	-3.0%	1.1%	-4.1%	-14.1%	-7.4%	-11.8%	95.23/63.01
TNK-BP Holding	2.14	-2.7%	-0.5%	-1.6%	-13.9%	-28.8%	-17.7%	3.47/2.09
Surgutneftegaz	1.07	-2.1%	-1.1%	-11.5%	-27.6%	-29.9%	-30.5%	1.85/1.07
Gazprom Neft	3.82	-1.7%	-0.3%	-14.0%	-12.3%	-18.0%	-16.7%	5.5/3.59
Tatneft	4.05	-5.6%	1.9%	-5.2%	-15.8%	-28.7%	-13.3%	6.07/3.5
Bashneft	13.30	0.0%	-3.3%	-12.5%	-20.6%	-20.4%	-16.9%	18.5/11.77
Transneft pref	2,011.52	-3.2%	-1.8%	-15.2%	-14.8%	-14.8%	-12.3%	2523.42/1669.71
Ritek	9.00	0.0%	0.0%	-6.3%	-19.6%	0.0%	-19.6%	11.2/8
<b>Telecoms and technology</b>								
MTS	50.96	3.6%	2.4%	-6.1%	4.4%	39.4%	1.5%	56.97/26.22
AFK Sistema	26.70	-2.6%	-2.2%	-12.0%	-8.2%	11.0%	-16.6%	32.9/18.1
VimpelCom	85.63	2.0%	2.2%	-0.5%	11.9%	103.2%	8.5%	90.18/38.59
Comstar	8.38	-2.0%	-0.2%	-4.8%	5.8%	n/a	-0.2%	9.7/4.9
Rostelecom	8.26	-2.1%	5.5%	0.6%	17.2%	131.3%	8.7%	8.44/3.02
Golden Telecom	50.19	0.5%	1.9%	-12.2%	14.0%	67.0%	7.2%	59.05/21.73
MGTS	24.68	0.6%	1.9%	-2.5%	5.1%	17.2%	-0.8%	27.23/16.64
Uralsvyazinform	0.06	-3.9%	3.8%	-12.7%	0.9%	37.8%	-7.1%	0.07/0.03
Volga Telecom	5.75	-1.7%	15.0%	-11.5%	20.0%	41.6%	-5.0%	6.6/2.85
Sibirtelecom	0.11	-5.2%	6.8%	-4.3%	9.5%	33.5%	-2.2%	0.12/0.06
NorthWest Telecom	1.51	-2.7%	4.8%	-5.1%	-0.5%	21.9%	-5.9%	1.61/0.78
Center Telecom	0.77	-0.6%	2.8%	6.2%	10.0%	19.4%	2.7%	0.78/0.4
Southern Telecom	0.18	0.0%	0.0%	3.2%	18.7%	12.7%	-1.1%	0.18/0.1
Dalsvyaz	3.90	-2.0%	5.4%	-3.0%	8.3%	18.2%	-6.3%	4.3/2.5
Bashinformsvyaz	0.20	0.0%	0.0%	-13.2%	3.4%	-7.8%	-14.1%	0.23/0.16
RBC	10.07	-4.3%	-6.1%	-17.0%	-8.8%	22.9%	-12.2%	12.1/6.57
CTC Media	25.16	1.0%	13.2%	25.7%	16.5%	n/a	4.8%	27.25/14
Rambler Media	46.57	1.6%	9.6%	-1.2%	41.3%	114.1%	38.0%	47.5/21.63
<b>Utilities</b>								
UES	1.19	-4.4%	8.8%	-4.3%	18.4%	85.2%	9.7%	1.29/0.54
OGK-2	0.16	-5.1%	0.0%	-4.9%	19.7%	n/a	13.0%	0.17/0.09
OGK-3	0.15	-7.8%	10.7%	5.9%	28.2%	n/a	22.4%	0.16/0.07
OGK-4	0.10	-7.7%	12.8%	-0.5%	n/a	n/a	26.9%	0.12/0.05
OGK 5	0.13	-3.1%	4.6%	-5.5%	-3.2%	73.5%	4.8%	0.14/0.07
OGK-6	0.15	-5.4%	6.0%	-3.9%	37.7%	n/a	37.7%	0.17/0.08
<b>Metals and mining</b>								
Norilsk Nickel	167.50	-3.5%	1.4%	-7.5%	8.0%	96.6%	6.7%	189/85.2
Polyus Gold	48.80	0.0%	6.1%	-9.0%	-0.4%	n/a	-1.0%	67.5/37.5
Severstal	12.50	-1.2%	3.3%	-5.3%	13.1%	-3.5%	11.6%	14/10
Evraz Group	32.70	-0.6%	9.0%	1.2%	32.4%	43.1%	27.3%	35.1/20.5
Mechel	30.00	1.1%	-0.4%	-2.1%	15.7%	19.2%	17.7%	33.8/19.01
NLMK	26.55	-3.3%	7.9%	2.9%	15.8%	42.0%	14.2%	29.46/18
MMK	0.95	-0.8%	0.5%	1.6%	19.6%	34.0%	8.6%	1.07/0.65
TMK	31.60	-2.0%	2.3%	-7.9%	-0.6%	n/a	-9.7%	38/21.6
VSMPO	300.00	-0.7%	3.1%	-1.0%	11.5%	52.3%	2.4%	330/170
<b>Industrials, consumer, banks</b>								
Sberbank	3,455.00	-1.7%	-0.7%	-3.4%	16.7%	145.9%	0.1%	3780/1370
Rosbank	6.13	-1.6%	2.6%	-10.4%	3.1%	n/a	-15.8%	7.54/3.84
X5	28.50	-3.7%	8.7%	2.7%	12.9%	73.8%	9.6%	29.9/14.5
Seventh Continent	27.25	-1.4%	13.1%	3.2%	6.4%	9.0%	2.1%	28.3/17.5
Magnit	39.60	-1.7%	4.2%	-2.8%	16.5%	n/a	10.9%	41.9/20.15
Wimm-Bill-Dann	65.63	-0.5%	5.3%	5.6%	15.1%	142.2%	-1.4%	69.1/26
Lebedyansky	78.25	-0.8%	-1.6%	-2.8%	-3.1%	8.8%	-2.2%	81.3/45
Baltika (euro)	35.14	0.0%	0.0%	-1.1%	7.0%	16.5%	4.0%	36.65/26.14
Razgulay	4.02	0.0%	0.5%	-3.6%	2.0%	-21.9%	0.5%	6.35/3.5
Severstal Auto	30.50	0.0%	3.4%	-5.7%	8.9%	28.4%	0.8%	33.8/17.75
AvtoVaz	95.00	7.3%	18.8%	18.8%	41.4%	55.7%	39.7%	95/35
Veropharm	37.50	0.0%	0.0%	-0.8%	27.6%	n/a	18.1%	39.85/23.5
Apteka 36.6	60.00	0.0%	0.0%	2.6%	7.1%	78.6%	3.0%	63/30
Kalina	46.00	0.0%	4.5%	-0.5%	-5.2%	-11.5%	-10.7%	52.75/34.5
Oriflame (euro)	28.00	0.0%	-2.3%	-7.6%	-6.5%	-2.4%	-7.8%	32.44/22.73
<b>RTS Index</b>	<b>1,779.10</b>	<b>-2.1%</b>	<b>0.9%</b>	<b>-6.1%</b>	<b>-4.0%</b>	<b>29.2%</b>	<b>-7.4%</b>	<b>1970.77/1234.82</b>

Source: Bloomberg

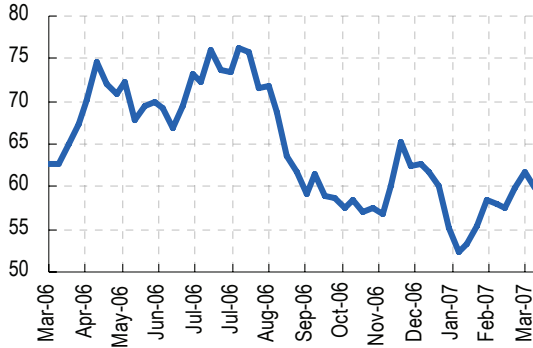
Stock valuation summary											
Company name	MCAP,		P/E			EV/EBITDA			EV/Revenue		
	USD mn	2006E	2007E	2008E	2006E	2007E	2008E	2006E	2007E	2008E	
<b>Oil and gas</b>											
Gazprom	220,210	10.8	10.4	10.8	8.1	7.4	7.5	12.5	3.1	3.0	
Novatek	15,726	29.8	22.9	16.6	22.3	18.3	13.8	29.8	6.6	5.1	
Lukoil	65,573	8.0	8.8	9.2	5.4	5.9	6.0	8.6	1.1	1.1	
Rosneft	83,306	21.7	26.3	29.2	12.0	14.1	15.0	24.4	2.8	2.8	
TNK-BP Holding	33,833	4.6	9.1	11.4	4.8	6.3	7.4	5.5	1.4	1.5	
Surgutneftegaz	44,001	10.0	12.4	11.8	3.9	4.4	4.2	6.8	1.2	1.2	
Gazprom Neft	18,126	5.3	5.5	6.8	4.5	4.6	5.4	6.6	1.2	1.2	
Tatneft	9,198	7.0	6.9	7.7	3.6	4.0	4.6	6.1	0.7	0.8	
Bashneft	2,261	4.6	4.0	4.7	2.4	2.2	2.5	3.9	0.7	0.7	
Transneft pref	14,514	6.0	5.0	4.5	4.0	3.3	2.9	6.6	1.8	1.6	
Ritek	898	8.3	8.1	8.6	4.8	4.5	4.6	9.5	1.0	1.0	
<b>Aggregate - oil and gas</b>	<b>507,646</b>	<b>10.6</b>	<b>10.9</b>	<b>11.0</b>	<b>6.9</b>	<b>6.8</b>	<b>6.7</b>	<b>10.9</b>	<b>2.0</b>	<b>1.8</b>	
<b>Utilities</b>											
UES	48,635	41.6	27.7	22.5	10.4	8.1	7.0	1.9	1.7	1.5	
Mosenergo	6,784	n/a	n/a	1596.3	28.5	18.7	16.9	3.1	2.7	2.5	
OGK-2	3,943	96.6	53.7	20.8	31.1	21.8	13.2	4.2	3.5	2.8	
OGK-3	4,423	n/a	85.7	48.7	43.3	33.9	23.2	6.0	5.1	4.2	
OGK-4	4,987	n/a	69.8	26.6	39.1	28.5	16.9	5.5	4.6	3.8	
OGK 5	3,184	50.7	35.3	21.7	21.4	15.7	12.0	3.2	2.7	2.3	
OGK-6	3,902	59.2	45.3	29.8	24.2	19.3	15.7	4.1	3.5	3.0	
<b>Aggregate - utilities</b>	<b>75,857</b>	<b>23.9</b>	<b>25.9</b>	<b>110.1</b>	<b>14.7</b>	<b>11.9</b>	<b>9.7</b>	<b>6.9</b>	<b>2.2</b>	<b>2.0</b>	
<b>Telecoms and technology</b>											
MTS	20,316	13.7	11.9	11.1	7.1	6.5	6.1	3.6	3.3	3.1	
AFK Sistema	12,883	15.7	13.4	12.3	6.5	5.6	5.6	2.7	2.4	2.2	
VimpelCom	17,564	19.6	14.9	12.8	8.2	7.0	6.4	4.0	3.4	3.1	
<b>Aggregate - mobile telecoms</b>	<b>50,763</b>	<b>16.3</b>	<b>13.4</b>	<b>12.1</b>	<b>7.2</b>	<b>6.4</b>	<b>6.0</b>	<b>3.4</b>	<b>3.0</b>	<b>2.8</b>	
Comstar	3,502	20.1	12.5	10.8	9.8	7.9	7.0	3.9	3.3	2.9	
Rostelecom	6,763	64.4	31.5	27.6	16.1	11.2	10.0	3.1	2.9	2.7	
Golden Telecom	1,839	n/a	14.8	10.8	7.8	6.1	5.1	2.2	1.7	1.3	
MGTS	2,331	13.4	9.9	9.4	8.4	6.3	5.9	3.5	2.8	2.7	
Uralsvyazinform	2,276	22.3	16.6	12.8	7.6	6.3	5.5	2.6	2.3	2.1	
Volga Telecom	1,726	14.5	13.0	10.8	6.2	5.4	4.7	2.4	2.0	1.9	
Sibirtelecom	1,626	13.3	9.5	8.1	7.3	5.8	5.1	2.2	1.8	1.7	
NorthWest Telecom	1,590	20.9	13.5	12.9	7.4	5.5	5.1	2.6	2.1	1.9	
Center Telecom	1,494	39.3	21.3	14.2	6.4	5.3	4.7	2.2	1.8	1.7	
Southern Telecom	653	20.4	16.3	14.5	6.9	6.0	5.5	2.3	2.0	1.9	
Dalsvyaz	504	12.6	10.5	7.2	5.2	4.3	3.4	1.8	1.4	1.2	
Bashinformsvyaz	192	33.2	25.1	19.9	5.2	4.8	4.4	1.4	1.3	1.2	
<b>Aggregate - fixed line telecoms</b>	<b>24,496</b>	<b>25.0</b>	<b>16.2</b>	<b>13.3</b>	<b>7.9</b>	<b>6.2</b>	<b>5.5</b>	<b>2.5</b>	<b>2.1</b>	<b>1.9</b>	
RBC	1,201	36.1	25.7	18.0	21.1	14.3	11.6	6.1	4.7	3.8	
CTC Media	3,812	26.0	19.5	15.8	16.2	12.1	10.1	7.5	5.6	4.6	
Rambler Media	699	93.7	34.8	21.3	65.3	26.8	16.3	15.5	10.3	6.9	
<b>Aggregate - media</b>	<b>5,712</b>	<b>52.0</b>	<b>26.6</b>	<b>18.4</b>	<b>34.2</b>	<b>17.7</b>	<b>12.7</b>	<b>9.7</b>	<b>6.9</b>	<b>5.1</b>	
<b>Metals and mining</b>											
Norilsk Nickel	31,993	6.2	6.8	7.6	3.8	4.3	5.0	2.6	2.8	3.0	
Polyus Gold	9,321	7.6	46.8	76.4	24.7	28.8	38.9	11.5	11.5	11.6	
Severstal	12,596	8.9	7.9	8.4	3.8	3.3	3.6	1.1	0.8	0.8	
Evrast Group	11,468	8.4	6.9	8.2	5.2	4.3	5.0	1.5	1.3	1.2	
Mechel	4,049	6.6	4.8	6.1	3.8	2.9	3.7	0.8	0.7	0.8	
NLMK	15,911	7.5	7.8	7.7	4.8	4.5	4.6	2.2	2.0	2.0	
MMK	9,604	6.7	6.8	7.1	4.4	4.3	4.5	1.4	1.3	1.3	
TMK	6,889	n/a	10.7	7.3	n/a	6.3	4.5	n/a	1.8	1.5	
VSMPO	3,600	14.3	11.3	n/a	9.3	7.5	n/a	3.5	2.9	n/a	
<b>Aggregate - metals and mining</b>	<b>105,431</b>	<b>13.1</b>	<b>13.6</b>	<b>16.4</b>	<b>10.4</b>	<b>8.4</b>	<b>9.1</b>	<b>3.8</b>	<b>3.2</b>	<b>3.0</b>	
<b>Industrials, consumer, banks</b>											
Sberbank *	68,220	23.3	17.8	15.0	5.8	2.9	2.5	6.6	5.3	4.3	
Rosbank*	4,410	30.2	20.1	13.7	4.3	2.9	2.4	5.1	3.9	3.0	
<b>Aggregate - banks</b>	<b>72,630</b>	<b>13.2</b>	<b>10.8</b>	<b>10.0</b>	<b>5.7</b>	<b>4.7</b>	<b>4.4</b>	<b>2.9</b>	<b>2.3</b>	<b>2.0</b>	
X5	6,170	59.0	27.4	17.6	24.3	13.3	9.2	2.1	1.4	1.0	
Magnit	2,851	46.6	28.8	18.0	28.1	17.2	11.1	1.2	0.9	0.6	
Seventh Continent	2,044	30.7	23.1	17.1	16.5	12.0	8.7	1.9	1.4	1.0	
Lebedyansky	1,597	18.7	15.4	13.0	12.8	9.7	7.9	2.5	1.8	1.4	
Baltika (euro)	3,965	14.4	9.0	7.5	8.4	6.5	5.4	2.8	1.9	1.6	
Wimm-Bill-Dann	2,888	32.4	20.0	15.0	14.8	10.3	8.3	1.9	1.5	1.3	
<b>Aggregate - FMCG</b>	<b>19,514</b>	<b>33.6</b>	<b>20.6</b>	<b>14.7</b>	<b>17.5</b>	<b>11.5</b>	<b>8.4</b>	<b>2.1</b>	<b>1.5</b>	<b>1.2</b>	
Razgulay	426	19.4	6.6	5.5	8.1	5.2	4.7	1.1	0.9	0.8	
Severstal Auto	1,037	18.9	13.7	9.1	8.0	6.1	4.2	1.1	0.8	0.6	
AvtoVaz	2,750	21.5	18.7	10.5	6.4	6.1	n/a	0.6	0.5	0.5	
Apteka 36.6	480	n/a	n/a	23.1	29.0	16.9	12.1	1.4	0.9	0.7	
Veropharm	375	19.9	13.9	10.9	13.8	9.8	7.9	3.9	2.9	2.4	
Kalina	368	11.9	10.0	8.9	8.1	6.8	6.0	1.2	1.1	1.0	
Oriflame (euro)	1,400	13.7	11.9	9.5	9.8	8.5	7.3	1.5	1.4	1.2	
<b>Aggregate valuation</b>	<b>868,886</b>	<b>11.4</b>	<b>11.6</b>	<b>11.6</b>	<b>7.0</b>	<b>6.2</b>	<b>6.0</b>	<b>2.2</b>	<b>2.1</b>	<b>2.0</b>	
<b>FF-adj. MCAP W.A. valuation</b>	<b>245,809</b>	<b>13.9</b>	<b>13.0</b>	<b>13.0</b>	<b>7.7</b>	<b>7.0</b>	<b>7.0</b>	<b>9.3</b>	<b>3.0</b>	<b>2.8</b>	

Source: MDM estimates, IBES consensus

\*P/BV shown in EV/EBITDA columns

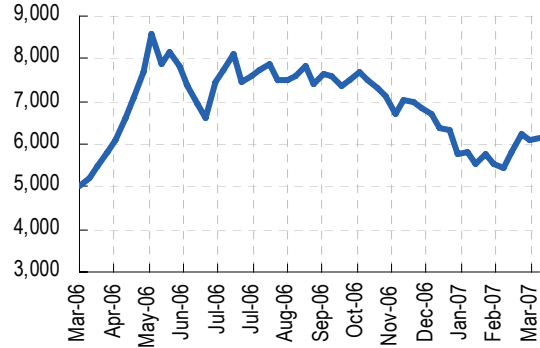
## Key commodities

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



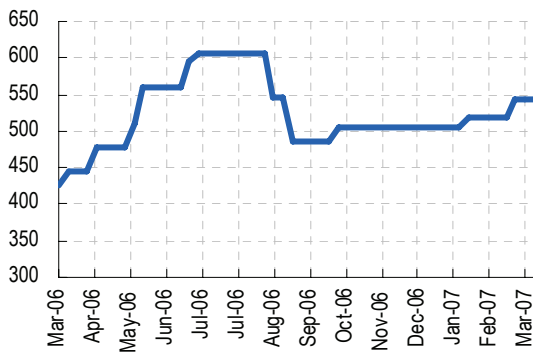
Source: Bloomberg

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



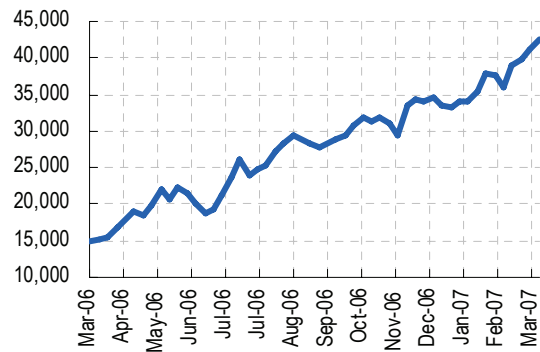
Source: Bloomberg

MB-Steel HR Coil CIS, USD/ton



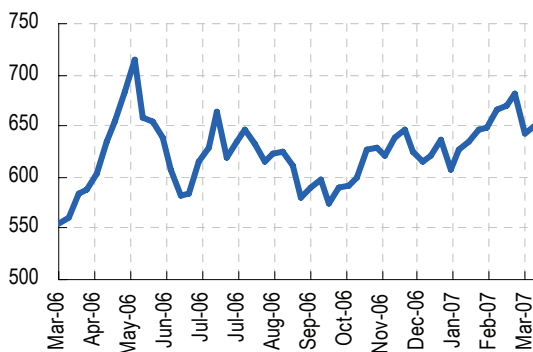
Source: Bloomberg

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



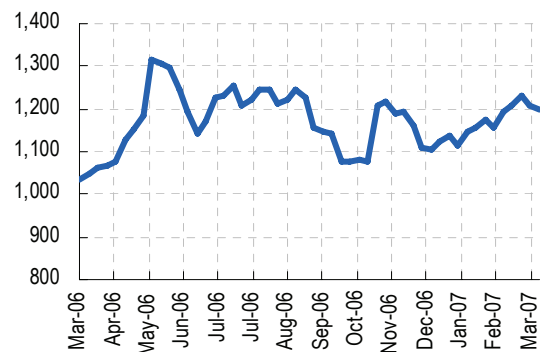
Source: Bloomberg

Gold Bullion, USD/oz



Source: Bloomberg

MB-Platinum Matthey, USD/oz



Source: Bloomberg



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