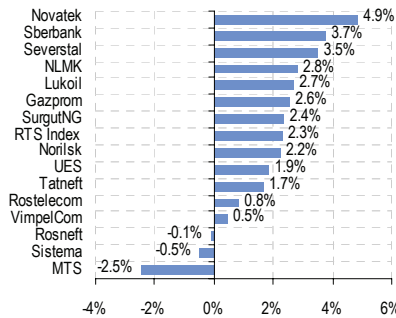
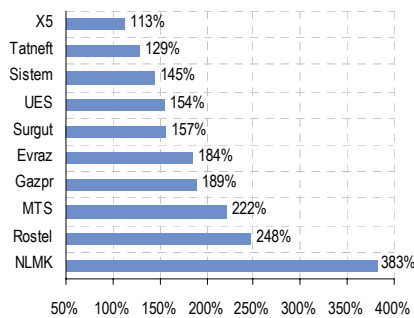


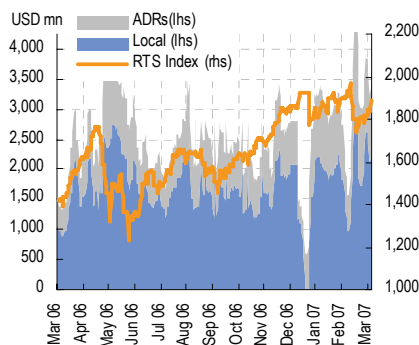
Blue chips: advancers and decliners



Volume monitor: daily/3M avg. volume



RTS index and weekly trading volumes



Upcoming events

27-Mar	Auction of Yukos's 9.4% stake in Rosneft
28-Mar	WBD 2006 U.S. GAAP financials
28-Mar	36.6 preliminary figures for FY06
April	Lukoil 2006 U.S. GAAP results
Early Apr	Seventh Continent 2006 IFRS financials
2-Apr	Severstal 2006 IFRS results
Early Apr	Surgutneftegaz dividend announcement
4-Apr	Auction of Yukos's 20% of Gazprom Neft
4-Apr	3rd auction for Yukos assets (oil services)
5-Apr	Svyazinvest EGM to re-elect board (Comstar)

Market

- The market surged with the RTS Index gaining 2.3% to 1,890 and most blue chips in the black. Favorable external factors suggest a strong finish for the week.

Top news and ideas

- Gazprom: Could sell up to 25bcm of gas on the spot market in 2007.** Gazprom and its affiliates may become the largest players on the gas exchange, boosting the profitability of its domestic sales.
- Rosneft: TNK-BP Holding may bid for Yukos's 9.44% stake.** We believe TNK-BP Holding will not compete for the stake and its role is merely to ensure that the auction goes ahead.
- MMK: GAAP results in line.** The company published strong 2006 U.S. GAAP figures that are in line with our expectations. LSE listing plans are expected to be announced next week.
- Yuzhuralnickel: Strong preliminary RAS figures.** Mechel's nickel subsidiary posted strong 4Q06 and 2006 results. Trading at a 2006 P/E of 3.4, the stock represents an attractive play for investors with a high risk appetite.
- RBC: Posts strong 4Q06/2006 IFRS results, announces 2007 strategy.** The stock's performance could continue to be volatile given lack of clarity about its new Internet business. For longer-term investors, RBC still looks attractive.
- Kalina: Reports disappointing FY06 results.** EBITDA fell 5% and net income was down 33%. Taking into account considerable execution risk, we view downgrades and further share price weakness as likely.
- Food Retail: Dixy IPO draws closer.** The split of the company's shares suggests the retailer may come to market in 1H07.

>>> More news on page 10

Russian market in context

	Last Close	Performance/Trends				
		1D	1WK	1M	3M	12M
RTS Index	1,890	2.3%	4.4%	-2.3%	1.5%	32.1%
MSCI EM Europe Index	625	2.3%	4.2%	-1.9%	0.2%	11.4%
MSCI EM Index	922	1.4%	4.4%	-2.0%	3.2%	19.3%
S&P500 Index	1,435	0.6%	3.0%	-1.1%	1.7%	10.2%
OIX (Oil majors) Index	648	1.7%	5.0%	1.1%	0.6%	16.5%
GSCI (Commodities) index	5,670	2.4%	2.4%	-0.7%	-1.1%	-8.3%
Oil (WTI), USD/bbl	60.7	4.1%	1.0%	1.9%	-1.9%	-0.2%
Nickel, USD/ton	47,625	1.0%	-3.3%	11.7%	45.7%	221.5%
Steel (HR), USD/ton	553	0.0%	0.0%	1.8%	9.4%	30.0%
LT U.S. Treasury YTM	4.8%	4.8%	4.8%	4.9%	4.8%	4.8%
EMBI-Russia spread, bp	102	110	108	111	97	108
RUB/USD	26.03	26.04	26.15	26.20	26.29	27.70

Source: Datastream, Bloomberg

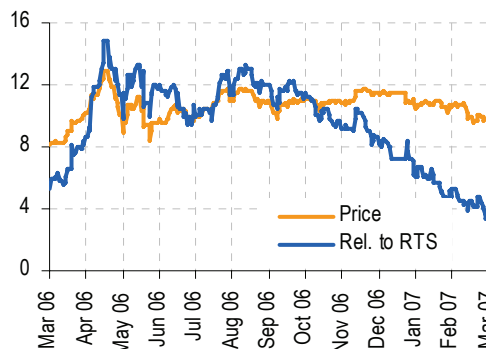
Gazprom: Could sell up to 25bcm of gas on the spot market in 2007

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.
GAZP RU	9.98	14.70	Buy	12.8/8.17	-6.9%	-13.5%	22.4%

Financials, USD mn	2006E	2007E	2008E
Revenue	76,337	81,937	84,810
EBITDA	31,464	34,261	33,940
Net income	20,342	21,233	20,450
Revenue growth	44%	7%	4%
EBITDA growth	36%	9%	-1%
Net income growth	55%	4%	-4%
EBITDA margin	41%	42%	40%
Net margin	27%	26%	24%
EV/Revenue	3.4	3.2	3.1
EV/EBITDA	8.3	7.6	7.7
P/E	11.2	10.7	11.1
MCAP, USD mn	227,490	Com., mn	22,749
EV, USD mn	261,890	Pref., mn	
Free float	39%	Total, mn	22,749

Price performance, USD



Source: Bloomberg

Source: Bloomberg, MDM estimates

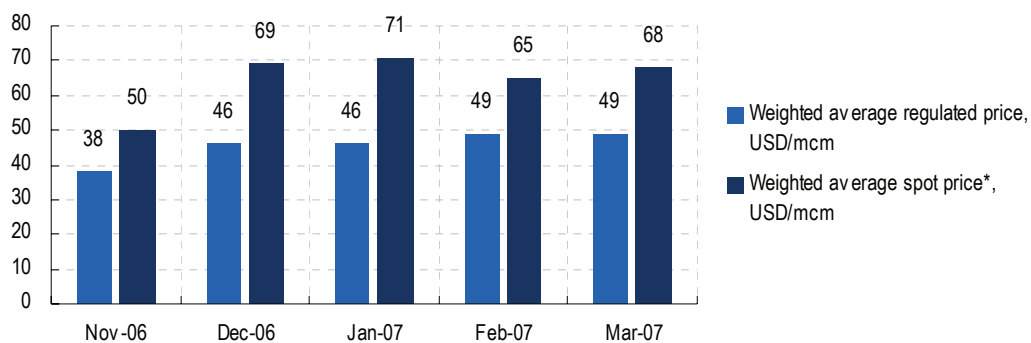
Spot gas volumes could be raised from 10bcm to 30bcm in 2007. The Economic Development and Trade Ministry has proposed that the government increase the volumes of natural gas traded at the electronic gas exchange from 10bcm to 30bcm, according to *Kommersant*. The newspaper added that the government is likely to approve the proposal by April 30. Under the current regime, Gazprom and independent gas producers are allowed to sell 5bcm of gas at an unregulated spot price. So far this year, Gazprom has sold 1.05bcm of gas at the exchange and independent gas producers have sold 1.02bcm. The weighted average price at the last auction was USD68/mcm, 38% above the regulated price (including delivery).

Gazprom's subsidiaries and affiliated companies will dominate the gas exchange. According to the Economic Development and Trade Ministry, independent gas producers could supply only 3.4bcm of natural gas to the gas exchange, which will limit Gazprom's sales at the exchange to the same amount, according to the rules. The ministry proposal would allow Gazprom-affiliated companies Purgas (Gazprom 51%, Itera 49%), Sibneftegaz (Gazprom 51%, minorities 49%) and Nortgas (Gazprom 51%, minorities 49%) to sell additional volumes as independent gas producers. Bending the definition of "independent producer" would allow Gazprom and affiliated companies to sell an additional 20-25bcm of gas at a 30-50% premium to the regulated price of USD52/mcm.

Gazprom could receive additional revenues of USD400mn in 2007. A larger proportion of gas sold at unregulated prices would enable Gazprom to generate additional revenues of around USD400 mn. The pre-tax impact of new exchange rules would be more modest, and net income contribution would have to be further adjusted for minority interest. However, Gazprom could receive USD200-250 mn of additional net income (1.0%-1.2% of net income), which would be marginally positive for the company.

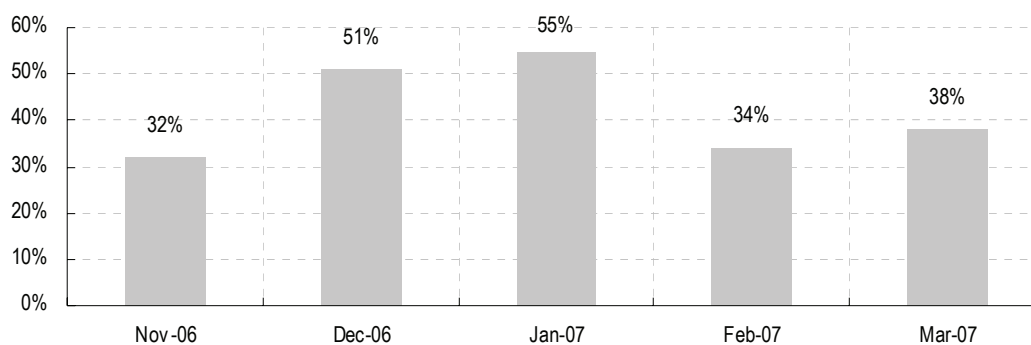
Liberalized market taking off. More importantly, the news underscores growing understanding in the government that the liberalization of the domestic gas market is the only way to alleviate gas shortages in the market.

Average regulated and spot prices in 2006-07



Source: www.etp.mrg.ru

Spot premium, %



Source: www.etp.mrg.ru

Rosneft: TNK-BP Holding may bid for Yukos's 9.44% stake

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.
ROSN RM	8.29	9.40	Hold	9.47/7.37	-8.7%	-11.2%	n/a
Financials, USD mn				Price performance, USD			
	2006E	2007E	2008E				
Revenue	33,311	33,869	33,804				
EBITDA	7,781	6,663	6,250				
Net income	3,831	3,162	2,849				
Revenue growth		2%	0%				
EBITDA growth		-14%	-6%				
Net income growth		-17%	-10%				
EBITDA margin	23%	20%	18%				
Net margin	12%	9%	8%				
EV/Revenue	2.9	2.9	2.9				
EV/EBITDA	12.6	14.7	15.7				
P/E	22.9	27.8	30.8				
MCAP, USD mn	87,812	Com., mn	10,595				
EV, USD mn	98,172	Pref., mn					
Free float	15%	Total, mn	10,595				

Source: Bloomberg, MDM estimates

Source: Bloomberg

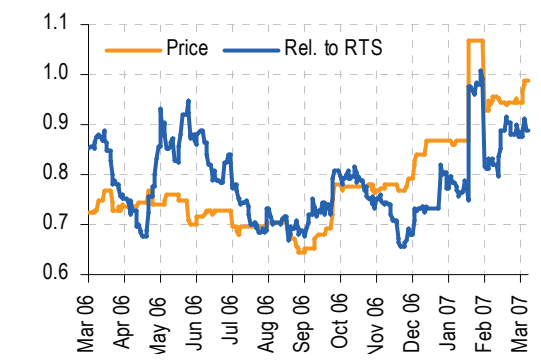
TNK-BP Holding has lodged a deposit to participate in the auction for 9.44% stake of Rosneft. TNK-BP Samotlorneftegaz, a 100% subsidiary of TNK-BP Holding, has signed a deposit agreement as a prerequisite to participating in the auction for Yukos's 9.44% stake in Rosneft, which has a starting price of RUB195.5 bn (USD7.5 bn) and will be held on March 27. TNK-BP confirmed the company will bid at the auction, according to *Vedomosti*. BP, a 50% holder in TNK-BP Holding via an offshore subsidiary, bought 132 mn Rosneft shares for USD1 bn at the latter's IPO in 2006, which now represents a 1.25% interest in Rosneft.

Auction must go on. In our view, TNK-BP Holding will be participating in the auction as Rosneft's partner rather than as a real bidder. Two participants are required for the auction to go ahead, so TNK-BP Holding's participation will ensure that the auction can go ahead on March 27 as planned. We could envisage TNK-BP Holding winning the USD7.5 bn lot, but in this case we would expect the company to sell the stake on, most likely to Rosneft itself at cost. We doubt that BP's board of directors or shareholders would approve of the company buying a minority stake in a Russian company at this juncture of BP's corporate history. Thus we assume that Rosneft will buy the stake and will place part of it on the market in the coming months. We reiterate our Hold recommendation on Rosneft and target price of USD9.7/share.

MMK: U.S. GAAP results in line

Analyst: Andrey Litvin, e-mail: Andrey.Litvin@mdmbank.com

Tel: + 7 495 795 2521

Bloomberg ticker	Price, USD	FV, USD	Rating	12M High/Low	1M Perf.	3M Perf.	12M Perf.
MAGN RU	0.99	0.82	Hold	1.07/0.65	3.7%	17.9%	36.6%
Financials, USD mn		2006E	2007E	2008E	Price performance, USD		
Revenue	6,228	6,661	6,718				
EBITDA	1,958	2,029	1,924				
Net income	1,430	1,414	1,346				
Revenue growth	11%	7%	1%				
EBITDA growth	-13%	4%	-5%				
Net income growth	-23%	-1%	-5%				
EBITDA margin	31%	30%	29%				
Net margin	23%	21%	20%				
EV/Revenue	1.5	1.4	1.4				
EV/EBITDA	4.6	4.5	4.7				
P/E	7.0	7.1	7.5				
MCAP, USD mn	10,061	Com., mn	10,163				
EV, USD mn	9,085	Pref., mn					
Free float	1%	Total, mn	10,163				

Source: Bloomberg, MDM estimates

Source: Bloomberg

In line 2006 figures. Magnitogorsk Steel (MMK) has published 2006 U.S. GAAP results that are in line with our expectations. In 2006, MMK's revenue rose 19.4% y-o-y to USD6.4 bn. EBITDA reached USD2.0 bn, up 33.7% y-o-y (2.4% above our expectations). Net profit came in at USD1.4 bn, a 52.5% increase y-o-y, in line with our estimates. EBITDA was affected by the increase in asset impairment charges due to the fire in November at the company's cold rolling shop.

Cash costs slightly above expectations. MMK's production cash costs slightly exceeded our expectations and came in 10.5% higher than in 2005. In turn, SG&A and social welfare costs were 8.9% higher than our estimates, reaching USD776 mn (up 26.4% y-o-y). We believe this sharp increase in costs (in particular, selling expenses, which rose 75% y-o-y) could be a result of changes in accounting policy for transportation costs for exports; it could also come from revenue exceeding our expectations.

IPO announcement expected next week. According to newswires, MMK will announce its IPO and begin pre-marketing next week. The company may place 14% of its shares on the LSE. We believe the placement could attract investors, as MMK offers hidden value creation potential, in our view, due to anticipated expansion in heavy plate production and its strengthening domestic market position. However, given the mixed record of recent sector IPOs, the price will be crucial for the placement's success.

News is priced in; Hold reiterated. We believe that both the financials and IPO plans are priced in. However, we note that recently announced expansion in heavy plate production for LD pipes is not factored into our model yet, as we are expecting more details from the company. For now, we maintain our Hold recommendation on the stock, with a pre-IPO DCF value of USD0.82/share. We believe the unlocking of a liquidity premium is already anticipated by the market.

Magnitogorsk 2006 U.S. GAAP results: in line with expectations

USD mn	2006	2006 MDM estimate	Difference, %	2005	Change, %
Sales	6,424	6,228	3.1%	5,380	19.4%
Cash production costs	3,619	3,509	3.1%	3,274	10.5%
SG&A and social costs	776	713	8.9%	614	26.4%
Other cash costs	24	47		(8)	
EBITDA	2,005	1,958	2.4%	1,500	33.7%
Operating profit	1,765	1,774	-0.5%	1,323	33.4%
PBT	1,895	1,903	-0.4%	1,317	43.9%
Net profit	1,426	1,428	0.1%	947	52.5%
EBITDA margin	31%	31%		28%	
Net margin	22%	23%		18%	

Source: Company data, MDM estimates

Yuzhuralnickel: Strong preliminary RAS figures

Analyst: Andrey Litvin, e-mail: Andrey.Litvin@mdmbank.com

Strong 2006 RAS results. Yuzhuralnickel (Mechel's nickel subsidiary) has published strong 2006 and 4Q06 preliminary net profit and revenue figures under RAS. Net profit rose 55% q-o-q to USD58.4 mn in 4Q06 on the back of a 26% increase in revenue to USD118.7 mn. In 2006, net profit rose 3,810% y-o-y to USD116 mn on the back a 105% increase in revenues to USD335 mn. A rising nickel price (up 66% y-o-y) was the main driver behind the performance.

We anticipate further improvements in 2007. With the nickel price where it is – up 42.3% YTD – we believe that Yuzhuralnickel's 2007 results could be even stronger. In our Mechel model we estimate 2006 nickel revenues of USD313 mn (including inter-group sales), only 6% below Yuzhuralnickel's published revenue figure. For 2007, we forecast Mechel's total nickel revenue at USD407 mn, a 30% increase y-o-y, which we believe can be used as a rough approximation of Yuzhuralnickel's top line. Our forecast is based on flat y-o-y production at 14,000 tons of nickel and an average nickel price of USD29,784/ton, which looks conservative at the moment.

Further nickel expansion could be a bonus. According to media reports, Mechel is looking to expand its nickel business, which should be supported by strong commodity prices. Although Mechel has given no official word on its nickel plans as yet, we understand it may be considering building a nickel refinery to boost output. If nickel prices remain high, this expansion should be positive for Mechel and Yuzhuralnickel.

Positive for shares. We believe the results are positive for both Mechel and Yuzhuralnickel shares. At the moment, Yuzhuralnickel trades at a 2006 P/E of 3.4, and the current nickel price suggests that the multiple could be even lower on a forward-looking basis. Although the stock has already climbed 69% YTD, we believe Yuzhuralnickel shares still represent an attractive play for investors with a high risk appetite. As for Mechel, we continue to recommend the stock as a Hold and maintain our end-2007 DCF-derived fair value of USD27.0 per ADR. However, we have a positive view on the stock in the short-term as the domestic and global steel markets, especially for long products, are very strong, providing positive earnings momentum.

Yuzhuralnickel financial performance (RAS) vs. nickel price

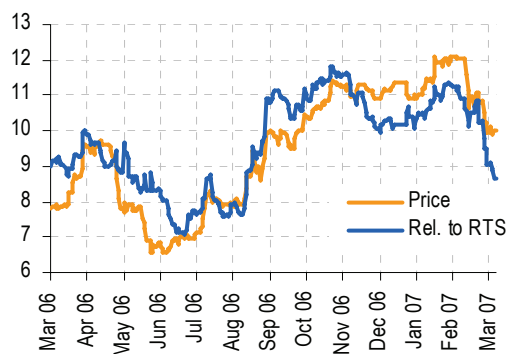
	2005	1Q06	2Q06	3Q06	4Q06	2006
LME nickel price, USD/ton	14,681	14,788	20,255	29,286	32,879	24,302
- change			37%	45%	12%	66%
Revenue, USD mn	163.0	50.9	71.0	94.0	118.7	334.6
- change			40%	32%	26%	105%
Net profit, USD mn	3.0	3.3	18.6	37.7	58.4	118.0
- change			467%	103%	55%	3810%
Net margin	2%	6%	26%	40%	49%	35%

Source: Company data, MDM estimates

RBC: Posts strong 4Q06/2006 IFRS results, announces 2007 strategy

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Tel: + 7 495 795 2521

Bloomberg ticker	Price, USD	FV, USD	Rating	12M High/Low	1M Perf.	3M Perf.	12M Perf.
RBCI RM	10.02	n/a	Not Rated	12.1/6.57	-17.3%	-11.2%	20.2%
Financials, USD mn		2006A	2007E	2008E	Price performance, USD		
Revenue	208	248	304				
EBITDA	55	81	100				
Net income	37	47	67				
Revenue growth	80%	19%	23%				
EBITDA growth	76%	48%	23%				
Net income growth	57%	27%	43%				
EBITDA margin	26%	33%	33%				
Net margin	18%	19%	22%				
EV/Revenue	5.5	4.6	3.8				
EV/EBITDA	21.0	14.2	11.5				
P/E	32.3	25.5	17.9				
MCAP, USD mn	1,195	Com., mn	119				
EV, USD mn	1,148	Pref., mn					
Free float	46%	Total, mn	119				

Source: Datastream, IBES consensus

Source: Bloomberg

2006 revenue, net income growth strong. RBC posted 4Q06 and 2006 preliminary IFRS results that came in above the company's guidance and consensus by 10% on revenue and 12% on net income. Revenue growth was strong – up 90% y-o-y to USD208 mn, and up 53% adjusted to exclude IT companies acquired in 2006 (which contributed USD40.8 mn). Net income was also strong, up 77% y-o-y to USD37 mn.

EBITDA margin slightly down on new projects. EBITDA was up a strong 84% y-o-y to USD54.5 mn, though EBITDA margin declined 1 pp, slightly below consensus and company guidance due to new project launches (a newspaper and magazines) in 2006.

Guidance for 2007. RBC confirmed plans to spend USD120 mn on start-ups and acquisitions for its non-business Internet project. RBC expects its media businesses (Internet and print media) to post 33-44% growth in 2007 to USD123-133 mn, which includes USD6-7 mn from new Internet sites and services and revenue growth of 25-37% to USD30-35 mn at RBC-TV. However, this will not compensate for the IT business spin-off, which should cause RBC's revenues to decline from USD208 mn in 2006 to USD166-180 mn in 2007. The IT business is forecast to grow 23-30% y-o-y to USD100-105 mn in 2007. RBC does not provide EBITDA or net income guidance, although it previously warned it may generate negative net income in 2007, although following heavy investment it has promised to show "excellent" returns in subsequent years.

Questions about Internet project may pressure the stock. While the 2006 results look strong, there is a lack of clarity about RBC's plans for its new Internet business. As a result, we believe the stock's performance could continue to be volatile. However, given management's strong track record, we estimate the new project will enlarge the scale of RBC's media business, and for longer-term investors, RBC still looks attractive.

RBC: 2006 interim IFRS financials and guidance, USD mn

	1Q06	2Q06	3Q06	4Q06	q-o-q change	2005	2006	y-o-y change	RBC FY06 guidance	2006 consensus	Actual vs. consensus	RBC FY07 guidance	y-o-y change
Media	12	18	16	47	194%	55.8	92.5	66%	60-65	n/a	n/a	123-133	33-44%
TV	6	10	9	9	0%	24.3	34.3	41%	30-35	n/a	n/a	43-47	25-37%
IT	10	18	17	36	112%	29.3	81.0	176%	75-80	n/a	n/a	100-105	23-30%
Adjusted to IT acquisitions (USD40.8 mn)						29.3	40.2	37%					
Total revenue	28	46	42	92	119%	109.4	207.8	90%	170-178	189	10%	Will be distorted by IT business spin-off	
Adjusted to IT acquisitions						109.4	167.0	53%					
EBITDA	n/a	n/a	n/a	n/a		29.6	54.5	84%	50-55	55	-1%	n/a	
EBITDA margin	n/a	n/a	n/a	n/a		27%	26%	-1pp	30%	29%	-3pp	n/a	
Net income	n/a	n/a	n/a	n/a		20.8	36.9	77%	32-35	33	12%	n/a	

Source: Company data, MDM estimates

Kalina: Reports disappointing FY06 results

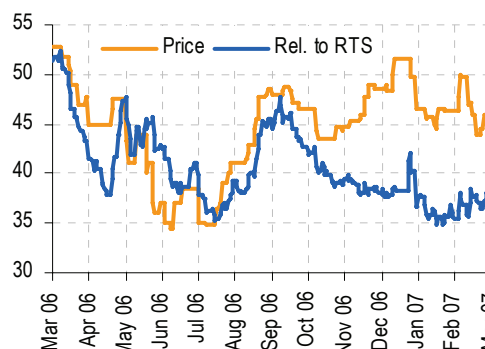
Analyst: Elena Afonina, e-mail: Elena.Afonina@mdmbank.com

Tel: + 7 495 795 2521

Bloomberg ticker	Price, USD	FV, USD	Rating	12M High/Low	1M Perf.	3M Perf.	12M Perf.
KLNA RU	42.75	n/a	Not Rated	52.75/34.5	-14.1%	-11.4%	-19.0%

Financials, USD mn	2006E	2007E	2008E
Revenue	350	397	437
EBITDA	53	63	72
Net income	31	37	41
Revenue growth	19%	13%	10%
EBITDA growth	36%	18%	14%
Net income growth	24%	19%	13%
EBITDA margin	15%	16%	16%
Net margin	9%	9%	9%
EV/Revenue	1.2	1.0	0.9
EV/EBITDA	7.6	6.4	5.6
P/E	11.1	9.3	8.2
MCAP, USD mn	342	Com., mn	8
EV, USD mn	404	Pref., mn	
Free float	56%	Total, mn	8

Price performance, USD



Source: Bloomberg

Source: Datastream, IBES consensus

Results below consensus. Kalina released disappointing FY06 IFRS results yesterday: although revenue was broadly in line with consensus at USD344 mn, EBITDA fell 5% to USD38 mn and net income was down 33% to USD15 mn, missing consensus by 24% and 46%, respectively. EBITDA margin declined 2.8 pp to 11% and net margin fell 3.5 pp to 4.5%, significantly below expectations. Financials for 2H06 look even more disappointing with EBITDA falling 8% y-o-y and net income declining to virtually zero.

Dr. Scheller integration continued to pressure profitability. Kalina said that full-year 2006 EBITDA was pressured by one-off expenses connected with the transfer of Dr. Scheller skincare production to Russia and an advertising campaign launch in 4Q06 aimed at promoting Dr. Scheller's products. Excluding the "one-offs," EBITDA would have been in line with consensus at USD48.5 mn. However, in our view, the advertising campaign was not a one-off and should be treated as a normal operating expense. On another front, depreciation expenses rose 67%, while effective tax rate increased from 11% in 2005 to 29% in 2006 due to the inclusion of non-tax deductible expenses.

Outlook uncertain, so we take a cautious stance on the shares. During a conference call yesterday, Kalina's management expressed optimism about the company's outlook for 2007. However, the expected turnaround should not be taken for granted, as the integration process is obviously taking longer than the market initially expected, and is becoming more costly. Following these weak results, and taking into account considerable execution risk, we view downgrades and further share price weakness as likely.

Kalina FY06 IFRS results, USD mn

	2H05	2H06	% change	2H06E Consensus	% diff	2005	2006	% change	2006E Consensus	% diff
Revenues	155.8	163.9	5%	173.6	-6%	288.0	344.2	19%	353.9	-3%
Gross profit	71.9	75.9	6%	n/a	n/a	134.8	154.9	15%	n/a	n/a
EBITDA	14.6	13.4	-8%	25.1	-47%	39.9	38.0	-5%	49.7	-24%
EBITDA adj.	14.6	23.9	64%	25.1	-5%	39.9	48.5	22%	49.7	-2%
Net income	8.1	0.2	-97%	13.3	-98%	23.0	15.4	-33%	28.4	-46%
Gross margin	46.1%	46.3%	0.1 pp	n/a	n/a	46.8%	45.0%	-1.8 pp	n/a	n/a
EBITDA margin	9.4%	8.2%	-1.2 pp	14.4%	-6.3 pp	13.9%	11.0%	-2.8 pp	14.0%	-3.0 pp
EBITDA margin adj.	9.4%	14.6%	5.2 pp	14.4%	0.1 pp	13.9%	14.1%	0.2 pp	14.0%	0.0 pp
Net margin	5.2%	0.1%	-5.1 pp	7.6%	-7.5 pp	8.0%	4.5%	-3.5 pp	8.0%	-3.6 pp

Source: Company data, broker reports, MDM estimates

Food Retail: Dixy IPO draws closer

Pre-IPO share split. *Kommersant* reports today that Dixy Group, Russia's fifth largest food retailer, has announced a share split in order to increase liquidity and allow the company to place some of its shares with investors, either through a private or public placement. In November 2006, Dixy's founder and major shareholder, Oleg Leonov, said the company may launch an IPO involving 23% of the shares on the local market – and possibly the LSE – in April 2007.

A multi-format chain. Created in 1998, Dixy currently operates 326 stores in Moscow, Moscow region, Petersburg, Yekaterinburg and Chelyabinsk. The group operates in three formats: discounter, hypermarket (five stores under the Megamart brand name) and supermarkets (under the Minimart brand name). In 2006, the group's revenues grew 24% to USD1.09 bn, ranking it fifth in Russia's food retail market. Oleg Leonov owns 65.5%, while the rest of the company is owned by Citigroup.

Scarcity factor will fade. We view an IPO by Dixy as positive for the sector, as by the end of 2007, investors should have a choice of four sizeable food retailers on the Russian equity market. We believe that as the "scarcity factor" fades, investors will differentiate even more among retailers based on the quality of management, strategy and execution.

Rosstat releases strong macroeconomic data for February

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Fixed investment growth keeps up momentum. Rosstat yesterday released strong macroeconomic statistics for February 2007. Fixed investment growth remained strong, up 19.6% y-o-y in February. Industrial production growth, as we reported earlier, came in at an impressive 8.7%.

Demand-driven indicators still going strong. Real disposable income grew 12.5% in February, while real wages rose 17.5% for the month, and retail sales climbed 14.4%. The nominal average monthly wage in February amounted to RUB11,659 (USD442.6), up 26.4% y-o-y.

Inflation remains under control. Consumer and producer price inflation amounted to 1.1% and 0.1%, respectively, in February, with PPI affected by lower energy prices. On a related note, the Economic Development and Trade Ministry said yesterday that inflation for 1Q07 is expected to reach 3.4-3.6%, implying 0.6-0.8% inflation in March (in 1Q06, inflation came in at 5%).

Strong growth continues into February. Macroeconomic indicators in February remained almost as strong as in January (industrial production and retail sales came in even higher). As we expected, the trend of strengthening growth in fixed investments that started in 2006 has continued into 2007. Robust growth in industrial production and fixed investments in 2M07 has been achieved partly on the back of this year's milder winter. We are particularly encouraged by the continued strength in investment growth, as this should help create higher quality growth. We expect the positive economic momentum to continue in the coming months

News Briefs

- **The Federal Antimonopoly Service is opposed to tax concessions granted by the Komi government solely to Lukoil** (*Vedomosti*). Even if the tax concessions were to be divided between all producers, Lukoil would remain the main beneficiary.
- **VimpelCom paid EUR38 mn to increase its stake in Armentel by 10% to 100%** (*Kommersant*). The sale of the 10% stake by the Armenian government was related to market liberalization. The move was expected and is priced in.
- **Sistema-Hals' property valuation grew 35% over six months, reaching USD2.04 bn as of January 1, 2007** (Bloomberg). The new valuation should help the stock, which has been under pressure since the IPO.
- **Sberbank reported 2M net income of RUB14.1 bn (USD 0.54 bn) on pretax income of RUB17.8 bn (USD0.68 bn)**, a small m-o-m increase in February. We downplay the significance of the release.
- **Deputy PM Alexander Zhukov said a final decision on VAT and MET for natural gas taxes will be made by end-April** (Interfax). We expect negotiations on this issue to continue.
- **The government approved a three-year budget yesterday, but made no decision on tax changes.** We expect a cut to be announced soon, most likely in corporate profit tax.
- **Rosstat releases strong macroeconomic data for February.** We expect strong economic momentum throughout the spring, and beyond.

Stock performance summary								
Company name	Last price, USD	1D	1WK	1M	3M	12M	YTD	12M High/Low
Oil and gas								
Gazprom	10.00	2.6%	2.0%	-6.9%	-13.5%	22.4%	-13.0%	12.8/8.17
Novatek	56.10	4.9%	7.9%	-0.7%	-10.5%	55.4%	-11.7%	66/31.5
Rosneft	8.29	-0.1%	3.9%	-8.7%	-11.2%	n/a	-11.6%	9.47/7.37
Lukoil	82.03	2.7%	4.4%	0.6%	-5.6%	-6.3%	-6.5%	95.23/63.01
TNK-BP Holding	2.20	1.4%	1.9%	-2.7%	-10.9%	-27.9%	-15.2%	3.47/2.09
Surgutneftegaz	1.20	2.4%	4.4%	-5.7%	-19.1%	-24.2%	-22.5%	1.85/1.07
Gazprom Neft	3.84	1.7%	-1.2%	-15.6%	-12.8%	-20.8%	-16.6%	5.5/3.59
Tatneft	4.48	1.7%	3.9%	-1.3%	-5.6%	-23.0%	-4.4%	6.07/3.5
Bashneft	13.30	0.0%	0.0%	-9.5%	-16.9%	-20.4%	-16.9%	18.5/11.77
Transneft pref	2,117.16	2.8%	2.1%	-9.4%	-5.6%	-18.1%	-8.1%	2523.42/1669.71
Ritek	9.00	0.0%	0.0%	-6.3%	-19.6%	-3.7%	-19.6%	11.2/8
Telecoms and technology								
MTS	56.12	-2.5%	7.1%	4.9%	18.4%	53.4%	11.8%	57.54/26.22
AFK Sistema	29.80	-0.5%	11.2%	-6.9%	-3.4%	17.3%	-6.9%	32.9/18.1
VimpelCom	95.43	0.5%	9.2%	10.3%	24.2%	107.7%	20.9%	95.43/38.59
Comstar	8.85	0.7%	3.6%	-6.8%	4.1%	23.6%	5.4%	9.7/4.9
Rostelecom	8.64	0.8%	3.4%	4.0%	18.5%	144.8%	13.1%	8.64/3.02
Golden Telecom	55.60	-0.9%	11.7%	-5.7%	23.5%	91.8%	18.7%	59.05/21.73
MGTS	25.71	2.7%	3.9%	0.5%	8.7%	23.9%	2.9%	27.23/16.64
Uralsvyazinform	0.07	2.5%	7.9%	-3.6%	1.8%	51.3%	1.7%	0.07/0.03
Volga Telecom	6.10	0.0%	3.4%	-1.6%	6.1%	44.6%	0.8%	6.6/2.85
Sibirtelecom	0.12	1.7%	5.7%	5.7%	12.2%	44.6%	6.7%	0.12/0.06
NorthWest Telecom	1.59	0.8%	0.6%	1.8%	0.7%	27.1%	-1.0%	1.61/0.78
Center Telecom	0.79	1.3%	2.6%	9.7%	3.9%	24.0%	5.3%	0.79/0.4
Southern Telecom	0.18	0.3%	0.3%	-0.8%	5.3%	10.2%	-0.8%	0.18/0.1
Dalsvyaz	4.15	2.0%	6.4%	1.2%	-3.5%	31.7%	-0.2%	4.3/2.5
Bashinformsvyaz	0.20	0.0%	0.0%	-13.2%	-14.1%	-7.8%	-14.1%	0.23/0.16
RBC	10.02	0.4%	-2.6%	-17.3%	-11.2%	20.2%	-13.0%	12.1/6.57
CTC Media	25.76	-0.8%	4.3%	23.5%	7.3%	n/a	7.3%	27.25/14
Rambler Media	46.83	1.1%	1.0%	0.5%	40.3%	112.9%	38.8%	47.75/22
Utilities								
UES	1.35	1.9%	10.2%	8.2%	36.6%	107.2%	25.2%	1.35/0.54
OGK-2	0.16	0.6%	4.2%	1.0%	29.0%	n/a	18.6%	0.17/0.09
OGK-3	0.16	0.9%	5.9%	4.6%	37.2%	132.6%	31.0%	0.16/0.07
OGK-4	0.12	3.0%	13.3%	12.7%	n/a	n/a	43.8%	0.12/0.05
OGK 5	0.14	-0.1%	2.7%	-3.5%	5.4%	56.3%	9.3%	0.14/0.07
OGK-6	0.16	-0.3%	5.0%	-3.4%	45.9%	n/a	45.9%	0.17/0.08
Metals and mining								
Norilsk Nickel	183.50	2.2%	5.0%	-1.6%	21.5%	103.9%	16.9%	189/89.5
Polyus Gold	48.50	2.1%	-0.6%	-12.0%	1.3%	n/a	-1.6%	67.5/37.5
Severstal	13.30	3.5%	6.4%	-2.7%	19.8%	-2.2%	18.8%	14/10
Evraz Group	31.80	1.6%	-0.9%	-7.8%	28.4%	32.5%	23.8%	35.1/20.5
Mechel	32.86	2.6%	6.5%	-2.8%	32.2%	26.1%	29.0%	33.8/19.01
NLMK	28.15	2.8%	4.1%	-3.8%	21.1%	40.1%	21.1%	29.46/18
MMK	0.99	0.0%	4.8%	3.7%	17.9%	36.6%	13.8%	1.07/0.65
TMK	32.50	1.1%	2.5%	-7.5%	0.0%	n/a	-7.1%	38/21.6
VSMPO	316.00	0.3%	5.3%	-1.3%	9.0%	50.5%	7.9%	330/170
Industrials, consumer, banks								
Sberbank	3,600.00	3.7%	4.7%	-2.4%	13.9%	140.0%	4.3%	3780/1370
Rosbank	6.65	0.8%	6.5%	-2.4%	-2.1%	28.3%	-9.0%	7.54/3.84
X5	29.30	-0.3%	-0.7%	-1.5%	16.0%	74.4%	12.7%	29.9/14.5
Seventh Continent	27.80	0.9%	3.5%	0.4%	7.8%	11.2%	4.1%	28.3/17.5
Magnit	43.25	2.0%	8.4%	5.6%	25.4%	n/a	21.1%	43.25/20.15
Wimm-Bill-Dann	71.99	3.8%	10.2%	6.0%	24.6%	164.3%	8.2%	71.99/26.25
Lebedyansky	78.75	-0.3%	0.2%	-2.8%	-1.6%	15.8%	-1.6%	81.3/45
Baltika (euro)	35.84	-2.4%	-2.4%	-0.7%	11.0%	19.4%	7.9%	36.96/26.14
Razgulay	3.92	0.6%	-0.1%	-6.1%	-0.6%	-24.7%	-2.1%	6.35/3.5
Severstal Auto	30.90	0.5%	2.3%	-5.9%	7.1%	29.8%	2.1%	33.8/17.75
AvtoVaz	106.00	5.0%	6.0%	32.5%	57.7%	73.8%	55.9%	106/35
Veropharm	37.50	0.0%	0.0%	-5.9%	25.4%	n/a	18.1%	39.85/23.5
Apteka 36.6	60.00	0.0%	0.0%	-4.8%	7.1%	63.7%	3.0%	63/30
Kalina	42.75	-4.6%	-7.1%	-14.1%	-11.4%	-19.0%	-17.0%	52.75/34.5
Oriflame (euro)	29.24	0.0%	1.9%	-2.2%	-2.7%	2.4%	-3.5%	32.44/22.73
RTS Index	1,889.62	2.3%	4.4%	-2.3%	1.5%	32.1%	-1.7%	1970.77/1234.82

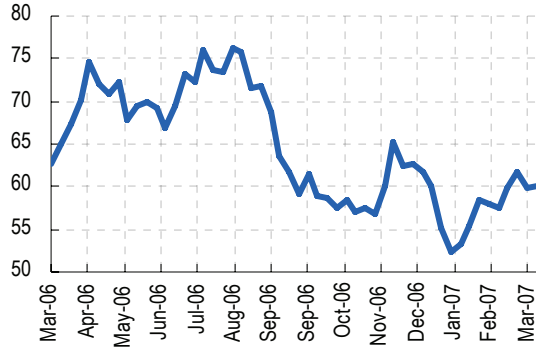
Source: Bloomberg

Stock valuation summary											
Company name	MCAP,		P/E			EV/EBITDA			EV/Revenue		
	USD mn	2006E	2007E	2008E	2006E	2007E	2008E	2006E	2007E	2008E	
Oil and gas											
Gazprom	227,490	11.2	10.7	11.1	8.3	7.6	7.7	12.9	3.2	3.1	
Novatek	17,032	32.3	24.8	18.0	2.4	2.0	1.5	3.2	0.7	0.5	
Lukoil	69,807	8.6	9.4	9.8	5.8	6.3	6.4	9.2	1.1	1.1	
Rosneft	87,812	22.9	27.8	30.8	12.6	14.7	15.7	25.6	2.9	2.9	
TNK-BP Holding	34,863	4.8	9.3	11.8	4.9	6.5	7.6	5.6	1.4	1.5	
Surgutneftegaz	48,834	11.1	13.7	13.1	4.6	5.1	4.9	7.9	1.4	1.4	
Gazprom Neft	18,215	5.3	5.5	6.8	4.6	4.6	5.4	6.6	1.2	1.2	
Tatneft	10,153	7.8	7.7	8.5	4.0	4.4	5.2	6.9	0.8	0.9	
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	
Aggregate - oil and gas	531,880	11.2	11.5	11.6	5.3	5.6	5.9	8.9	1.5	1.5	
Utilities											
UES	55,489	47.4	31.6	25.7	11.5	9.1	7.8	2.2	1.8	1.6	
Mosenergo	7,152	n/a	n/a	1682.8	30.0	19.7	17.8	3.3	2.8	2.7	
OGK-2	4,155	n/a	56.6	21.9	32.7	22.9	13.9	4.4	3.7	3.0	
OGK-3	4,733	n/a	91.7	52.1	46.3	36.2	24.8	6.4	5.5	4.5	
OGK-4	5,650	n/a	79.1	30.2	44.3	32.2	19.1	6.2	5.2	4.3	
OGK-5	3,184	50.7	35.3	21.7	21.4	15.7	12.0	3.2	2.7	2.3	
OGK-6	4,153	63.0	48.2	31.8	25.7	20.5	16.7	4.4	3.8	3.1	
Aggregate - utilities	84,515	19.4	27.8	116.3	15.6	12.6	10.2	7.1	2.3	2.1	
Telecoms and technology											
MTS	22,373	18.0	13.5	12.2	7.8	7.1	6.6	3.9	3.6	3.3	
AFK Sistema	14,379	17.5	15.0	13.8	7.1	6.2	6.1	3.0	2.6	2.4	
VimpelCom	19,575	23.6	15.9	13.4	9.3	7.7	6.9	4.6	3.8	3.4	
Aggregate - mobile telecoms	56,326	19.7	14.8	13.1	8.1	7.0	6.5	3.9	3.3	3.1	
Comstar	3,699	21.3	13.2	11.4	10.2	8.3	7.3	4.1	3.4	3.0	
Rostelecom	7,110	67.7	33.1	29.0	17.0	11.8	10.6	3.3	3.0	2.8	
Golden Telecom	2,038	23.8	16.4	12.0	9.1	7.0	5.9	2.4	1.9	1.5	
MGTS	2,424	14.0	10.3	9.8	8.6	6.5	6.1	3.6	2.9	2.8	
Uralsvyazinform	2,504	24.6	18.3	14.1	8.2	6.7	5.9	2.8	2.4	2.2	
Volga Telecom	1,844	15.5	13.9	11.5	6.6	5.6	5.0	2.5	2.2	1.9	
Sibirtelecom	1,752	14.4	10.2	8.7	7.7	6.1	5.4	2.4	1.9	1.7	
NorthWest Telecom	1,688	22.2	14.3	13.7	7.7	5.8	5.3	2.7	2.2	2.0	
Center Telecom	1,525	40.1	21.8	14.5	6.5	5.3	4.7	2.2	1.9	1.7	
Southern Telecom	657	20.5	16.4	14.6	6.9	6.0	5.6	2.3	2.0	1.9	
Dalsvyaz	528	13.2	11.0	7.5	5.4	4.4	3.5	1.9	1.4	1.3	
Bashinformsvyaz	192	33.2	25.1	19.9	5.2	4.8	4.4	1.4	1.3	1.2	
Aggregate - fixed line telecoms	25,961	25.9	17.0	13.9	8.3	6.5	5.8	2.6	2.2	2.0	
RBC	1,195	35.9	25.5	17.9	21.0	14.2	11.5	6.1	4.6	3.8	
CTC Media	3,903	26.7	19.9	16.2	16.6	12.4	10.4	7.7	5.8	4.7	
Rambler Media	703	94.3	35.0	21.4	65.7	27.0	16.4	15.5	10.3	7.0	
Aggregate - media	5,801	52.3	26.8	18.5	34.4	17.8	12.8	9.8	6.9	5.2	
Metals and mining											
Norilsk Nickel	35,049	6.8	7.4	8.4	4.2	4.7	5.5	2.9	3.1	3.3	
Polyus Gold	9,264	7.6	46.6	75.9	24.6	28.6	38.6	11.5	11.4	11.5	
Severstal	13,402	9.5	8.4	8.9	4.0	3.6	3.8	1.2	0.9	0.9	
Evrast Group	11,153	8.2	6.7	8.0	5.0	4.2	4.9	1.5	1.3	1.2	
Mechel	4,435	7.2	5.3	6.7	4.2	3.2	4.1	0.9	0.8	0.8	
NLMK	16,870	8.0	8.3	8.2	5.1	4.8	4.9	2.4	2.2	2.1	
MMK	10,061	7.0	7.1	7.5	4.6	4.5	4.7	1.5	1.4	1.4	
TMK	7,085	n/a	11.0	7.5	n/a	6.5	4.6	n/a	1.9	1.6	
VSMPO	3,792	15.1	11.9	n/a	9.8	7.9	n/a	3.7	3.1	n/a	
Aggregate - metals and mining	111,110	13.5	13.9	16.6	10.7	8.6	9.3	3.9	3.3	3.1	
Industrials, consumer, banks											
Sberbank *	71,105	24.3	18.6	15.6	6.0	3.1	2.6	6.9	5.5	4.5	
Rosbank*	4,785	32.8	21.8	14.9	4.7	3.2	2.6	5.6	4.3	3.2	
Aggregate - banks	75,890	14.0	11.3	10.4	6.0	5.0	4.6	3.1	2.5	2.1	
X5	6,343	60.6	28.2	18.1	24.9	13.6	9.4	2.1	1.5	1.1	
Magnit	3,114	44.1	26.8	20.2	25.8	16.2	11.2	1.3	0.9	0.6	
Seventh Continent	2,085	30.8	21.9	14.5	18.7	12.9	8.4	2.0	1.4	0.9	
Lebedyansky	1,607	18.8	15.5	13.1	12.8	9.7	8.0	2.5	1.8	1.4	
Baltika (euro)	6,051	22.0	13.7	11.4	12.7	9.9	8.2	4.2	2.8	2.4	
Wimm-Bill-Dann	3,168	35.5	22.0	16.5	16.0	11.2	9.0	2.1	1.6	1.4	
Aggregate - FMCG	22,368	35.3	21.4	15.6	18.5	12.3	9.0	2.4	1.7	1.3	
Razgulay	415	18.9	6.4	5.4	8.0	5.2	4.7	1.1	0.9	0.8	
Severstal Auto	1,051	19.1	13.8	9.3	8.1	6.2	4.3	1.1	0.8	0.6	
AvtoVaz	3,092	24.2	21.0	11.9	7.1	6.7	n/a	0.6	0.6	0.6	
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	342	11.1	9.3	8.2	7.6	6.4	5.6	1.2	1.0	0.9	
Oriflame (euro)	1,462	14.3	12.4	9.9	10.2	8.8	7.6	1.5	1.4	1.3	
Aggregate valuation	921,067	12.2	12.3	12.3	7.2	6.4	6.2	2.3	2.1	2.0	
FF-adj. MCAP W.A. valuation	258,419	14.9	13.6	13.6	7.8	7.1	7.2	9.3	3.0	2.8	

Source: MDM estimates, IBES consensus
 *P/BV shown in EV/EBITDA columns

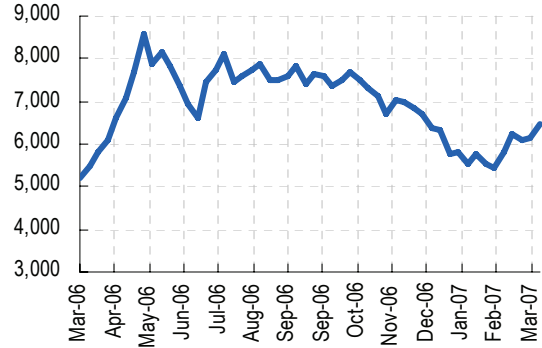
Key commodities

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



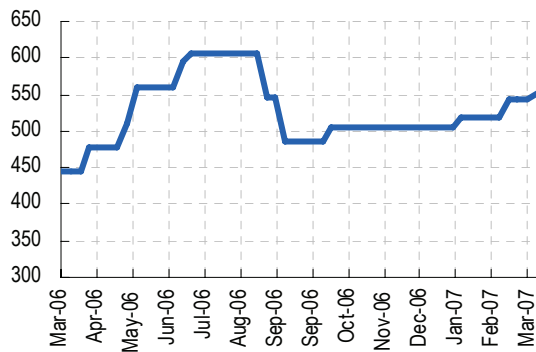
Source: Bloomberg

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



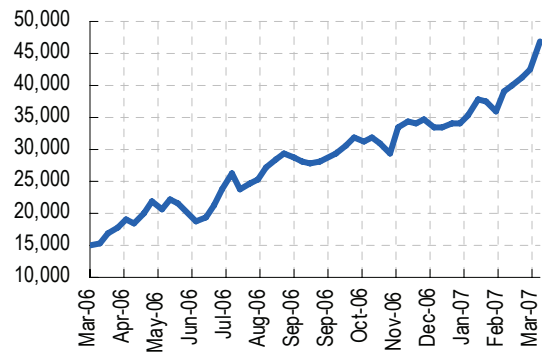
Source: Bloomberg

MB-Steel HR Coil CIS, USD/ton



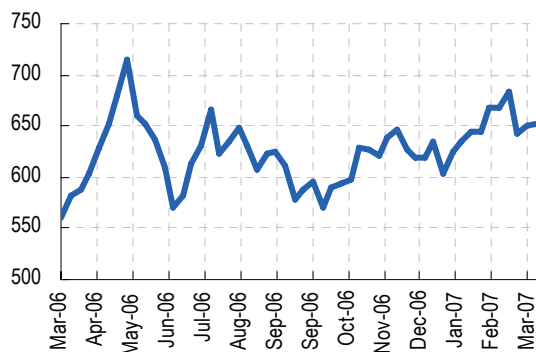
Source: Bloomberg

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



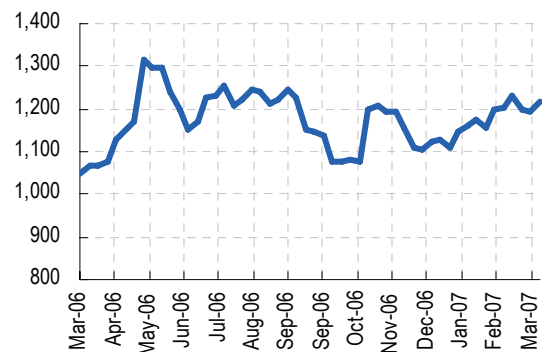
Source: Bloomberg

Gold Bullion, USD/oz



Source: Bloomberg

MB-Platinum Matthey, USD/oz



Source: Bloomberg



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