

Rating: Buy
S&P 500: 1293

Gazprom

Shares Trading Free at Last!

<i>Symbol</i>	OGZPY	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$mm)</i>	34,100
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	40.90	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/18/06	<i>Adjusted Reserves/Production NTM</i>	20.0
<i>Shares (mm)</i>	5,666	<i>EV/Ebitda</i>	7.0
<i>Market Capitalization (US\$mm)</i>	232,000	<i>PV/Ebitda</i>	9.5
<i>Debt (US\$mm)</i>	7,500	<i>Undeveloped Reserves (%)</i>	71
<i>Enterprise Value (EV) (US\$mm)</i>	239,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	10.64
<i>Present Value (PV) (US\$mm)</i>	325,000	<i>Present Value Proven Reserves(US\$/boe)</i>	2.99
<i>Net Present Value (US\$/share)</i>	56	<i>Present Value Proven Reserves(US\$/mcf)</i>	0.50
<i>Debt/Present Value</i>	0.02	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.59
<i>McDep Ratio - EV/PV</i>	0.74	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	0.4	<i>Indicated Annual Dividend (US\$/sh)</i>	0.17

Note: The Russian government owns about 50% of the equity.

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

Summary and Recommendation

Up to 35% of shares in buy-recommended **Gazprom (new symbol OGZPY)** are available to trade as Level I American Depositary Receipts as of April 18. Investors who bought earlier Regulation S ADRs should receive a 150% distribution to bring holdings to an equal proportion of the expanded number of corporate shares. We adjust our presentation of the company's financial performance for the increased number of shares outstanding. Accordingly the current stock price is 40% of what it would have been with the previous number of shares. Investors who were not willing or able to buy Reg S ADRs need have no registration inhibition to buying the new ADRs. No doubt the rising stock price has partly reflected the more than ten-fold marketability achieved today. Nonetheless we expect further appreciation in our Single Best Idea. The attraction of the company's natural gas resource position is unmatched. While Russia has political risk, there is political risk in every country, including the good old U.S.A.

Kurt H. Wulff, CFA

Please see disclosures on the final page.

Gazprom
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
Natural Gas	34,100	20.0	9.5	324,800	
Oil					
Downstream					
	34,100		9.5	324,800	100%
Debt (US\$mm)					7,500
Net Present Value (US\$mm)					317,300
Shares (mm)					5,666
Net Present Value - Standard Estimate (US\$/sh)					56
Net Present Value - Approximation by Correlation (US\$/sh)					71

Gazprom
Operating and Financial Results

	<i>Q4</i> <i>12/31/04</i>	<i>Q3</i> <i>9/30/05</i>	<i>Q4E</i> <i>12/31/05</i>	<i>Year</i> <i>2005E</i>	<i>Q1E</i> <i>3/31/06</i>	<i>Q2E</i> <i>6/30/06</i>	<i>Q3E</i> <i>9/30/06</i>	<i>Q4E</i> <i>12/31/06</i>	<i>Year</i> <i>2006E</i>	<i>Next</i> <i>Twelve</i> <i>Months</i> <i>3/31/07</i>
Volume (billion cubic meters)										
Europe	39.8	34.3	40.6	156	44.8	38.3	35.0	41.4	159	160
Former Soviet Union	18.2	22.6	18.2	77	19.2	17.2	22.6	18.2	77	77
Russia	96.3	48.6	96.3	307	106.2	55.9	48.6	96.3	307	307
Total (bcm)	154.3	105.5	155.1	540	170.2	111.4	106.2	155.9	544	545
Total (bcf)	5,447	3,724	5,475	19,080	6,007	3,931	3,748	5,504	19,190	19,221
Daily (bcfd)	59.2	40.5	59.5	52.3	66.7	43.2	40.7	59.8	52.6	52.7
Days	92	92	92	365	90	91	92	92	365	365
Price (Russian Rubles/thousand cubic meters)										
Europe	3.32	4.06	4.27	3.84	7.00	7.00	7.00	7.00	7.00	7.00
FSU	1.11	1.69	1.86	1.53	2.05	2.25	2.47	2.72	2.38	2.61
Russia	0.81	1.02	1.49	1.16	1.64	1.80	1.98	2.18	1.89	2.15
Total (RR/mcm)	1.49	2.15	2.26	1.99	3.09	3.66	3.74	3.52	3.46	3.65
Rubles/Dollar	28.49	28.52	27.60	28.02	28.02	28.02	28.02	28.02	28.02	28.02
Total (\$/mcf)	1.49	2.14	2.32	2.01	3.13	3.70	3.78	3.56	3.50	3.69
Henry Hub (\$/mmbtu)	7.10	8.56	13.00	8.65	8.97	7.54	8.20	9.75	8.61	9.25
Revenue (RUB billion)										
Europe	132.0	139.4	173.2	600	313.4	267.8	244.9	289.9	1,116	1,122
FSU	20.3	38.2	33.8	118	39.3	38.7	55.9	49.5	183	202
Russia	78.3	49.8	143.3	356	173.8	100.6	96.2	209.7	580	661
Total Natural Gas	230.6	227.3	350.3	1,074	526.5	407.1	397.1	549.1	1,880	1,985
Other	62.8	63.7	63.7	242.6	63.7	63.7	63.7	63.7	254.6	254.6
Total	293.5	291.0	413.9	1,316.1	590.1	470.7	460.7	612.8	2,134.4	2,239.5
Expense	183.1	150.1	240.1	721.7	342.3	273.0	267.2	355.4	1,237.9	1,298.9
Ebitda (RUB billion)	110.3	140.9	173.9	594.4	247.9	197.7	193.5	257.4	896.4	940.6
Deprec., Deplet., & A	32.6	25.9	35.8	123.1	38.7	28.8	28.5	39.4	135.4	139.3
Other non cash	(16.7)			4.0						
Ebit	94.5	115.0	138.0	467.3	209.1	168.9	165.0	218.0	761.0	801.3
Interest	3.4	2.0	2.0	7.8	2.0	2.0	2.0	2.0	8.0	8.0
Ebt	91.1	113.0	136.0	459.5	207.1	166.9	163.0	216.0	753.0	793.3
Income Tax	25.6	33.0	39.7	130.4	60.5	48.7	47.6	63.1	219.9	231.7
Net Income (RUB billio)	65.5	80.0	96.3	329.1	146.6	118.1	115.4	152.9	533.1	561.6
Shares (billions)	50.6	56.7	56.7	53.6	56.7	56.7	56.7	56.7	56.7	56.7
Per share (RUB)	1.30	1.41	1.70	6.14	2.59	2.09	2.04	2.70	9.41	9.91
Ebitda Margin (NatGa)	48%	62%	50%	55%	47%	49%	49%	47%	48%	47%
Tax Rate	28%	29%	29%	28%	29%	29%	29%	29%	29%	29%

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