



Rating: Buy
 S&P 500: 1350

Gazprom 60-Day Bargain, 200-Day Momentum

<i>Symbol</i>	OGZPY	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$mm)</i>	44,900
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	50.70	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/15/08	<i>Adjusted Reserves/Production NTM</i>	24.6
<i>Shares (mm)</i>	5,880	<i>EV/Ebitda</i>	7.7
<i>Market Capitalization (US\$mm)</i>	298,000	<i>PV/Ebitda</i>	10.5
<i>Debt (US\$mm)</i>	47,000	<i>Undeveloped Reserves (%)</i>	50
<i>Enterprise Value (EV) (US\$mm)</i>	345,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	13.49
<i>Present Value (PV) (US\$mm)</i>	470,000	<i>Present Value Proven Reserves(US\$/boe)</i>	4.04
<i>Net Present Value (US\$/share)</i>	72	<i>Present Value Proven Reserves(US\$/mcf)</i>	0.67
<i>Debt/Present Value</i>	0.10	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.21
<i>McDep Ratio - EV/PV</i>	0.73	<i>Price/Earnings Next Twelve Months</i>	12
<i>Dividend Yield (%/year)</i>	0.8	<i>Indicated Annual Dividend (US\$/sh)</i>	0.41
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.			
For historical analysis of Gazprom since 2005 see www.mcdep.com/2ogz.htm			

Summary and Recommendation

Buy-recommended **Gazprom (OGZPY)** offers unlevered appreciation potential of 36% to estimated net present value (NPV) of \$72 a share, concentrated 79% on natural gas and 21% on oil. Third quarter results released on February 15 exceeded expectations with the positive surprise in oil. Earlier on December 18, we increased NPV from \$62 a share when we increased long-term oil price for calculating present value to \$80 from \$66 a barrel. Projected volumes along with current futures prices promise a continuing high level of unlevered cash flow (Ebitda) (see table Next Twelve Months Operating and Financial Estimates). NPV is supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table Functional Cash Flow and Present Value). Understated cash flow anticipates a natural gas price in 2008 of \$3.61 a million btu, less than half the futures price and a fourth or less compared to the oil equivalent. Gazprom stock seems ideally positioned on its price chart offering the short-term bargain of being priced below the 60-day average at the same time it has positive medium-term momentum of being priced above its 200-day average. Meanwhile, the industry backdrop continues to be supportive with an uptrend for oil price and catch up potential for natural gas (see chart Six-Year Commodity Price Meter).

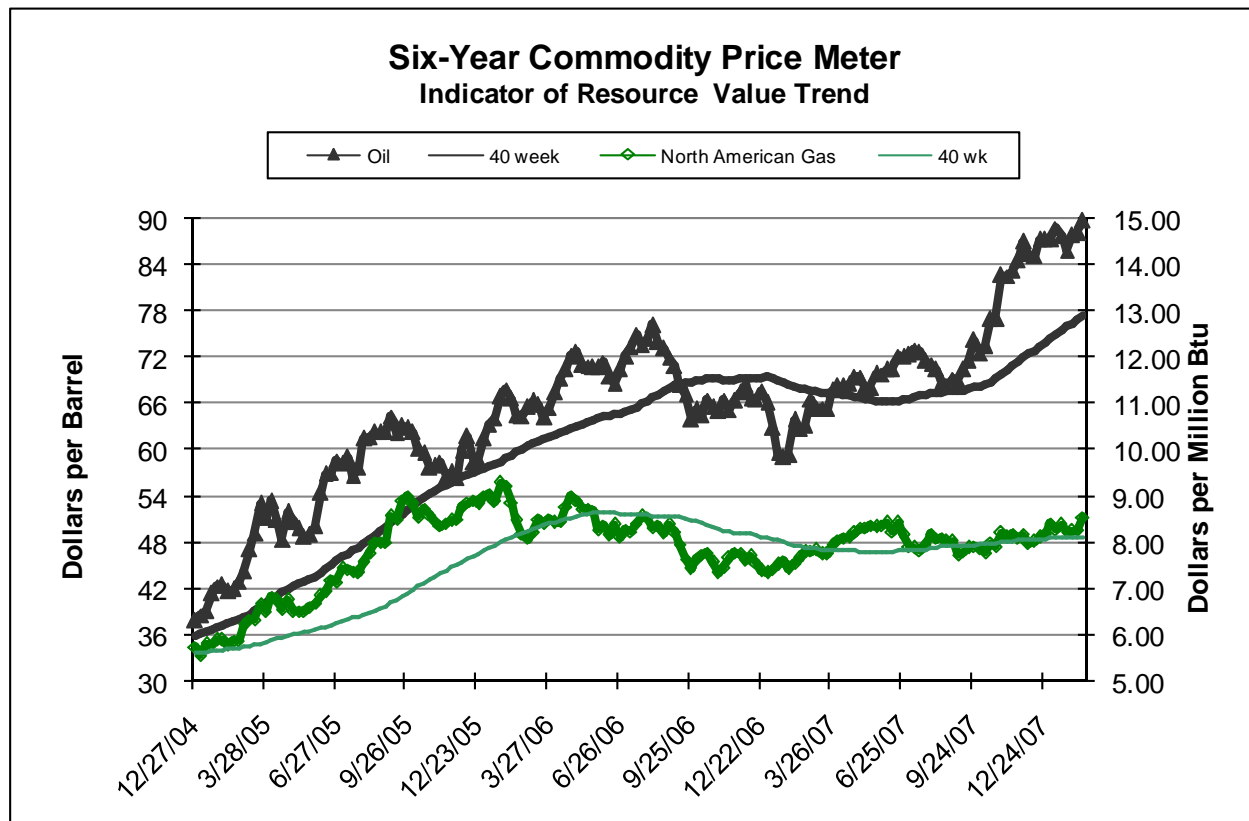
Kurt H. Wulff, CFA



Gazprom									
Operating and Financial Results									
									<i>Next</i>
	<i>Q3</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Twelve</i>
	9/30/06	6/30/07	9/30/07	12/31/07	2007E	3/31/08	6/30/08	9/30/08	Months
									12/31/08
Volume (billion cubic meters)									
Europe	33.9	39.5	37.7	42.7	160	39.9	39.5	37.7	160
Former Soviet Union	24.4	22.3	21.6	25.5	98	28.1	22.3	21.6	98
Russia	48.8	59.5	46.4	96.7	308	105.6	59.5	46.4	308
Total (bcm)	107.1	121.3	105.7	164.9	566	173.6	121.3	105.7	566
Total (bcf)	3,781	4,282	3,731	5,821	19,962	6,128	4,282	3,731	19,962
Daily (bcfd)	41.1	47.1	40.6	63.3	54.7	67.3	47.1	40.6	54.5
Days	92	91	92	92	365	91	91	92	366
Price (Russian Rubles/cubic meters)									
Europe	5.19	4.85	4.94	6.11	5.36	7.00	7.00	7.00	7.00
FSU	2.25	2.68	2.62	2.22	2.53	2.81	2.80	2.70	2.63
Russia	1.14	1.32	1.32	1.22	1.28	1.37	1.38	1.36	1.32
Total (RR/cm)	2.67	2.72	2.88	2.64	2.65	2.90	3.47	3.65	3.15
Rubles/Dollar	26.80	25.85	25.47	24.65	25.57	24.70	24.70	24.70	24.70
Total (\$/mcf)	2.83	2.98	3.20	3.03	2.93	3.32	3.98	4.18	3.61
Henry Hub (\$/mmbtu)	6.58	7.56	6.16	6.97	6.87	7.88	8.62	8.81	8.63
Revenue (RUB billion)									
Europe	175.8	191.8	186.1	260.7	857	279.3	276.5	263.9	1,119
FSU	54.8	59.7	56.6	56.5	247	78.9	62.5	58.4	256
Russia	55.7	78.4	61.4	117.8	393	144.7	82.1	63.3	408
Total Natural Gas	286.4	329.9	304.1	435.0	1,497	502.9	421.0	385.6	1,782
Other	203.6	202.5	212.1	212.1	809.8	212.1	212.1	212.1	848
Total	490.0	532.4	516.2	647.1	2,307.2	715.0	633.1	597.7	2,631
Expense	276.1	325.7	302.5	379.2	1,335.3	413.8	366.4	345.9	1,523
Ebitda (RUB billion)									
Natural Gas	158.5	154.3	147.6	204.1	744.8	253.6	211.9	183.6	874
Oil	55.5	52.4	66.1	63.8	227.1	47.6	54.8	68.2	234
Total Ebitda	213.9	206.7	213.7	267.9	971.9	301.2	266.7	251.8	1,108
Deprec., Deplet., & A	40.4	42.9	44.0	50.7	187.7	55.1	47.2	48.4	206
Other non cash					(53.2)				-
Ebit	173.5	163.8	169.7	217.2	837.4	246.1	219.5	203.4	902
Interest	5.8	11.2	11.6	11.6	41.6	11.6	11.6	11.6	46
Ebt	167.7	152.6	158.1	205.6	795.8	234.5	207.9	191.8	855
Income Tax	46.9	49.7	45.0	58.5	215.6	66.7	59.2	54.6	243
Net Income (RUB billic)	120.8	102.9	113.1	147.1	580.2	167.7	148.7	137.2	612
Shares (billions)									
Per share (RUB)	5.30	4.37	4.81	6.26	24.51	7.13	6.33	5.83	26.02
Ebitda Margin	44%	39%	41%	41%	42%	42%	42%	42%	42%
Tax Rate	28%	33%	28%	28%	27%	28%	28%	28%	28%



Gazprom					
Functional Cash Flow and Present Value					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
Natural Gas	35,400	24.6	10.5	370,000	79%
Oil	9,500	20.5	10.5	100,000	21%
Downstream					
	44,900	24.2	10.5	470,000	100%
Debt (US\$mm)					47,000
Net Present Value (US\$mm)					423,000
Shares (mm)					5,880
Net Present Value - Standard Estimate (US\$/sh)					72



McDep LLC
Independent Stock Idea
February 18, 2008



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