

O A O TATNEFT
Form 6-K
August 29, 2006

FORM 6-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
August 29, 2006

Pursuant to Rule 13a-16 or 15d-16 of
The Securities and Exchange Act of 1934

OA O TATNEFT
(also known as TATNEFT)

(name of Registrant)

75 Lenin Street
Almetyevsk, Tatarstan 423450
Russian Federation

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40F.

Form 20-F...X.... Form 40-F.....

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes..... No... X....

August 29, 2006

Edgar Filing: O A O TATNEFT - Form 6-K

On August 29, 2006 OAO Tatneft

OAO Tatneft comments on withdrawal of its credit rating by Standard & Poor's

29 August 2006

On 25 August 2006 Standard & Poor's (S&P) announced the withdrawal of the credit rating of OAO Tatneft, in the opinion of S&P, a continuing lack of information. OAO Tatneft is surprised at S&P's decision and believes its credit rating is not justified, given its recent increased financial disclosure, active engagement with investors and transparency. However, the company underlines that it respects S&P's policy in taking decisions.

The press-release regarding withdrawal of the company's credit rating distributed by S&P says that the lack of information on the company's consolidated financial position and its strategy". The company has spent the third year in succession Tatneft has substantially delayed publishing its audited U.S. GAAP financial statements, belated compared with those of local peers. The 2004 accounts were published in June 2006, but are not yet available. The nature of relationships with the government of the Republic of Tatarstan (BB-/S&P, which was further unclear and there is a lack of clarity regarding financing of the major Nizhnekamsk refinery (with a cost of \$4.8 billion)".

On 26 June 2006 OAO Tatneft published consolidated financial statements of Tatneft Group for 2005 with an unqualified auditor's report on these financial statements (as a part of the annual report) and unaudited US GAAP financial statements of Tatneft Group for the first half of 2005. In addition, on a non-audit basis, provided S&P with draft US GAAP financial statements of Tatneft Group for 2005, as well as unaudited US GAAP financial statements of OAO Tatneft for 2005. OAO Tatneft recognizes and agrees with S&P's statement that "the rating withdrawal does not necessarily reflect the company's credit quality", particularly given the increased cash and profit generation of the Group and its financial strength.

The company has regularly provided S&P with information on OAO Tatneft's financial position. In its annual reports (under Russian Accounting Rules or RAR) of OAO Nizhnekamskshina, the largest subsidiary of the company, the former in its issuer's quarterly reports. Therefore, the company believes that S&P has a good understanding of OAO Tatneft's consolidated financial position.

The Company has indeed delayed release of audited consolidated financial statements of Tatneft Group in its annual report on Form 20-F for 2005 with the U.S. Securities and Exchange Commission because of delays in the US GAAP financial statements for 2003 and 2004. The above-mentioned delays were primarily caused by complex transactions involving Tatneft Group companies reflected in the US GAAP consolidated financial statements, which was completed only in beginning of June 2005. The reasons for the investigation, and the results of the investigation have been discussed by the company in numerous press-releases. The US GAAP consolidated financial statements for 2005 are currently being audited by an independent auditor, and the company expects the completion of the audit of 2005. OAO Tatneft is planning to announce a more detailed timetable for completion of the audit of financial statements for 2005 in the first half of September 2006.

Annual reports of the company (including on Form 20-F) clearly define the strategic goals of the company, in particular, maintaining oil production levels at existing oil fields; increasing the resource base of Tatarstan; strengthening vertical integration by developing the company's refining and petrochemical production with advanced principles of corporate governance. OAO Tatneft regularly informs investors and the market of its actions to reach these strategic goals.

For example, the following steps to improve corporate governance have been taken in the last few years: elected to the Board of Directors of OAO Tatneft; the following committees of the Board of Directors are currently operating: audit committee, human resources and remuneration committee, disclosure committee, and the department of internal audit was reorganized; consolidated financial reporting department was created; communication with investors and shareholders has been improved.

OAO Tatneft discloses information about transactions with related parties in compliance with Russian Accounting Standards. The company believes that it has provided S&P with explanations regarding the relationship with the Republic of Tatarstan, it is built on the basis of mutual benefit and respect for the interests of shareholders of the company. The Republic of Tatarstan (through OAO Svyazinvestneftekhim) is the largest shareholder that holding 33.59% of all shares of the company. "Tatneft is the most important company in Tatarstan, as the largest shareholder, is interested more than anyone else in Tatneft's successful operation. Its primary goal - making profit" said Rustam N. Minnikhanov, the Prime Minister of the Republic of Tatarstan. Board of Directors of OAO Tatneft speaking at the meeting of the Board of Directors of the company.

Edgar Filing: O A O TATNEFT - Form 6-K

the Government of the Republic of Tatarstan supported the company in connection with the application of the Code related to differentiation of oil production tax and granting financing from the Investment Fund for the construction of infrastructure of the oil refining and petrochemical complex in Nizhnekamsk.

In connection with financing of the oil refining and petrochemical complex in Nizhnekamsk, Refinery, together with financial advisors of the project, is developing a structure for the construction of the complex. As reported earlier, a significant portion of the funds for the construction of the complex will be provided on a project finance basis. Until this work is completed, the company believes that it is not possible to plan for financing of the construction of the complex. In addition, on 26 June 2006 the Government of Tatarstan Projects of National Importance approved co-financing from the Investment Fund of the Russian Federation for the reconstruction of external transport infrastructure of the oil refining and petrochemical complex for a total of RR16.5 billion. The investment program of OAO Tatneft provides for extension in 2006 of RR6.7 billion to the construction of the complex until external financing for the construction is obtained by Z

As of 30 June 2006, cash of OAO Tatneft under RAR was RR12.5 billion, while the long-term and short-term debt under RAR as of 30 June 2006 were RR2.3 billion and RR1.3 billion, respectively. According to the Department of OAO Tatneft, the company is currently able to repay all indebtedness under its long-term debt upon request. OAO Tatneft is repaying its debt under loans and credits in time in strict accordance with the terms of the agreements.

Long-term and short-term loans and credits of OAO Nizhnekamskshina, the largest subsidiary of OAO Tatneft, as of 2006 were RR229 million and RR1.8 billion respectively. OAO Tatneft's net income under RAR for the same period was RR68 billion, and OAO Nizhnekamskshina's net income under RAR for the same period was RR68 million.

Forward-looking statements: *This press-release may contain certain forward-looking statements which do not guarantee occurrence of any events mentioned in such statements as well as term of their occurrence.*

END

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OAO TATNEFT

By: _____

Name:(Vladimir P. Lavushchenko)

Title: (Deputy General Director for Economics, Chairman of
Disclosure Committee)

Date: August 29, 2006