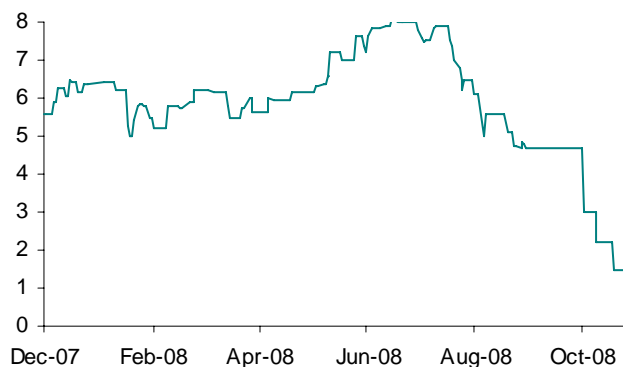
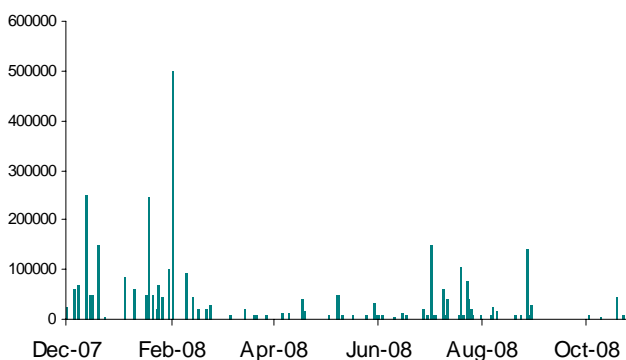


Bid	Ask	Volume	High	Low	Last Close
1.9	2.5	N.A.	1.78	1.78	1.78

Share price performance (USD)



Trade volume



About Company

JSC Gazprom Neft (until 2005 known as Sibneft) is one of the largest oil and gas producing companies in Russia. The main areas of Gazprom Neft's business activity include oil and natural gas production, oil and gas field facility services, oil refining and marketing of petroleum products. The proven reserves of the company exceed 4 billion barrels, which ranks the company amongst the world's twenty largest oil companies. It has operations in Khanty Mansiysk autonomous district, Yamalo-Nenets autonomous district, Tomsk and Omsk regions, and Chukotka autonomous district. The company, formerly known as, OAO Siberian Oil Company, was founded in 1995 and is based in Moscow, Russia. JSC Gazprom Neft is a subsidiary of JSC Gazprom.

Since Gazprom became Company's major shareholder investors started to believe in company's success. However in the middle of July many investors changed their mind. War with Georgia together with oil price decrease and global credit crisis made the investors unconfident about Gazprom Neft's future growth.

Stock Quote (USD)

P/E	1.44
P/S	0.29
EPS	1.24
Market Cap (million)	8416
52 wk high	8.1
52 wk low	1.5
Shares out. (million)	4741

Financials

- The increase in production, the increased world and Russian oil prices resulted in a 91.25% growth of revenues in H1 2008 compared with H1 2007. Revenues for H1 2008 totalled 17677 million USD.
- The Company's net profit in H1 2008 increased by 97.54% compared with H1 2007. The increase was caused mainly because of sales growth, though net profit margin was slightly increased as well.
- As a result of growth of sales and profit, key financial ratios were improved. ROE totalled 30.84% in H1 2008. ROA and total assets turnover show that sales and net profit grew much faster than assets.
- The Company has shown stable growth for several years. In 2007 the growth of sales slowed down but according to the results of H1 2008 we can expect year 2008 to become the year of fast growth.
- The decreased oil prices in H2 2008 will have a negative influence on Company's operating results. However we expect that the price on oil will not be that low in the future and Gazprom Neft will not suffer from current market conditions.

Important Figures

	H1 2007	H1 2008
Sales (million USD)	9243	17677
Sales growth	-8.69%	91.25%
Net profit (million USD)	1826	3607
Net profit growth	1.84%	97.54%
P/E	5.15	6.45
EPS	0.39	0.76
Equity rate	60.37%	61.15%
Net profit margin	19.76%	20.41%
ROA ¹	11.72%	19.09%
ROE ¹	18.05%	30.84%
Inventory turnover ¹	10.85	12.78
Fixed assets turnover ¹	1.03	1.56
Total assets turnover ¹	0.59	0.94
Current ratio	1.16	1.57

¹Indicators have been calculated according to the period averages total assets and equity.
Source: 4 (GAAP)

- In July 2008 the Company obtained the second 500 million USD tranche of a 1.0 billion USD syndicated loan from BBVA Bank, BTMU Bank, Barclays Capital, Sumitomo Mutsui Banking Corporation and WestLB Bank. H1 2008 equity ratio was 6.15% and because of the loan it may slightly decrease. In terms of global credit crisis and rising interest rates, it is considered risky. From the other hand being a strategic and successful part of Gazprom gives many advantages, for example financial stability and help from the government if it is needed.
- Net income rose 11% to 21.5 billion rubles (\$787 million) in Q3 2008 under Russian accounting standards. For the six months ended June 30, 2008 and 2007 Gazprom Neft had one customer which accounted for approximately 22.0% and 26.9% of the Company's sales, respectively. It is obvious that the company depends on this customer and this creates certain risks in case the customer chooses another supplier.
- Stock price is negatively affected by global economic situation, low prices on oil, global stock fall, war in Georgia, confrontation between United States and Russia. We consider that today Gazprom Neft's share price is unfairly underestimated.

Important Figures	2004	2005	2006	2007
Sales (million USD)	8886	14585	19894	21100
Sales growth	32.29%	64.13%	36.40%	6.06%
Net profit (million USD)	2046	2805	3661	4143
Net profit growth	-10.18%	37.10%	30.52%	13.17%
P/E	7.14	6.42	5.84	7.30
EPS	0.4	0.6	0.8	0.9
Equity rate	70.01%	71.95%	70.42%	62.83%
Net profit margin	23.02%	19.23%	18.40%	19.64%
ROA ¹	22.22%	26.84%	29.59%	26.98%
ROE ¹	33.21%	37.80%	41.64%	40.69%
Inventory turnover ¹	30.69	40.01	32.64	22.63
Fixed assets turnover ¹	1.33	2.02	2.48	2.06
Total assets turnover ¹	0.97	1.40	1.61	1.37
Current Ratio	1.62	1.60	1.20	1.40

¹Indicators have been calculated according to the **period** averages total assets and equity.

Source: 4 (GAAP)

Business Activity

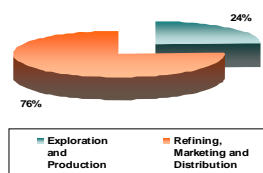
The Gazprom Neft' petroleum resources base was audited by Miller & Lents. As of 01.01.2007 the Company's oil reserves, according to the SPE Classification system, were estimated at 953.0 million tonnes, including proven commercial reserves at 601.8 million tonnes and probable/possible reserves at 351.2 million tonnes. Gazprom Neft' is actively engaged in the further development and expansion of its resource base. The Company participates in auctions conducted by the Ministry of Natural Resources of the RF for acquisition of the rights to use subsurface mineral resources in new areas.

The Gazprom Neft' oil-refining process is based on the high level of technology applied at its oil refineries and assisted by their favourable geographical locations. The Company's main oil-processing asset is one of the most advanced high-tech oil refineries in Russia and ranks among the largest in the world.

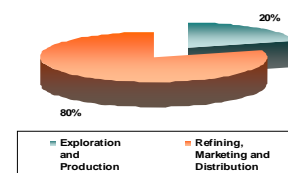
The Omsk Oil Refinery's installed capacity composes 19.5 million tons per year. Smooth operation of the Omsk Oil Refinery enables the Company to maintain its leading position in sales of petroleum products in Western Siberia. The Omsk Oil Refinery is linked via a pipeline network to JSC Gazprom Neft's major oilfields, thus providing supplies of high-quality crude oil. The distance between the oilfields and the Refinery is the shortest in Western Siberia. These factors help minimise the Company's costs and market its oil products in regions located far from the Refinery.

- In December 2007 the Company acquired a 50% equity interest in JSC Tomskneft VNK ("Tomskneft") and its subsidiaries from a subsidiary of OJSC Oil Company Rosneft ("Rosneft") for 3567 million USD. The purchase price was based on the fair value of Tomskneft, which amounted to 3670 million USD as determined by an independent appraiser. As part of this transaction, the Company and Rosneft agreed to jointly manage the business operations of Tomskneft and to each purchase their respective share of Tomskneft's annual production. As both the Company and Rosneft are ultimately controlled by the Russian Federation, the transaction was deemed to have occurred between entities under common control and therefore was accounted for at Rosneft's historical cost.
- On September 26, 2008, the Federal Anti-Monopoly Service announced it would impose fines on Gazprom Neft and certain other energy companies for fixing prices of certain refined products on the local market. The amount of the fines will be determined by the Federal Anti-Monopoly Service after further investigation. The law under which the action was taken provides guidelines for a fine of 1 percent to 15 percent of revenues from sales of the products in question but no more than 2 percent of the total revenues. The Company denies any wrong doing and continues to fully cooperate with the authorities.

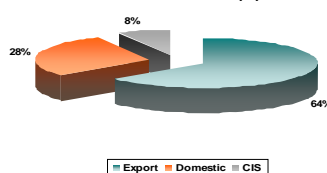
Revenue breakdown in H1 2007 (%)



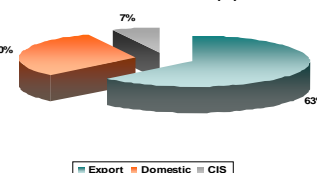
Revenue breakdown in H1 2008 (%)



Sales in H1 2007 (%)



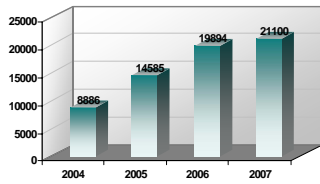
Sales in H1 2008 (%)



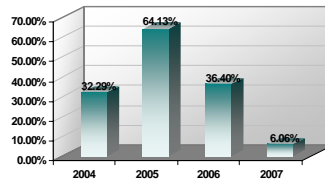
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Graphs

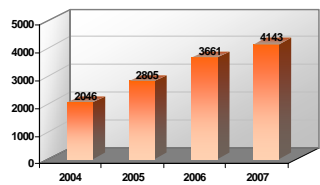
Sales (million USD)



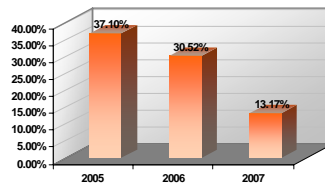
Sales growth (%)



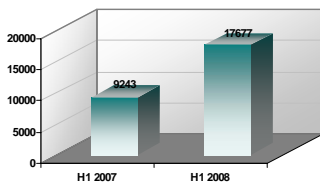
Net profit (million USD)



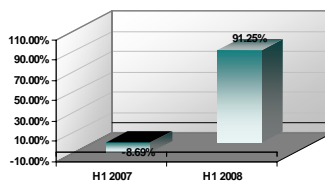
Net profit growth (%)



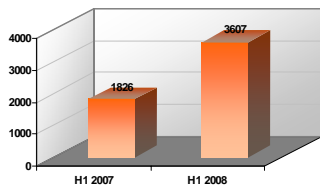
Sales (million USD)



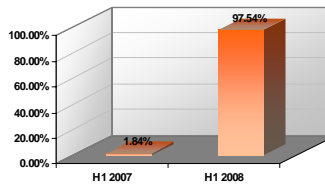
Sales growth (%)



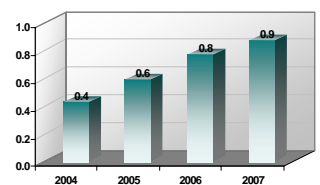
Net profit (million USD)



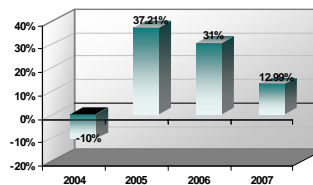
Net profit growth (%)



EPS (USD)



EPS growth (%)



Source: 4

Competition

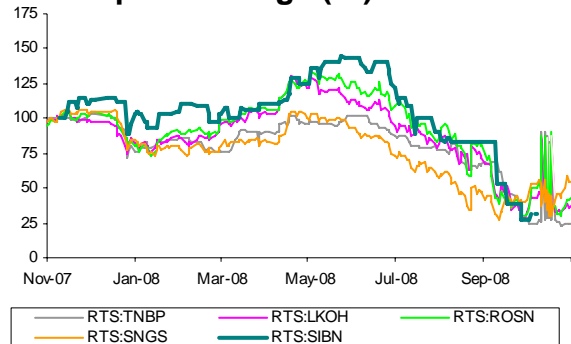
LUKOIL (LKOH). LUKOIL is one of the world's leading vertically integrated oil & gas companies. Main activities of the Company are exploration and production of oil & gas, production of petroleum products and petrochemicals, and marketing of these outputs. Most of the Company's exploration and production activity is located in Russia, and its main resource base is in Western Siberia. LUKOIL owns modern refineries, gas processing and petrochemical plants located in Russia, Eastern Europe and near-abroad countries. Most of the Company's production is sold on the international market. LUKOIL petroleum products are sold in Russia, Eastern and Western Europe, near-abroad countries and the USA. LUKOIL is the second largest private oil Company worldwide by proven hydrocarbon reserves. The Company has around 1.3% of global oil reserves and 2.3% of global oil production.

Rosneft (ROSN). Rosneft is the leader of the Russian petroleum industry, and ranks among the world's top publicly traded oil and gas companies. The Company is primarily engaged in hydrocarbon exploration and production, production of petroleum products and petrochemicals, and marketing of these outputs. In 2007, Rosneft was included in the Russian Government's List of Strategic Enterprises and Organizations. The state holds a little over 75% in the Company, while approximately 15% of shares are free-floated. The Company's proved reserve-to-production ratio is 27 years. Rosneft is also well positioned to effectively increase hydrocarbon production, as it operates mainly conventional reserves.

Surgutneftegas (SNGS). Surgutneftegas engages in the exploration, development, and drilling of oil and gas wells in the Russian Federation. It primarily involves in the exploration and production of hydrocarbons; the manufacture and marketing of refined products; gas processing and electricity generation; the sale of commercial gas and liquid hydrocarbons; and the manufacture of petrochemicals. As of December 31, 2006, the company's resource base included 110 license areas located in 10 constituent territories of the Russian Federation comprising 81 licenses for oil and gas exploration and production for 83 fields, and 29 licenses for hydrocarbon fields. It also had 13 gas turbine and 2 gas piston power plants with a total capacity of 360.5 megawatts operated at 13 fields. Surgutneftegas is based in Tyumen, the Russian Federation.

TNK-BP Holding (TNBP). Public Joint Stock Company "TNK-BP Holding", through its subsidiaries, engages in the exploration, development, and production of oil and gas in the Russian Federation. It also refines and markets oil and petroleum products. The company owns and operates four refineries in Russia and one refinery in Ukraine, as well as has a retail network of approximately 1,600 filling stations in central Russia and Ukraine. In addition, it provides oilfield services, such as drilling, sidetracking, capital and current well workovers, and cementing. The company was founded in 2003 and is headquartered in Moscow, the Russian Federation. Public Joint Stock Company "TNK-BP Holding" is a subsidiary of TNK-BP Limited.

Share price change (%)



Comparison (million USD except EPS)

Company	Share Price	EBIT	EPS	Market Cap
Lukoil	31	18274	15.61	26743
Rosneft	3.85	17087	1.22	37432
Gazprom Neft	1.78	7430	1.24	8416
Surgutneftegaz	0.66	5206	0.124	23400
TNK-BP Holding	0.52	10599	0.55	14997

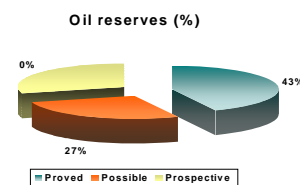
Source: 6

The Most Important News of Gas and Oil Industry

- The heads of OAO Rosneft, OAO Lukoil, OAO Surgutneftegaz, OAO Gazprom Neft and OAO Transneft have been invited to a Russian government meeting to discuss strategic development. The government cut the export duty on crude oil by 23 percent to \$287.30 a metric in an order, which will take effect from 1st of November. This will stimulate the export and increase the possible net profit. However the rate is still as much as \$100 higher than oil companies had wanted.
- China's President Hu Jintao and Russian President Dmitry Medvedev pledged closer cooperation on international efforts to ease the global credit crisis. The action plan covers politics, economics and energy, though energy is a key part of it. OAO Gazprom Neft plans to send 1.2 million tons of oil through the Atasu-Alashankou pipeline to China next year, Interfax reported on 14th of November. Gazprom Neft has an agreement with China National Petroleum Corp. to deliver the crude, Deputy General Director Anatoly Cherner said, according to the Moscow-based news service. The Russian producer is allowed to export 250,000 tons of oil through the link in the fourth quarter of this year, Interfax said.

Future Outlook

- A significant part of the Company reserves is at the early stage of development thus, creating a strong basis for potential growth in future. Development of the Priobskoye and other new oil fields owned by 'Gazprom Neft' is expected to help boost oil production to 80 million tonnes by 2020, that is, two and a half times higher than present levels.
- Cooperation between Russia and China in energy sector gives Gazprom and Gazprom Neft an opportunity to expand in terms of global economic crisis. We consider it to be one of the most important advantages over foreign competitors. Traditionally good relations between Russia and developing Asian countries give not only the export opportunity but also a chance for state-controlled oil companies in Russia to explore and develop fields in Asia.
- The fact that oil and gas industry is considered strategically important for government is more like an advantage than disadvantage. In terms of global credit crisis Gazprom Neft can easily receive additional money from government to start new project. From the other hand being a state-controlled company in Russia means additional expenses on social programs and governmental interests which may be not commercial. JSC Gazprom Neft has reduced wholesale prices for jet fuel as of October 17, 2008. The 12 percent per tonne price cut for all new contracts will lead to a corresponding jet fuel price decrease at Russian airports. Therefore, the average decline of jet fuel prices charged by the Company's refineries has been 30 percent since August 2008.
- Since Gazprom became Company's major shareholder investors believed in company's success. However in the middle of July many investors changed their mind. War with Georgia together with oil price decrease and credit crisis made the investors unconfident about Gazprom Neft's activity. However we suppose that the stock price of this company will start its growth earlier than the stock price of its competitors.
- We expect the Company to improve its performance slightly in H2 2008 and in Q1 2009. Rapid growth seems to be difficult in the nearest future as the prices on oil are unstable. However giant resource base, governmental support, and international demand on oil as well as long-term strategy give a great possibility for Gazprom Neft to expand in a few years.



Conclusion

Business risk: very low Growth possibility: high

Advantages

- The government of Russia is very unpredictable, especially in those spheres that they consider strategic. However, those companies that are controlled by government in strategically important industries have several advantages over their competitors. Advantages include lower financial risk, better chances of expanding, confidence in the nearest future, long-term strategy.
- Gazprom Neft is constantly increasing its assets and investments are reasonable. Company has a great chance of expanding even in current economic situation. For example agreement with China National Petroleum allows to increase production volume even if demand on oil in Europe falls down.
- Good financial results in H1 2008 under GAAP and Q3 2008 under RAS. We expect that in Q4 2008 and in Q1 2009 Gazprom Neft will continue to raise its revenue.
- A significant part of the Company reserves is at the early stage of development. Government is likely to continue developing Gazprom Neft's assets and reserves and we expect the Company to grow stably in the far future.

Disadvantages

- Decreasing oil price causes problems for Russian economy based on oil export. The government may cut the investments in gas and oil industry in short-term. However the chance that government does this is very low.
- In long-term future we expect both Russia's and international oil business' competition to become tighter. There is a possibility of new oil wars and conflicts between the world's main suppliers of oil as the oil reserves are becoming smaller and smaller.
- Governmental control means that profit may not be the main priority. Sometimes state uses its companies in political interests.

Sources of Information:

- ¹ Gazprom Neft's homepage [<http://www.gazprom-neft.com>]
- ² Gazprom Neft's uarter reports under RAS
- ³ Kommersant [<http://www.kommersant.ru/>]
- ⁴ Gazprom Neft's annual and quarter reports under GAAP
- ⁵ Bloomberg [<http://www.bloomberg.com>]
- ⁶ CapitalIQ [www.capitaliq.com]
- ⁷ Oil-Price.Net [<http://www.oil-price.net>]
- ⁸ RIA Novosti [<http://en.rian.ru>]

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