

M&A NEWS**Smith International, Inc. and Integra Group announce joint venture arrangement**

Smith International, Inc. and Integra Group announced that they have agreed to establish a 50/50 joint venture to supply a wide range of technologically-advanced oilfield services and engineering solutions in Russia and CIS. The joint venture will offer drilling and completion services to customers utilizing downhole equipment and technical capabilities provided by Smith Services and supported by the infrastructure, engineering expertise and personnel of Integra Group.

Integra Chief Executive Officer, Felix Lubashevsky, said, "Via Smith Eurasia, which is part of Integra Group, we have nearly fifteen years of lucrative cooperation with Smith International - one of the global leaders in the oilfield services market. We are excited that this relationship is now being taken to a new level creating rewarding opportunities for both partners. We are convinced that industry-leading technology of Smith International together with Integra's experience and operations in Russia and the CIS will create an extremely competitive joint venture which will perform substantial growth".

According to Bryan Dudman, President of the Smith Services business unit of Smith International, Inc., "Cooperation with Integra gives us a strong presence on the Russian and CIS markets, the region where Smith currently generates about seven percent of its oilfield segment revenues. We see a significant amount of investment being made by operators in this region and believe this venture will help us to bring significant value to our customers and shareholders."

Russia and the Global Natural Gas Market

*The following material is based on the study **Russian Natural Gas on Global Markets: Potential, Strategies and Outlook** by RPI released in March 2008.*

Russia is the world's largest reserves-holder, producer and exporter of natural gas and is playing a significant role in development of the European gas market and as an important player in gas deliveries to Former Soviet Union countries.

Russia has the world's largest natural gas reserve base. The estimates for the country's proved natural gas reserves by the International Gas Union and Gazprom are identical and stand at 47.85 trillion cubic meters (compared to the Cedigaz estimate of 47.65 tcm), which constitutes 26.3% of total world reserves. Presently, most proved reserves are located in the western parts of Russia. However, as will be discussed in further detail in this report, the producing reserves in West Siberia and the southern regions of Russia's European part are now in decline and need to be replaced by reserves further to the country's east and north. The continental shelf of the Barents and Caspian seas should become an important factor of Russian gas industry development during the next decade.

The best prospects for major new discoveries of natural gas in Russia, according to estimates by Gazprom and the RF Ministry of Natural Resources, are in the eastern part of the country as well as in offshore zones along the Arctic and Pacific coastlines. However, these are very challenging regions due to their remoteness and very harsh climatic conditions. While most of such challenges can be met with engineering and technical solutions, the costs per cubic meter of natural gas produced will be significantly higher than that from the gas fields currently onstream. As discussed in this report, this new level of costs will be one of the key problems facing Russian natural gas exports in the medium-term future. International markets are becoming increasingly global due to the growth of liquefied natural gas (LNG) as an international commodity business. The worldwide interdependence of gas markets puts downward pressure on prices, which is something Gazprom will have to cope with. Increasing gas prices, on the other hand, would stimulate development of new gas reserves and originate new gas flows to the market. The current situation with high energy prices puts on additional pressure to start production at new upstream projects in Russia. In December 2007, Gazprom launched production at the Yuzhno-Russkoye field, where

Smith International, Inc. is a leading supplier of high quality products and services to the oil and gas exploration and production industry through its four principal business units - M-I SWACO, Smith Technologies, Smith Services and Wilson.

Integra Group is a leading Russian independent provider of onshore oilfield services and leading Russian manufacturer of drilling rigs with heavy lifting capacity, cementing equipment and certain specialized equipment used in the exploration, development and production of oil and gas. Integra is presented in all major oil and gas producing regions in Russia and CIS countries. Established in March 2004, Integra Group through 16 strategic acquisitions has become one of the leading companies in the industry with nearly 20,000 employees.

20 March 2008

Bolivia and Gazprom sign gas exploration deal

Gazprom signed an agreement with the Bolivian state energy company YPFB to develop natural gas exploration and production projects in Bolivia.

Under the agreement signed in La Paz, exploration will be carried out at the Sunchal natural gas field in the south of the country. Bolivia has the second largest gas reserves in South America after Venezuela, with proven reserves of 680 billion cubic meters.

"The agreement signed by Gazprom and the Bolivian state energy company YPFB will allow to increase gas deliveries to neighboring countries, primarily Argentina and Brazil," said Bolivian President Evo Morales.

Experts had earlier expressed doubts that Bolivia would be able to comply with its contract commitments to its neighbors and simultaneously meet the growing domestic demand without new oil and gas deposits being

production in its stable phase will be 25 billion cubic meters (bcm) of gas per year.

Russia is the world's largest producer of natural gas, producing 612.1 bcm of free gas, according to BP Statistical Review of World Energy, and total gas production (including associated gas) at 656 bcm, according to the Russian Ministry of Industry and Energy. The most interesting comparison is with gas producers in Europe – the main destination of gas exports from Russia. Currently, Russian gas production significantly exceeds combined production of the three main European gas producers, Norway, UK, and the Netherlands.

The essential factors affecting Russian gas production are depletion of the currently producing gas fields in the Nadym-Pur-Taz region and the huge capex requirements for development of the new gas provinces in terms of both production and transportation.

Production of the natural gas industry in Russia is dominated by Gazprom, though there is also a significant role to be played by independent companies. Gazprom accounts for 84.7% of all production, with the balance split between the oil companies and the independent gas producers. The Russian economy heavily depends on consumption of natural gas, a heritage of the Soviet era and the first decade of economic reforms, when gas prices were frozen while coal and oil prices were set free. During this period, gas consumption increased further and now about 52% of Russia's primary energy needs are met with natural gas, which is double other countries' average level of dependency on natural gas. Recent statements from the government indicate a willingness to reduce this dependency, including by increased use of coal as a source of primary energy. However, the recent decision to join the Kyoto Protocol may make such a shift difficult to accomplish. Another proposed way to address the problem of the shrinking share of natural gas in Russia's energy balance is to develop the nuclear power stations network. Yet the most realistic method to reduce the inefficient use of gas will be the energy-saving technologies. According to various estimates, they will be able to generate an economy of 10 bcm to 15 bcm to the current consumption level.

Gazprom is characterized above all by giant proven gas reserves, legal and factual control over all gas exports from Russia, and extremely strong dependence of market capitalization on global energy prices. Gazprom's ambitious goal is to develop into a world-class energy company. In 2005, the liberalization of trading company shares was making it the focus of attention of strategic and equity investors worldwide. At the same time, Gazprom remains a largely enigmatic company, with little consensus on its future development among interested parties, as apparent from numerous analytical reports available to the market.

commissioned.

The Gazprom contract, signed by YPFB President Santos Ramirez and Gazprom representative for Latin America, Stanislav Tsygankov, is a follow up to memorandum of understanding that the companies signed in February 2007 for prospecting and infrastructure projects as well as the training of the personnel.

Besides European markets, South America seems to be another lucrative region for Gazprom.

19 March 2008

JSC KazMunayGas Exploration & Production acquires production assets of Batumi Terminal Operator

JSC KazMunayGas Exploration & Production has acquired production assets of Naftrans Ltd., which operates the oil terminal in Batumi, Georgia. The oil terminal was acquired for the total consideration of US\$ 220 million. Naftrans Ltd. provides port services and transports oil and oil products by rail from the Georgian-Azerbaijani border to the Batumi terminal. In 2006, KazTransOil (a subsidiary of JSC KazMunayGas Exploration & Production) reached an agreement to acquire a 50% stake in Naftrans Ltd. The agreement stipulated construction of an oil refinery near the port terminal. Moreover, the Batumi oil terminal and KazTransOil concluded a deal to create a joint venture, to ensure stable deliveries of Kazakh oil for export via the Black Sea.

14 March 2008

Evraz to acquire IPSCO's Canadian rolled steel and pipe business

Evraz Group S.A. announced the acquisition of IPSCO's Canadian rolled steel and pipe business ("IPSCO Canada") for a net cost of US\$ 2.3 billion. The final value will be subject to certain closing

The extent to which Gazprom will be able to successfully manage opportunities on a global scale is of extreme importance to the gas market players, including political figures. The Russian government elite treats Gazprom not just as a corporation, but also as the vehicle for promoting Russia's political interests, similar to the approach towards most national or quasi-national energy companies worldwide. In this respect, 2005 became a landmark year for Gazprom when the government finally consolidated in its hands 50%-plus shares of the company.

On the international stage, Gazprom is a major source of gas supply to Europe. In the last five years, Gazprom's long-term contracts have satisfied between 25% and 30% of European gas demand, which makes the stability of Gazprom's gas deliveries to Europe critical for the company's key business partners in Europe, as their market position strongly depends on retailing Gazprom's gas to final consumers. In this context, Gazprom's intent to further globalize its operations and to get more involved down the supply chain forebodes substantial change in many markets.

However, Gazprom is continuing to be highly dependent on the international gas markets. The policy under which Gazprom has to supply the less attractive domestic gas market in priority order, as well as the way Gazprom finances selected projects of 'national importance,' makes the European market critically important for the company. In 2004, over 73% of Gazprom's total income came from gas sales outside Russia, mainly (but not completely) through Gazexport (Gazprom export, since 2006) the company's international trading arm. Gazprom management supposed that the situation can start to change with phased growth of gas prices in Russia, which makes the internal trading operations more convenient from an economic point of view. But the growth of international gas prices demonstrated gas sales to Europe and to FSU countries share in Gazprom trading balance remained the important factor. In 2006, over 79% of total Gazprom revenues came from international sales.

The Russian domestic market is in fact still subsidized by exports, which has negative implications for production. Gazprom's investment capability will be directly dependent on its exports dynamics, which in turn will be strongly affected by developments in the domestic market. The situation is changing but very slowly, according to the social factor of gas prices increasing in Russia.

Meanwhile, Russia is becoming a major importer of natural gas. As mentioned above, the depletion of traditional areas of production is leading to development of higher-cost domestic resources. The economics of producing natural gas in Central Asia, especially Turkmenistan, are stimulating imports. It is more economically effective to produce natural gas in Central

adjustments.

With plants in Regina, Calgary and Red Deer, IPSCO Canada is a leading North American producer of rolled steel as well as pipes for the oil and gas industry. This purchase is another step in the implementation of Evraz's strategy to build a strong platform on the North American downstream markets of rolled steel and tubular products.

Commenting on the transaction, Alexander Frolov, Evraz's Chairman and CEO, said, "Following the successful acquisition of Oregon Steel Mills, this transaction will further enhance Evraz's existing North American presence in high value-added steel segments. This deal will increase our exposure to the attractive energy and infrastructure sectors throughout the region. We expect substantial synergies from the combination of IPSCO Canada and Evraz's existing North American operations. We are delighted to acquire a company with the long history and outstanding track-record of IPSCO Canada and look forward to welcoming IPSCO Canada's employees to the Evraz family of companies."

According to the transaction structure, Evraz will acquire the IPSCO Tubulars business from SSAB for US\$ 4.025 billion. Evraz has also entered into definitive back-to-back agreements with OKSC TMK and its affiliates, Russia's leading tubular player, to sell some of the acquired US businesses for US\$ 1.2 billion. In addition, Evraz expects to sell the remaining acquired US businesses of IPSCO Tubulars to TMK for approximately US\$ 0.5 billion in 2009. All of these transactions are subject to certain closing adjustments and conditions. As a result of these transactions, the net cost of the acquisition for Evraz is expected to be approximately US\$ 2.3 billion.

The transaction will be financed by

Asia and to further transport it through Gazprom's pipeline system, than to transport it from the more challenging production zones of Russia. For reasons of security of supply, as well as economics, future gas supplies for the Russian market will be a combination of imports and domestic production, with imports growing. The 2003 contract with Turkmenistan provides for supplying natural gas in the range of 70-80 bcm per year for a period of 25 years. Similar gas delivery contracts, though for much smaller volumes, have been signed with Uzbekistan and Kazakhstan. As of today, Gazprom's long-term balance assumes that 70 bcm of gas will be imported from Central Asia. We believe this assumption to be very questionable. In the future, Russia could be importing over 100 bcm per year in that time frame, making it one of the world's largest importers of natural gas along with being the world's largest exporter of natural gas. The natural gas of Central Asia is being used and could be used in the near future to strengthen the biggest Russian gas company's position. At the same time, it's clear that Central Asian countries wish to be independent with their gas on Euro-Asian gas markets and will seek an opportunity to attain this independence.

The current study aims to examine the key strengths and weaknesses affecting and shaping Gazprom's global position. It looks at the company's gas reserves, production, and transportation, as well as its current and anticipated marketing operations in Europe, Asia-Pacific and the United States. Based on an analysis of the main factors influencing Gazprom's future exports and on the company's strategic decision-making practices, a study develops three scenarios for development of Gazprom's future exports that show an expected impact on global gas markets over the next twelve years.

Whether and how Gazprom would be able to achieve sustainable growth in the future depends on how successfully it handles six major sets of priorities:

- control over key domestic reserves,
- efficient management of the world's largest gas-production operations,
- stable operation of the gas transportation system and its development according to market demand,
- greater efficiency of domestic gas sales, with increasing gas prices for industrial sector,
- higher returns from exports to current markets and penetration of new markets with competitive gas sales,
- control over Central Asian gas that could potentially compete with Gazprom's gas in Europe.

Throughout the 1990s, Gazprom's management had to face serious challenges related to all of the above priorities. The

a combination of a bridge loan raised at the Evraz level, as well as a non-recourse term loan arranged at the acquired company level.

Credit Suisse Securities (Europe) Limited and Goldman Sachs International are acting as joint financial advisors to Evraz. Cleary Gottlieb Steen & Hamilton LLP and Blake, Cassels & Graydon LLP are acting as legal counsel to Evraz.

14 March 2008

Lukoil acquires new hydrocarbon assets in Uzbekistan

Lukoil Overseas (OJSC LUKoil's 100% subsidiary) has completed a transaction with CJSC MGNK-SoyuzNefteGaz to acquire 100% of SNG Holdings Ltd. group, one of which is SoyuzNefteGaz Vostok Limited, a signatory to the Production Sharing Agreement (PSA) on the South-Western Gissar and Ustyurt Region fields in the Republic of Uzbekistan.

The transaction amount came to approximately US\$ 580 million. The National Holding Company Uzbekneftegaz is the second signatory to the PSA as a state authorized body. The PSA was signed on 23 January 2007 for a 36-year period and came into effect on 23 April 2007.

There are 7 fields in the contract area of the South-Western Gissar (Kashkadarinsky Region): Dzharkuduk-Yangi Kyzylcha, Gumbulak, Amanata, Pachkamar and Adamtash gas condensate fields, Southern Kyzylbayrak oil and gas condensate field, and Koshkuduk oil field. Southern Kyzylbayrak and Koshkuduk produce a small amount of oil and gas condensate.

The State Committee for Reserves of the Republic of Uzbekistan approved oil and gas reserves (C1 reserves under the Russian classification) of the field group in the amount of 100 billion cubic meters of gas and ca. 6 million tons

economic reforms in Russia, government regulation of gas prices, and weak international gas prices resulted in severe under-investment for Gazprom. On top of this, the largest Russian gas fields entered into their depletion stage, while the transportation system – the largest owned by any single company in the world – required sizable capital expenditures to operate stably. It was the period when gradual liberalization of the gas market began in Europe, and diversification of gas supplies became an important issue for the EU. This brought Gazprom under the impression that it was in real danger of losing part of its export income and of facing worsened economics of remaining contracts.

The period of low prices was over by the late 1990s, which coincided with Vladimir Putin becoming Russia's president in the elections of the year 2000. The new Russian leader started strengthening control over Gazprom by appointing new management that initiated a program of 'emergency' measures, including in respect to export markets. Fortunately for Gazprom, both gas demand and prices in Europe were growing, despite the liberalization process, which helped Gazprom raise capital for further development. Gazprom's total gas sales grew consistently over the period 2000-2004 and reached US\$ 34.2 billion in 2004, which allowed the stabilization of gas production and expansion of the capacity of the gas-transportation infrastructure.

Further sales growth was also fueled by gas price growth that followed oil price growth. Gazprom's gas supplies to Europe reached 161.5 bcm in 2006, with 101 bcm more exported to the former Soviet Union countries – an outstanding level for Gazprom. The company signed agreements with the Central Asian countries and started selling its gas to Europe through Gazprom Export's contracts. However, even with all these impressive successes, certain fundamental problems in Gazprom's operations remained unresolved. In 2006, Gazprom's gas sales reached US\$ 64.9 billion. It's possible to note that approximately 10 bcm, which was included in Gazprom statistics, has non-FSU origin and was resold in European market, especially in Belgium and UK.

At the end of 2005 Gazprom announced the decision to increase gas prices for all FSU countries to the "real market level," a step explained by the necessity to mobilize financial resources from sales to these markets. In 2004-2005, Gazprom restored control over total gas deliveries to FSU countries. During 2006 and 2007, Gazprom realized this strategy to increase the profitability of gas sales, with the reduction of non-profitable gas deliveries.

The period from 2006 to 2010 is going to be a time of important decisions for Gazprom's management and the country's government, and it will shape the role of the gas giant on the global gas market for at least the next two decades.

of liquid hydrocarbons (oil and gas condensate). Thus, the cost of acquiring the C1 reserves slightly exceeded US\$ 0.9 per barrel of oil equivalent. The projected output in the contract territory is about 3 billion cubic meters of gas and over 300 thousand tons of liquid hydrocarbons per year. This level is expected to be attained in 4 years. CIS Gissar Operating (legal entity of the Republic of Uzbekistan), the operator carrying out works on the contract area, is also part of the assets being acquired. The investments required for project implementation are estimated at US\$ 700 million. By now, over US\$ 70 million has been invested into the project.

The raw materials from the fields of South-Western Gissar are to be processed by Shurtan Gas and Chemical Unit and the dry gas produced there is to be exported via Gazprom transportation systems: Central Asia – Center and Bukhara – Urals gas pipelines. The extracted oil is to be transported to the Bukhara and Fergana refineries via the Shurtan terminal. Raw materials and oil and gas products (gasoline, diesel fuel, industrial oils, fuel oil, liquid gas, technical kerosene, etc.) will be marketed by the joint marketing company CIS Vostok Marketing Limited on behalf of the PSA participants.

Under the PSA, the license to perform geologic exploration works, including prospect evaluation survey at Karaumbet and Shumanay investment blocks of Central Ustyurt (Kara-Kalpak Republic) and follow-up exploration of the contract territory at South-Western Gissar, was issued for 5 years. Minimum amount of required investments into geological exploration came to approximately US\$ 22 million.

11 March 2008

Gas production has stabilized, but with unclear prospects since Gazprom has been limiting upstream activity in its main giant gas fields of the Nadym-Pur-Taz region (NPTR). The company needs to develop new gas provinces in order to meet the goals inside and outside Russia. Development of these new provinces – Yamal, Eastern Siberia and Far East – requires billions of dollars of capital expenditures.

Yamal Peninsula has been named a priority investment project, and the Bovanenkovskoye field will produce its first gas as early as in 2011. At the same time, Gazprom attracted foreign partners French Total and Norwegian StatoilHydro to develop the Shtokmanovskoye field, complete with an export-oriented LNG plant and construction of new pipeline to support gas deliveries by Nord Stream. However, pursuing development of all the priority projects simultaneously is likely to be overly expensive and risky, despite several declarations of Gazprom's management to the contrary. The company will thus need to make choices that will largely depend on the Russian government's position in respect to reform of the domestic gas market, which in turn may allow Gazprom to secure the financial resources required for its major investment programs. Profitability of gas sales to the domestic market would also mean Gazprom's dependence on the European market is reduced. In the medium and long term, Gazprom has no real alternative but to develop Yamal as its new core gas-production region. The Shtokmanovskoye project, in order to go ahead, will have to find solutions to the serious challenges of investment, market opportunities, and implementation schedule.

Table 1.1. Forecast of Gazprom's investments in new upstream and transportation projects until 2015 including shares in joint projects

| Title of the project | Estimated investment, US\$, bln |
|---|---------------------------------|
| Gazprom's share in Nord Stream 51% | 11.7-13.8 |
| Gazprom's share (50%+1 share) in Shtokmanovskoye development (I phase) | 7.5-10 |
| Bovanenkovo field development and Yamal-Ukhta gas transportation system | 30.7-33.2 |
| Gazprom's share in South Stream (50%) | 6-7 |
| Western gas pipeline to China (Altay) | 12-15 |
| Gas pipeline to transport Shtokmanovskoye gas to UGSS | 6.3-7.2 |
| Total for large projects | 74.2-86.2 |

Source: RPI

In order to sustain gas deliveries to international markets, major investment has been planned for maintaining and

SAGA Oil ASA acquires new large oil & gas field in Russia

SAGA Oil has purchased the 637 square kilometer Kudryashovsky license area in the Orenburg region of Russia. The area has preliminary recoverable reserves of 60.8 million barrels of oil equivalent, confirmed by the Russian state. The price for the license is US\$ 10.5 million.

"The purchase of Kudryashovsky license area is in line with SAGA Oil's defined strategy to increase its reserve base through acquisition of reserves at low cost, low risk and with large potential. The transaction marks two important points for SAGA Oil. First, the transaction leads to total reserves of above hundred million barrels of extractable oil equivalents. Second, SAGA now enters into gas production in addition to today's oil production. Russia has a very promising gas business with a more lean taxation regime and the Russian state has decided to significantly increase the domestic price for gas within the year 2011", says CEO Mr. Malvin Hoeydal.

Kudryashovsky license area reserves consist of 23.4 million barrels of light oil (API gravity 30-40) and 5.86 billion cubic meters of gas. The company's total reserves, inclusive SAGA Oil's internal upgrade of the reserves of Rodnikovsky license area, exceed 100 million barrels of oil equivalents.

The license area is situated 75 km north of Orenburg City and is located in an area of oil and gas production with existing pipeline infrastructure close by.

The purchase of the new Kudryashovsky oil field is financed by loans and guarantees on favorable terms from large shareholders of SAGA Oil.

By this purchase SAGA has secured reserves that will allow the company to further expand its production after the currently producing Rodnikovsky license area

developing the gas-transportation system. Construction of the Yamal-Europe pipeline and plans for the Nord Stream pipeline signal that the focus of European-bound exports is shifting to North-Western Europe and the Baltic Sea region. The new direct transportation leg from Yamal to Central Russia is another priority for Gazprom, since it would allow the company to make a profit on gas supplied to major domestic industrial consumers, in particular to power generation plants (note that this is true for gas used to generate electric power consequently supplied to industrial end-users; prices for residential consumers will continue to be government regulated). The idea of the South Stream gas pipeline project originated from the need to re-distribute gas streams from Russia to Southeastern Europe. The possibility of supplying gas to China has led to Gazprom's talks with CNPC over the Altai gas pipeline project.

Reconstruction of the Central-Asia-Center gas pipeline system will expand opportunities for Gazprom to include larger Central Asian gas volumes in its supply balance, under long-term inter-governmental agreements with these countries. Further expansion of the transportation system in Ukraine with the Bogorodchany-Uzhgorod pipeline would ensure strengthening of Gazprom's market position in countries of Central Europe. The pipeline project, however, has little chance of being implemented since Gazprom's strategy provides that shipments through Ukraine in the future will be reduced.

The growth of Russian gas exports on a global scale, combined with integration of Gazprom into downstream gas markets, primarily in Europe, is the key external objective of the company's management. The reason for this new approach rests with the fundamentally new market opportunities and the importance of taking advantage of them. However, today only the first steps toward creating an international corporate strategy are visible. The core premise of the new strategy toward countries is to secure and grow market share on foreign markets through integration of Russian and Central Asian gas flows under Gazprom's control, followed by Gazprom/Gazprom Export marketing the gas in Europe and the FSU. Another key element is deeper integration into international downstream markets. Liberalization of the gas market in Europe is opening to Gazprom real opportunities to penetrate new market niches. The company has already taken steps to reach end-users in its traditional markets. Germany and the United Kingdom are prominent examples of markets where Gazprom has started to supply gas to end-users through marketing joint ventures or affiliated companies. Gazprom has started with short-term contracts and spot deals, yet long-term contracts will continue to be a basis of export operations. Consequently, Gazprom is getting ready to face stronger competition in

reaches its peak production in year 2009-2010.

During the third quarter 2008, SAGA Oil will move one of the rigs that is currently drilling on Rodnikovsky license area to the new license area. The quality of the existing 2D seismic and well data is sufficient for the first part of the field development. The first appraisal/test wells for verification of production data and new reserves will be drilled during the last part of this year. Commercial production shall start in year 2009. SAGA will in the meanwhile continue to focus on the ongoing production from Rodnikovsky license area.

10 March 2008

FINANCIAL ADVISORY NEWS

Lukoil to raise a US\$ 1 billion loan

At the end of March, Lukoil is to start syndication of a US\$ 1 billion loan facility. A three-year loan will be provided at the interest rate of LIBOR+0.85% and a five-year loan at the interest rate of LIBOR+0.95%. The syndicated loan will be arranged by Bank of Tokyo-Mitsubishi UFJ, BNP Paribas, BBVA, ING, Mizuho, ABN Amro and WestLB. The new credit facility shall be used for financing of general corporate needs. In April 2007, Lukoil arranged a five-year syndicated loan in the total amount of US\$ 250 million and at the interest rate of LIBOR+0.40%. The loan was arranged by banks ABN Amro and Calyon.

21 March 2008

Europe, while also trying to open new gas markets, particularly Asia-Pacific and North America, where LNG is expected to play a major role. At the same time, Gazprom is strengthening its control over the gas markets of the FSU countries and is gradually increasing the efficiency of exports by eliminating earlier practices of low gas prices. In this manner, 'diversification' is the key concept explaining Gazprom's current export efforts, which are underpinned by the base premise of 'single export channel,' promoted by Gazprom as the way to avoid competition between different Russian gas suppliers on export markets. This idea was incorporated in the relevant gas export law that President V. Putin signed in 2006. But as of now RosUkrEnergo, the company that deals with Gazprom's gas exports to Ukraine is able to re-sell some of this gas to Europe. This has caused tension between the leaders of Gazpromexport and Gazprom managers, who controlled RosUkrEnergo.

The current study presents three scenarios for Gazprom's future role on international gas markets. All three scenarios see Russian gas exports growing by 2020, but differ in the anticipated pace of growth during this period, and especially in their outlook to 2020. Central Asian gas consistently plays a significant role in all three scenarios, with the divergence largely depending on Gazprom's ability to develop its own gas reserves.

RPI is a research and advisory firm on the energy industry of Russia, CIS, the Caspian region and Central/Eastern Europe. To obtain additional information about the study please follow the link:

<http://www.eng.rpi-inc.ru/publications/items/?p=36&fra=amc>

or contact Vsevolod Prosvirnin by phone: +7 (495) 778-9332 or via email: Prosvirnin@rpi-inc.com

Upcoming conferences to which ACP is invited as a speaker:

- **Russia and CIS Oil & Gas Investment and Finance Forum C5**
London, 16-17 June 2008
<http://www.c5-online.com/OilGasFinance.htm>

Recent publications by Asset Capital Partners



Jan-Hendrik Röver, Secured Lending in Eastern Europe. Comparative Law of Secured Transactions and the EBRD Model Law (Oxford 2007)

This new work is the first comparative study of central and eastern European secured transactions laws to be written in English. It gives a valuable insight into the legal reforms taking place in the transition economies of central and eastern Europe (and elsewhere), by explaining the general mechanics of secured transactions law in a helpful and practical way.

The book explores the characteristics that make security law useful from a practical point of view, the purpose being not merely to describe existing rules on security but to concentrate on the question of how those rules can apply in practice. The author concentrates on seven central and eastern European secured transactions laws in Bulgaria, the Czech Republic, Hungary, Poland, Romania, the Russian Federation and the Slovak Republic. These laws are contrasted with the EBRD's Model Law on Secured Transactions and the EBRD's Core Principles for a Modern Secured Transactions Law. In addition, English, German and US law (which, among others, influenced the EBRD's work) are used as further reference sources.

The descriptions of eastern European laws were reviewed by Nörr Stiefenhofer Lutz, a leading European law firm, thus ensuring an up-to-date introduction to central and eastern European secured transactions laws.

Asset Capital Partners is an international investment banking and financial advisory firm based in Munich and Moscow with a special focus on Russia and other CIS countries.

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