

M&A NEWS

Gazprom and PetroVietnam establish Joint Venture

Gazprom and PetroVietnam signed an agreement for a further cooperation. The Agreement provides for geological exploration and further development of four new blocks in offshore Vietnam. Vietgazprom Joint Operating Company will be the project operator.

The Agreement also provides for setting up a Gazpromviet joint venture to ensure the companies' participation in the oil and gas projects implemented in Russia and other countries.

Zarubezhneftegaz will represent Gazprom in the joint venture.

At present time, prospecting activities in Block 112 offshore of the Socialist Republic of Vietnam are being carried out by Vietgazprom Joint Operating Company set up by Gazprom and Petrovietnam. The Contract contemplates searching for, exploring, producing and marketing of hydrocarbons.

23 May 2008

EBRD has acquired a stake in the Holding Company for Irkutsk Oil Company

The European Bank for Reconstruction and Development (EBRD) has acquired an 8.15% stake in the Holding Company for Irkutsk Oil Company for US\$ 85 million. Irkutsk Oil Company will use the proceeds to enhance its balance sheet and thus to strengthen its chances of obtaining further long-term financing for its development and exploration programs. As part

South Stream and Nabucco: Are they competitors?

In light of Russia's recent efforts to promote its South Stream project, the pipeline's competition with the joint EU and US Nabucco project became a particularly timely issue. Concurrently, the predicted gas demand growth in Europe will contribute to the success of both projects. A new study published by Moscow-based RPI, **Russian Gas on Global Markets: Potential, Strategies and Outlook**, apart from examining Gazprom's strategies on international markets, dwells in detail on ambitious plans and recent developments in gas transportation including the South Stream project.

According to Cedigaz estimates, Europe's annual natural gas consumption exceeds 569 billion cubic metres (BCM). In the next two decades, demand for natural gas will grow at 0.7 percent to 1 percent per year, depending on the energy pricing situation. The existing global natural gas reserves are sufficient to satisfy this demand, while Europe's existing transportation capacity cannot meet the growing demand for gas.

To strengthen its energy security, diversify natural gas supply routes and reduce its dependence on Russian supplies, the European Union supported by the United States has initiated creation of a new transport corridor, the Nabucco project. The idea of establishing a new channel to supply gas to Europe from the Caspian region and Middle East countries via Turkey and the Balkans has been around for a long time. The distinctive new feature of the project is to supply gas not from a single country but to deliver via Turkey a gas blend from various suppliers.

The Nabucco project was launched in June 2002 when gas companies OMV (Austria), Bulgargaz (Bulgaria), MOL Natural Gas Transmission (Hungary), Transgaz (Romania) and Botas (Turkey) signed a protocol of intent in Istanbul to build a gas pipeline that would cross all five countries.

In March 2004, the Nabucco Company Pipeline Study GmbH consortium was founded. Each of the five participants received a 20 percent share in the joint company. In June 2005, the project participants signed a joint venture and project implementation agreement. Once the feasibility study was completed, the company was given a new name, Nabucco Gas Pipeline International. In February 2008 RWE (Germany) joined to the project. All current shareholders have 16.67% of the shares. Later, the State Oil Company of the Azerbaijan Republic (SOCAR) or one of the participants in the Azerbaijani Shakh-Deniz gas field consortium may also join the Nabucco project.

The maximal throughput of Nabucco is planned at 31 BCM of gas; the pipeline length will be 3,300 kilometres. The project

of the development program, a gas re-injection project at Yarakta field will be implemented. This will dramatically decrease flaring of associated gas while enhancing oil and condensate recovery at that field.

19 May 2008

PETRONAS signs cooperation agreements in Uzbekistan

Petroleum Nasional Berhad (PETRONAS) has signed a production sharing agreement for Ugra, Kuanish and Akcholak fields which are located in the Uzbek northern region of Ustyurt.

The company has also inked the agreement for a gas-to-liquid (GTL) project in Uzbekistan, making further inroads into the Uzbek oil and gas industry. The agreement for the proposed GTL project was signed between PETRONAS and Uzbekneftegaz National Holding Company (UNG), the Uzbek national company. Under the agreement PETRONAS will undertake detailed feasibility studies for the development of the proposed project. The agreements for the two projects will enhance PETRONAS' presence in the Uzbek oil and gas sector.

Apart from these upstream projects, Petronas also currently renders joint studies with Uzbekneftegaz for cooperation in the development of downstream petrochemical projects in Uzbekistan.

16 May 2008

Gazprom will get the Kirinsky field license in one month

Gazprom will receive the Kirinsky field, part of the Kirinsky block, from

cost is approaching 5 billion euros. Originally, the pipeline was expected to become operational in 2011, but since then the deadline has been postponed twice and now stands at 2013, because of the absence of gas shipping contracts and difficulties to attract project financing.

Initially, Nabucco was to carry natural gas from Iran's fields in the Persian Gulf. But in 2006, due to the conflict enveloping the Iranian nuclear program, it was decided to modify the project so that it could transport gas from Turkmenistan, Kazakhstan and Azerbaijan. So far, no guarantees have been given to fill the pipeline with real gas volumes. Without the involvement of Iran and Turkmenistan, the Nabucco project would be curtailed. At this point, it is problematic to have access to Iranian or Turkmenistan gas. Iran has to develop its pipeline network in the country's north to make deliveries via Nabucco, which requires major investments. The trans-Caspian gas pipeline project, which Turkmenistan and Kazakhstan plan to use to deliver their gas to Azerbaijan, is at the initial consideration stage. This means that the only real source of gas for Nabucco will be Azerbaijan and only after the second phase of Shakh-Deniz is under way (2013). Considering the growing gas demand in Azerbaijan, Georgia and Turkey, the second phase of Shakh-Deniz can only generate 4 to 5 BCM per year for transportation to Southeastern Europe. In response to the gas pipeline project that will bypass Russia, Gazprom started aggressive work to create a new transport corridor dubbed South Stream. This project will be a system of gas pipelines linking Russia and Southeastern Europe and Italy via the bottom of Black Sea.

On June 23, 2007, Vice-Chairman of Gazprom Alexander Medvedev and CEO of the Eni Italian energy company Paolo Scaroni, as part of a bilateral strategic partnership agreement, signed a memorandum of understanding of construction for South Stream, which has set the areas of cooperation between the two companies in design, financing, construction and management of the South Stream. On November 22, 2007, Gazprom and Eni signed an addendum to the memorandum of understanding about establishing a joint project company for commissioning the marketing and technical feasibility studies of the project. And on January 18, 2008, Gazprom and Eni registered in Switzerland a SPV company, South Stream AG, equally owned by the two companies. This new company will be charged with marketing studies and preparation of the project feasibility study, which is expected to be completed by the end of 2008.

the State without an auction. Kirinsky block is a gas field with reserves of less than 100 bcm which is included in the list of strategic fields. It was determined that documents for this block will be prepared and approved within one month.

Other fields of the Kirinsky block remain in the subsoil fund and have yet to be allocated. The Kirinsky block is part of the Sakhalin-3 project which also includes the Veninsky, Ayashsky and Vostochno-Odoptinsky blocks with total resources exceeding 2 tcm of gas and 1.5 billion tonnes of crude. Earlier this year, Gazprom requested licences for the Kirinsky, Ayashsky and Vostochno-Odoptinsky blocks. Rosneft, which develops the Veninsky block, was also interested in obtaining these licenses.

7 May 2008

Russian Sibur Holding to buy stocks out from Gazprom-bank

Buyout transaction of Sibur Holding controlling interest by the company top managers from Gazprombank becomes the largest in Russia's history MBO deal.

As it is said in Gazprombank report, the Parties have signed a preliminary agreement to sell 50% plus one share of JSC Sibur Holding. The signing of the final agreement is subject to approval by Gazprombank Board of Directors, as well as by fulfillment of precedent conditions by the buyer. The value of the Sibur Holding interest (50% plus one share) totals RUR 53.5 billion.

Based on the deal structure, the Holding will pay Gazprombank and other company's shareholders the

Map. South Stream and Nabucco Routes



Source: RPI

The pipeline's offshore section will start from Dzhubga, Krasnodar Territory (Beregovaya compressor) and will run along the bottom of the Black Sea to Bulgaria's Varna. The total length of the Black Sea offshore section will be about 900 kilometres with the maximal depth of over 2,000 metres. Gazprom and Eni will jointly build this section of the pipeline; construction may take up to four years. Gazprom and Eni will own the section in equal shares. In Bulgaria the onshore pipeline will be split in two lines. The northern gas pipeline will go through Serbia and Hungary to Austria, and the southern branch will continue through Greece and the Ionian Sea to Southern Italy. Gas deliveries to Southeastern Europe via the South Stream may encounter negative reaction from Ukraine, which will in turn increase gas transit tariffs. RPI's study "Russian Gas on Global Markets: Potential, Strategies and Outlook" analyses developments that will follow the launch of South Stream and assesses the benefits for Gazprom and provides estimates of potential new long-term gas delivery contracts for the region's countries. RPI believes that building the South Stream branch to Italy will not be economical, since demand in this country is satisfied from different sources.

To implement the South Stream project in 2008, Russia will

25% dividends of the net income calculated by IFRS standards according to the last year results.

The buyer will pay RUR 16.6 billion to Gazprombank right after the fulfillment of the conditions precedent, and RUR 11.9 billion more within three months from the moment of transaction being concluded. The remaining amount will be funded by the loans of the bank itself, which will be paid off within three years after the sell agreement being signed.

In future the remaining stocks buyout from another major Sibur stockholder - CJSC Lider - is not eliminated. The latter manages Gazfond private pension scheme. If it happens, the top-management will concentrate in its hands 100% company stocks, and Sibur Holding will turn from the petrochemical Gazprom subsidiary into the major private petrochemical company.

4 May 2008

FINANCIAL ADVISORY NEWS

Japanese banks, BNP Paribas to lend US\$ 5.3 billion to Sakhalin-2 project

The Japan Bank for International Cooperation (JBIC) and four private-sector banks are finalizing plans to provide a loan totaling around US\$ 5.3 billion for the Sakhalin-2 oil and natural gas development project. The JBIC will lend about US\$ 3.7 billion, with Bank of Tokyo-Mitsubishi UFJ, a unit of Mitsubishi UFJ Financial Group Inc., Mizuho Corporate Bank, the institutional banking unit of Mizuho Financial Group Inc., Sumitomo Mitsui Banking Corp., the core banking unit of Sumitomo Mitsui Financial Group Inc., and French bank BNP Paribas

be signing intergovernmental agreements with countries that will be crossed by the pipeline's onshore section. Gazprom will establish joint ventures with each of participating countries to build pipeline in their territory.

On January 18, 2008, during the visit of the President of Russia, Vladimir Putin to Bulgaria, Russia's Industry and Energy Minister Victor Khristenko and Bulgaria's Economy and Energy Minister Petar Dimitrov signed an agreement on the Bulgaria's participation in the South Stream project. Parties agreed to set up an equally owned company to build and operate the Bulgarian section of the pipeline.

At the Sixth Session of Russia-Greece Joint Commission for Economic, Industrial and Research and Development Cooperation on February 19, 2008, in Athens Greek Deputy Minister of Foreign Affairs Petros Doukas stated the country's willingness to joint the South Stream project. Russia and Greece are expected to discuss an intergovernmental agreement in the beginning of March 2008.

On February 25, 2008, Gazprom and Srbijagas signed an agreement to build the Serbian section of the pipeline. The agreement includes plans to establish a joint venture (51 percent owned by Gazprom and 49 percent owned by Serbia), to carry out feasibility study and to build and operate the Serbian section of the pipeline with capacity of at least 10 BCM of natural gas.

On February 28 Russia and Hungary signed a cooperation agreement to implement the South Stream gas project. For the purpose of the agreement, Gazprom and Hungarian state company will establish an equally owned joint venture to build the Hungarian section of the pipeline. As part of the same project, an underground gas storage with capacity of at least 1 BCM will be built in Hungary. The pipeline section that will cross Hungary will have a throughput of at least 10 BCM.

The total throughput of the South Stream is expected to be about 30 BCM, and the project cost is expected to reach US\$14 billion. The construction completion is scheduled by 2012 and the deliveries through the South Stream pipeline are scheduled to start in 2013. So far Russia has not received consent of Romania and Ukraine to the offshore pipeline sections passing through their economic zones. This may have a negative impact on the project deadlines.

providing the remaining US\$ 1.6 billion. The financial institutions are scheduled to ink a lending agreement as early as the middle of June with Russian natural gas monopoly Gazprom which effectively controls the project. The cost of the Sakhalin 2 project is estimated at around US\$ 20 billion.

3 June 2008

JSC Gazprom Neft to arrange up to US\$ 1 billion syndicated loan facility

JSC Gazprom Neft has mandated Banco Bilbao Vizcaya Argentaria S.A. ("BBVA"), The Bank of Tokyo-Mitsubishi UFJ, Ltd. ("BTMU"), Barclays Capital (the investment banking division of Barclays Bank PLC), Sumitomo Mitsui Banking Corporation ("SMBC") and WestLB AG, London Branch ("WestLB"), (together the "Initial Mandated Lead Arrangers" or the "Bookrunners") to arrange up to US\$ 1 billion dual-tranche syndicated loan facility. The Facility will be used by the company for general corporate purposes and for refinancing of existing indebtedness.

The Facility has been fully underwritten by the Initial Mandated Lead Arrangers. The Bookrunners are due to launch syndication of the Facility in the near future.

Gazprom Neft is the leading vertically integrated oil company in Russia. The main areas of Gazprom Neft's business activity include oil production, oil refining and marketing of petroleum products. It is the 5th largest oil company in Russia measured by oil production.

28 May 2008

Table. Nabucco vs South Stream: current situation

Details	Nabucco	South Stream
Start of active talking	2002	2006
Political support from EU	+	-
Project company	+	+
Ship-or-pay contracts	None	None
Requirement of additional partners	High	Low
Opportunity to attract project financing	Low	High
Investment decision	-	-
Possible start of construction	2010	2011

Source: RPI

Considering various political and economic challenges that will accompany the South Stream project, RPI in its study "Russian Gas on Global Markets: Potential, Strategies and Outlook" forecasts a delay of one or two years for the start of pipeline's operation.

Considering the forecasted demand for gas in Southeastern Europe, the Nabucco project will be implemented even if the South Stream project will become operational, with the only source of gas for the latter being Russia. It would not be accurate to consider the projects as competitors since Nabucco lacks real gas supplies, which will only become available in 2013.

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 on the study "Russian Gas on Global Markets: Potential, Strategies and Outlook" please follow the link:

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

or contact Vsevolod Prosvirnin by phone: +7 (495) 778-4597 or via email: Prosvirnin@rpi-inc.com

Most recent conferences where ACP was invited as a speaker

- Second Banking Forum CIS Countries & Eastern Europe**
 Congress Management Network
 Vienna, 24-27 April 2008
 Vladimir Matias: Global credit crunch: myth or reality? Influence on the Russian banking system and economy
<http://bankingforumvienna.com/>
- Roundtable on improving the legislative framework for secured credits and financial market development organised by the Bank Committee of the Russian State Duma within a joint project of KfW, the Ministry of Finance and the State Duma on the legislation reform**
 Russian State Duma
 Moscow, 23-24 April 2008
 Jan-Hendrik Roever: The reform of Russian security rights in movable assets

Recent publications by Asset Capital Partners



Ulf Siebel, Jan-Hendrik Röver and Christian Knütel (eds.), Handbook Project Financing and Public Private Partnerships (Cologne, Munich 2008), 1146 pages

This book is the standard textbook on developing and financing projects in German language and has now been published in a second, fully reworked and extended edition. 34 leading practitioners and academics have contributed to the book. Jan-Hendrik Röver wrote the chapters on mining, oil and gas, introduction to project finance, project finance loans and security for project financing. A whole part of the book is devoted to public private partnerships. Readers of this book should be practitioners, academics and students.

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