

## M&amp;A NEWS

**Lukoil buys filling stations in Turkey**

Lukoil Eurasia Petrol A.S. (a 100% owned subsidiary of OAO LUKOIL) signed an agreement on acquiring a 100% interest in Turkey's distribution company Akpet for over US\$ 500 million. Akpet operates 693 gas filling stations accounting for about 5% of the Turkish oil retail market. LUKOIL already owns 53 filling stations in Turkey, and 16 more are under construction. All in all the company has over 6,000 gas filling stations all over the world. "Acquisition of large retail assets in Turkey expands Lukoil international retail network by 18%", Lukoil said in its statement citing its President Vagit Alekperov. The whole company's network will increase by 12%.

Akpet's assets also include 8 oil product terminals with the total capacity of 300,000 cu.m (6 of them have access to the sea shipment routes), 5 LNG storage tanks with the total capacity of 7,650 cu.m; 3 jet fuel terminals with the total capacity of 7,000 cu.m; motor oil production and packaging plant with the annual capacity of 12,000 t.

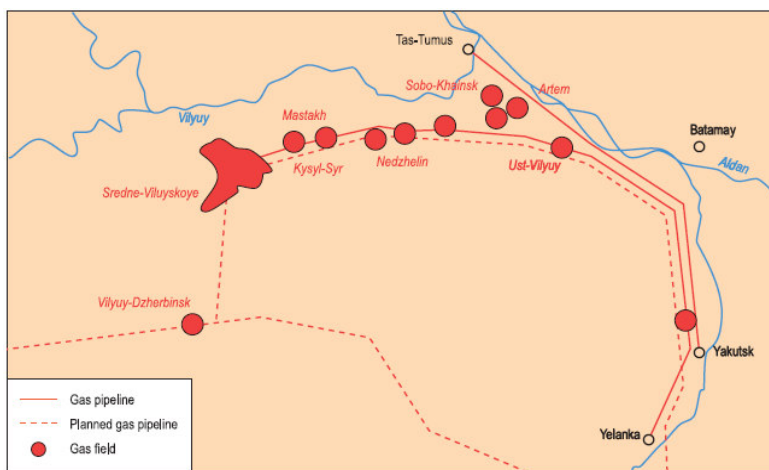
Supplies of oil products for sale through the retail outlets will be ensured from Lukoil Neftokhim Burgas Refinery in Bulgaria and ISAB Refinery in Sicily, Italy, 49% of which Lukoil bought a month ago for US\$ 2.1 billion.

Analysts believe the deal fits in well with Lukoil's downstream strategy. The acquisition price of US\$ 0.7 million per filling station, excluding other assets, is a fair price – especially compared with the US\$ 3

**Pipelines of Eastern Siberia: from local supplies to large-scale exports**

The following material is based on the study **Oil and gas of Eastern Siberia and Russian Far East** by RPI released in May 2007. The study dwells on the regions' current and future projects in the exploration, production, transportation and infrastructure sectors; portrays current activities and interests of the regions' key players: Gazprom, Gazprom Neft, Rosneft, TNK-BP, Surgutneftegas, international companies and also focuses on future auctions and licensing issues.

**Part 2** (see the Part 1 in the June issue of ACP Monitor)

**Map 2. Yakutsk gas pipeline system**

Source: *Petroleum Economist World Energy Atlas 2007*

The Kysyl-Syr – Mastakh – Berge – Yakutsk twin gas pipeline, which is 446 km long, was constructed to provide Yakutsk (the capital of Yakutiya) with gas from the Sredne-Vilyuskoye and Mastakhskoye fields.

The first line, whose length is 292 km, was commissioned in 1967 and the second one in 1986. The pipeline has capacity of 2.1 bcm/year but is extremely overloaded during the peak winter months. For this reason, it was decided to construct a third Mastakh – Berge-Yakutsk gas pipeline with a diameter of 720 mm and length of 384 km.

The Sredne-Botuobinsk field – Mirny gas pipeline was constructed in 1992 from the Sredne-Botuobinsk oil and gas condensate field to provide gas to the town of Mirny (where diamond-mining enterprises are located). The gas pipeline length is 171 km, and its nameplate capacity is 2.5 bcm/year.

million per station paid by Lukoil for outlets in Bulgaria earlier this year.

29 July 2008

**Gazpromneft to acquire 49% of Kazakh MangistauMunay-Gaz**

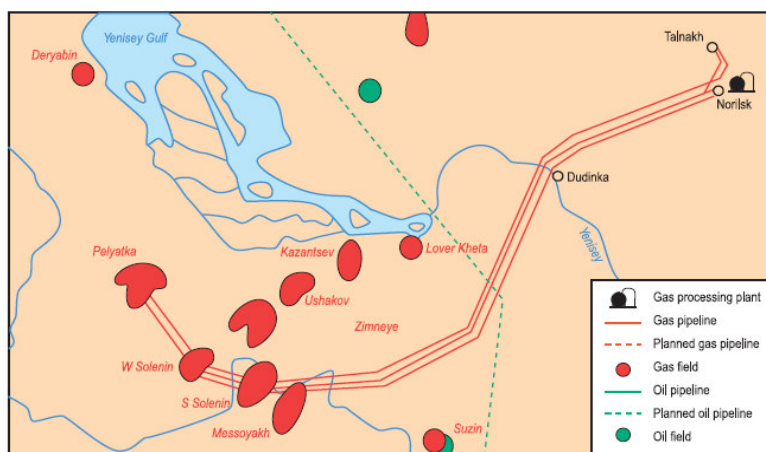
Gazpromneft is considering the possibility of acquiring up to 49% of MangistauMunayGaz (MMG), a Kazakh oil company holding 15 producing oil fields in Kazakhstan with total reserves of over 180 million tones (over 1.3 billion bbl), 54.8% share in Pavlodar petrochemical plant with annual capacity of 7.5 million tones (ca. 150 thousand bpd) and a network of petrol stations. In 2007, the company produced over 5.6 million tones (over 40 million bbl) of oil equivalent.

Currently MMG is 99% owned by Indonesian corporation Central Asia Petroleum Ltd. The other 51% are to be acquired by Kazakh national hydrocarbons production, refining and transportation company KazMunayGaz. In May this year, a KazMunayGaz representative reported that the company expects to complete the purchase of equity stake in MMG by autumn 2008.

Gazpromneft is very interested in entering the Kazakh market, but no concrete agreements on this issue have been reached yet. This acquisition would allow the company to increase its production by 6% and, which is more important, to gain access to the petrochemical plant and the broad network of Petrol stations.

23 July 2008

**Map 3. Messoyakha-Norilsk gas pipeline**



Source: *Petroleum Economist World Energy Atlas 2007*

The Messoyakha-Dudinka-Norilsk gas pipeline was built in Taimyr in 1969. Its length is 270 km. Annual capacity of the pipeline is 7.5 bcm/year. At present, Norilskgazprom is using 50 percent to 70 percent of available capacities.

**Gazprom to buy 25% in Far East gas supplier from Rosneft**

Gazprom has reached agreement with Rosneft to acquire 25% plus one share in OJSC Daltransgaz, the owner of a natural gas pipeline in Russia's Far East.

The deal is part of an agreement on cooperation in gasifying the Far East Federal District signed by Gazprom CEO Alexei Miller and Rosneft President Sergei Bogdanchikov. Under the agreement, Gazprom will provide Rosneft with access to free capacity on the Sakhalin-Khabarovsk-Vladivostok pipeline. Gazprom and Rosneft will jointly hold talks with the Sakhalin-1 consortium on Gazprom's purchase of 1.5-2 billion cu.m of gas for delivery to Primorye. They will also continue talks with the consortium on Gazprom's purchase of gas in the second project phase for supplying the Far East.

Gazprom will ensure the phased creation and development of the Sakhalin-Khabarovsk-Vladivostok gas transportation system, including priority construction of the Khabarovsk-Vladivostok segment, which is to enter service in 2011. Russia's Federal Property Management Agency holds a 27.39% stake in the pipeline, and the Khabarovsk Territory controls the remaining 47.59%.

21 July 2008

**Map 4. Komsomolsk-Khabarovsk and Khabarovsk-Vladivostok gas pipelines**



Source: *Petroleum Economist World Energy Atlas 2007*

Komsomolsk-na-Amure – Khabarovsk gas pipeline construction started in 2002. The 720-mm pipeline is 375 km long. In accordance with the federal program Gasification of the Sakhalin, Khabarovsk and Primorsk Krai, the maximum amount of gas supplied to consumers of the region through the pipeline should be 7.5 bcm/year by 2020. The construction cost is estimated at US\$ 1.3 billion.

The Khabarovsk – Vladivostok gas pipeline that is envisaged under the federal program Gasification of the Sakhalin, Khabarovsk and Primorsk Krai will be an extension of the Komsomolsk-na-Amure – Khabarovsk gas pipeline. The length of the pipeline within the region is 750 km and its diameter is 700 mm. The estimated maximum supply volume is 7 bcm/year. The construction cost of the gas pipeline under the program is US\$ 2.3 billion.

**FINANCIAL ADVISORY NEWS****Gazprom sells US\$ 500 million 5-year Eurobonds**

The Russian gas giant OAO Gazprom is currently placing five-year Eurobonds for up to US\$ 500 million among foreign investors with an annual yield of 7.51%. The issue is part of the company's bond emission program Gaz Capital for the total amount of US\$ 30 billion.

The coupon rate will be fixed for investors and paid twice a year. However, Gazprom has agreed with a large European bank to pay a floating coupon rate that will depend on oil prices. If the oil price goes above a certain level Gazprom will pay a higher rate to the bank, but if price drops below a certain level it will pay a lower rate.

The borrowing was arranged by Morgan Stanley, National Reserve Bank and Societe Generale.

The bond issue is rated "A3" by Moody's and "BBB" by Standard & Poor's and Fitch Ratings.

24 July 2008

It is possible to see from the pipelines description that, although pipelines serve local supplies, the goal to deliver significant oil and gas volumes to the Asia-Pacific market laid the foundations to two most important pipelines projects: oil East Siberia – Pacific Ocean and gas Altai.

In the next issue more on:

- **New large oil and gas transportation projects**

*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>*

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### Upcoming conferences for which ACP is invited as a speaker

- **The First International Oil & Gas Service and Equipment Forum**  
Congress Management Network  
Tyumen, 1-4 October 2008  
<http://oilgasservice.com/>
- **5<sup>th</sup> Annual Russian CFO Summit**  
Adam Smith Conferences  
Moscow, 20-23 October 2008  
<http://www.cfosummit-russia.com/>

### 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.

**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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