

M&A NEWS**Sibir Energy PLC to acquire two retail oil companies**

Sibir Energy has entered into agreements with Orton Oil Company Limited ("Orton") and Gradison Consultants Inc. ("Gradison"), controlled by Russian entrepreneurs Igor Kesaev and Shalva Chigirinskiy, about the acquisition of 50% shares in OAO Korimos and 100% shares in OAO Avtocard .

OAO Korimos is a 50/50 joint venture between Moscow Refinery on the one part and Orton and Gradison on the other part. Korimos utilises output from the Refinery's catalytic cracker to produce primarily MTBE (Methyl Tertiary Butyl Ether) and TAME (Tertiary Amyl Methyl Ether) – chemicals used in the oil refining process, which is sold to the Refinery and other parties. In addition, Korimos owns 7 gasoline stations retail network in the Moscow region.

Avtocard acts as a non-cash wholesale oil products seller with operations closely linked to Sibir Energy's subsidiary Moscow Oil & Gas Company and the MTK retail network.

Initially the acquisition was evaluated at US\$ 60-96 million, but after two independent appraisals of the companies' assets the price raised to ca. US\$ 141.9 million. According to Sibir Energy's statement, the company has advanced US\$ 158.9 million for the deal.

Sibir Energy's CEO Henry Cameron commented: "The oil related assets to be acquired are important in terms of our relationship with Moscow Refinery and we fully expect

RUSSIAN ECONOMY AND M&A MARKET OVERVIEW

Current situation in the Russian economy and financial system presents challenging but rewarding opportunities for financial and strategic investors, seeking market share expansion and higher return on investments with a moderate risk profile.

Due to the global liquidity crisis, there is an increasing number of distressed companies in the Russian market facing short-term liquidity problems. However, many of these companies look quite financially sound in the long run.

As a result, investors and strategic players have a unique opportunity to increase their market share and get attractive returns by consolidating these companies in different industries.

Russian Federation has large financial resources and power to stand against the crisis and secure a sustainable economic development. Since the beginning of the decade, Russian economy, supported by favourable commodity prices and political stability in the country, performed a stable average GDP growth rate of ca. 7% per annum. The total external debt of Russian Federation decreased from ca. 54% of GDP to just 3.5% of GDP in 2007. The Government managed to accumulate part of the revenues from oil sales in the Stabilization Fund which is currently split into the National Wealth Fund and the Reserve Fund. Russia has become third largest country in the world in terms of the currency reserves of ca. US\$ 485 billion (as of end October 2008).

In minds of a significant part of the global investment community, Russia deemed to be a safe harbour in the ocean of financially instable world. In the 1H 2008 Russian RTS index showed a much better performance compared to the developed countries main indices. However, Russian economy, as a part of the global financial system, is not able to develop independently from other markets.

Since July 2008, the situation has been deteriorating significantly. Further development of the financial crisis, the bankruptcies of large Western financial institutions and decreasing confidence within the investment community, have practically blocked the ability of Russian banks and companies to raise relatively cheap funds in Western and

that in the very near future a further deal will be announced consolidating Korimos into Moscow Refinery. The Avtocard element of the oil related assets is a natural development for our downstream marketing business”.

16 October 2008

Kazakh businessman gets a controlling stake in Timan Oil&Gas

Kazakh businessman Timur Kuanishev acquired a 51% stake in English company Timan Oil&Gas with assets in Russia for the total consideration of US\$ 100 million.

Timan O&G is a developer of oil and gas fields situated in the Timano-Pechersky Basin and in Dagestan. The company recently discovered the largest oil field in Russia situated in Timano-Pechersky region. The total reserves of Nizhnechutimskoe field are estimated at 100.1 million tonnes of oil under C1+C2.

The payment for the acquisition will be executed in two tranches of US\$ 50 million each. Money will be used for financing of the company's existing loans as well as for new high potential fields' licenses.

09 October 2008

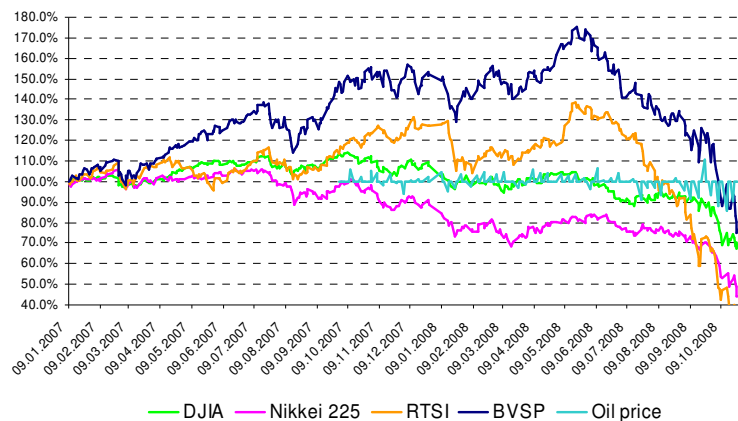
Gazprom to get Elephant oilfield in Libia from Eni

Gazprom's entry into Libya's Elephant oilfield under an asset swap with Eni is expected to be finalized in October, according to the Italian company's CEO Paolo Scaroni. Under the deal, Gazprom is to take half of Eni's stake in the Elephant oilfield (or a total of 33%

local banks. Russia's equity markets responded immediately to the new financial realities of the country's economy: Russian RTS index performed an YTD decrease of 63.87%, at the same time the biggest oil & gas giants lost: Lukoil – 52.06%, Gazprom – 63.05%, GazpromNeft – 72.40%, Tatneft – 73.02%¹.

Negative information on the performance of the US economy, decline in growth rates of European economy and slowing GDP growth rates around the world have resulted in cooling down of the global oil consumption and shifting down the future oil demand growth curve. In October 2008 oil prices declined to ca. US\$ 60/bbl. This situation in the global markets made investment community reassess the stocks of oil and gas companies and other commodity producers worldwide.

The performance of RTSI, DJIA, Nikkei 225, BVSP indices, dynamics of oil price



Source: ACP, Bloomberg

Russian companies faced tough problems with refinancing of the existing debts. According to the market information, the refinancing needs of the Russian listed companies should exceed US\$ 17 billion in 4 quarter 2008 and US\$ 64 billion in 2009 respectively. Refinancing needs of the Russian oil & gas companies should reach US\$ 10.8 billion in 4 quarter 2008 and US\$ 40 billion in 2009.

Decline in oil prices, general slowdown of the economy and high leverage of Russian companies make them good targets for future takeovers by strategic players.

¹ As per 5 November 2008

shares) in exchange for Eni taking part in Russia's Arctic Gas.

Scaroni said the Libyan government had already approved the project. Eni and Gazprom formed a strategic partnership in 2006 to focus on both upstream and downstream in the oil and gas sectors.

The Elephant field, located onshore in Libya's Murzuq Basin, was discovered in 1997 and produced 124,000 bbl per day in 2006. Meanwhile, Gazprom and Eni have agreed to work together to extract and produce gas in Libya.

The two companies made the decision after a meeting between their Chief Executives in Moscow: Gazprom's Alexey Miller and Eni's Paolo Scaroni.

The agreement will result in restructuring at Arktikgaz, a former concern of Russian oil company Yukos before it was bought by Eni in 2007.

05 October 2008

E.ON and Gazprom reached final agreement on asset swap

Following intensive negotiations, Gazprom and E.ON have been successful in reaching agreement: E.ON will acquire a stake of 25% minus one share in the Siberian gas field Yuzhno Russkoe. In return, Gazprom is receiving E.ON Ruhrgas's 49% stake in the Russian company ZAO Gerosgaz, which holds just under 3% of Gazprom's shares. During the German-Russian government consultations in St. Petersburg, Alexey Miller, Chief Executive Officer of OAO Gazprom, and Wulf Bernotat, Chief Executive Officer of E.ON, signed the participation agreement in the

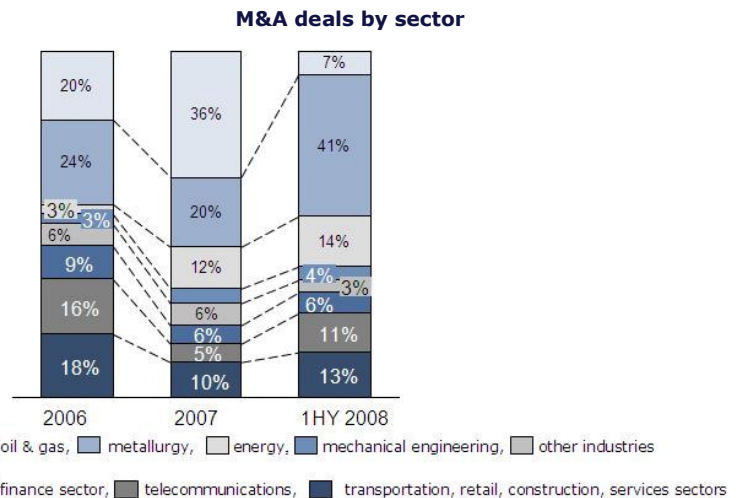
Russian M&A market in 1H 2008

In spite of the financial crisis and serious problems with debt raising, the volume of M&A deals in Russia in 1H 2008 increased by 25% up to US\$ 72 billion compared to the same period of 2007.



Source: mergers.ru

This fact can be explained by a start of a new M&A cycle in the country and a new assets redistribution process within the economy.



Source: ACP research, mergers.ru

Speaking about the general M&A market in Russia, one can see the dominant position of Metals and Mining sector (41% of the total deals volume – mostly from the Rusal – Norilsk Nickel deal)

presence of the Russian President, Dmitry Medvedev, and the German Chancellor, Angela Merkel. "We are pleased about the final conclusion of our negotiations and the very positive result. With our participation in Yuzhno Russkoe, we will strengthen our long-standing partnership with Gazprom, contribute to a deeper level of understanding between our two countries and secure natural gas supplies to Europe," said Mr. Bernotat. "Following the acquisition of the Russian power station company OGK4, this is again a big step towards strengthening E.ON's position on the Russian energy market." Yuzhno Russkoe has reserves of over 600 billion cubic meters, making it one of the world's largest gas fields.

02 October 2008

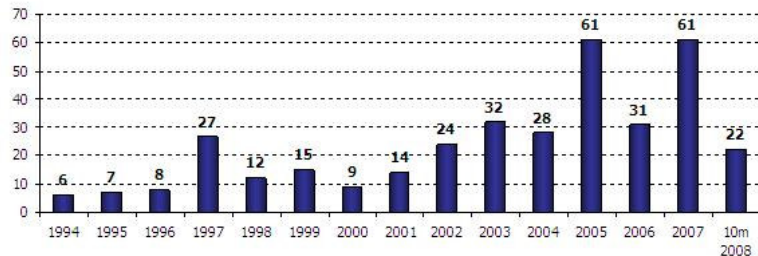
FINANCIAL ADVISORY NEWS

The Government of Russian Federation supports Russian oil & gas giants

The leaders of Russia's oil and gas industry received the promise of the government to get a new line of state credit amounting to US\$ 9 billion, of which US\$ 4.2 billion for Rosneft. Their smaller colleagues are also in need of assistance. Some of them are already cutting down on exploration and production costs at greenfield projects and may become easy prey to government-supported predators.

14 October 2008

Number of M&A deals in Russian Oil&Gas Sector



Source: ACP research

The oil sector accounted for just 7% of the total Russian M&A market in 1H 2008. Most of the major deals including Yukos auctions were closed in 2007 and currently companies are in the process of integrating these assets into their corporate structures.

However, general situation in the oil and gas sector is highly attractive for further consolidation. Due to the financial crisis a significant number of assets is undervalued and can be acquired at a favourable price. Moreover, a lot of small assets which have been developed by companies from other industries seeking good margins in the oil sector will be brought to the market in order to gain some liquidity for their core businesses.

Upcoming conferences for which ACP is invited as a speaker

- **The Performance Theatre**
The Performance Theatre Foundation
New Delhi, 12-15 November 2008
<http://www.theperformancetheatre.com>

Recent conferences for which ACP was invited as a speaker

- **5th 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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