

M&A NEWS**Gazprom gets license for four blocks offshore Vietnam**

Gazprom has got the license to explore and develop four blocks offshore Vietnam, following an oil and gas agreement signed last October.

The licenses for the exploration and development of blocks 129, 130, 131 and 132 offshore southern Vietnam are valid for 30 years, with a possibility to extend it for five more years.

Gazprom and PetroVietnam signed the production-sharing agreement to develop these four blocks in late October following talks between Russian President Dmitry Medvedev and his Vietnamese counterpart Nguyen Minh Triet at the Kremlin.

Vietgazprom, the 50:50 joint venture between Gazprom and Vietnam's PetroVietnam, will be the project operator.

06 February 2009

FINANCIAL ADVISORY NEWS**Integra raised US\$ 250 million loan from EBRD and a syndicate of banks**

Integra Group announced the completion of a US\$ 250 million financing deal with the European Bank for Reconstruction and Development ("EBRD") and a group of commercial banks. EBRD is providing US\$ 75 million of a multiple tranche financing, while US\$ 175 million is being co-financed by commercial lenders, including BNP Paribas, ING, VTB Deutschland, Royal Bank of Scotland, Alfa Bank,

The capital for oil & gas service companies, realities and trends*Part 1*

The species, not the strongest and not the wisest ones survive, but those that can adapt for the new conditions.

In the mankind history (and animal history) dominated those species which has learned how to cooperate and improvise in most productive ways.

Charles Darwin

For the last century global economy faced multiple rise and falls of the energy prices. Historically, the main reasons for oil price shifts were structural changes in the USA economy and in other developed countries, and also geopolitical conflicts in the oil-producing regions.

These energy prices fluctuations have significantly affected the profitability and investment attractiveness of oil and gas producing and service companies worldwide. Traditionally these companies have a very strong correlation with the oil price, meaning high profits and good performance in the oil prices growth periods and losses when it falls. These specific characteristics of the oil service companies is clearly reflected in investors structure: portfolio investors (goal is to maximize profit) and strategic investors (goal is to increase market share).

During favourable macroeconomic situation and high oil prices, financial investors provide significant amount of investments inflow in the industry, as they are focused on obtaining high ROI in the short period of time. However, during the periods of the economic instability, portfolio (financial) investors are not so active. Strategic investors, mostly acts regardless to the oil price fluctuations and economy cycles.

Sharp decline of oil prices since the middle of 2008 caused the significant capital outflow from the oil & gas sector and the fall of the main oil & gas indices.

Commerzbank, Morgan Stanley and Aljba Alliance.

The loan will be used to refinance the Group's short-term debt as well as to fund certain capital expenditures and the agreed Environment Action Plan (EAP).

19 February 2009

China to lend US\$ 25 billion to Rosneft and Transneft

Russia and China signed in Beijing an intergovernmental agreement on the construction of a branch of the East Siberia-Pacific Ocean oil pipeline toward China and long-term Russian oil supplies.

China has agreed to lend Russian state-controlled oil company Rosneft and pipeline operator Transneft US\$ 25 billion in return for supplies from large new East Siberian oilfields.

Under the agreement, Russia will supply 15 million tonnes of crude annually for 20 years to China.

Transneft Vice-President Mikhail Barkov said that his company would receive US\$ 10 billion of the loan and Rosneft the other \$15 billion. Rosneft declined to comment.

The interest rate was not disclosed but an industry source said it was "not very high" because of high-level state involvement.

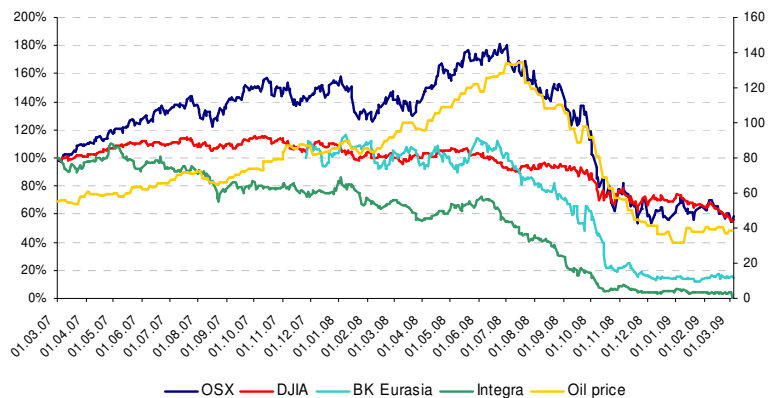
China, which is the world's No. 2 oil importer and has been working hard to win oil supplies from Africa and elsewhere to run its industries, now secured flows from its neighbor - Russia.

17 February 2008

Gazprom Neft borrows US\$ 724 million from Sberbank

Gazprom Neft and Sberbank have signed a credit agreement that will provide the oil producer with a 1.5

The performance of OSX, DJIA, BK Eurasia, Integra and Oil price indices



The Philadelphia Oil Service Sector Index (OSX), which includes stocks of the major oil service companies, had been showing positive trend until July 2008, whereafter it started to fall together with the oil prices. From July 2008 to February 2009 OSX index fell down by 54%, whilst the DJIA index fell by 42% in the same period. Heavy drop in oil service companies share prices was caused by the strong correlation between share prices of the companies and oil prices. In addition to the global factors, unstable economic and geopolitical situation put the strong pressure on the Russian oil service companies, which shares lost more than 62% of their capitalization from July 2008 to beginning of March 2009.

Due to the current macroeconomic situation, liquidity crisis and bankruptcy of the major financial institutions the list of available financing options for oil service companies significantly decreased and remaining capital sources and options are getting more and more expensive.

Russian oil service companies experience serious problems with refinancing of existing debts and raising capital for new ventures, what in turn undermines the solvency of the companies. Currently the cost of debt capital approaches the price of equity.

Situation on the equity capital markets are similar to debt markets, which causes the appearance of large numbers of fundamentally undervalued assets which are attractive for strategic investors. This is a strong sign for the further possible consolidation of the oil service sector.

year loan for US\$ 724 million. The company did not disclose the loan's interest rate.

Gazprom Neft will use the loan to finance current activities.

The loan will strengthen and extend the mutually beneficial cooperation between Sberbank and Gazprom Neft.

16 February 2009

Lukoil raises unsecured loan from Gazprombank

Russia's largest private oil company, Lukoil, has announced that it has raised a EUR 1 billion collateral-free loan at Gazprombank. The credit facility was granted for 3 years at 8% per annum.

In late 2008, negotiations were ongoing between Lukoil and state corporation Vneshekonombank (VEB) over the attraction of a USD 1.8 billion credit; however, the parties failed to agree on lending conditions and the loan was not granted. According to Lukoil, the negotiations broke down over the high interest rate.

Before the crisis Lukoil was investing in the production development more than US\$ 10 billion per year. From the 2007 to 2017 company investment program should have been exceeded over US\$ 100 billion.

10 February 2009

Speaking about main drivers of the further development of sector, one may highlight the following points:

- **oil price.** Decrease in oil prices causes development suspension of new projects, what affects the demand for drilling and exploration services in the short term period. In the mid- and long term periods the oil demand may exceed the supply levels. Due to the world financial crisis, economies of Asian, Latin America and CIS countries will be slowing or even decreasing in 2009-2010. But, as many analysts believe, these countries will manage to overcome the crisis within next few years and become the main drivers of the new global economy. Rising global energy demand supported by growing economies will speed-up the investment programs of main oil & gas companies worldwide
- another important factor is the lack of easy to recover hydrocarbon reserves. The quantity of such deposits are significantly decreasing, new assets are more complicated in terms of the reservoir depth, location, geology and require significant investments
- growing ecological standards and requirements will lead to the application of advanced hi-tech technologies and will increase the demand for high quality services of the oil service companies.

*Based on the materials from the ACP Presentation on **the First International Forum Oil & Gas Service and Equipment**, Tyumen, 01-04 December, 2008*

Recent conferences with ACP participation

- **Crisis Management in Russia**
Adam Smith Conferences
Moscow, 17 February 2009
<http://www.adamsmithconferences.com/php/2008/finance/brc015/brc015.php>
- **Nanotechnology International Forum**
Rusnano (Russian Corporation of Nanotechnologies)
Moscow, 03-05 December 2008
<http://www.rusnanoforum.ru>
- **The First International Oil & Gas Service and Equipment Forum**
Congress Management Network
Tyumen, 01-04 December 2008
<http://oilgasservice.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 and financial advisory firm based in Munich and Moscow with a special focus on Russia and other CIS countries.

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