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ALLIANCE OIL AND REPSOL REACH AN AGREEMENT TO FORM AND GOVERN RUSSIAN EXPLORATION AND PRODUCTION JOINT VENTURE

- Alliance Oil Company Ltd and Repsol Exploración, S.A. have reached an agreement to form and govern a joint venture for exploration and production growth in Russia.
- Further to the agreement, Alliance and Repsol envisage establishing a joint venture with a total asset base of approximately \$840 million following asset and cash contributions by the shareholders, with Alliance and Repsol holding a 51% and a 49% stake respectively.
- The collaboration implies that Alliance will transfer upstream assets in the Volga-Urals region valued at approximately \$570 million on a debt-free, cash-free basis to the joint venture. Repsol will carry out a capital increase and also pay cash to Alliance to reach a 49% participation in the joint venture.
- The purpose of the joint venture will be to develop assets contributed by the shareholders to enhance production, and serve as a vehicle to facilitate reserve growth through acquisition opportunities in oil and gas exploration and production in Russia, the world's largest producer of hydrocarbons.



Repsol Chairman Antonio Brufau and Alliance Group Chairman Musa Bazhaev have today signed an agreement in Moscow to form a joint venture that serves as a growth platform for both companies in the Russian Federation, the world's largest oil and gas producer.

This agreement seeks to combine Alliance's knowledge and access to exploration and production business opportunities in Russia with Repsol's know-how and technological and financing capabilities to create a long-term exploration and production partnership in Russia.

The joint venture is envisioned to have a total asset base of approximately \$840 million following asset and cash contributions by the shareholders. Alliance and Repsol will hold a 51% and a 49% stake respectively in the joint venture.

Under this collaboration, Alliance will transfer its upstream subsidiaries Saneco and Tatnefteodatcha, which comprise exploration and production licenses at 14 fields with proven and probable oil reserves of 171.5 million barrels as of 31st December 2010 and current production of around 20,500 barrels of oil per day. Alliance's asset contribution is valued at \$570 million. Repsol will carry out a capital increase in the joint venture and also pay cash to Alliance to obtain a 49% participation.

In addition to the exploitation of the assets contributed by Alliance, the agreement envisages the pursuance of growth opportunities through the joint acquisition of oil and gas assets in Russia. The joint venture will have preferential rights regarding new upstream business opportunities identified by either Alliance or Repsol in Russia. The formation of the joint venture is pending regulatory approval. Alliance has been advised by Bank of America Merrill Lynch and Baker & McKenzie and Repsol by Barclays Capital and DLA Piper.

"The creation of the joint venture will allow us to further expand our upstream operations in Russia through joint exploitation of the Volga-Urals assets and realisation of new business opportunities. Repsol is an international leader in oil and gas management, technology and financing and we now have the opportunity to share these resources with common objectives," said Eric Forss, Chairman of Alliance Oil Company.

"This alliance will grant Repsol immediate access to producing assets in Russia, one of the world's largest hydrocarbon resource holders. We are certain that Alliance Oil's local expertise and Repsol's technological capabilities and know-how will provide a solid foundation for future growth in Russia," said Repsol's Executive Chairman, Antonio Brufau.



Repsol already owns a 3.5% stake in Alliance as a result of the merger between Alliance and West Siberian Resources, in which Repsol initially held 10%, in 2008. Repsol also owns a 74.9% stake in Eurotek-Yugra, which owns two exploration and production licenses, known as Karabashsky-1 and -2, and five licenses for geological study in the prolific West-Siberian basin.

About Repsol

Repsol is one of the world's ten largest privately owned integrated oil and gas companies, with activities in more than 30 countries. Based in Spain, Repsol is present in every part of the business chain. Its oil and gas production is around a million barrels a day. It operates 4 chemical plants and 9 refineries in the world, and handles over 50 million tons of crude oil that is transformed into a wide range of products, which the company distributes and sells through an extensive sales network of about 7,000 service stations.

For more information, see www.repsol.com

About Alliance Oil Company

Alliance Oil Company Ltd is a leading independent oil company with vertically integrated operations in Russia and Kazakhstan. Alliance Oil has proved and probable oil reserves of 638 million barrels and downstream operations that include the Khabarovsk refinery and the leading network of gas stations and wholesale oil products terminals in the Russian Far East. Alliance's depository receipts are traded on the NASDAQ OMX Nordic under the symbol AOIL.

For more information, see www.allianceoilco.com

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