

TNK Co-Owners to Bid for BP Stake

By [The Moscow Times](#)

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But it is unclear how much TNK-BP's co-owners will offer for the BP stake. **D.Grishkin**

The billionaire quartet that owns half of TNK-BP is interested in buying out BP's entire 50 percent stake and will make a binding all-cash offer by mid-October, a source familiar with the matter said Wednesday.

"We will pay cash but have not yet determined the price," said the source, who is close to the AAR consortium, which represents shareholders Mikhail Fridman, German Khan, Viktor Vekselberg and Len Blavatnik.

AAR has said it is willing to pay \$10 billion for a 25 percent stake in TNK-BP, the country's third-largest oil company. BP, which put its stake up for sale in June, was not interested in that offer, sources said.

AAR expanded its bid after state-owned Rosneft said it wanted to buy BP's stake in TNK-BP for cash and stock in a deal that could be worth more than \$20 billion. Such a deal would require government approval and is opposed by some senior officials.

Under a shareholder agreement, only AAR may make an offer before a 90-day deadline, which falls in mid-October, that follows BP's announcement that it planned to sell its stake. Other suitors may then strike a deal, creating the prospect of a bidding contest.

AAR would "likely" fund the deal by borrowing through TNK-BP, the source said.

How much the AAR shareholders themselves might invest remains unclear. The consortium will start negotiations with banks this week.

Bankers say it would be possible for AAR to finance a significant portion of any purchase by leveraging up TNK-BP, which has paid out \$19 billion in dividends since BP came into the venture in 2003. TNK-BP posted a record \$14.6 billion in earnings before interest, taxation, depreciation and amortization last year. At year's end, it had a low gearing ratio — a measure of its debt in relation to its equity — of 26 percent. Its gross debt was \$8 billion at the end of 2011, all of it unsecured and most of it long-term.

That indicates, some bankers say, TNK-BP's ability to sustain a higher debt burden to finance a possible buyout by AAR.

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