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AAR to Bid for TNK-BP Stake by Oct. 17

By The Moscow Times

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An AAR offer would raise the prospect of a bidding war with Rosneft, which has also expressed interest in BP's stake in TNK-BP. **Denis Grishkin**

AAR, the billionaire quartet that owns half of TNK-BP, will make a "competitive" offer for BP's 50 percent stake in the Anglo-Russian oil firm by Oct. 17, German Khan, one of the tycoons in the group, told Kommersant on Thursday.

An offer would raise the prospect of a bidding war between AAR and Rosneft, which has also expressed interest in BP's stake in TNK-BP.

"We have to make an offer to BP before Oct. 17, when the 90-day negotiation term expires," Khan told the newspaper. "There is no final decision on BP's stake valuation, but in any case it would be competitive."

Under a shareholder agreement, AAR has the exclusive right to make an offer by a mid-October deadline that falls 90 days after BP put the stake up for sale. Other suitors may then seek to strike a deal, creating the prospect of a bidding war.

AAR has hired investment bank Rothschild to explore ways to fund a bid, which Khan said would be largely financed by leveraging up TNK-BP, which has low debts and is highly cash-generative.

Independent analysts have valued BP's one-half stake in TNK-BP at as much as $25 billion.

"Having consolidated TNK-BP's shares, AAR over time may consider different options, including an [initial public offering] and attracting a new strategic partner," added Khan, who is an executive director at TNK-BP.

A spokesman for TNK-BP declined to comment.

BP, which bought its stake in TNK-BP for $7 billion in 2003, put it up for sale in June after a long-standing feud with the AAR consortium of Soviet-born billionaires, including Khan.

Although sources close to BP say they look forward to a contest between AAR and Rosneft, industry and banking sources in Moscow doubt it will come to that.

Khan appeared to suggest that AAR would be able to work with Rosneft, headed by powerful former Deputy Prime Minister Igor Sechin, should the state oil major buy out BP.

"We don't see any problems with a partnership with Rosneft. On the contrary, we already have successful experience working with the state company," said Khan, who added that any partnership should be an equal one.

Rosneft has been expanding its upstream asset base aggressively under Sechin, a close confidant of President Vladimir Putin, but has yet to win government backing to buy out BP.

Industry and banking sources doubt the Kremlin would allow a head-to-head auction that might drive up the TNK-BP stake price, but no political signal has emerged on which suitor would be the preferred buyer.

Sechin was expected to brief investors in London on Friday on Rosneft's strategic interest in TNK-BP.

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