

Rosneft Borrows \$16.8Bln, Inks Supply Deals Possibly Worth \$50Bln

By [The Moscow Times](#)

December 24, 2012

The  **Moscow Times**

Rosneft, seeking to wrap up Russia's largest-ever takeover deal, raised \$16.8 billion in bank loans and signed long-term supply deals with two leading oil traders that could be worth as much as \$50 billion.

The state-controlled company said Monday that the loans from Western banks would be sufficient to cover its acquisition of the 50 percent of Anglo-Russian oil firm TNK-BP, which it is buying from BP for \$27 billion in cash and stock.

The company also said it has agreed on terms with Glencore and Vitol to supply them with up to 67 million tons of crude oil over five years under a trade finance deal equivalent to about 270,000 barrels a day of oil.

Rosneft is due to buy the rest of TNK-BP from the AAR consortium of Russian-born business tycoons for \$28 billion, completing the takeover of Russia's third-biggest oil producer

to make Rosneft the world's largest listed oil company, with daily output equivalent to 4.6 million barrels per day.

It was not clear whether the oil supply deals would help pay for the purchase of AAR's stake in TNK-BP, but sources close to Rosneft and potential lenders said Rosneft had been in talks about using future oil exports as collateral to help pay for the TNK-BP deal.

Industry sources said the deals will give Rosneft about \$10 billion in advance payments from the traders, who will in turn borrow the money from their banks in return for long-term access to oil from the world's largest-producing country.

"The price formula is in line with the prices Rosneft receives for crude at medium-term tenders," Rosneft chief executive Igor Sechin said in a statement.

Assuming the full volumes are delivered, Rosneft would supply the oil traders with about 270,000 barrels per day of oil, or more than a tenth of its current output. The pricing terms were not disclosed, nor was the level of prepayment.

If the price of oil averages \$100 per barrel, the contracts would, on paper, be worth about \$50 billion.

Glencore chief executive Ivan Glasenberg said Monday that the announced agreement "further cements our relationship with one of the world's leading oil and gas companies.

Vitol's president and chief executive, Ian Taylor, hailed his deal as a "long-term strategic partnership" with Rosneft.

Rosneft will buy out BP's half stake in TNK-BP for \$17.1 billion in cash and 12.8 percent of its own shares, bringing the curtain down on a profitable but fractious alliance between BP and the billionaires struck back in 2003.

In the second leg of the takeover, Rosneft will pay \$28 billion in cash to the AAR consortium, representing Mikhail Fridman, German Khan, Viktor Vekselberg and Len Blavatnik.

Subject to regulatory approval, the takeover is expected to close in the first half of 2013.

Commenting on the bank financing it had raised for the purchase of BP's 50 percent in TNK-BP, Rosneft said it had obtained a five-year loan of \$4.1 billion and a two-year loan of \$12.7 billion from a group of international banks.

The banks include Bank of America Merrill Lynch, Barclays, BNP Paribas, BTMU, Citibank, Credit Agricole, ING, Intesa Sanpaolo, J.P. Morgan, Mizuho, Natixis, Nordea, SMBC, Societe Generale and Unicredit. All are acting as mandated lead arrangers and lenders.

"The loans pay less than 3 percent in the annual effective rate," a banking source said. "The deal is extremely beneficial for Rosneft. There is huge appetite for Rosneft financing among the banks; the deal was agreed in a very short period of time."

Sources familiar with the matter have said Rosneft could also refinance up to \$10 billion of the cost of the TNK-BP takeover deal on the bond market, ultimately raising more than it needs

to close the transaction.

"The company has lots of fundraising options," the source said. "It has lots of cash on hand, it secured the deal with traders and it successfully issued a eurobond,"

Rosneft declined comments on financial details of the deal.

Related articles:

- [Putin Calls on AAR to Invest TNK-BP Proceeds in Russia](#)
- [Anti-Monopoly Chief Criticizes Rosneft-TNK-BP Deal](#)
- [Rosneft Finalizes Deal to Buy TNK-BP Stake](#)

Original url:

<https://www.themoscowtimes.com/2012/12/24/rosneft-borrows-168bln-inks-supply-deals-possibly-worth-50bln-a20430>