

# Rosneft Offers to Buy Out Small TNK-BP Shareholders

By [The Moscow Times](#)

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Rosneft on Thursday offered to buy out small shareholders in TNK-BP Holding but said it would pay less for the stock than the price at the time of the takeover in March.

Chief executive Igor Sechin said Rosneft was not a "charity fund" when it bought TNK-BP and did not intend to buy out minority shareholders, raising complaints from them and questions from international investors about corporate governance in Russia.

Following the TNK-BP deal, Rosneft became the world's No. 1 oil producer by output, pumping 4.5 million barrels per day — nearly half of Russia's total — but its capitalization of \$74 billion is a fraction of U.S. ExxonMobil's.

"They have had increasing pressure from minorities and there is clearly a lot of feedback that it is damaging the wider Russia franchise," said one trader at a Western bank in Moscow.

Rosneft vice president Igor Maidannik said that while the company had no legal obligations towards TNK-BP shareholders, the state-owned giant's shares are sensitive to the situation.

"We don't have any obligations. It would be a voluntary offer or, if a decision on reorganization is taken, a conversion. We will see," he told reporters at TNK-BP's annual shareholders meeting.

Maidannik said he preferred the idea of a share swap, because buyouts "usually don't lead to the desired result."

Maidannik's comments offered a glimmer of hope for smaller shareholders of TNK-BP. Based on TNK-BP's market capitalization of \$21.6 billion, down 57 percent since October when the deal was announced, a buyout of about 5 percent owned by minorities would cost Rosneft approximately \$1 billion.

Minority shareholders welcomed the idea with caution, as Sechin has previously rebuffed such calls.

"I support the idea. Maidannik made a good move. He allowed everyone to express their views and gave hope. But I wanted to hear it from Sechin, given that the decision should be taken not by Maidannik alone," said Gennady Osorgin, a shareholder since 2005.

Maidannik, Rosneft's legal counsel, played down expectations that shareholders — including several leading global emerging markets equity funds — could expect a big payout.

"It has been obvious since the deal was announced that TNK-BP's capitalization would fall," said Maidannik. "Someone might have dreamed that a buyout could happen at the deal's price, but in my opinion that was a gamble."

Earlier this month, Rosneft recommended waiving 2012 dividends for TNK-BP, saying its own policy of paying out 25 percent of earnings as dividends could only be extended to TNK-BP after the deal closed on March 21.

Investors have shown concern that subsequent deals by Rosneft could treat minorities the same way.

Gathered at a central Moscow hotel on Thursday, TNK-BP minority shareholders grabbed sandwiches as they anticipated a tightening of purse strings from Rosneft.

"Today we are being fed but at the next meeting we may not be offered even a cup of tea," said Viktor Alexeyevich, 65, while putting ham sandwiches and pies into a bag.

"I'm very disappointed that they [BP] left us — they set an example to the locals on how to do business. The dividends they paid proved that."

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