

LUKoil to Sell \$1.5Bln In Convertible Bonds

By [The Moscow Times](#)

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LUKoil plans to sell \$1.5 billion of convertible bonds due in 2015, its first sale of such debt in eight years.

The unsecured bonds will have a coupon of 2.5 percent to 3 percent and will be convertible into LUKoil's American depositary receipts listed in London, the Moscow-based company said in a statement Thursday, when the securities are expected to be priced.

"The amount looks in line with the additional treasury stock acquired by LUKoil from ConocoPhillips," Artem Konchin, an oil and gas analyst at UniCredit, said by e-mail. "Shares are under pressure."

LUKoil fell as much as 1.8 percent, reversing losses to trade little changed at 1,779.65 rubles at the close in Moscow. Dmitry Dolgov, a spokesman for the company, declined to comment on the reason for the sale.

ConocoPhillips is selling its 20 percent share in LUKoil to repay debt and buy back shares. The Russian company already bought \$3.44 billion of its own shares in August from the Houston, Texas-based oil producer. LUKoil, UniCredit and investors led by LUKoil Chief Executive Officer Vagit Alekperov bought \$2.38 billion more shares from ConocoPhillips in September at \$56 apiece.

The Russian oil producer has an option to buy 25 million of its own American depositary receipts from UniCredit at no more than \$56 apiece by Sept. 29. The offer is invalid at market prices below \$50.

The conversion price for the bonds is expected to be set at a premium of 30 percent above the reference price, which is a weighted average price of an ADR from the start of the sale to pricing, LUKoil said. Barclays Capital, Citigroup and Deutsche Bank are organizing the sale.

“They can raise debt at the cheaper rate to refinance more expensive debt,” Pavel Sorokin, an oil and gas analyst at Alfa Bank, said Thursday. The company has sufficient treasury stock for the conversion, he said.

LUKoil’s treasury stock represents 8.1 percent of outstanding shares, Andrei Gaidamaka, director of strategic development told reporters in Moscow. The company a market value of about \$49.5 billion, based on Thursday’s share price.

The oil producer last offered convertible debt to investors in 2002 when it sold \$350 million of 3.5 percent notes due in November 2007, Bloomberg data show.

LUKoil’s debt is rated Baa2 by Moody’s Investors Service, its second-lowest investment grade, and one level lower at BBB- by Standard & Poor’s.

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