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# Russia's LUKoil Sees Profit Halved as Weak Ruble, Oil Price Take Toll

By The Moscow Times

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Russia's No. 2 oil producer, LUKoil, announced on Thursday that profits had more than halved in the third quarter due to low oil prices and a weak ruble, but said it may increase its dividend payout next year if crude prices slide further.

"If oil prices are $70 or lower, we may pay over 50 percent of profits on dividends," vice president Leonid Fedun told a conference call after LUKoil's third-quarter net profit sank to $1.6 billion from $3.1 billion in the corresponding period last year.

LUKoil's dividend policy calls for a payout of no less than 15 percent of net profit, but it usually pays more than that.

Global oil prices have fallen by a third since June, and slumped below $73 per barrel after the OPEC oil producing countries opted not to cut production at a key meeting on Thursday.

The low oil prices and a weak ruble are behind the decline in profit. Analysts polled by Reuters had expected LUKoil to report net profit of $2 billion.

Russia's economy has been hit by Western sanctions over the Ukraine crisis, the fall in oil prices and the about 30-percent decline of the ruble against the dollar this year.

Last month state oil company Rosneft also posted a steep fall in third-quarter earnings.

LUKoil's third-quarter revenue rose to $39 billion from $36.7 billion and earnings before interest, tax and depreciation — core profit — were $5.3 billion from $5.5 billion in the same period last year.

Alexander Kornilov, an analyst with Alfa Bank, said results were supported by LUKoil's Iraqi West Qurna-2 project, which now pumps over 320,000 barrels per day (bpd). LUKoil's total production is almost 2 million bpd.

He estimated LUKoil's free cash flow was $730 million in the third quarter, up from $170 million in the second quarter of 2014, mainly due to proceeds from the West Qurna-2 project.

LUKoil said its capex stood at $11.7 billion in the nine months of 2014.

LUKoil, whose largest private shareholders are its managers Vagit Alekperov and Fedun, plans to cut its investment program by $2 billion to $14 billion next year because of lower oil prices.

Fedun said the company may cancel some of its treasury shares if economic conditions are favorable. Cancellation of treasury shares allows other shareholders to raise their stakes. LUKoil holds around 11 percent of its shares in treasury.

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