

# LUKoil May Use Shares for M&A

By [The Moscow Times](#)

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A worker operating machinery at a plant in Siberia. Fedun said shares bought from Conoco could finance new deals. **Dmitry Beliakov**

LUKoil, the country's second-largest oil producer, could use shares it is set to buy back from ConocoPhillips for mergers and acquisitions or simply annul them, vice president Leonid Fedun said Friday.

"We can keep the stock on our balance for quite a long time. One option is to keep the shares as reserve funds because they have potential to grow in value. When the time comes, we will take a decision, to annul them or use them for M&A activity," he said.

LUKoil's Moscow-traded shares fell 2.1 percent Friday, underperforming the benchmark MICEX Index, which finished the day down 1.5 percent.

Conoco said Wednesday that it would sell its entire 20 percent stake in LUKoil, as the U.S. oil major looks to pay down debt and increase shareholder returns. The sale is not a part of Conoco's previously announced \$10 billion asset divestiture program.

The U.S. oil producer also has a 30 percent stake in the Arctic oil and gas joint venture Naryanmarneftegaz, where LUKoil is majority owner.

"I don't think they have the intention of exiting. I don't think anyone would get out of a project that is making money," Fedun said.

LUKoil will buy back 40 percent of Conoco's 20 percent stake for \$3.44 billion — using its own funds — with a 60-day option to buy back the remaining 11.61 percent that expires Sept. 26.

Conoco agreed to cap sales of stock in LUKoil so that third-party buyers do not accumulate more than 5 percent stakes, the U.S. energy company said in a Securities and Exchange Commission filing dated Wednesday.

Fedun said LUKoil valued Conoco's 11.61 percent share at about \$5 billion and that several banks had already offered to help finance the deal.

"We are going to take a call at the last moment, at the end of September. If we think we should buy, we will. If the price doesn't work for us, we won't," said Fedun, who has a 9.27 percent stake in LUKoil.

LUKoil may have its long-term corporate credit rating cut one level to junk from BBB- should the company decide to buy more than 7.6 percent of its own shares, Standard & Poor's said Saturday.

"We expect a one-notch downgrade, if any, if LUKoil exercises the 11.6 percent buyback option, and likely an affirmation if the option is not exercised," the agency said in a statement.

S&P said it planned to resolve the credit-rating placement within three months as it evaluates additional information on the funding for those transactions and LUKoil's resulting liquidity.

*(Reuters, Bloomberg)*

LUKoil has won approval from Croatia's anti-monopoly agency to buy small fuel retailer Crobenz from national oil and gas group INA.

The anti-monopoly agency AZTN confirmed on Friday that it had given the green light for the sale to LUKoil, which is already present in Croatia but has a small market share.

AZTN last year ordered INA to sell Crobenz, which owns 14 gasoline stations in Croatia, after INA's biggest shareholder, Hungary's MOL, increased its stake to 47 percent.

*(Reuters, Bloomberg)*

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