

LUKoil Produced \$6.9Bln Cash in 2010

By [The Moscow Times](#)

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LUKoil said it produced record free cash flow of \$6.9 billion last year as it followed a plan to scale back output growth and keep more money.

Net income in the fourth quarter rose 27 percent to \$2.19 billion against the previous year after crude prices rose, according to Bloomberg calculations based on full-year earnings released by the company Thursday.

That missed a mean estimate of \$2.73 billion from a Bloomberg survey of eight analysts. Revenue increased 18.1 percent to \$28.7 billion.

LUKoil wants to increase free cash flow through 2019, boosting dividend payout ratios by more than 30 percent in that period while scaling back output growth plans, according to a strategic plan presented in 2009.

In practice, the company had immaterial increases in free cash flow in the fourth quarter, and plans to build the cash position further may be at risk, Pavel Sorokin, an oil and gas

analyst at Alfa Bank, said Thursday. LUKoil must invest in international projects and manage declines in output rates domestically, he said.

LUKoil is exploring deepwater blocks off the coast of West Africa, developing the West Qurna-2 oil field in Iraq and aims to increase gas production in Uzbekistan. Output in West Siberia, where LUKoil produces more than half its oil, fell 3.8 percent last year according to the filing.

The free cash flow number exceeds a \$5 billion estimate announced by deputy chief executive officer Leonid Fedun in October. Standard & Poor's removed the company from "creditwatch" in November after it sold \$1 billion in eurobonds.

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