

Surgut Touts Stability as it Sits on \$30 Billion

By [The Moscow Times](#)

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The country's fourth-largest oil firm Surgutneftegas plans to keep its crude output and investments stable in the years ahead to maximize the lifespan of its reserves, the company's head was quoted as saying on Wednesday.

The secretive oil firm, still run by its Soviet-era 'red director' Vladimir Bogdanov, is the focus of investor interest because it has collected a \$30 billion cash pile and is on the verge of boosting its standards of financial disclosure.

Based in the West Siberian oil city of Surgut, the company is due this month to publish annual results to international financial reporting standards for the first time in more than a decade.

"We want to keep the level of 61-62 million tons (1.2 million barrels per day) for the foreseeable future," Bogdanov, who has run the company since 1984, was quoted by the Interfax news agency as saying.

"It is possible to produce more, but we are interested in developing a field for decades, constantly introducing new technologies, increasing the oil recovery rate."

Bogdanov's conservatism in running the business has raised questions over whether Surgut might deploy its cash pile — equivalent to three-quarters of its equity market value — to pursue acquisitions, or return more money to shareholders.

Although Surgut's ordinary shares pay a modest 2 percent dividend yield, according to Reuters data, the historic yield on its preferred shares is 9.6 percent, making them a popular bet with investors with an appetite for risk.

The company has also been the subject in recent years of speculation — repeatedly denied — of an approach by state oil major Rosneft, which has just completed its \$55 billion takeover of Anglo-Russian oil venture TNK-BP.

"In next three years, capex will stay at the current level," Bogdanov said. In 2012, Surgut's capex stood at 185 billion rubles (\$5.9 billion), of which 160 billion were earmarked for exploration and production.

He declined to elaborate on the forthcoming IFRS annual results, but said there would be "few differences to our Russian Accounting Standards results."

Bogdanov also said the company planned to keep its current dividend level. Last month, the company reported a 31 percent fall in 2012 net income to 161 billion rubles (\$5.2 billion).

Analysts at Sberbank say that based on its past dividend policy, Surgut is likely to cut the 2012 dividend on its preferred shares to 1.48 rubles from 2.15 rubles in 2011, for an implied yield of 6.9 percent.

Surgut paid a dividend of 0.6 rubles per ordinary share in 2011.

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