

# Gazprom's Q4 Net Up 2% to \$11.4Bln

By [The Moscow Times](#)

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Gazprom, the world's biggest gas producer, increased fourth-quarter profit 2 percent because of higher prices at home and abroad and the sale of Novatek shares.

Net income rose to 315 billion rubles (\$11.4 billion) from 309 billion rubles in the same period last year, according to calculations based on the gas export monopoly's financial results on its web site Thursday.

Revenue climbed 30 percent to 1.09 trillion rubles on higher prices in Europe and at home as demand recovered.

"We continue to favor Gazprom in the long run," VTB's Lev Snykov and Svetlana Grizan said Thursday in a research note. "On a short-term horizon we see several risks that might negatively affect the stock's performance." Those include possible delays in raising domestic regulated prices and faster-than-expected increases in the gas extraction tax, they said.

Gazprom sold a 9.4 percent stake in Novatek for 57.5 billion rubles in cash in December, about

34 percent below market value, which has raised concerns about company transparency. The sale contributed to a 77.4 billion ruble gain, which also relates to its remaining 9.99 percent in the country's second-largest gas producer.

Net sales of natural gas rose 27 percent to 686 billion million rubles in the fourth quarter, Gazprom said.

Rising gas prices compensated for an 8.1 percent decrease in volumes to Europe, Gazprom's key export market by revenue. European contract prices are tied to crude and oil-product prices with a lag of up to nine months, while the government has mandated a gradual increase in regulated domestic rates to match the profitability of exports.

Gazprom sold about 39.5 billion cubic meters of gas to Central and Western European customers, the company said on its web site in February. Volumes in the same period of 2009 amounted to almost 43 billion cubic meters.

The average gas price for countries outside the former Soviet Union rose 1.7 percent last year, reaching \$301.80 per 1,000 cubic meters, Gazprom said Thursday. The average price for countries including Ukraine and Belarus jumped 15 percent to \$231.80. Domestic prices rose 25 percent.

Gazprom sees gas prices for Europe climbing to \$500 in December as the Russian monopoly's biggest export market sets "records" on higher oil prices and recovering demand, chief executive Alexei Miller said April 25.

"In the first quarter of 2011, we expect to see a major rebound in volumes as a result of the abnormally cold weather and significant growth in spot prices," Snykov and Grizan said April 26.

Gazprom is paying higher gas extraction taxes after the government raised the levy 61 percent this year to 237 rubles per 1,000 cubic meters. The Finance Ministry is seeking to more than double the rate to 529 rubles next year and 558 rubles in 2013, Vedomosti reported April 25.

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