

Gazprom Q1 Net Up 44% to \$16Bln

By [The Moscow Times](#)

August 30, 2011

The  Moscow Times

Gazprom's first-quarter profit beat expectations and jumped a record 44 percent, as gas prices and foreign sales drove the Russian export monopoly's earnings to a record.

Net income climbed to 468 billion rubles (\$16 billion), from 325 billion rubles a year earlier, the company said in a financial report posted on its web site Tuesday. That beat the average estimate of 406 billion rubles from seven analysts.

Gazprom benefited from recovering demand and higher prices in Europe, its biggest market by revenue, in the first three months. Rising capital expenditures left the company with negative free cash flow, according to the statement.

Enthusiasm over record earnings may be damped by a Gazprom spending spree, said Alexei Kokin, senior oil and gas analyst at UralSib Financial Corp. "They've already spent half of what we expect for the whole year," he said.

Gazprom closed down 0.31 percent at 177.18 rubles on Tuesday, in line with the rest of the

market. The stock has gained 11 percent in the past year.

Capital expenditures jumped 82 percent to 397 billion rubles, giving the company a negative cash flow of 7 billion rubles, according to Gazprom's cash flow statement. Revenue increased 38 percent to 1.32 trillion rubles.

Gazprom may boost investments 52 percent to 1.24 trillion rubles this year, compared with an initial plan, as it builds pipelines and infrastructure and after a retrenchment from nuclear power following Japan's Fukushima disaster helped boost gas demand. In November, Gazprom's board had planned to cut spending this year from 2010 in anticipation of a slack market.

Sales volumes to Europe and other countries outside the former Soviet Union advanced 12 percent to 46.6 billion cubic meters in the first quarter, the Russian gas export monopoly said. Shipments to Europe and Turkey may reach 158 billion cubic meters this year and export revenue will probably rise to a record, chief executive Alexei Miller said in June.

The average gross gas price on those sales increased 17 percent to \$343.10 per 1,000 cubic meters from the first quarter of last year, according to Gazprom's statement. The company has said the price may average \$400 this year, compared with \$306 last year.

Gazprom reports financial results under international standards months later than peers its Rosneft and Novatek.

Gazprom filed a request for arbitration after Lithuania sought to oust managers representing the Russian gas export monopoly at the Lietuvos Dujos gas utility.

The gas giant said in a statement Tuesday that the move violated its rights as a shareholder in the Lithuanian utility.

The Lithuanian government seeks to oust Lietuvos Dujos management, alleging that it ignored the interests of Lithuania and did not negotiate a fair gas price for Russian supplies. The Baltic state asked the European Commission on Jan. 25 to investigate possible market abuse by Gazprom after the company said Lithuania, unlike neighboring Latvia and Estonia, will not receive gas price cuts because the country plans to begin unbundling ownership of its gas industry.

Original url: <https://www.themoscowtimes.com/2011/08/30/gazprom-q1-net-up-44-to-16bln-a9234>