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Russian Gas Giant Gazprom Says Q2 Profit Up 13%

By The Moscow Times

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Vehicles are seen at a gas filling station, owned by Gazprom Transgaz Stavropol, with the company logo of Russian natural gas producer Gazprom seen on the station, in Stavropol in southern Russia.

Russian gas producer Gazprom said Tuesday that its second quarter net profit was up 13 percent to 227.6 billion rubles ($5.6 billion) boosted by foreign exchange gains but still short of analysts' expectations.

A poll of analysts had expected Gazprom to post 234 billion rubles in the second quarter net profit, up from 202 billion rubles the same period of last year.

The company, the world's largest gas producer, added that its revenues were up to 1.32 trillion rubles in the second quarter of this year from 1.11 billion rubles a year ago, beating analysts expectations of 1.29 trillion rubles.

Gazprom — in the spotlight due to a pricing dispute with Ukraine after stopping supplies

there in June, citing unpaid debts — said it had to set aside 215.8 billion rubles in the first six months of the year due to Ukraine's gas debt.

Andrei Polischuk, an analyst with Raiffeisenbank, said provisions are "a temporary negative issue." In total, Ukraine owes Gazprom $5.4 billion for gas supplies.

"When the debt is returned it will boost their [Gazprom's] results," Polischuk said. Ukraine, Russia and European Union representatives will meet on Oct. 21 trying to resolve gas pricing issue.

Gazprom added that its net debt fell to 894.55 billion rubles in the first six months of the year from 1.11 trillion rubles as of December-end of 2013.

Gazprom group, which also includes its oil wing Gazprom Neft, fell under Western sanctions earlier this year for Moscow's role in the Ukraine crisis.

In its report, Gazprom which accounts for a third of Europe's gas needs, said it continues to evaluate sanctions' effect but doesn't think they will have a "significant impact" on its financial situation or operations.

Oil major Royal Dutch Shell has earlier suspended development of hard-to-recover oil in Russia's Bazhenov formation with Gazprom Neft due to the sanctions.

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