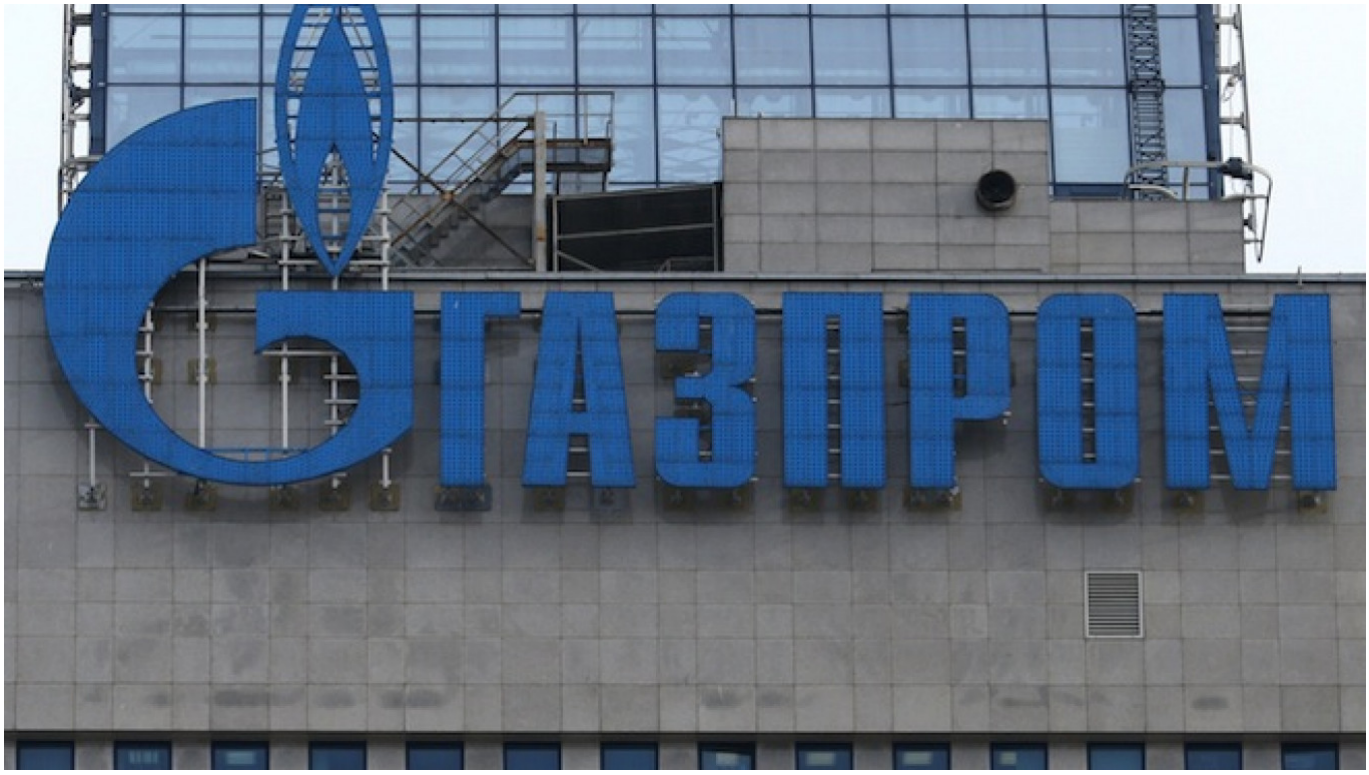
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Russia's Gazprom Defies Expectations With Profit Growth Despite Sanctions

By The Moscow Times

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An employee stands near a window, with the company logo of installed on a building, at the headquarters of the Russian natural gas producer Gazprom in Moscow.

Russia's largest gas producer Gazprom beat expectations with a 71 percent jump in first-quarter net profit after weakness in the ruble more than compensated for a drop in sales volumes to Europe.

Gazprom's prices for gas sold to Europe are linked to the price of oil, but a time lag of several months means that its sales in the three months to March 31 were at prices pegged to oil at almost twice its January level of around $50 a barrel.

Though Western sanctions in response to Russia's actions in Ukraine resulted in a 16 percent drop in Gazprom's European sales volumes, export revenue was up 12 percent at 543 billion rubles ($8.42 billion).

With the ruble having lost about half its value since last year, that served to lift group profit to 382.1 billion rubles against 223 billion rubles in the same period last year and a consensus analysts' forecast of 348 billion rubles.

Analysts polled by Reuters said that the first-quarter results are likely to be Gazprom's strongest for the year, with prices continuing to fall in line with weak oil prices.

Sanctions also look set to continue to take their toll. On Friday the United States added Gazprom's Yuzhno-Kirinskoye oil and gas field to its sanctions list against the Russian energy sector.

Yuzhno-Kirinskoye was seen as key to expansion of the Gazprom-led Sakhalin-2 LNG plant, co-developed with Royal Dutch Shell, Japan's Mitsui and Mitsubishi Corp.

Gazprom also said on Monday that it borrowed $760 million and 240 million euros ($263.1 million) from Sberbank last month, plus a further $310 million from Gazprombank, without elaborating on the purpose of the loans.

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