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Russia's Gazprom Reports Massive Profit Slump in First Half

Net profit fell 25-fold as the coronavirus pandemic hit global energy prices.

By AFP

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State-controlled gas giant Gazprom said lower gas prices and weaker sales to Europe hit profits in the first half. **Thawt Hawthje / Flickr (CC BY 2.0)**

Russian energy giant Gazprom announced Monday that net profit fell 25-fold in the first half of 2020 due to the economic crisis triggered by the coronavirus pandemic and low oil and gas prices.

The state-controlled group posted a net profit of 32.9 billion rubles ($447 million) in the six months to June, compared to 836.5 billion rubles in the same period last year.

Turnover fell almost a third to 2.9 trillion rubles.

Hydrocarbon producers globally have been hit hard by a sharp fall in prices and demand as a result of restrictions imposed to combat the coronavirus, especially limits on travel.

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Russian producers have been additionally hit by a falling ruble.

After a net loss of 116.2 billion rubles in the first quarter, Gazprom recovered slightly in the three months to June, posting a net profit of 149.2 billion rubles.

Monday's figures are mainly the result of lower prices and a drop in sales to Europe which is a crucial market for the gas giant, Gazprom said in a statement.

Year-on-year sales to Europe dropped 16% by volume in the first half of 2020, while revenues fell by almost half.

Famil Sadigov, the vice chairman of the management committee of Gazprom, said in comments after the results that challenges facing the oil and gas industry "cannot be overestimated."

He pointed to "a sharp drop in demand for energy resources, gas prices in Europe reaching historic lows, and multi-directional volatility of exchange rates."

Sadigov said that in these "extreme conditions," Gazprom had showed decent results compared with many other oil and gas companies, pointing to "measures to optimise operating and capital expenditures."

He added that the outlook for the third quarter already suggested an improvement.

Gazprom announced a 17% drop in net profit last year compared to 2018, over lower prices and falling sales to Europe.

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