

# Gazprom's Q2 Results Beat Forecasts on Domestic Price

By [The Moscow Times](#)

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Gazprom said Monday that profit fell less than expected in the second quarter, as rising domestic prices helped offset a foreign exchange loss and lower European gas sales.

Net income declined 12 percent to 170 billion rubles (\$5.5 billion) from 193 billion rubles a year earlier, the world's biggest natural-gas producer said. That beat the 160 billion ruble average estimate of six analysts.

Revenue rose 21 percent to 764 billion rubles driven by supplies to the domestic market and former Soviet republics, as well as sales of oil and electricity, the company said. Gas sales in Europe, traditionally Gazprom's most profitable market, fell 3.3 percent to 295 billion rubles.

"Gazprom managed to demonstrate a significant improvement in cash-flow generation in the first half" even with "uneasy" European market conditions, Luis Saenz, a London-based director at Otkritie Financial Corporation, said in an e-mailed note. The drop in net income

was caused mostly by a large, unrepeated foreign exchange gain last year, he said.

Gazprom had a foreign exchange loss of 38.4 billion rubles relating to finance income and expenses compared with a foreign exchange gain of 83.9 billion rubles a year earlier, the company said. Free cash flow was 55.9 billion rubles in the second quarter, Otkritie said.

Net debt declined 29 percent to 975 billion rubles as of June 30 from 1.37 trillion rubles as of Dec. 31, Gazprom said. The Russian gas export monopoly plans to continue lowering its debt burden this year, chief financial officer Andrei Kruglov said in September.

The recovery from the global economic crisis that Gazprom had been seeing since the first half of 2009 stalled in the second quarter as demand in southern and southeastern Europe declined, chief executive Alexei Miller said in June.

Gas sales in Russia, where the government is raising prices to make the domestic market more attractive, increased 23 percent to 111 billion rubles, while sales to the former Soviet Union rose 21 percent to 98.3 billion rubles.

The domestic market is becoming export markets' main competitor for Russian gas, Miller said last month. Gazprom's share of gas exports to Europe is shrinking as suppliers including Norway and Qatar offer more flexible terms, said Mikhail Korchemkin, director of East European Gas Analysis.

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