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Gazprom to Maintain Dividend, Despite Likely EBITDA Drop

By The Moscow Times

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Gazprom CFO Andrei Kruglov **Sergei Nikolayev**

Gazprom will maintain its dividend at a historically high percentage of net profit, despite concern that core earnings could shrink by at least 10 percent as a result of a planned tax increase, its chief financial officer said Thursday, on the eve of its shareholders meeting.

The company, which supplies about a quarter of the gas consumed by Europe, has been protesting against tax changes that would force it to pay more than 1,000 rubles ($30.32) per cubic meter — several times the current rate — by 2015, though the government has agreed to review the proposal.

"We have paid ... 25 percent of net profit since 2010, and we plan to keep this level for 2012-2013," Andrei Kruglov said, noting record dividend payments for 2011 of about 212 billion rubles ($6.43 billion).

“Unfortunately, some unfavorable conditions, such as the increase of the tax burden on gas (extraction), could cause a 10 percent EBITDA decline in 2012 from a year earlier,” he added.

EBITDA could slump 12 percent to $58 billion, from $66 billion a year ago, according to Reuters calculations. That is despite a forecast increase in revenue this year to $160 billion from $158 billion a year ago.

Gazprom will return at least 20 billion rubles ($600 million) this year to European buyers under agreements to award retroactive discounts, chief accountant Yelena Vasilyeva said.

Eni, Italy’s biggest oil and gas producer, will receive “a lion’s share” of the payments, which totaled 20 billion rubles as of June, said Vasilyeva, who’s also a deputy chief executive officer.

Customers in Europe, Gazprom’s biggest market by revenue, have sought changes to their purchasing contracts with Gazprom after the 2008 recession cut demand, dragging spot prices below the long-term contract levels. Gazprom ties its contracts to prices for crude and refined-oil products with a time lag of as much as nine months.

At the start of the year, Gazprom agreed with a group of European customers to cut gas prices by about 10 percent.

Russian state-run-gas-monopoly energy revenues are heavily taxed in the form of a mineral extraction tax, and in some cases export duty, to fund heavy social spending. The government is also keen that high dividends are maintained by state companies as another way of skimming income from the energy industry.

The company has given up its demand for an additional increase in regulated prices this year to compensate for the tax increase, Kruglov added.

(Reuters, Bloomberg)