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Board of Directors approves adjusted Investment Program, Budget and Cost Reduction Program for 2014

The Gazprom Board of Directors approved the adjusted Investment Program, Budget (Financial Plan) and Cost Optimization (Reduction) Program for 2014.

According to the adjusted Investment Program for 2014, the total amount of investments will make up RUB 1 trillion 026.15 billion, which is a RUB 220.146 billion increase as compared to the Investment Program approved in December 2013. Meanwhile, the amount of capital investments will make up RUB 816.572 billion (a RUB 115.462 billion increase as compared to the Investment Program approved in December 2013), of which RUB 804.860 billion and RUB 11.712 billion will be allocated for capital construction and acquisition of non-current assets, thus showing an increase of RUB 106.648 billion and RUB 8.815 billion accordingly.

According to the adjusted Budget for 2014, gains from operating and investment activities will total RUB 5.649 trillion, while the amount of payments in all activities – RUB 6.174 trillion. The external financial borrowings will remain unchanged and total RUB 90 billion. The Budget surplus (taking into account intragroup borrowings and beginning balances on Gazprom's accounts as of early 2014) will account for RUB 0.5 billion.

A new version of the Cost Optimization (Reduction) Program for 2014 envisages measures aimed at cost optimization (reduction) to result in a cumulative effect of RUB 17.9 billion (the initial plan was RUB 17.5 billion).

The 2014 Investment Program adjustment is mainly driven by the need to increase long-term financial contributions as well as the investments in Gazprom's top-priority strategic projects for natural gas production and transportation.

Background

Gazprom's adjusted Investment Program for 2014 envisages an increase in capital and long-term financial contributions.

An increase in capital contributions is mainly related to boosting the investments in top-priority strategic projects for natural gas production and transportation.

For instance, in the gas transportation segment it concerns the construction of the Bovanenkovo – Ukhta and the Southern Corridor gas mains as well as financing the construction of gas production, transmission and processing facilities based on gas from the Yakutia gas production center, including the Power of Siberia project.

In the production segment, the Company plans extra investing the construction of boosting units at the Urengoykoye field, wells' commissioning at the Yamburgskoye field and at the second pilot block of the Achimov deposits at the Urengoykoye field, commercial drilling at the Astrakhanskoye field, pre-development of the Kirinskoye field and initiation of gas well rehabilitation and flow stimulation at the Orenburgskoye field.

Gazprom's adjusted Investment Program for 2014 also provides for enhancing capital costs for design & investigation activities in years to come to develop the Eastern Gas Program facilities as well as for infrastructure and social facilities.

The enhancement of long-term investments is resulted generally from extra-financing the South Stream project abroad and advancing Gazprom Group's power generation business, in particular, financing the OGK-2 and Mezhtregionstroy activities as well as extending Gazprom Energoholding's equity capital for the Grozny TPP construction.

In addition, it is envisaged to step up the investments into the projects in the Republic of Vietnam and Bolivia as well as to allot extra investments for implementing NGV projects and increasing the Company's share in ArmRosGazprom to 100 per cent.

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