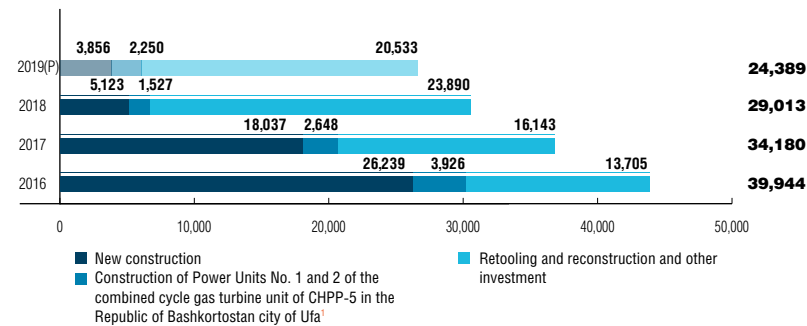


- implement measures to improve the reliability and safety of production facilities through equipment modernization
- enhance the efficient monitoring and diagnostics of equipment conditions as well as minimize specific fuel consumption for the production of electric and thermal power through the introduction of modern, highly efficient equipment
- boost the level of production automation
- introduce the unified billing of legal entities for supply companies of the Inter RAO Group
- implement environmental measures that aim to reduce the man-made impact of generating equipment on the environment

Most of the CDA program was completed in 2018. Consequently, the focus of investments in the form of capital expenditures in 2019 has shifted to the program for the retooling and reconstruction of existing equipment.

INVESTMENT STRUCTURE OF THE INTER RAO GROUP BY PROJECT,

RUB mln (including VAT)



COST MANAGEMENT PROGRAM

The Cost Management Program contains a breakdown of the measures of the Strategy/Long-Term Development Program for reducing operating costs in the medium/short term. The Board of Directors approved the Cost Management Program for 2018-2022.

The Program includes a set of production and economic measures that aim to optimize/reduce costs spent on raw materials and other materials, repair and operating services, payroll, administrative, management, and general business costs (lease, consulting, and information services, IT and communication, utilities, buildings and premises maintenance costs, etc.) as well as fuel costs and the internal needs of power plants. Particular attention was also paid to maintaining a high level of reliability and the fail-safe operation of assets.

Based on the performance results of the Inter RAO Group's companies for 2018, the economic effect from implementing the Program's activities amounted to RUB 3.1 billion, and the target benchmarks established for 2018 were reached.

The list of measures to be implemented in the Program's focus areas is updated on an annual basis. The Board of Directors has now approved the Cost Management Program for 2019-2023. The economic effect from implementing the operating cost optimization measures meets the requirements of Directives No. 2303p-P13 of the Russian Government dated April 16, 2015 and No. OD-11/16866 of the Federal Agency for State Property Management dated April 28, 2015 (reducing costs by at least 2-3 p.p. each year) and is projected to reach RUB 15.6 billion by 2023.

¹ Zatonskaya CHPP, which was built as part of the CDA program, will reduce the electricity shortage in the Ufa generation system and increase the reliability of power supply to consumers. In accordance with the Ufa heat supply system approved by an order of the Russian Ministry of Energy, Zatonskaya CHPP is recognized as the primary source of thermal power for the future development area in Ufa. The power units consist of gas turbines with total capacity of 440 MW.