

INVESTMENT PROGRAM

The Investment Program for 2019 was approved by the Board of Directors as part of the Group's business plan.

Capital expenditures on the Group's main activities, RUB mln, including VAT

			Actual	Plan
	2017	2018	2019	2020
Generation in the Russian Federation	29,079	17,298	15,786	27,196
Supply assets in the Russian Federation	1,213	1,523	2,825	1,677
Other Russian assets	2,357	8,218	1,544	1,555
Foreign assets	1,531	1,974	2,481	2,297
Total for the Group's companies	34,180	29,013	22,636	32,725

Amount of capital expenditures on retooling, reconstruction, and new construction, RUB mln, including VAT

			Actual	Plan
	2017	2018	2019	2020
Funding, including:	34,180	29,013	22,636	32,725
New construction	18,037	5,123	1,695	3,626
Retooling, reconstruction, and other investment	16,143	23,890	20,941	29,099

The structure of capital investments changed due to the completion of the CDA program in 2018 and the shift in the focus of investments to retooling and reconstruction in 2019 (including the modernization program).

In 2018, the Group successfully wrapped up a multi-year state program for the construction of new facilities as part of the CDA. In accordance with Resolution No. 43 of the Government of the Russian Federation dated January 25, 2019, the Company began implementing a program to modernize existing generation facilities (modernization program) in 2019.

The Inter RAO Group's Investment Program in 2019 aimed to:

- Ensure the implementation of the modernization program (making advance payments under equipment supply agreements)
- Implement measures to improve the reliability and safety of production facilities through the modernization of equipment
- Enhance the efficiency of monitoring and diagnosing equipment condition as well as minimize specific fuel consumption for the production of electric and thermal power by introducing modern, high performance equipment
- Increase the level of production automation
- Carry out environmental measures to reduce the environmental impact of generating equipment

Key investment projects

The most significant investment projects in 2019–2020 involve modernizing power units as part of the modernization program for 2022–2025. They will ensure the increased capacity and efficiency of the Group's assets with a guaranteed rate of return.

The projects include the reconstruction of core equipment based on the results of the selection of projects to modernize the generating facilities of thermal power plants in the period from January 1, 2022 until December 31, 2025 (Directives of the Government of the Russian Federation No. 1713-r dated August 2, 2019 and No. 232-r dated February 7, 2020) at the following power plants:

- Gusinoozyorskaya TPP
- Irikliinskaya TPP
- Karmanovskaya TPP
- Kostromskaya TPP
- Nizhnevartovskaya TPP
- Permskaya TPP
- Omskaya CHPP-4
- Sterlitamakskaya CHPP

Project implementation period – 2019-2025. Total investment in projects in 2019 amounted to RUB 4.2 bln. Funding for 2020 is planned in the amount of RUB 7.5 bln. The anticipated profitability of projects is envisaged by the modernization program with a basic rate of return of 14%, adjusted for the yield of long-term government obligations.

Information about investments with expected return of over 10 percent per year

There were no investments funded in 2019 with an estimated return of more than 10% per annum (IRR > 10%) that are valued at more than 1% of the Group's total assets under IFRS (RUB 7.5 bln as of December 31, 2019). The absence of any investments with a return of more than 10% is due to the fact that the main obligations for the construction of the Group's CDA facilities have been fulfilled.

A total of 75 projects valued at less than 1% of the Group's total assets under IFRS and with a return of more than 10% per annum (IRR > 10%) were carried in 2019 for a total of RUB 2.3 bln, including VAT. The projects were financed using the Company's own funds in 2019.