

# Cost Optimization

As part of the Russian Federation President's and Government's order to cut the per-unit purchase costs of goods, work and services by at least 10 percent per annum over three years, as well as of the Ministry of Energy's instruction to ensure a 10% cost reduction from 2010 expenditure levels, Federal Grid Company carries out the Cost Management Program.

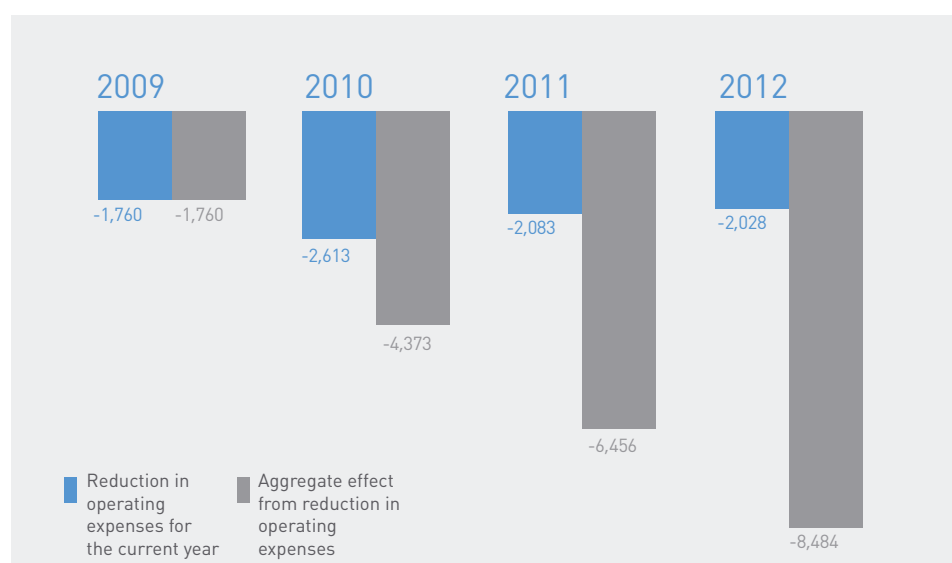
The total expected effect from implementing the 2009-2012 Cost Management Program was RUR8,620 million.

## RUR 8,620 million

The effect of implementing the Cost Management Program for 2012 was RUR2,164.65 million, indicating a 6.6% decrease in the Company's costs in 2012 (compared with the 2010 expenditure level).

## RUR 2,164.65 million

2009-2012 Changes in Reducing Operating Expenses, RUR million



Cost optimization is one of the Company's key objectives to reduce the tariff burden on consumers and lower expectations in the economy, while maintaining the required level of reliability and quality of goods supplied. In circumstances where tariff growth rates are constrained by regulating authorities, cost reduction is one of the main tools for upgrading the Company's economic performance.

The Cost Management Program covers the entire production cycle of the Company, from procurement to losses in electric grids when electric energy is distributed.

In terms of cost cutting in 2013-2015, the Company's focus involves:

- Cutting the per-unit purchase costs of goods, work and services by at least 10 percent per annum in real terms;
- Increasing performance by cutting operational expenses, nominal operating costs and losses within the UNEG;
- Employing the relevant number of highly qualified specialists to support Federal Grid Company business operations with optimal personnel costs.

# 1 225