Financial Performance Overview

Federal Grid Company's financial and economic management system is based on budgetary management that has been built in accordance with the hierarchical budget system rule.

In 2012, we approved the Budget Code - a fundamental document that regulates the long-term, medium-term and short-term financial and economic planning of the Company. The Budget Code defines fundamental methodological and organizational principles for creating and utilizing the

system of financial and economic planning for the Company's operations. The Company's other regulatory documents concerning financial and economic planning and budget management are developed and adopted in Budget Code development.

FEDERAL GRID COMPANY'S BUDGET SYSTEM Long-term planning horizon Medium-term planning horizon Financial plan with one-year planning horizon Determination of target values for financial and production performance in the long-run; Development of a production program and determination of necessary resources to accomplish it. Short-term planning horizon Current plan based on the budget with a one-year planning horizon and a one-quarter planning step based on target values for financial and production performance in the medium-run; Development of the production program and determination of necessary resources to accomplish it.

During the reporting year, priority tasks of our financial and economic management system included:

- Maintaining an optimal level of financial discipline;
- Developing the planning system and budget management;
- Developing accounting and tax policies;
- Effectively utilizing borrowed capital to finance the Company's investment program;
- Successfully operating via RAB regulation.