

Dividend policy

In accordance with Russian legislation and the Charter of Federal Grid Company, the source for dividend payments is the Company's net profit, which is determined on the basis of the Company's annual statutory accounts.

According to 2012 published statutory financial statements of Federal Grid Company, the Company's net loss for the reporting year amounted to 24,502 million rubles. The main factors behind this loss were negative results from the revaluation of financial investments into stock with market quotations, accrual of allowance for doubtful debtors and impairment of promissory notes.

A resolution on the payment of dividends for 2012 will be adopted by the Company's Annual General Meeting of Shareholders in 2013. The shareholders have proposed to adopt a resolution not to pay dividends on the Company's ordinary shares for 2012.

Detailed information on dividends paid by the Company is available at the official website in the section [Investors / Dividends](#).

Operating Activities

Electric energy transmission services

The principal activity of Federal Grid Company is the transmission of electricity via the Russian Unified National Electric Grid (the "UNEG"). Payments for this type of services are the main financing source for the revenue side of the Company's budget.

According to Russian legislation, electric energy transmission services through the the UNEG are monopoly-type activities and are regulated by the Russian Government. The price for electric energy transmission services is determined via respective tariffs set by the Russian Federal Tariff Service, taking into account normative technological losses of energy during the UNEG transmission for the respective subject of the Russian Federation, as adopted by the Russian Ministry of Energy.

Since 2010, within the framework of measures to upgrade investor attractiveness for the power industry, tariffs for Federal Grid Company on services related to the transmission of electric energy via the the UNEG are set based on the method of return on invested capital (RAB regulation). The change in method ensured a significant increase in the tariff growth rate.

Over four years, the volume of electric energy transmission services provided by the Company increased more than 100%, reaching 136,558,888 thousand rubles in 2012, according to the Company's IFRS consolidated financial statements.

The number of our customers constantly increases. In 2012, the number of consumers for electric energy transmission services provided by the Company amounted to 207 organisations (having connections to the the UNEG).

Detailed information on electric energy transmission services, provided by the Company, is available at the official website in the section [Operations / Energy transmission](#).

Technological connection services

Technological connections are a complex service that provides for the actual connection of energy receiving devices (power units) to electric grid system objects. We provide technological connection services to new consumers as well as to existing customers, who need to increase power consumption.

The main consumers of technological connection services include:

- Large businesses (the oil and metallurgical industry, the production of construction materials, etc.);
- Construction and reconstruction of complex immovable property objects;
- Distribution grid companies.
- In 2012, the Company concluded 376 agreements on the provision of technological connection services; the overall volume of maximum capacity under the agreements amounted to 2,78 GW.

Detailed information on technological connection services provided by the Company is available at the official website in the section [Operations / Technological connection](#).

Development Outlook for the Company

Investment

On 31 October 2012, the Russian Ministry of Energy adopted the Company's 2013-2017 investment program. The overall volume of investment program financing for 2013-2017 will amount to more than 775.5 billion rubles.

Tasks of Federal Grid Company's investment program:

- Renewal of the Company's grid assets;
- Implementation of projects in the field of electric grid construction that have State importance (APEC, ESPO, Olympics-2014 in Sochi, the Skolkovo Innovation Center, increased energy supply reliability to Moscow, St. Petersburg, etc.);
- Fulfillment of agreements concluded with regional administrations for electricity supply to consumers;
- Capacity output for commissioned power units at NPPs, HPPs and TPPs;
- Implementation of innovative projects and energy efficiency programs;
- Creation of technological infrastructure for the functioning of the competitive electricity and capacity market.

Investment in the UNEG development has significant State importance; hence, part of the program is financed from federal budgetary funds. Other program financing sources include: Company's own funds, funds received from the additional share issue, funds received from payments for technological connection, bond issues and loans.

Within the framework of implementing the Company's 2013-2017 investment program, the Company plans to put into operation 66,869.86 MVA of transformer capacity and 16,984.65 km of electricity transmission lines.