



Ernesto  
Ferlenghi

Chairman of the Board  
of Directors

## DEAR SHAREHOLDERS,

In 2012, the Company continued operating in accordance with the corporate development strategy and goals set by shareholders. Goals included: providing for stable power supply and the systemic reliability of the entire Russian grid and ensuring balanced advanced development of the power grid infrastructure and the qualitative modernization and innovative development of the national power industry. Summing up the results of the reporting year, we are fully confident that the management team's successful implementation of planned actions enabled the Company to achieve positive operational and financial results.

The Company's management team paid significant attention to further enhancing the long-term financial and economic policy, which results in greater financial stability. Standard & Poor's confirmation of the Company's BBB (forecast: Stable) long-term credit rating proves that we have chosen the right strategy.

During 2012, we were very successful in the corporate governance sphere; the Company received a 7+ rating in the national corporate governance ranking, which corresponds to a "Developed Corporate Governance Practice" indicator.

# Statement of the Chairman of the Board of Directors

We are consistent in upgrading the transparency of corporate operations. We tightened the requirements set for purchase procurement participants (related to information disclosure about beneficiaries), while maintaining a high degree of competition due to an increased number of open tenders carried out using e-commerce facilities. This resulted in a 3% increase in procurement efficiency, compared with 2011.

Having studied the world's best anti-corruption practices, we launched implementation of the Company's compliance system in 2012. We have developed a legal framework that includes the Company's Code of Conduct, the Anti-Corruption Policy, the Compliance Policy and the Program for fighting corruption and resolving conflicts of interest for the 2012 to 2014 period, as well as some additional documents. Systemic to protect against corruption confirms the Company's

across-the-board commitment to high ethical standards for conducting open and fair business and maintaining good standing.

We pay significant attention to environmental protection. The design documents for new facilities contain special sections on environmental protection, which are developed in compliance with all Russian legal requirements on environmental protection. All projects related to the construction and re-construction of power grid facilities go through a State environmental assessment, with public hearings on future environmental impacts.

## Our employees are the Company's most valuable asset and we are concerned about retaining and developing the Company's HR potential.

Our employees are the Company's most valuable asset and we are concerned about retaining and developing the Company's HR potential. Training specialists on advanced technologies and efficient production practices is one of the Company's priorities. The Company's management pays significant attention to occupational health and labor safety, dedicating funds to finance different employee health programs, employee holidays at recreation facilities and appropriate medical care.

The Board of Directors sets complex tasks for the Company; and to implement these tasks in the midst of dynamic changes occurring in the electric energy sector will require full

mobilization of the Company's strategic, managerial and financial potential. Federal Grid Company is stable and strong enough to develop and foster its positions; and the Company's Board of Directors shares the values and development views of the Company's management team.

I'm confident that Federal Grid Company's highly qualified management and staff will succeed in resolving 2013 tasks, providing for the Company's sustainable development under new conditions.

The logo consists of the letters 'BBB' in a bold, blue, sans-serif font, centered within a white rectangular box.

LONG-TERM CREDIT RATING  
ASSIGNED BY STANDARD &  
POOR'S  
(STABLE OUTLOOK)