



Oleg Budargin

Chairman
of the Management Board

DEAR SHAREHOLDERS,

The past year was a successful year for Federal Grid Company, marked by the successful achievement of all strategic tasks set by shareholders. The Company demonstrated steady growth across all key parameters.

The Company's priority during the past year, as well as during all recent years, focused on ensuring the stable electric power transmission with upgraded reliability. We achieved this task through a growing fleet of equipment in operation; the number of disturbances decreased and the specific transmission networks' emergency rate fell 16%. Implementing a set of preparatory actions ensured the maximal preparation of power grid facilities for the performance of emergency recovery work during the autumn-winter periods.

During the past year, as well as previously, the Company made every effort to fulfill tasks set by the Russian Government related to power industry infrastructure modernization and development, to further upgrade power grid complex reliability and to provide the technological basis for Russian economic development. The Company's 2012 investment program was successfully fulfilled. The Company has accomplished numerous major projects that are essential for the social and economic development of Russian regions. The Company commissioned in a timely manner infrastructure power facilities in the Primorsky Region, and also for the first stage of the ESTO pipeline, which is the Russian government's top priority infrastructure project. Other accomplishments included the timely commissioning of the 4th power unit at the Kalininskaya NPP. Projects related to the power supply of the Vankorskaya Group of fields and the 2014 Sochi Olympics, etc. were also implemented on schedule.

Statement of the Chairman of the Management Board

In 2012, the Company activated energy production at 75 facilities, including 12 facilities that were energized ahead of schedule. The Company commissioned 3,643.2 km of power transmission lines and 17,827 MVA of transformer capacity. Funds spent on facility commissioning stood at RUR186,833 million, a 33% increase. During investment program, implementation, significant attention was paid to the efficiency of purchasing operations. In 2012, the Company saved in excess of 10% on commissioned facilities.

In 2012, Federal Grid Company efficiently implemented its financial and economic policy. The Company's investment attractiveness is growing steadily, along with a strengthening of the economic foundation needed to provide the financial resources required to implement established goals. The Company has developed a long-term balanced structure of financing sources for its investment program.

Implementation of the innovative development policy involved the qualitative modernization of the national power industry and upgraded energy efficiency. The Company also focused on optimizing the UNEG infrastructure, as well as diversification and quality improvement of services. Transitioning to a smart energy system based on an active-adaptive grid remains one of the Company's top priorities. In 2012, the Company's innovative development program became one of the top three innovative development programs adopted by Russian companies.

In accordance with decisions of the Russian Government, Federal Grid Company has successfully performed the functions of the Sole Executive Body of JSC IDGC Holding. Beginning from July 2012, the Company has made numerous key decisions pertaining to organizational, managerial and corporate issues, focused on developing unified principles for the governing backbone and the distribution grid facilities. These decisions resulted in improved controllability

of the domestic power grid complex, thus, ensuring the reliable operation of all Russian power grids.

Development of a complex approach to training and attracting professionals and retaining young specialists is one of the Company's strategic priorities. Currently, the Company cooperates with more than 60 secondary and higher education institutions from across the country.

The Company actively implements different social programs in the regions in which the Company operates, including implementing national projects and complex social programs. Special attention is paid to occupational development and labor conditions improvement, as well as material incentives for employees, who have an opportunity to access high quality medical services.

The Company assists its employees in resolving their housing problems. As part of this, we launched a program to construct housing for corporate employees. The program, approved by the Russian government, helped more than 1,000 employees upgrade their housing conditions. Furthermore, these programs also attracted young specialists to key corporate facilities.

2012 was a special year for the Company, marking its 10th anniversary. The Company's success can be attributed to the professional and personal contributions made by each employee. Today, the Company's staff is made up of a collaborative team of young specialists (in 2012, the Company hired more than 1,800 young professionals) and industry veterans. Youthful energy coupled with veteran experience of enables the Company to adequately respond to today's challenges and to successfully address large-scale tasks. These are the values that the Company will take care of in the future.

I'd like to thank the Company's shareholders, partners, customers and employees for their trust and fruitful cooperation, and for their contribution to Federal Grid Company ongoing development.



16%

DECREASE IN SPECIFIC
TRANSMISSION NETWORKS'
EMERGENCY RATE



33%

INCREASE IN INVESTMENTS
IN FACILITY COMMISSIONING