



## The Company Procurement

In its purchasing operations, the Company seeks to achieve the maximal openness of regulated procurement procedures and create a transparent competitive environment.

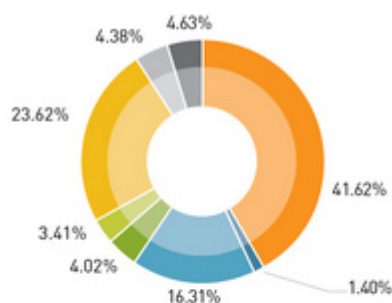
The basic provisions of the Company's policy on procurement are contained in the Regulations for the Procedure for Regulated Procurements of Goods, Work, Services ("Regulations"). The Regulations are published on the Company's corporate website and the websites of its subsidiaries. Information concerning all regulated procurement procedures is mandatorily posted on the electronic trading floor of the Company and disclosed on the official website of the Russian Federation for information on contracting.

Procurement procedures completed on the electronic trading floor and public purchasing procedures accounted for 93% and 93% of total purchases respectively.

Sole source purchases, including those made upon aborting procedures, accounted for 4.3%.

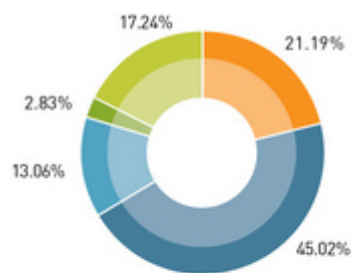
Overall, the Company subsidiaries completed 37,500 procurement procedures totaling 216.87 billion rubles, inclusive of VAT, in 2012.

### THE REGULATED PROCUREMENT PROCEDURE BREAKDOWN BY PURCHASING METHOD



- Public competitive bidding
- Public requests for quotations
- Public requests for proposals
- Public competitive negotiations
- Public auction
- Private requests for quotations/proposals under framework contracts
- Sole source purchases
- Sole source upon aborting public procedures

### THE EXPENDITURE BREAKDOWN BY ACTIVITY TYPE



- 
- ▶ New construction and expansion of electric grid facilities
  - ▶ Rehabilitation and technical upgrading of electric grid facilities
  - ▶ Power equipment repair, general repair and maintenance operations
  - ▶ IT purchases
  - ▶ Other purchases
- 

The Board of Directors of the Company approved the technique for calculating the indicator of an at least 10% annual reduction of per-unit purchase costs related to goods (work, services) within three years in real terms in 2010 prices. Additionally, the Company established the KPI "At least 10 percent annual reduction of per-unit purchase costs related to goods (work, services) within three years in real terms in 2010 prices" for senior managers of the Company and its subsidiaries. This aims to carry out Instructions of the President of the Russian Federation No. P/p-846 of April 8, 2011, and ensuing Instructions of First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. ISh-P13-5809 of August 15, 2011, regarding the implementation of a system of economic performance indicators as necessitated by an at least 10% annual reduction of per-unit purchase costs related to goods (work, services) within three years in real terms in 2010 prices.

The measures described above enabled the Company and its subsidiaries to derive from regulated procurement procedures an economic benefit of 20,776 billion rubles, inclusive of VAT, or 8.7% the planned procurement price.

The Company proceeded with the work started in previous years on implementing the system of entering into long-term contracts with Russian electrical equipment producers. The Company signed three-year framework contracts with leading cable and supply transformer manufacturers.

---