

# Dividend Monitor – 2012



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## Executive summary

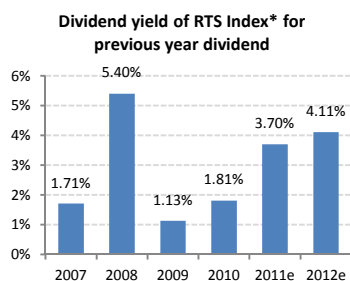
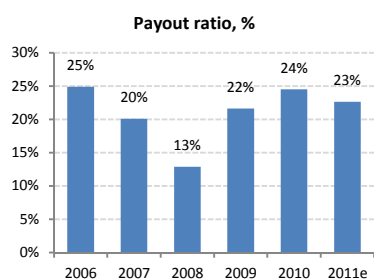
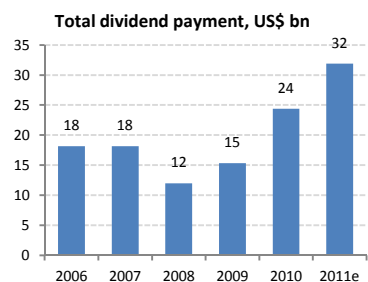
### Dividends for 2011 – cashing out on high oil price

We are launching the publication of *Dividend Monitor*, which tracks dividend payment of 50 Russian stocks in our focus list. The aim of the Monitor is to present the most interesting dividend plays on the Russian equity market, both in the near term (dividends for 2011 with record dates in April-May) and in the longer run (2012-2015). Our list of top dividend ideas includes 14 stocks, for which we expect the remaining dividend for 2011 (paid as annual dividend) to yield over 4%. To aid the reader, we also present a dividend calendar for 2012, which comprises the dividend record dates of when companies closed their shareholders' registers last year and our estimates of the record dates in 2012.

Generally, the Russian corporate sector continues to show a misunderstanding of the purpose of the dividend payments. Most companies have their policies setting dividend payments as a certain percentage of net income (a minimum % of net income). Unlike western markets, in Russia there is still no differentiation between regular dividends (a stable dividend payment set in absolute terms on a per share basis, which companies commit themselves to maintain adjusted for inflation) and extraordinary dividend (a distribution of cash proceeds from the sale of assets or return of excessive cash to shareholders). As a result, Russian corporate dividend payments remain volatile, peaking at the top of the commodity cycle and bottoming when the oil price plunges (together with the price of traded metals and soft commodities). For an example, the Russian corporate sector distributed dividend payments of US\$18.1 bn for 2007, plunging to US\$12.0 bn in 2008. This variation does not bode well for stability of domestic equity market, making Russia much more volatile compared with emerging markets peers.

In 2011, Russia enjoyed a high oil price, reasonable growth in GDP and a pre-election period characterized by growth in social spending. As a result, Russian companies\* are set to distribute record high dividends of US\$31.9 bn for 2011. The figure implies 31% growth from the 2010 level with major contributors to this growth being the oil and gas and banking sectors. The key drivers in these sectors were Gazprom and Sberbank. The dividend payment of both companies for 2011 will increase two-fold compared to 2010.

\* We refer to our focus list in this report, comprising 50 stocks



Source: Bloomberg

### Dividend payments of Russian corporate sector in 2006-2012e

	2006	2007	2008	2009	2010	2011e	Ch., % y/y	2012e
Oil&Gas	11 828	10 183	7 306	11 879	17 059	22 769	33%	20 445
Metals&Mining	4 431	4 665	1 870	1 520	2 325	2 702	16%	2 489
Power Utilities	110	112	56	66	270	248	-8%	186
Banks	476	870	435	312	992	2 026	104%	2 131
Telecoms	1 090	1 790	1 669	1 322	2 073	2 677	29%	2 985
Real Estate	2	6	22	33	87	112	28%	123
Consumer	-	-	-	-	69	75	8%	96
Fertilizers	210	515	636	229	1 494	1 269	-15%	1 517
<b>Total</b>	<b>18 147</b>	<b>18 140</b>	<b>11 995</b>	<b>15 360</b>	<b>24 369</b>	<b>31 878</b>	<b>31%</b>	<b>29 972</b>
<i>Change., % y/y</i>		<i>0%</i>	<i>-34%</i>	<i>28%</i>	<i>59%</i>	<i>31%</i>		<i>-6%</i>

Source: Company information, BCS estimate

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## Top dividend ideas

We have compiled a list of stocks that should provide a dividend yield for 2011 (record date in April-May 2012) exceeding 4%. The list includes 14 stocks (including 11 oil and gas stocks), of which, we view TNK-BP Holding as the most appealing dividend play on the Russian market on a combination of high dividend yield, strong investment case and high quality management. Both common and preferred shares of TNK-BP Holding offer, at current levels, a yield of roughly 10% for the remaining 2011 dividend. Our analysis shows that TNK-BP's average annual dividend yield in 2006-2011 was 13% for common shares and 15% for preferred, while investors who purchased the stock at the beginning of 2006 would have already returned 61% on the purchase price of the common stock and 71% on the purchase price of the preferred stock through the dividends.

In our focus list, Bashneft preferred shares offer the highest dividend yield, which we estimate at 15%. However, in the longer term, the company is facing rising CAPEX associated with the development of the Trebs-Titov oilfield, which may reduce the company's ability to distribute high dividends.

Among other names, we would highlight MTS, which delivered an average dividend yield of 6.4% in 2006-2010. We expect MTS to pay a dividend of RUR15.33 per share with a yield of roughly 6% for 2011.

## Top dividend ideas

	Record date annual dividend		Remaining dividend			Total divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)	RUR per share*	US\$ per share	Div. yield %	US\$ mn**	Ch., % y/y	
Bashneft pref.	20 May 2011	May 2012	204.00	6.97	14.89%	241	-13%	15%
Mechel pref.	20 April 2011	20-30 Apr 2012	32.92	1.13	14.02%	156	31%	20%
Nizhnekamsk pref.	25 Feb 2011	Mar 2012	2.25	0.08	12.13%	17	91%	4%
Bashneft com.	20 May 2011	May 2012	204.00	6.97	11.59%	1 187	-13%	74%
<b>TNK-BP Holding pref.</b>	<b>16 May 2011</b>	<b>Mid May 2012</b>	<b>9.39</b>	<b>0.32</b>	<b>10.35%</b>	<b>197</b>	<b>8%</b>	<b>2%</b>
Surgut pref.	13 May 2011	May 2012	2.17	0.07	9.97%	571	84%	7%
<b>TNK-BP Holding com.</b>	<b>16 May 2011</b>	<b>Mid May 2012</b>	<b>9.39</b>	<b>0.32</b>	<b>9.50%</b>	<b>6 563</b>	<b>8%</b>	<b>62%</b>
Nizhnekamsk com.	25 Feb 2011	Mar 2012	2.25	0.08	8.12%	124	91%	26%
MTS	10 May 2011	Early May 2012	15.33	0.52	6.44%	1 083	5%	75%
Tatneft pref.	06 May 2011	14 May 2012	8.10	0.28	7.74%	41	61%	1%
Rostelecom pref.	10 May 2011	May 2012	4.68	0.16	5.51%	39	161%	3%
Gazprom neft	25 April 2011	Apr 2012	7.40	0.25	4.91%	1 200	68%	22%
Gazprom	12 May 2011	10 May 2012	8.40	0.29	4.26%	6 799	115%	16%
Tatneft com. shares	06 May 2011	14 May 2012	8.10	0.28	4.01%	603	61%	22%

\* Includes only estimate for remaining 2011 dividend

Source: Company information, BCS estimates

\*\* Estimate for total dividend distribution for 2011, including interim dividends

## Dividend Yields and Payouts

Traditionally, the highest yield has been offered by Russian oil and gas companies; this year will be no different. Our analysis shows that Russian oil and gas stocks offered an average 2006-2010 dividend yield of 6.2%, while for 2011 we expect the sector to provide an average yield of 7.19%. The lowest dividend yield is traditionally offered by banking stocks. We estimate that the Russian banking sector on average will provide a 1% yield on dividend payments for 2011. Sberbank preferred shares (record date 14 April) stands out as an exception, offering a yield of 3.1%.

## Historical and projected dividend yield of Russian companies\*

	2006	2007	2008	2009	2010	2011e	2006-10 average
Oil&Gas	5.65%	3.93%	8.94%	5.76%	6.72%	7.19%	6.20%
Metals and Mining	5.12%	2.57%	5.43%	0.71%	1.29%	3.02%	3.02%
Power Utilities	0.80%	0.99%	1.50%	1.23%	0.95%	0.77%	1.04%
Banks	0.13%	0.55%	0.77%	0.23%	0.40%	0.93%	0.50%
Telecoms	2.03%	2.50%	5.85%	3.33%	4.77%	5.12%	3.93%
Real Estate	--	--	2.02%	1.61%	1.16%	1.82%	1.66%
Consumer	--	--	--	--	1.15%	1.41%	1.28%
Fertilizers	3.69%	2.13%	3.60%	1.83%	2.63%	7.63%	3.59%
<b>Simple average</b>	<b>2.90%</b>	<b>2.11%</b>	<b>4.02%</b>	<b>2.10%</b>	<b>2.38%</b>	<b>3.49%</b>	<b>2.83%</b>

\*Simple averages

Source: Company information, Bloomberg, BCS estimates

Our forecast suggests the Russian corporate sector, on average, will distribute 23% of net income, which is comparable with the previous year and the 2006-2010 average.

### Dividend payout ratios as % of IFRS/US GAAP net profit

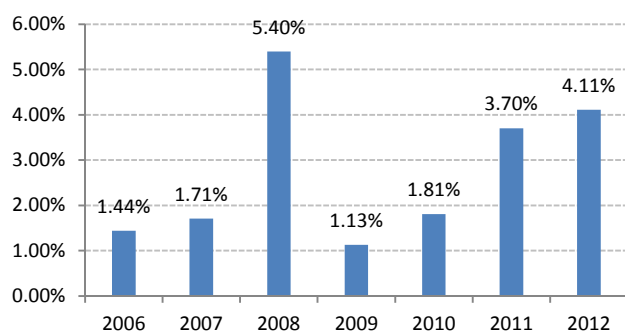
	2006	2007	2008	2009	2010	2011e	2006-10 average
Oil&Gas	23%	15%	10%	21%	23%	22%	19%
Metals and Mining	35%	35%	26%	47%	31%	26%	35%
Power Utilities	6%	36%	2%	1%	5%	7%	10%
Banks	11%	15%	10%	0%	12%	14%	10%
Telecoms	48%	48%	45%	51%	68%	59%	52%
Real Estate	3%	1%	-9%	13%	70%	41%	15%
Consumer	-	-	-	-	14%	14%	3%
Fertilizers	56%	65%	19%	19%	93%	46%	50%
<b>Total</b>	<b>25%</b>	<b>20%</b>	<b>13%</b>	<b>22%</b>	<b>24%</b>	<b>23%</b>	<b>21%</b>

Source: Company information, Bloomberg, BCS estimates

The growth in dividend payments in the oil and gas sector drives the dividend yield of the RTS Index to a four-year high. We estimate that the RTS Index will provide a dividend yield of 4.1% in 2012 (for 2011 dividend) compared with 3.7% in the previous year. On this benchmark, the Russian market is becoming comparable with its European counterparts and looks more appealing than Latin American and Emerging Asia markets. While enthusiasm has recently risen over the growth in the dividend yield of the RTS Index, the Russian equity market still remains very dependent on the oil price.

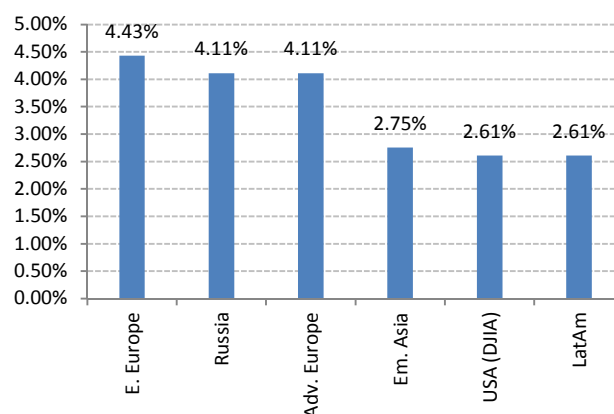
### Dividend yields

#### RTS Index



Source: Bloomberg, BCS estimates

#### Equity indices grouped by region



Source: Bloomberg, BCS estimates

### Dividends announced so far

Among those companies that have already announced dividend payments for 2011, the highest yield (13.25%) was offered through the convertible preferred shares of Bank St. Petersburg. Among the liquid names, which we favor on fundamentals, the highest yield was offered by Sberbank preferred shares, on which the bank will pay RUR2.59, suggesting a yield of 3.15%. Sberbank's dividend record date is 14 April.

### List of companies already announced annual dividends for 2011

	Record date ann. dividend		Annual dividend			Total divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)	RUR per share	US\$ per share	Div. yield %	US\$ mn**	Ch., % y/y	
Bank St-Petersburg com.	10 Mar 2011	11 Mar 2012	0.11	0.00	0.14%	1	7%	0%
Bank St-Petersburg pref.	10 Mar 2011	11 Mar 2012	0.11	0.00	1.50%	0	0%	0%
Bank St-Petersburg conv.	10 Mar 2011	11 Mar 2012	12.07	0.41	13.25%	27	3%	11%
LSR	3 Mar 2011	17 Feb 2012	20.00	0.68	2.81%	70	33%	49%
KTK	16 May 2011	14 Mar 2012	4.64	0.16	2.73%	20	100%	25%
Novatek	22 Mar 2011	23 Mar 2012	3.50*	0.12*	0.84%*	623	50%	27%
Sberbank com.	15 Apr 2011	14 Apr 2012	2.08	0.07	2.07%	1 535	126%	14%
Sberbank pref	15 April 2011	14 Apr 2012	2.59	0.09	3.15%	89	125%	1%

\* Remaining 2011 dividend

Source: Company information, BCS estimates

\*\* Total dividend distribution for 2011, including interim dividends

## Calendar and estimates of dividends for 2011

## Oil &amp; Gas Sector

	Record date annual dividend		Interim dividend	Remaining dividend			Total dividend payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share*	US\$ per share	Div. yield %	US\$ mn**	Ch., % y/y	
Gazprom	12 May 2011	10 May 2012	-	8.40	0.29	4.3%	6 799	115%	16%
Rosneft	21 Apr 2011	4 May 2012	-	3.36	0.11	1.5%	1 217	20%	10%
LUKOIL	6 May 2011	May 2012	-	74.00	2.53	3.9%	2 210	25%	21%
Gazprom neft	25 Apr 2011	Apr 2012	-	7.40	0.25	4.9%	1 200	68%	22%
TNK-BP Holding com.	16 May 2011	Mid May 2012	3.41	9.39	0.32	9.5%	6 563	8%	62%
TNK-BP Holding pref.	16 May 2011	Mid May 2012	3.41	9.39	0.32	10.4%	197	8%	2%
Tatneft com. shares	6 May 2011	14 May 2012	-	8.10	0.28	4.0%	603	61%	22%
Tatneft pref. shares	6 May 2011	14 May 2012	-	8.10	0.28	7.7%	41	61%	1%
Novatek	22 Mar 2011	23 Mar 2012	2.50	3.50	0.12	0.8%	623	50%	32%
Transneft com. shares	24 May 2011	May 2012	-	166.09	5.68	0.0%	31	25%	1%
Transneft pref. shares	24 May 2011	May 2012	-	395.00	13.50	0.7%	21	26%	1%
Bashneft com. shares	20 May 2011	May 2012	-	204.00	6.97	11.6%	1 187	-13%	74%
Bashneft pref. shares	20 May 2011	May 2012	-	204.00	6.97	14.9%	241	-13%	15%
Nizhnekamsk com.	25 Feb 2011	Mar 2012	-	2.25	0.08	8.1%	124	91%	26%
Nizhnekamsk pref.	25 Feb 2011	Mar 2012	-	2.25	0.08	12.1%	17	91%	4%
Surgut com. shares	13 May 2011	May 2012	-	0.92	0.03	2.8%	1 124	84%	13%
Surgut pref. shares	13 May 2011	May 2012	-	2.17	0.07	10.0%	571	84%	7%
<b>Total for the sector</b>						<b>6.3%</b>	<b>22 769</b>	<b>33%</b>	<b>22%</b>

## Metals &amp; Mining Sector

	Record date annual dividend		Interim dividend	Remaining dividend			Tot. dividend payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share*	US\$ per share	Div. yield %	US\$ mn**	Ch., % y/y	
MMK	20 Apr 2011	End April 2012	-	0.30	0.01	2.1%	115	-9%	n/a
Severstal	22 May 2011	End Apr-May'12	11.63	5.04	0.17	1.2%	574	148%	25%
NLMK	16 Apr 2011	10-20 April 2012	1.40	0.35	0.01	0.5%	360	-4%	30%
TMK	30 Mar 2011	15-25 May 2012	0.93	1.99	0.07	2.1%	94	244%	25%
Mechel com.	20 Apr 2011	20-30 April 2012	-	10.97	0.38	3.5%	156	26%	20%
Mechel pref.	20 Apr 2011	20-30 April 2012	-	32.92	1.13	14.0%	156	31%	20%
Raspadskaya	20 Apr 2011	10-20 April 2012	5.00	-	-	0.0%	133	n/a	106%
Norilsk Nickel	16 May 2011	15-25 May 2012	-	147.71	5.05	2.5%	963	-18%	20%
KTK*	16 May 2011	14 Mar 2011	-	4.64	0.16	2.7%	20	100%	25%
Alrosa	29 Apr 2011	25 Apr-20 May'12	-	0.52	0.02	1.6%	131	109%	15%
<b>Total for sector</b>						<b>3.0%</b>	<b>2 767</b>	<b>19%</b>	<b>25.5%</b>

## Power Utilities Sector

	Record date annual dividend		Interim dividend	Remaining dividend			Total dividend payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share*	US\$ per share	Div. yield %	US\$ mn**	Ch., % y/y	
FSK	16 May 2010	Mid May 2012	-	0.0020	0.000068	0.59%	89	-20%	10%
Inter RAO	17 May 2011	Mid May 2012	-	0.0000	0.000001	0.09%	9	66%	1%
RusHydro	23 May 2011	Mid May 2012	-	0.0063	0.000215	0.55%	63	-25%	5%
Mosenergo	12 May 2011	Mid May 2012	-	0.0100	0.000342	0.53%	14	-50%	5%
OGK-2	3 May 2011	Mid May 2012	-	0.0001	0.000003	0.01%	0	-96%	5%
Bashkirenergo com.	6 May 2011	Beg May 2012	0.92	0.6700	0.022906	1.52%	57	68%	7%
Bashkirenergo pref.	6 May 2011	Beg May 2012	0.92	6.3100	0.215729	19.71%	12	258%	3%
Lenenergo com.	11 May 2011	Beg May 2012	-	-	-	0.00%	-	0%	0%
Lenenergo pref.	11 May 2011	Beg May 2012	-	1.4500	0.049573	5.91%	5	-64%	10%
<b>Total for sector</b>						<b>3.0%</b>	<b>248</b>	<b>-8%</b>	<b>7%</b>

## Consumer &amp; Retail Sector

	Record date annual dividend		Interim dividend	Remaining dividend			Tot. dividend payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share*	US\$ per share	Div. yield %	US\$ mn**	Ch., % y/y	
Magnit	6 May 2011	1-10 May 2012	-	12.90	0.44	0.34%	39	15%	10%
M.Video	12 May 2011	10-15 May 2012	-	4.70	0.16	1.84%	29	21%	30%
Veropharm	13 May 2011	10-15 May 2012	-	19.00	0.65	2.04%	6	0%	12%
<b>Total for sector</b>						<b>1.41%</b>	<b>75</b>	<b>8%</b>	<b>14%</b>

\* Includes only estimate for remaining 2011 dividend

Source: Company information, BCS estimates

\*\* Estimate for total dividend distribution for 2011 including interim dividends

## Calendar and estimates of dividends for 2011 (cont.)

## Fertilizer Sector

	Record date annual dividend		Interim divid'd	Remaining dividend			Tot. divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share*	US\$ per share	Div. yield %	US\$ mn**	Ch., % y/y	
Uralkali	24 May 2011	Mid-May 2012	4.00	2.70	0.09	1.20%	709	43%	50%
PhosAgro	12 May 2011	Mid May 2012	560.35	96.82	3.31	0.97%	277	-70%	40%
Acron	8 Apr 2011	1-10 Apr 2012	129.00	41.49	1.42	3.25%	278	350%	62%
Dorogobuzh com.	1 Apr 2011	Early Apr 2012	-	-	-	0.00%	-	0%	0%
Dorogobuzh pref.	1 Apr 2011	Early Apr 2012	-	1.00	0.03	5.15%	5	-4%	3%
<b>Total for sector</b>						<b>1.81%</b>	<b>1269</b>	<b>-15%</b>	<b>46%</b>

## Telecom Sector

	Record date annual dividend		Interim divid'd	Remaining dividend			Total divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share*	US\$ per share	Div. yield %	US\$ mn**	Ch., % y/y	
MTS	10 May 2011	Early May 2012	-	15.33	0.52	6.4%	1 083	5%	75%
Rostelecom com.	10 May 2011	Early May 2012	-	2.54	0.09	1.7%	255	822%	20%
Rostelecom pref.	10 May 2011	Early May 2012	-	4.68	0.16	5.5%	39	161%	3%
Vimpelcom	1 June 2011	June 2012	13.14	10.26	0.35	3.2%	1 300	20%	73%
<b>Total for sector</b>						<b>4.2%</b>	<b>2677</b>	<b>29%</b>	<b>59%</b>

## Banking Sector

	Record date annual dividend		Interim divid'd	Remaining dividend			Tot. divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share*	US\$ per share	Div. yield %	US\$ mn**	Ch., % y/y	
Sberbank com.	15 Apr 2011	14 Apr 2012	-	2.08	0.07111	2.1%	1 535.1	126%	14.21%
Sberbank pref	15 Apr 2011	14 Apr 2012	-	2.59	0.08855	3.1%	88.5	125%	0.82%
VTB com.	21 Apr 2011	Apr 2012	-	0.00104	0.00004	1.4%	373.7	80%	11.00%
BSPB com	10 Mar 2011	11 Mar 2012	-	0.11	0.00376	0.1%	1.1	7%	0.46%
BSPB preferred	10 Mar 2011	11 Mar 2012	-	0.11	0.00376	1.5%	0.1	-	0.03%
BSPB convertible	10 Mar 2011	11 Mar 2012	-	12.07	0.41256	13.2%	26.9	3%	10.88%
Vozrozhdenie com.	5 May 2011	Early May 2012	-	0.50	0.01709	0.1%	0.4	-	0.74%
Vozrozhdenie pref.	5 May 2011	Early May 2012	-	2.00	0.06838	0.9%	0.1	-	0.16%
<b>Total for sector</b>						<b>2.8%</b>	<b>2026</b>	<b>104%</b>	<b>14%</b>

## Transport Sector

	Record date annual dividend		Interim divid'd	Remaining dividend			Tot. divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share*	US\$ per share	Div. yield %	US\$ mn**	Ch., % y/y	
Globaltrans	13 May 2011	1-15 May 2012	-	11.66	0.40	2.13%	63	8%	24%
Aeroflot	11 May 2011	1-10 May 2012	-	1.26	0.04	2.56%	48	10%	16%
Transcontainer	16 May 2011	1-15 May 2012	-	22.31	0.76	0.77%	11	636%	10%
<b>Total for sector</b>						<b>1.82%</b>	<b>112</b>	<b>28%</b>	<b>41%</b>

## Real Estate Sector

	Record date annual dividend		Interim divid'd	Remaining dividend			Total divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share*	US\$ per share	Div. yield %	US\$ mn**	Ch., % y/y	
LSR	3 Mar 2011	17 Feb 2012	-	20.00	0.68	2.81%	70	33%	49%
Mostotrest	4 Apr 2011	Apr 2012	-	4.01	0.14	1.91%	39	34%	33%
Mostostroy-11	12 Apr 2011	Apr 2012	-	500.00	17.09	1.42%	1	0%	10%
Mostootrjad-19	21 Feb 2011	Apr 2012	-	500.00	17.09	1.14%	1	0%	72%
<b>Total for sector</b>						<b>1.82%</b>	<b>112</b>	<b>28%</b>	<b>41%</b>

\* Includes only estimate for remaining 2011 dividend

Source: Company information, BCS estimates

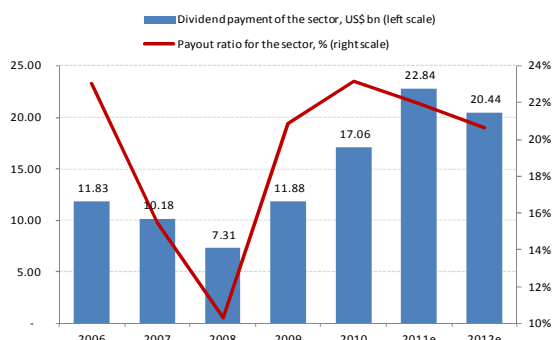
\*\* Estimate for total dividend distribution for 2011 including interim dividends

# Dividend Monitor

## Oil & Gas

## Wide yield selection

### Total sector dividend payment



### Review

Traditionally, the Russian Oil & Gas sector offers the highest dividend yield on the Russian market. The champions here are Bashneft and TNK-BP Holding, which return a substantial part of their free cash flow to shareholders as dividends. On the top of that, preferred shares of Tatneft, Surgutneftegas and Nizhnekamskneftekhim have been consistently providing investors with good dividend returns. Among the blue chips, Gazprom is emerging as a dividend play as the company is set to double its dividend payments for 2011.

### Dividend dynamics for 2011

	Record date annual dividend		Interim divid'd	Remaining dividend			Total divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share	US\$ per share	Div. yield %	US\$ mn	Ch., % y/y	
Gazprom	12 May 2011	10 May 2012	-	8.40	0.29	4.3%	6 799	115%	16%
Rosneft	21 Apr 2011	4 May 12	-	3.36	0.11	1.5%	1 217	20%	10%
LUKOIL	6 May 2011	May 2012	-	74.00	2.53	3.9%	2 210	25%	21%
Gazprom neft	25 Apr 2011	Apr 12	-	7.40	0.25	4.9%	1 200	68%	22%
TNK-BP Holding com.	16 May 2011	Mid May 12	3.41	9.39	0.32	9.5%	6 563	8%	62%
TNK-BP Holding pref.	16 May 2011	Mid May 12	3.41	9.39	0.32	10.4%	197	8%	2%
Tatneft com. shares	6 May 2011	14 May 2012	-	8.10	0.28	4.0%	603	61%	22%
Tatneft pref. shares	6 May 2011	14 May 2012	-	8.10	0.28	7.7%	41	61%	1%
Novatek	22 Mar 2011	23 Mar 2012	2.50	3.50	0.12	0.8%	623	50%	32%
Transneft com. shares	24 May 2011	May 2012	-	166.09	5.68	0.0%	31	25%	1%
Transneft pref. shares	24 May 2011	May 2012	-	395.00	13.50	0.7%	21	26%	1%
Bashneft com. shares	20 May 2011	May 12	-	204.00	6.97	11.6%	1 187	-13%	74%
Bashneft pref. shares	20 May 2011	May 12	-	204.00	6.97	14.9%	241	-13%	15%
Nizhnekamsk com.	25 Feb 2011	Mar 2012	-	2.25	0.08	8.1%	124	91%	26%
Nizhnekamsk pref.	25 Feb 2011	Mar 2012	-	2.25	0.08	12.1%	17	91%	4%
Surgut com. shares	13 May 2011	May 12	-	0.92	0.03	2.8%	1 124	84%	13%
Surgut pref. shares	13 May 2011	May 12	-	2.17	0.07	10.0%	571	84%	7%
<b>Total for the sector</b>						<b>6.3%</b>	<b>22 769</b>	<b>33%</b>	<b>22%</b>

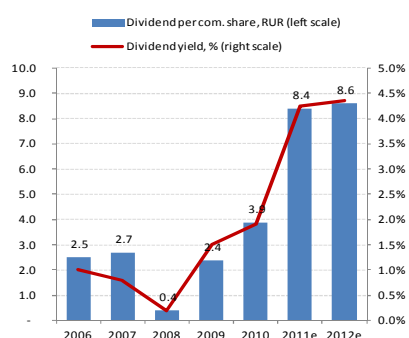
### Outlook

Our analysis suggests that Russian Oil & Gas companies will distribute record high dividends for 2011. We estimate that the sector will pay US\$23 bn in the form of dividends, which is up 31% y/y. We estimate that oil and gas stocks will deliver an average dividend yield of roughly 6%. At current share price levels, Bashneft is the most attractive dividend play. We estimate the company will pay over RUR204 (US\$6.97) per share on both types of the shares. **Bashneft** preferred shares offer a dividend yield of 15% and common shares may provide a yield of roughly 11%. **TNK-BP**: We estimate the company will pay about RUR9.39 (US\$0.3) per share, with a dividend yield of 9.5% for common shares and 10% for preferreds. **Surgutneftegaz**: The company's preferred shares will offer a 10% dividend yield. The surprise card, we expect **Gazprom** to double dividend payments to RUR8.4 per share (US\$0.26), with a dividend yield of 4.3% due to the company's decision to increase its payout ratio.



## Gazprom

### Dividend per share, yield



**Review:** Gazprom's dividend policy provides for a dividend payout ratio of 17.5-35.0% of RAS net income. Over the last five years, Gazprom distributed roughly 17.5% of RAS net income as dividends (low end of indicated payout range), which implied a payout ratio of 7-10% under IFRS (excluding 2008, when the company paid a mere 1.1% of IFRS net profit as dividends).

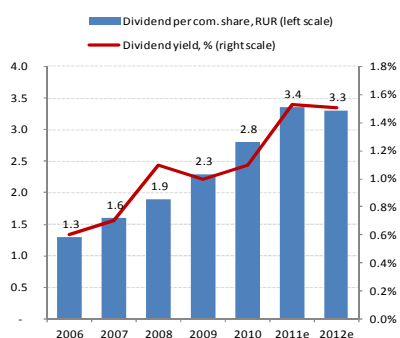
**Outlook:** In end 2011, Gazprom announced its intent to cut the 2012 investment program by 30% and increase the dividend payout to RUR200bn (US\$6.19bn) for 2011. The guidance suggests that Gazprom will double dividend payments to RUR8.4 per share (US\$0.26), which would yield 4.3% at the current market price.

### Dividend dynamics

Gazprom	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	2.50	2.70	0.40	2.40	3.90	8.40	8.60
<b>Div. per com. share, US\$</b>	<b>0.10</b>	<b>0.11</b>	<b>0.01</b>	<b>0.08</b>	<b>0.14</b>	<b>0.29</b>	<b>0.29</b>
Total dividend payment, RUR mn	60 131	62 972	8 522	56 580	91 143	198 858	203 226
<b>Total dividend payment, US\$ mn</b>	<b>2 329</b>	<b>2 643</b>	<b>263</b>	<b>1 848</b>	<b>3 262</b>	<b>6 799</b>	<b>6 948</b>
<i>As % of net profit</i>	<i>9.8%</i>	<i>9.6%</i>	<i>1.1%</i>	<i>7.3%</i>	<i>9.4%</i>	<i>15.5%</i>	<i>15.0%</i>
Dividend record date for annual dividend	11 May 2007	8 May 2008	8 May 2009	7 May 2010	12 May 2011	10 May 2012	May 2013
Interim dividends (y/n)	N	N	N	N	N	N	N
<b>Dividend yield, %</b>	<b>1.00%</b>	<b>0.80%</b>	<b>0.20%</b>	<b>1.50%</b>	<b>1.90%</b>	<b>4.26%</b>	<b>4.36%</b>

## Rosneft

### Dividend per share, yield



**Review:** Rosneft's dividend policy suggests that the company will be paying a minimum 10% of RAS net income as dividends. In 2006-2010, Rosneft paid about 15% of RAS net income as dividends, which was close to 10% of US GAAP net income. Historically, Rosneft's shares were offering a 0.6-1.5% dividend yield. Every year, the company increases ruble denominated dividends by 20%. For 2010, the company paid 15.2% of RAS net income with RUR2.8 (US\$0.1) per share. Last year, management increased dividends for 2010 by 20% and indicated its intent to continue this practice in the future.

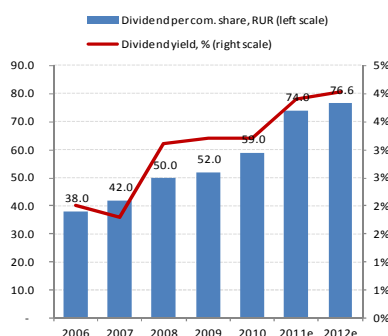
**Outlook:** In line with its commitment, we expect Rosneft to raise dividends to RUR3.36 (US\$0.11) per share and deliver a dividend yield of 1.5% amid high oil prices and net income growth.

### Dividend dynamics

Rosneft	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	1.30	1.60	1.90	2.30	2.80	3.36	3.30
<b>Div. per com. share, US\$</b>	<b>0.05</b>	<b>0.07</b>	<b>0.06</b>	<b>0.08</b>	<b>0.10</b>	<b>0.11</b>	<b>0.11</b>
Total dividend payment, RUR mn	14 096	16 957	20 349	24 376	29 251	35 610	34 618
<b>Total dividend payment, US\$ mn</b>	<b>545</b>	<b>726</b>	<b>615</b>	<b>835</b>	<b>1 046</b>	<b>1 217</b>	<b>1 184</b>
<i>As % of net profit</i>	<i>15.4%</i>	<i>5.6%</i>	<i>5.5%</i>	<i>12.8%</i>	<i>10.1%</i>	<i>9.8%</i>	<i>10.0%</i>
Dividend record date for annual dividend	23 May 2007	16 Apr 2008	30 Apr 2009	29 Apr 2010	21 Apr 2011	4 May 12	Apr 13
Interim dividends (y/n)	N	N	N	N	N	N	N
<b>Dividend yield, %</b>	<b>0.60%</b>	<b>0.70%</b>	<b>1.10%</b>	<b>1.00%</b>	<b>1.10%</b>	<b>1.53%</b>	<b>1.50%</b>

# LUKOIL

## Dividend per share, yield



**Review:** LUKOIL's dividend policy in 2006-2008 suggested that the company should be paying not less than 15% of US GAAP net income as dividends. Historically, LUKOIL's payout ratio equaled roughly 17.5% of US GAAP net income. The dividend yield ranged from 1.8% to 3.2% in 2006-2010. In 2009, LUKOIL reviewed its dividend policy and increased the payout ratio to 20%. For 2010, LUKOIL also paid 20% of US GAAP net income for dividends, which on a per share basis was equivalent to RUR59 (US\$2.1) payment. In contrast with many other companies, LUKOIL's management has a target dividend yield of 3.5-4%.

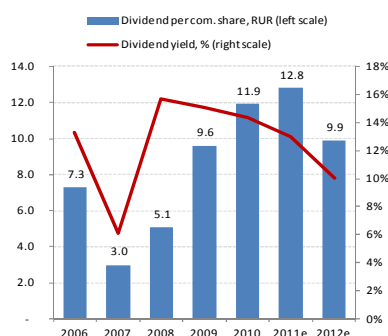
**Outlook:** We expect LUKOIL to increase its dividends for 2011 to RUR74 (US\$2.5) per share, which would ensure a dividend yield of 3.9%.

## Dividend dynamics

LUKOIL	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	38.00	42.00	50.00	52.00	59.00	74.00	76.62
Div. per com. share, US\$	1.47	1.76	1.55	1.70	2.13	2.53	2.62
Total dividend payment, RUR mn	32 321	35 724	42 528	44 229	50 183	64 643	65 172
Total dividend payment, US\$ mn	1 252	1 499	1 315	1 445	1 811	2 210	2 228
As % of net profit	16.7%	15.8%	14.4%	20.6%	20.1%	21.3%	22.0%
Dividend record date for annual dividend	11 May 2007	8 May 2008	8 May 2009	7 May 2010	6 May 2011	May 2012	May 2013
Interim dividends (y/n)	N	N	N	N	N	N	N
Dividend yield, %	2.00%	1.80%	3.10%	3.20%	3.20%	3.89%	4.03%

# TNK-BP

## Dividend per share, yield



**Review:** TNK-BP Holding is one of the most attractive dividend stories on the Russian market. The company consistently pays equally high dividends on both types of shares, providing an above industry average dividend yield. In 2006-2010, the company paid about 40-100% of its US GAAP net income as dividends.

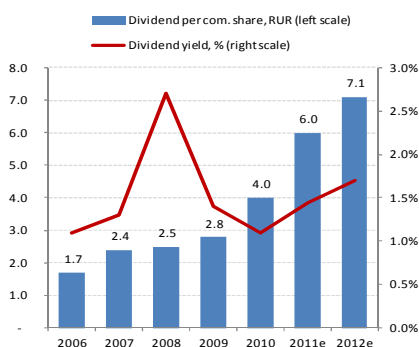
**Outlook:** We expect the company to pay a dividend (as annual dividend for 2011) of RUR9.39 (US\$0.3) on both types of shares for 2H11, which suggests a yield of 9% for common shares and 10% for preferreds.

## Dividend dynamics

TNK-BP Holding	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	7.30	3.00	5.10	9.60	11.90	12.80	9.90
Dividend per pref. share, RUR	7.30	3.00	5.10	9.60	11.90	12.80	9.90
Dividend per com. share, US\$	0.28	0.13	0.16	0.31	0.42	0.44	0.34
Dividend per pref. share, US\$	0.28	0.13	0.16	0.31	0.42	0.44	0.34
Div. payment on com. share, RUR mn	109 778	45 591	75 885	143 821	178 314	191 961	148 293
As % of net profit	68.5%	40.0%	42.5%	87.9%	97.0%	62.1%	63.1%
Div. payment on pref. share, RUR mn	3 294	1 368	2 277	4 316	5 351	5 760	4 450
As % of net profit	2.1%	1.2%	1.3%	2.6%	2.9%	1.9%	1.9%
Total dividend distribution, RUR mn	113 072	46 959	78 162	148 136	183 664	197 721	152 742
Total dividend distribution, US\$ mn	4 402	1 967	2 433	4 856	6 542	6 760	5 222
As % of net profit	70.6%	41.2%	43.8%	90.6%	100.0%	64.0%	65.0%
Div. record date for annual dividend	27 April 2007	14 May 2008	15 May 2009	14 May 2010	16 May 2011	Mid May 12	Mid May 12
Dividend yield on com. share, %	13.30%	6.10%	15.70%	15.10%	14.40%	12.95%	10.02%
Dividend yield on pref. share, %	16.30%	7.10%	21.80%	17.40%	15.40%	14.11%	10.91%

# NOVATEK

## Dividend per share, yield



**Review.** NOVATEK does not have an explicit dividend policy and a dividend ratio is not stipulated in the corporate charter. Company management plans for progressive dividend growth, which is consistent with the oil producer's practice to pay higher dividends from year to year. On average, NOVATEK pays about 30% of IFRS net income. For 2010, the company paid 30% of IFRS net income and RUR4 (US\$0.14) per share. NOVATEK pays dividends on the half year basis.

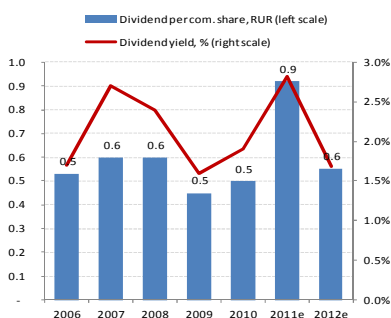
**Outlook.** In March, NOVATEK announced a dividend of RUR3.5 per local share for 2H11, which suggests a yield of 0.85%.

## Dividend dynamics

Novatek	2006	2007	2008	2009	2010	2011	2012e
Div. per com. share, RUR	1.70	2.40	2.50	2.80	4.00	6.00	7.10
<b>Div. per com. share, US\$</b>	<b>0.06</b>	<b>0.10</b>	<b>0.07</b>	<b>0.09</b>	<b>0.14</b>	<b>0.21</b>	<b>0.24</b>
Total dividend payment, RUR mn	5 010	7 135	7 651	8 350	12 145	18 217	21 591
<b>Total dividend payment, US\$ mn</b>	<b>193</b>	<b>303</b>	<b>226</b>	<b>283</b>	<b>431</b>	<b>623</b>	<b>738</b>
<i>As % of net profit</i>	<i>35.6%</i>	<i>38.1%</i>	<i>33.4%</i>	<i>32.1%</i>	<i>30.0%</i>	<i>32.1%</i>	<i>30.0%</i>
Dividend record date for annual dividend	5 Apr 2007	10 Apr 2008	20 Apr 2009	22 Mar 2010	22 Mar 2011	23 Mar 2012	Mar 2013
Interim dividends (y/n)	Y	Y	Y	Y	Y	Y	Y
<b>Dividend yield, %</b>	<b>1.10%</b>	<b>1.30%</b>	<b>2.70%</b>	<b>1.40%</b>	<b>1.10%</b>	<b>1.44%</b>	<b>1.70%</b>

# Surgutneftegas

## Dividend per share, yield



**Review:** Surgutneftegas' payout ratio for preferred shares is set at a minimum of 7% of RAS net income. On average, the company has been paying dividends in excess of 20% of RAS net income on both types of shares.

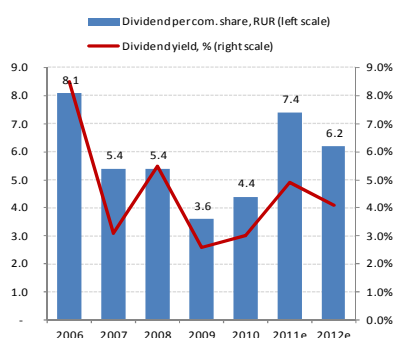
**Outlook:** We believe Surgutneftegas will pay record high dividends of roughly RUR2.17 (US\$0.07) per preferred share, yielding roughly 10% for 2011. The dividend payment on common shares will increase to RUR0.92 (US\$0.02) and yield 2.8% for 2011.

## Dividend dynamics

Surgutneftegas	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	0.53	0.60	0.60	0.45	0.50	0.92	0.55
Dividend per pref. share, RUR	0.71	0.82	1.33	1.05	1.18	2.17	1.23
<b>Dividend per com. share, US\$</b>	<b>0.02</b>	<b>0.03</b>	<b>0.02</b>	<b>0.01</b>	<b>0.02</b>	<b>0.03</b>	<b>0.02</b>
<b>Dividend per pref. share, US\$</b>	<b>0.03</b>	<b>0.03</b>	<b>0.04</b>	<b>0.03</b>	<b>0.04</b>	<b>0.07</b>	<b>0.04</b>
Div. payment on com. share, RUR mn	18 935	21 436	21 436	16 077	17 863	32 868	19 476
<i>As % of net profit</i>	<i>24.6%</i>	<i>24.2%</i>	<i>14.9%</i>	<i>14.1%</i>	<i>13.9%</i>	<i>13.0%</i>	<i>14.6%</i>
Div. payment on pref. share, RUR mn	5 468	6 316	10 213	8 078	9 088	16 713	9 486
<i>As % of net profit</i>	<i>7.1%</i>	<i>7.1%</i>	<i>7.1%</i>	<i>7.1%</i>	<i>7.1%</i>	<i>7.1%</i>	<i>7.1%</i>
Total dividend distribution, RUR mn	24 403	27 751	31 648	24 155	26 951	49 581	28 962
<b>Total dividend distribution, US\$ mn</b>	<b>932</b>	<b>1 176</b>	<b>985</b>	<b>792</b>	<b>958</b>	<b>1 695</b>	<b>990</b>
<i>As % of net profit</i>	<i>31.6%</i>	<i>31.3%</i>	<i>22.0%</i>	<i>21.2%</i>	<i>21.0%</i>	<i>22.0%</i>	<i>22.0%</i>
Div. record date for annual dividend	17 Mar 2007	14 Mar 2008	15 May 2009	14 May 2010	13 May 2011	May 12	May 13
<b>Dividend yield on com. share, %</b>	<b>1.70%</b>	<b>2.70%</b>	<b>2.40%</b>	<b>1.60%</b>	<b>1.90%</b>	<b>2.82%</b>	<b>1.68%</b>
<b>Dividend yield on pref. share, %</b>	<b>3.40%</b>	<b>6.40%</b>	<b>11.80%</b>	<b>7.00%</b>	<b>7.60%</b>	<b>9.97%</b>	<b>5.65%</b>

## Gazprom Neft

### Dividend per share, yield



**Review:** Historically, Gazprom Neft pays high dividends and is traditionally distinguished among Russian oil companies as a dividend yield story. On average, the company pays out 25% of US GAAP net income in dividends. For 2010, the company paid 24% of US GAAP net income or RUR4.44 (US\$0.16) per share. The ex-dividend date is usually in May.

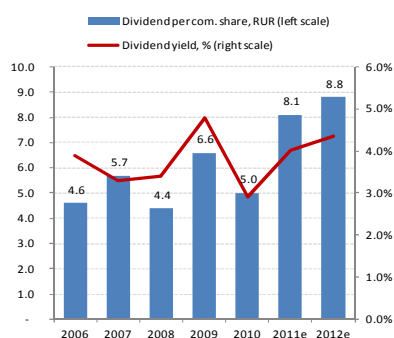
**Outlook:** For 2011, management announced that Gazprom Neft will pay about 22% of US GAAP net income for dividends, or RUR7.4 (US\$0.25) per share. This suggests a dividend yield of 4.9%.

### Dividend dynamics

Gazprom Neft	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	8.10	5.40	5.40	3.60	4.40	7.40	6.20
<b>Div. per com. share, US\$</b>	<b>0.31</b>	<b>0.23</b>	<b>0.17</b>	<b>0.12</b>	<b>0.16</b>	<b>0.25</b>	<b>0.21</b>
Total dividend payment, RUR mn	38 320	25 603	25 603	16 926	21 051	35 086	29 396
<b>Total dividend payment, US\$ mn</b>	<b>1 484</b>	<b>1 072</b>	<b>797</b>	<b>555</b>	<b>755</b>	<b>1 200</b>	<b>1 005</b>
<i>As % of net profit</i>	<i>40.5%</i>	<i>25.9%</i>	<i>17.1%</i>	<i>18.4%</i>	<i>24.0%</i>	<i>21.9%</i>	<i>21.0%</i>
Dividend record date for annual dividend	18 May 2007	15 May 2008	15 May 2009	14 May 2010	25 Apr 2011	Apr 12	Apr 13
Interim dividends (y/n)	N	N	N	N	N	N	N
<b>Dividend yield, %</b>	<b>8.50%</b>	<b>3.10%</b>	<b>5.50%</b>	<b>2.60%</b>	<b>3.00%</b>	<b>4.91%</b>	<b>4.11%</b>

## Tatneft

### Dividend per share, yield



**Review:** Tatneft is one of the most attractive dividend stories in the oil and gas sector – the dividend payout ratio averages 30% of IFRS net income. In 2011, the oil producer paid US\$421mn or 25% of IFRS net income in dividends – US\$0.18 (RUR5.02) per common and preferred share, yielding 3% and 5%, respectively. The corporate charter sets the minimum dividend per preferred share at RUR1 (US\$0.03) and stipulates the dividend per preferred share cannot be less than the dividend per common share. However, the laws of the Republic of Tatarstan recommend that companies pay out roughly 30% of RAS net income as dividends and Tatneft, historically, follows the recommendations.

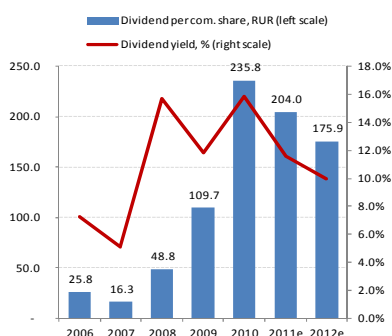
**Outlook:** For 2011, we estimate that Tatneft will pay dividends of about RUR8.1 (US\$0.28) per share, suggesting a dividend yield of 7.7% for preferred shares and 4% for common shares.

### Dividend dynamics

Tatneft	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	4.60	5.70	4.40	6.60	5.02	8.10	8.80
Dividend per pref. share, RUR	4.60	5.70	4.40	6.60	5.02	8.10	8.80
<b>Dividend per com. share, US\$</b>	<b>0.18</b>	<b>0.24</b>	<b>0.14</b>	<b>0.22</b>	<b>0.18</b>	<b>0.28</b>	<b>0.30</b>
<b>Dividend per pref. share, US\$</b>	<b>0.18</b>	<b>0.24</b>	<b>0.14</b>	<b>0.22</b>	<b>0.18</b>	<b>0.28</b>	<b>0.30</b>
Div. payment on com. share, RUR mn	10 022	12 310	9 630	14 292	10 937	17 647	19 202
<i>As % of net profit</i>	<i>33.7%</i>	<i>28.4%</i>	<i>114.5%</i>	<i>26.3%</i>	<i>23.4%</i>	<i>21.6%</i>	<i>21.5%</i>
Div. payment on pref. share, RUR mn	679	833	652	968	740	1 195	1 300
<i>As % of net profit</i>	<i>2.3%</i>	<i>1.9%</i>	<i>7.7%</i>	<i>1.8%</i>	<i>1.6%</i>	<i>1.4%</i>	<i>1.5%</i>
Total dividend distribution, RUR mn	10 701	13 143	10 282	15 260	11 678	18 842	20 503
<b>Total dividend distribution, US\$ mn</b>	<b>415</b>	<b>555</b>	<b>320</b>	<b>506</b>	<b>421</b>	<b>644</b>	<b>701</b>
<i>As % of net profit</i>	<i>35.9%</i>	<i>30.4%</i>	<i>122.2%</i>	<i>28.1%</i>	<i>25.0%</i>	<i>23.0%</i>	<i>23.0%</i>
Div. record date for annual dividend	14 May 2007	12 May 2008	12 May 2009	10 May 2010	6 May 2011	14 May 2012	May 2012
<b>Dividend yield on com. share, %</b>	<b>3.90%</b>	<b>3.30%</b>	<b>3.40%</b>	<b>4.80%</b>	<b>2.90%</b>	<b>4.01%</b>	<b>4.35%</b>
<b>Dividend yield on pref. share, %</b>	<b>7.90%</b>	<b>6.50%</b>	<b>9.70%</b>	<b>7.00%</b>	<b>5.00%</b>	<b>7.74%</b>	<b>8.41%</b>

## Bashneft

### Dividend per share, yield



### Dividend dynamics

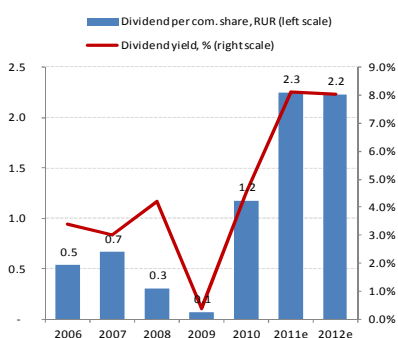
Bashneft	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	25.80	16.30	48.80	109.70	235.80	204.00	175.90
Dividend per pref. share, RUR	25.80	16.30	48.80	109.70	235.80	204.00	175.90
Dividend per com. share, US\$	0.98	0.69	1.57	3.53	8.37	6.97	6.01
Dividend per pref. share, US\$	0.98	0.69	1.57	3.53	8.37	6.97	6.01
Div. payment on com. share, RUR mn	4 390	2 775	8 308	18 659	40 121	34 715	29 932
As % of net profit	35.9%	21.2%	76.6%	101.8%	99.7%	73.9%	62.3%
Div. payment on pref. share, RUR mn	893	565	1 690	3 796	8 163	7 063	6 090
As % of net profit	7.3%	4.3%	15.6%	20.2%	20.3%	15.0%	12.7%
Total dividend distribution, RUR mn	5 284	3 340	9 998	22 455	48 284	41 778	36 022
Total dividend distribution, US\$ mn	202	141	322	723	1 714	1 428	1 232
As % of net profit	43.2%	25.5%	92.2%	122.0%	120.0%	89.0%	75.0%
Div. record date for annual dividend	7 Mar 2007	12 Mar 2008	22 May 2009	21 May 2010	20 May 2011	May 12	May 13
Dividend yield on com. share, %	7.30%	5.10%	15.70%	11.80%	15.80%	11.59%	9.99%
Dividend yield on pref. share, %	10.90%	6.80%	33.20%	15.30%	20.90%	14.89%	12.84%

**Review:** Since Bashneft was acquired by AFK Sistema in 2009, the company has paid over 100% of its net profit as dividends. For 2010, the payout ratio was 120%, yielding over 20% for preferred shares and about 16% for common shares. In mid-2011, the board of directors approved a new dividend policy that calls for a dividend payout of not less than 10% of IFRS net profit. Dividends for preferred shares cannot be less than that for common shares.

**Outlook:** We estimate that free cash flow of Bashneft in 2011 was US\$1.5 bn, which positions the company to pay US\$1.4 bn (90% of IFRS net profit) for 2011 dividends or RUR204 (US\$6.7) per share on commons and on preferred shares, with a yield of roughly 12% and 15%, respectively.

## NKMH

### Dividend per share, yield



### Dividend dynamics

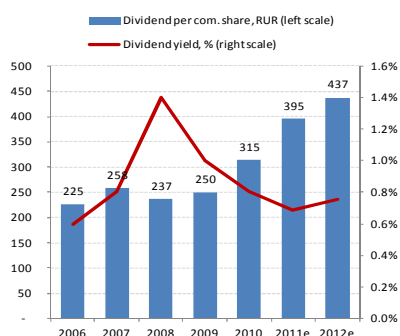
Nizhnekamskneftekhim	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	0.54	0.67	0.31	0.07	1.18	2.25	2.23
Dividend per pref. share, RUR	0.54	0.67	0.31	0.07	1.18	2.25	2.23
Dividend per com. share, US\$	0.02	0.03	0.01	-	0.05	0.08	0.08
Dividend per pref. share, US\$	0.02	0.03	0.01	-	0.05	0.08	0.08
Div. payment on com. share, RUR mn	878	1 082	499	113	1 895	3 625	3 587
As % of net profit	32.3%	33.7%	32.5%	n/a	22.4%	25.9%	25.7%
Div. payment on pref. share, RUR mn	119	147	68	15	258	493	487
As % of net profit	4.4%	4.6%	4.4%	n/a	3.0%	4.3%	4.0%
Total dividend distribution, RUR mn	997	1 229	567	128	2 152	4 118	4 074
Total dividend distribution, US\$ mn	39	52	18	4	76	141	139
As % of net profit	36.7%	38.3%	36.9%	n/a	25.4%	30.3%	29.7%
Div. record date for annual dividend	10 Mar 2007	1 Mar 2008	23 Apr 2009	25 Feb 2010	25 Feb 2011	Mar 2012	Mar 2013
Dividend yield on com. share, %	3.40%	3.00%	4.20%	0.40%	4.50%	8.12%	8.05%
Dividend yield on pref. share, %	8.50%	7.30%	11.20%	1.10%	8.00%	12.13%	12.03%

**Review:** Nizhnekamskneftekhim's (NKNH) charter sets a minimum payout ratio of 15% of RAS net income. Historically, the oil producer has been paying dividends close to 20-30% of RAS net income, delivering a high dividend yield.

**Outlook:** We anticipate a generous dividend payout from NKNH for 2011, as NKNH increased 2011 RAS net income by 95% y/y. We also expect the company to maintain a payout ratio of 30%, which suggests an increase in the dividend per preferred share to RUR2.25 (US\$ 0.08) and a 12% yield for preferred shares. The dividend yield for common shares is expected at 8%.

# Transneft

## Dividend per share, yield



**Review:** Transneft's corporate charter sets a dividend ratio at 10% of RAS non-consolidated net income. The dividend per preferred share cannot be less than the dividend per common share (only the preferred shares are publicly traded). The dividend yield is typically unattractive, due to a low payout ratio. Over the past few years, Transneft paid roughly 10% of RAS net income as dividends, equivalent to just 1-2% of IFRS net profit.

**Outlook:** Notwithstanding a 200% increase in RAS net income in 9M11, we do not expect the dividend to rise proportionally. We do not anticipate any change to the dividend payout ratio: the dividend per share is likely to rise only 25% y/y. We do foresee the company reducing the net income base upon which dividends are paid by disregarding non-cash profit, which, we assume, was a gain on an unrealized currency revaluation gain. In our view, Transneft will pay a dividend of RUR395 (US\$13.5) per share for 2011. The dividend yield is estimated at 1%.

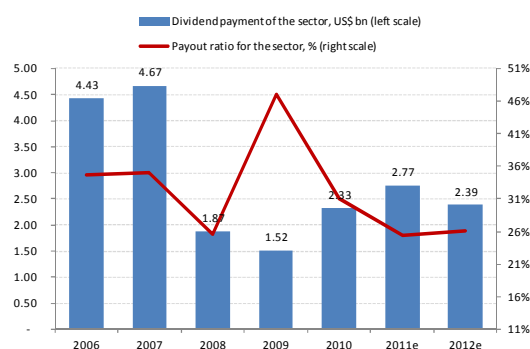
## Dividend dynamics

Transneft	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	101.23	135.22	-	105.29	132.34	166.09	183.91
Dividend per pref. share, RUR	225.42	258.45	236.78	250.39	314.73	395.00	437.36
<b>Dividend per com. share, US\$</b>	<b>3.91</b>	<b>5.75</b>	-	<b>3.43</b>	<b>4.66</b>	<b>5.68</b>	<b>6.29</b>
<b>Dividend per pref. share, US\$</b>	<b>8.71</b>	<b>10.99</b>	<b>7.56</b>	<b>8.17</b>	<b>11.09</b>	<b>13.50</b>	<b>14.95</b>
Div. payment on com. share, RUR mn	562	750	-	584	734	921	1 020
<i>As % of net profit</i>	<i>1.09%</i>	<i>1.25%</i>	<i>0.00%</i>	<i>0.48%</i>	<i>0.62%</i>	<i>0.50%</i>	<i>0.60%</i>
Div. payment on pref. share, RUR mn	350	402	368	389	489	614	680
<i>As % of net profit</i>	<i>0.68%</i>	<i>0.67%</i>	<i>0.52%</i>	<i>0.32%</i>	<i>0.41%</i>	<i>0.30%</i>	<i>0.40%</i>
Total dividend distribution, RUR mn	912	1 152	368	973	1 223	1 535	1 700
<b>Total dividend distribution, US\$ mn</b>	<b>35</b>	<b>49</b>	<b>12</b>	<b>32</b>	<b>43</b>	<b>52</b>	<b>58</b>
<i>As % of net profit</i>	<i>1.8%</i>	<i>1.9%</i>	<i>0.5%</i>	<i>0.8%</i>	<i>1.0%</i>	<i>0.8%</i>	<i>1.0%</i>
Div. record date for annual dividend	29 May 2007	26 May 2008	28 May 2009	28 May 2010	24 May 2011	May 2012	May 2013
<b>Dividend yield on com. share, %</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Dividend yield on pref. share, %</b>	<b>0.60%</b>	<b>0.80%</b>	<b>1.40%</b>	<b>1.00%</b>	<b>0.80%</b>	<b>0.68%</b>	<b>0.76%</b>

## Metals & Mining

## High payout, low dividend yield

### Total sector dividend payment



### Review

The investment case for Russia's Metals & Mining sector has always depended on company valuations, not high dividend yields: The dividend yield for the sector has never exceeded 5%, although the majority of the companies in the sector have a payout ratio of 20-30% of annual consolidated net income. Additionally, as most companies in the sector do not have preferred shares, tough years often delivered no dividends. In our view, the sector's low dividend yield stems in part from high capital requirements for renovation and relatively high debt of companies in the sector.

### Dividend dynamics

	Record date annual dividend		Interim divid'd	Remaining dividend			Total divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share	US\$ per share	Div. yield %	US\$ mn	Ch., % y/y	
MMK	20 Apr 2011	20-30 April 12	-	0.30	0.01	2.1%	115	-9%	n/a
Severstal	22 May 2011	end April-May 2012	11.63	5.04	0.17	1.2%	574	148%	25%
NLMK	16 Apr 2011	10-20 April 2012	1.40	0.35	0.01	0.5%	360	-4%	30%
TMK	30 Mar 2011	15-25 May 2012	0.93	1.99	0.07	2.1%	94	244%	25%
Mechel com.	20 Apr 2011	20-30 April 12	-	10.97	0.38	3.5%	156	26%	20%
Mechel pref.	20 Apr 2011	20-30 April 12	-	32.92	1.13	14.0%	156	31%	20%
Raspadskaya	20 Apr 2011	10-20 April 12	5.00	-	-	0.0%	133	n/a	106%
Norilsk Nickel	16 May 2011	15-25 May 2012	-	147.71	5.05	2.5%	963	-18%	20%
KTK*	16 May 2011	14 Mar 2011	-	4.64	0.16	2.7%	20	100%	25%
Alrosa	29 Apr 2011	25 Apr-20 May 2012	-	0.52	0.02	1.6%	131	109%	15%
<b>Total for sector</b>						<b>3.0%</b>	<b>2 767</b>	<b>19%</b>	<b>25.5%</b>

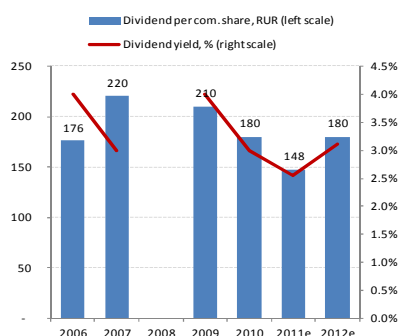
\* Board of directors announced record date, recommended dividend amount

### Outlook

As most Russian Metals & Mining companies plan to continue their development projects for the next 5-8 years, we do not expect the dividend yield or payout ratio to increase materially for these companies for 2011 or for the medium term. Additionally, since the macro environment has deteriorated after the EU's debt shock in 2H11, we estimate the sector's dividend yield for 2011 will remain almost unchanged y/y at 1-3%. In our view, the most attractive investment idea in the sector is **Mechel**: The preferred shares offer a 14% yield, compared to 1-3% yield by other companies in the sector. However, Mechel's preferred shares carry a higher risk, owing to the instability of the company's net income, which could be materially reduced by foreign exchange losses.

## Norilsk Nickel

### Dividend per share, yield



**Review:** Norilsk Nickel is one of the global leaders in terms of cost efficiency. Consequently, the company's payout ratio was higher than that set in the dividend policy – for 2006-2010, the company paid out up to 50% of its annual net income compared to 20-25% set in the policy. However, Norilsk's dividend yield did not break the 4% level for the past five years. Norilsk's dividend policy suggests that 20-25% of IFRS net profit should be distributed to shareholders in the form of dividends. Since 2008, the company has paid dividends on an annual basis.

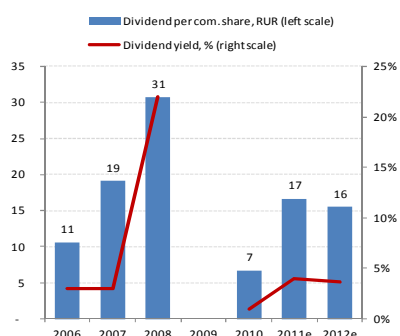
**Outlook:** We believe current non-ferrous market prices allow Norilsk to generate strong cash flows and to pay dividends. Accordingly, we believe Norilsk's board could recommend dividends of US\$968mn for 2011, or 20% of estimated net income, despite the US\$9.0bn spent for two buy backs in the period. In the long term, we estimate that Norilsk shares at current levels will deliver a payout ratio of 30%, as we expect base metals prices to grow.

### Dividend dynamics

Norilsk Nickel	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	176.00	220.00	-	210.00	180.00	147.71	180.18
Div. per com. share, US\$	6.84	9.36	-	6.76	6.41	5.05	6.16
Total dividend payment, RUR mn	33 550	41 938	-	40 032	34 313	28 158	34 347
Total dividend payment, US\$ mn	1 303	1 784	-	1 288	1 222	963	1 174
As % of net profit	22%	33%	0%	50%	37%	20%	30%
Record date for annual dividend	15 May'07	26 May'08	26 May'09	21 May'10	16 May'11	15-25 May'12	15-25 May'13
Interim dividends (y/n)	Y	Y	N	N	N	N	N
Dividend yield, %	4.00%	3.00%	0.00%	4.00%	3.00%	2.54%	3.10%

## Severstal

### Dividend per share, yield



**Review:** Severstal's payout ratio ranged between 28% and 46% of IFRS net profit in 2006-2008. However, as the macro environment deteriorated, the steelmaker began to adhere to its corporate Charter – the payout ratio was reduced to 25%. On yield, only once did it rise to a relatively high level (to 22% for 2008), which reflects a material decline in the share price in April 2009 (record date period). The company's dividend policy recommends an average payout ratio of 25%. Traditionally, the company pays dividends on a quarterly basis. According to Severstal, the board of directors will introduce a revised dividend policy in the medium term, which will recommend a higher payout ratio.

**Outlook:** Severstal remains Russia's most resilient steelmaker, owing to its high level of self sufficiency. Consequently, we expect the company to pay 25% of IFRS net profit for 4Q11, which will generate an average payout ratio of 25% for full year 2011. For the medium term, we are cautious in our forecast of Severstal's dividends, leaving our expectation of a 25% payout ratio unchanged.

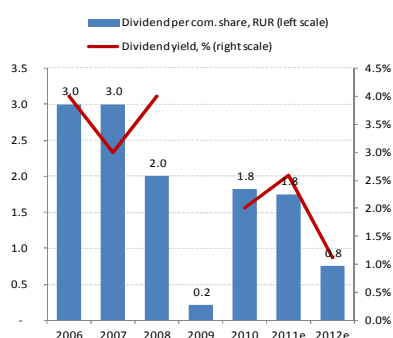
### Dividend dynamics

Severstal	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	10.60	19.10	30.72	-	6.71	16.67	15.50
Div. per com. share, US\$	0.41	0.80	0.92	-	0.24	0.57	0.53
Total dividend payment, RUR mn	10 682	19 247	30 957	-	6 762	16 801	12 986
Total dividend payment, US\$ mn	416	806	925	-	240	574	444
As % of net profit	28%	43%	45%	-	17%	25%	25%
Record date for annual dividend	27 Apr'07	15 May'08	27 Apr'09	29 Apr'10	22 May'11	Apr-May'12	Apr-May'13
Interim dividends (y/n)	Y	Y	Y	N	Y	Y	Y
Dividend yield, %	3.00%	3.00%	22.00%	0.00%	1.00%	3.93%	3.65%



# NLMK

## Dividend per share, yield



**Review:** Before the 2008 economic downturn, NLMK paid dividends at the upper end of the 20-30% range. In 2009, the company lowered its dividend payment to roughly 20% of US GAAP net income, but returned to 30% in 2010 as the economic environment recovered from the lows of 2008. NLMK's dividend policy recommends a payout ratio of 20-30% of consolidated net income under US GAAP. Traditionally, the company pays dividends on a semi-annual basis.

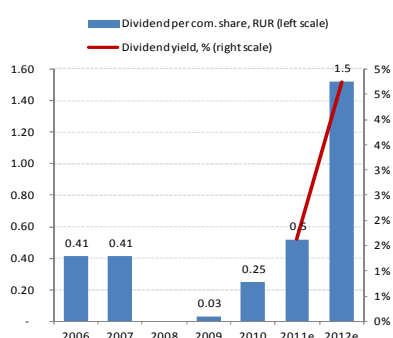
**Outlook:** Net margin is expected to decline to 7-10% in 2H11 compared to 15-18% in 2010-1H11 on the consolidation of low margin European steel-rolling assets. Nevertheless, we expect NLMK to pay 30% of net income for 2011, which implies the dividend yield will increase to 3% for 2011 compared to 2% in 2010. In the medium term, we anticipate that NLMK will pay dividends at the bottom end of the payout range (20%), as we see net margin remaining low at 7-10% for 2012-2015, owing to slowing growth in Europe.

## Dividend dynamics

NLMK	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	3.00	3.00	2.00	0.22	1.82	1.75	0.76
Div. per com. share, US\$	0.12	0.13	0.06	0.01	0.06	0.06	0.03
Total dividend payment, RUR mn	17 980	17 980	11 986	1 319	10 908	10 518	4 558
Total dividend payment, US\$ mn	697	766	358	45	388	360	156
As % of net profit	30%	30%	16%	21%	30%	30%	20%
Record date for annual dividend	16 Apr'07	18 Apr'08	17 Apr'09	16 Apr'10	16 Apr'11	10-20 Apr'12	10-20 April 2013
Interim dividends (y/n)	Y	Y	Y	N	Y	Y	Y
Dividend yield, %	4.00%	3.00%	4.00%	0.00%	2.00%	2.58%	1.12%

# Alrosa

## Dividend per share, yield (adjusted for split)



**Review:** Alrosa is a relatively new public company; trading on the exchange commenced only in mid-2011. The company frequently distributed profit to shareholders, although no dividends were declared for 2008 owing to the crisis. However, the payout ratio is the lowest in the sector – for the past five years, the ratio did not exceed 17%. Alrosa's dividend policy suggests a payout ratio of 10-15% of RAS net income. Traditionally, the dividends are paid on a yearly basis.

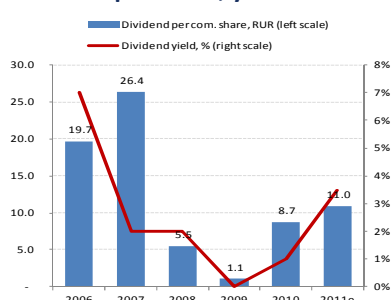
**Outlook:** We expect Alrosa to pay US\$130mn or US\$0.02 per share as dividends for 2011, which implies a dividend yield of just 2% and represents 15% of estimated RAS net income for 2011. In the medium term, we expect the dividend policy to improve, as management is focused on boosting Alrosa's profile among the investment community. We expect the payout ratio to increase to 30% of IFRS net income.

## Dividend dynamics

Alrosa	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	11 200	11 200	-	916	6 722	0.52	1.52
Div. per com. share, US\$	433	470	-	30	245	0.02	0.05
Total dividend payment, RUR mn	2 240	2 240	-	250	1 833	3 830	11 223
Total dividend payment, US\$ mn	87	94	-	8	67	131	384
As % of net profit	17%	15%	0%	7%	17%	15%	30%
Record date for annual dividend	10 May'07	8 May'08	18 May'09	18 May'10	29 Apr'11	25 Apr-20 May'12	25 Apr-20 May 2013
Interim dividends (y/n)	N	N	N	N	N	N	N
Dividend yield, %	n/a	n/a	n/a	n/a	n/a	1.63%	4.75%

# Mechel

## Dividend per share, yield



**Review:** We see Mechel preferred shares as the only attractive dividend play in Russian Metals & Mining sector. In 2006-2007, in accordance with the company's official dividend policy, Mechel paid around 50% of US GAAP net income as dividends. The policy was terminated in 2008 due to the financial crisis and the company's high debt burden. In 2009, Mechel issued preferred shares to finance the acquisition of Bluestone Coal – to facilitate the placement, prior to the issuance, Mechel committed itself to paying 20% of US GAAP net income as dividends for preferred shares.

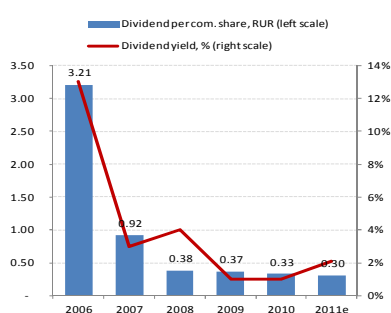
**Outlook:** For 2011, we expect the company to pay 20% of US GAAP net income (US\$745 mn) on common and 20% on preferred shares. This implies a dividend of US\$0.35 per common share with a yield of 3% and US\$1.07 per preferred stock with a yield of 13%. Our analysis suggests that Mechel's preferred shares will remain the only dividend story in the sector.

## Dividend dynamics

Mechel	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	19.70	26.38	5.53	1.09	8.73	10.97	-
Dividend per pref. share, RUR	-	-	50.53	3.29	26.21	32.92	33.54
<b>Dividend per com. share, US\$</b>	<b>0.76</b>	<b>1.11</b>	<b>0.18</b>	<b>0.04</b>	<b>0.31</b>	<b>0.38</b>	-
<b>Dividend per pref. share, US\$</b>	-	-	<b>1.64</b>	<b>0.11</b>	<b>0.93</b>	<b>1.13</b>	<b>1.15</b>
Div. payment on com. share, RUR mn	8 201	10 981	2 302	454	3 634	4 568	-
<i>As % of net profit</i>	<i>50%</i>	<i>50%</i>	<i>7%</i>	<i>20%</i>	<i>20%</i>	<i>20%</i>	-
Div. payment on pref. share, RUR mn	-	-	7 011	457	3 637	4 568	4 688
<i>As % of net profit</i>	-	-	<i>20%</i>	<i>24%</i>	<i>39%</i>	<i>20%</i>	<i>20%</i>
Total dividend distribution, RUR mn	8 201	10 981	9 313	910	7 271	9 136	4 655
<b>Total dividend distribution, US\$ mn</b>	<b>302</b>	<b>429</b>	<b>374</b>	<b>29</b>	<b>239</b>	<b>312</b>	<b>159</b>
<i>As % of net profit</i>	<i>52%</i>	<i>52%</i>	<i>30%</i>	<i>38%</i>	<i>35%</i>	<i>40%</i>	<i>20%</i>
Div. record date for annual dividend	29 May 2007	4 Jun 2008	4 Jun 2009	24 May 2010	20 April 2011	20-30 Apr'12	20-30 Apr'13
<b>Dividend yield on com. share, %</b>	<b>7.00%</b>	<b>2.00%</b>	<b>2.00%</b>	-	<b>1.00%</b>	<b>3.46%</b>	-
<b>Dividend yield on pref. share, %</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>2.00%</b>	<b>9.00%</b>	<b>14.02%</b>	<b>14.28%</b>

# MMK

## Dividend per share, yield



**Review:** Similar to most other metals and mining names, MMK typically offers low dividend yields. The only exception was 2006 – in a pre-IPO dividend payout, the company's major shareholder withdrew all of MMK's profit for the year. Thereafter, in 2007-2010, MMK's dividend yield ranged between 1-4% as the company started its US\$7bn development program. MMK's dividend policy recommends an average payout ratio of 25%. Traditionally, the company pays quarterly dividends.

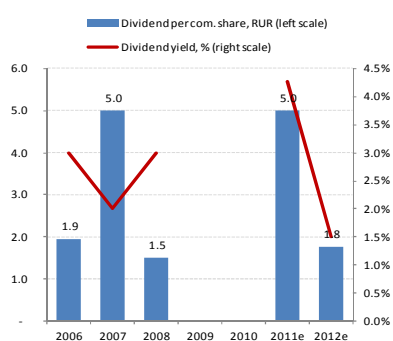
**Outlook:** In the beginning of 2011, MMK completed its development program and cut its CAPEX target for the year by almost twofold to US\$1.25bn. Nevertheless, we expect MMK to pay only moderate dividends for 2011, as steel prices declined in 2H11. In the long run, we do not expect the company to materially increase its payout ratio. As iron ore and coking coal prices surged in 2010-1H11, the company decided to start developing its own resource division, investing US\$1bn in the expansion of coal mines and announcing the acquisition of Flinders Mines – a US\$1.25bn green-field project. Consequently, we do not expect MMK to pay dividends for 2012-2013, while in 2014-15 we anticipate a payout ratio of 25%.

## Dividend dynamics

MMK	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	3.21	0.92	0.38	0.37	0.33	0.30	-
<b>Div. per com. share, US\$</b>	<b>0.12</b>	<b>0.04</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	-
Total dividend payment, RUR mn	<b>37 458</b>	<b>10 739</b>	<b>4 269</b>	<b>4 135</b>	<b>3 688</b>	<b>3 352</b>	-
<b>Total dividend payment, US\$ mn</b>	<b>1 419</b>	<b>450</b>	<b>127</b>	<b>141</b>	<b>130</b>	<b>115</b>	-
<i>As % of net profit</i>	<i>100%</i>	<i>34%</i>	<i>12%</i>	<i>61%</i>	<i>51%</i>	-	-
Dividend record date for annual dividend	12 Feb 2007	7 Mar 2008	9 Apr 2009	2 Apr 2010	4 Apr 2011	1-10 Apr'12	1-10 Apr'13
Interim dividends (y/n)	Y	Y	Y	N	Y	N	N
<b>Dividend yield, %</b>	<b>13.00%</b>	<b>3.00%</b>	<b>4.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>2.11%</b>	-

## Raspadskaya

### Dividend per share, yield



**Review:** Before 2008, Raspadskaya maintained a generous dividend payout ratio. However, the yield remained in line with the sector range of not more than 5%. After the accident at the company's core mine in 2010, Raspadskaya shareholders rejected the board of directors' recommendation to pay dividends for 2009. Management also decided to abandon dividend payments for 2010, as Raspadskaya remained burdened by social obligations, which increased after the accident. At the end of 2011, Raspadskaya's board of directors decided to change the dividend policy. Previously, Raspadskaya paid *no more* than 25% of IFRS net profit as dividends. Currently, the company will pay *no less* than 25% of the net profit. Traditionally, the company pays dividends on a semi-annual basis.

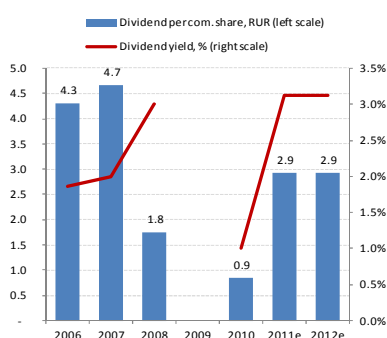
**Outlook:** As more than 100% of the company's estimated IFRS net profit was distributed to Raspadskaya's shareholders in 1H11 and the company launched a US\$370mn buy back, we do not expect the board to recommend any dividends for 2H11. However, we expect Raspadskaya to continue constant dividend payments of at least 25% of IFRS net profit in the medium term.

### Dividend dynamics

Raspadskay	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	1.94	5.00	1.50	-	-	5.00	1.75
Div. per com. share, US\$	0.08	0.21	0.04	-	-	0.17	0.06
Total dividend payment, RUR mn	1 515	3 904	1 171	-	-	3 904	1 370
Total dividend payment, US\$ mn	59	166	35	-	-	133	47
As % of net profit	59%	69%	7%	-	-	106%	25%
Dividend record date for annual dividend	27 April 2007	24 April 2008	20 April 2009	22 April 2010	20 April 2011	Apr 2012	Apr 2013
Interim dividends (y/n)	N	Y	Y	N	Y	Y	Y
Dividend yield, %	3.00%	2.00%	3.00%	-	-	4.27%	1.50%

## TMK

### Dividend per share, yield



**Review:** In the pre-crisis years of 2006-07, TMK paid more than 30% of net profit to its shareholders. However, a weakening global economy in 2008 forced management to reduce its payout ratio to 25% and to declare zero dividends for 2009. However, in 2010, TMK returned to its higher dividend payout practice and paid 27% of net profit, albeit the dividend yield stood at only 1%. TMK's dividend policy recommends a payout ratio of not less than 25% of IFRS net profit.

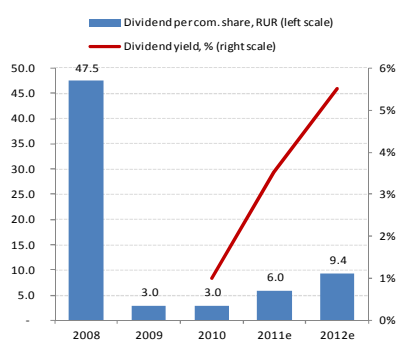
**Outlook:** We expect TMK to pay 25% of IFRS net profit to its shareholders for 2011, which would imply a full year dividend yield of 3%, with the dividend yield for 2H11 is expected at 2%. We expect TMK to pay dividends equal to 25% of net profit in 2012-2015, as we forecast the company's net margin will remain almost unchanged in the medium term at 4-5%.

### Dividend dynamics

TMK	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	4.30	4.66	1.75	-	0.85	2.88	1.51
Div. per com. share, US\$	0.17	0.20	0.06	-	0.03	0.10	0.05
Total dividend payment, RUR mn	3 754	4 068	1 528	-	797	2 700	1 418
Total dividend payment, US\$ mn	145	170	49	-	28	92	48
As % of net profit	33%	35%	25%	-	27%	25%	25%
Record date for annual dividend	21 May 2007	15 May 2008	21 May 2009	18 May 2010	30 Mar 2011	15-25 May'12	15-25 May'13
Interim dividends (y/n)	N	Y	Y	N	N	Y	Y
Dividend yield, %	1.87%	2.00%	3.00%	-	1.00%	3.07%	1.61%

# KTK

## Dividend per share, yield



**Review:** KTK is a relatively new public company – its IPO was held only in the beginning of 2010. The dividend yield history, therefore, is quite short. For 2009-2010, KTK paid roughly 40% of net income, with the 2010 dividend yield at only 1%. KTK's dividend policy recommends distributing not less than 25% of RAS net income to shareholders. The company pays dividends on a yearly basis.

**Outlook:** We expect KTK will improve its dividend performance: according to our estimates, the company will pay nearly 25% of IFRS net profit for 2011, which will result in a 3% dividend yield for the period. In the medium term, we expect the company to increase the payout ratio to 30% on the back of improved financial performance.

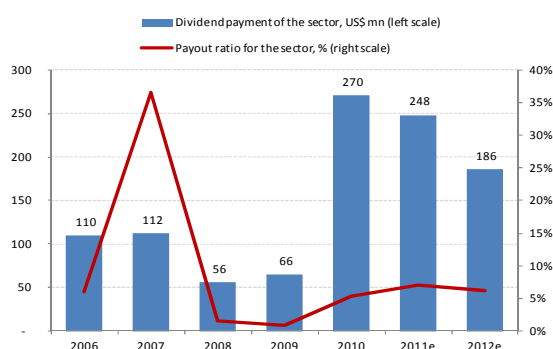
## Dividend dynamics

TMK	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	38.50	5.00	47.50	3.00	3.00	6.00	9.37
Div. per com. share, US\$	1.48	0.21	1.42	0.10	0.11	0.21	0.32
Total dividend payment, RUR mn	65	8	80	253	298	596	930
Total dividend payment, US\$ mn	3	-	2	9	11	20	32
As % of net profit	-	-	6%	43%	39%	25%	30%
Record date for annual dividend	2 Apr 2007	2 Jun 2008	20 Mar 2009	12 Mar 2010	16 May 2011	14 Mar 2011	10-20 Mar'013
Interim dividends (y/n)	N	N	N	N	N	N	N
Dividend yield, %	n/a	n/a	n/a	n/a	1.00%	3.53%	5.51%

## Utilities

## Weak sister on dividends

### Total sector dividend payment



### Review

Globally, utilities on average offer one of the highest payout ratios of all sectors – e.g., the aggregate S&P 500 payout ratio for utilities is more than 60%. By contrast, Russian utilities either do not pay or offer poor dividends because of the regulatory regime and/or significant investment programs. Currently, almost all state controlled utilities, e.g. RusHydro, Inter RAO and FSK, have their own dividend policies, whereas the dividends on preferred shares for MRSK Holding and RAO Far East are defined by charter. OGK-2, Mosenergo and TGK-1, all of which are controlled by Gazprom, have already adopted a uniform dividend policy and begun to pay dividends. The subsidiaries of MRSK Holding, e.g., MRSK Center, MRSK Center-Volga, MRSK Urals and MOESK have done the same. However, the dividends of MRSKs, which are based on policy, highly depend on investment commitments that, given the restriction on tariff hikes, make payments unpredictable. Generally, the current payout ratios of Russian utilities do not represent interesting dividend ideas. There are exceptions – for example, Lenenergo and Bashkirenergo, the dividends for preferred shares of which are based on charters, consistently deliver an attractive dividend yield for preferred shares.

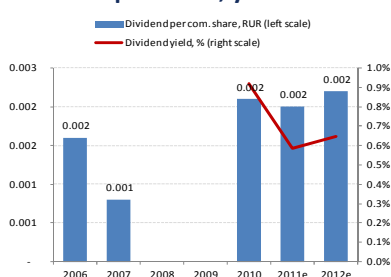
### Dividend dynamics

	Record date annual dividend		Interim divid'd	Remaining dividend			Total divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share	US\$ per share	Div. yield %	US\$ mn	Ch., % y/y	
FSK	16 May 2010	Mid May 2012	-	0.0020	0.000068	0.59%	89	-20%	10%
Inter RAO	17 May 2011	Mid May 2012	-	0.0000	0.000001	0.09%	9	66%	1%
RusHydro	23 May 2011	Mid May 2012	-	0.0063	0.000215	0.55%	63	-25%	5%
Mosenergo	12 May 2011	Mid May 2012	-	0.0100	0.000342	0.53%	14	-50%	5%
OGK-2	3 May 2011	Mid May 2012	-	0.0001	0.000003	0.01%	0	-96%	5%
Bashkirenergo com. shares	6 May 2011	Beg May 2012	0.92	0.6700	0.022906	1.52%	57	68%	7%
Bashkirenergo pref. shares	6 May 2011	Beg May 2012	0.92	6.3100	0.215729	19.71%	12	258%	3%
Lenenergo com.	11 May 2011	Beg May 2012	-	-	-	0.00%	-	0%	0%
Lenenergo pref.	11 May 2011	Beg May 2012	-	1.4500	0.049573	5.91%	5	-64%	10%
<b>Total for sector</b>						<b>3.0%</b>	<b>248</b>	<b>-8%</b>	<b>7%</b>

**Outlook:** We believe dividends for 2011 will again be poor for almost all utilities. We expect RusHydro, FSK, Inter RAO, Gazprom's energy subsidiaries and MRSKs will continue to follow their respective dividend policies and pay 2011 dividends, but the dividend yield and payout ratios will remain relatively low. Moreover, we expect most of these companies will decrease 2011 dividends y/y due to weaker financials due to the stiff regulatory regime. For 2012, we also expect that other public utilities will improve corporate governance by adopting a dividend policy. For the medium-term, the main market expectations concern OGK-5 and E.ON Russia, controlled by Enel and E.ON, respectively. The companies completed their respective investment commitments in 2011 (E.ON Russia is still obligated to finish one more project) and we expect them to become cash positive, positioning them to pay dividends for 2012. We expect Enel OGK-5 and E.ON Russia to adopt a dividend policy akin to that of its parent companies, in this case, offering a 2012 dividend yield of 8-9%. For the long term, we do not expect dividend payout ratios or dividend yields of Russian utilities as a whole will be positively changed. First, the companies will continue to finance significant investment programs; second, in 2012-2014, utilities will also face restrictions on tariff hikes, which will limit the general profitability of industry players.

## FSK

### Dividend per share, yield



**Review:** FSK, established as a 100% subsidiary of RAO UES in 2005, regularly paid dividends to major shareholders. Lacking an official dividend policy, payments depended on owner demand. For example, for 2006 dividends, FSK paid 2% of net income, but significantly increased the payout ratio to 23.6% for 2007. FSK temporarily ceased paying dividends after the company went public, securing a listing on the Russian stock exchange in the middle of 2008. During that period, which coincided with the global crisis, the company spent all profits on investments. At the end of 2010, FSK focused on improving corporate governance. The company approved a dividend policy and resumed dividend payments. FSK's dividend policy implies allocating at least 10% of RAS annual net income adjusted for non-cash items and one-off income. The policy allows for interim dividends.

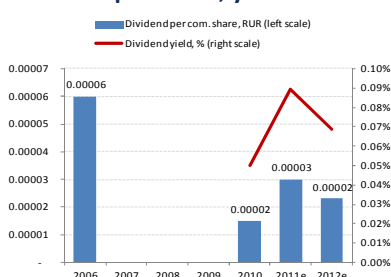
**Outlook:** Based on the dividend policy, we expect that FSK will decrease dividends for 2011 by 2%, which is equal to less than a 1% dividend yield to current market price. We do not expect FSK will deviate from paying a dividend payout at least until 2014, given its significant CAPEX program and restrictions on tariff hikes.

### Dividend dynamics

FSK	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	0.00160	0.00080	-	-	0.00210	0.00200	0.00220
Div. per com. share, US\$	0.00006	0.00003	-	-	0.00007	0.00007	0.00008
Total dividend payment, RUR mn	588	380	-	-	3 147	2 497	2 736
Total dividend payment, US\$ mn	22	15	-	-	104	89	98
As % of net profit	2%	24%	0%	0%	9%	10%	10%
Record date for annual dividend	29 May 2007	15 May 2008	15 May 2009	14 May 2010	16 May 2010	Mid May 2012	Mid May 2013
Interim dividends (y/n)	N	N	N	N	N	N	N
Dividend yield, %	n/a	n/a	n/a	n/a	0.92%	0.59%	0.64%

## InterRAO

### Dividend per share, yield



**Review:** Inter RAO paid dividends only twice in its 10-year history. The company was established as a 100% subsidiary of RAO UES and went public only in 2008, after UES' reorganization. Before this time, Inter RAO operated largely as an electricity trading business and generated much lower income. During the reorganization, Inter RAO received efficient generating assets from UES, and is currently a large holding company. In 2011, focused on improving corporate governance, the company approved a dividend policy and resumed dividend payments. However, the payout ratio remains moderate. For 2010 dividends, Inter RAO paid only 1.2% of consolidated net income. Inter RAO's dividend policy implies the company will allocate at least 5% of RAS net income, adjusted for non-cash items, per annum.

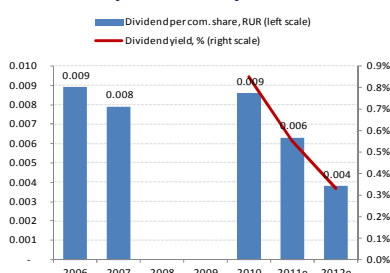
**Outlook:** Based on the dividend policy, we expect Inter RAO to increase 2011 dividends y/y by two-fold thanks to strong financial results. However, the dividend yield is likely to remain at a relatively low level (roughly 0.1% based on current market prices). Looking further ahead, Inter RAO's dividend growth is at risk. The company announced that it had sold four power plants to its subsidiary, which will put pressure on 2012-2015 RAS net income.

### Dividend dynamics

InterRAO	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	0.0000600	-	-	-	0.0000150	0.0000300	0.000023
Div. per com. share, US\$	0.0000021	-	-	-	0.0000005	0.0000010	0.0000008
Total dividend payment, RUR mn	2	-	-	-	150	249	223
Total dividend payment, US\$ mn	0	-	-	-	5	9	8
As % of net profit	0%	0%	0%	0%	1%	1%	1%
Record date for annual dividend	1 Apr 2007	23 May 2008	19 May 2009	20 May 2010	17 May 2011	Mid May 2012	Mid May 2013
Interim dividends (y/n)	N	N	N	N	N	N	N
Dividend yield, %	n/a	n/a	n/a	n/a	0.05%	0.09%	0.07%

## RusHydro

### Dividend per share, yield



**Review:** RusHydro was established as a 100% subsidiary of RAO UES in 2004. When the company was 100% private, owned by RAO UES, the company regularly paid dividends – both interim and annual. During this time, RusHydro's payout ratio was roughly 20% of net income. However, after going public in the beginning of 2008, RusHydro temporarily ceased paying dividends. During that period, which coincided with the global crisis, the company spent all profits on investments. The company resumed dividend payments in 2011, based on 2010 financial results. The company became a holding in 2010 after acquiring controlling stakes in retail energy companies. According to RusHydro's current dividend policy, the Holding may allocate at least 5% of consolidated net income as dividends for 2011 and going forward.

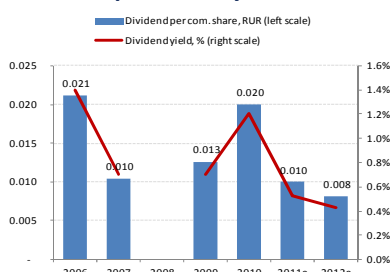
**Outlook:** Based on the dividend policy, we expect RusHydro to decrease dividends for 2011 by 27%, an amount equal to a dividend yield of less than 1%. We expect RusHydro will retain this modestly sized dividend payout until at least 2014 due to its CAPEX program and restrictions on tariff hikes.

### Dividend dynamics

RusHydro	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	0.0089	0.0079	-	-	0.0086	0.0063	0.0038
Div. per com. share, US\$	0.0003	0.0003	-	-	0.0003	0.0002	0.0001
Total dividend payment, RUR mn	1 147	1 119	-	-	2 486	1 850	1 348
Total dividend payment, US\$ mn	42	44	-	-	82	63	46
As % of net profit	15%	20%	0%	0%	3%	5%	5%
Record date for annual dividend	30 Sep 2006	15 May 2008	30 Apr 09	19 May 2010	23 May 2011	Mid May 2012	Mid May 2013
Interim dividends (y/n)	Y	Y	N	N	N	N	N
Dividend yield, %	n/a	n/a	n/a	n/a	0.85%	0.55%	0.33%

## Mosenergo

### Dividend per share, yield



**Review:** Mosenergo has historically paid dividends since 2006. The only year the company did not pay dividends was at the onset of the financial crisis in 2008. For 2006-2010, we estimate Mosenergo's average payout ratio stood at 10% of net income. At the end of 2010, the company adopted a clear dividend policy that made the amounts of dividend payments more predictable. However, Mosenergo's dividend payments – along with almost all Russian utilities – do not provide an interesting dividend yield. Mosenergo's dividend policy implies an annual payout ratio of at least 5% of RAS net income adjusted for non-cash items and one-off income. Once the obligatory maintenance and new commissioning program concludes (2015 is the target date), the company will be in a position to increase the dividend payout ratio to 35%.

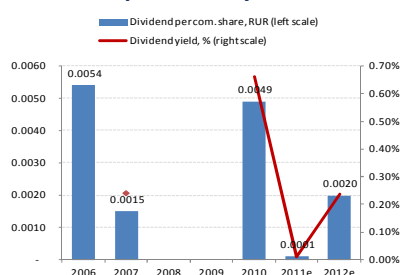
**Outlook:** Based on the minimum payout ratio, we expect Mosenergo to decrease 2011 dividends y/y due to a 4% decline in net income. We estimate a dividend yield of less than 1%, which is typical for utilities. We expect the company to maintain a moderate dividend payout in the medium term owing to its ongoing CAPEX program and restrictions on 2012-2014 tariff hikes.

### Dividend dynamics

Mosenergo	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	0.0211639	0.0104409	-	0.01262335	0.02	0.0100	0.0081
Div. per com. share, US\$	0.00078	0.00041	-	0.0004	0.00066	0.00034	0.00028
Total dividend payment, RUR mn	600	296	-	500	792	399	328
Total dividend payment, US\$ mn	22	12	-	16	26	14	11
As % of net profit	7%	18%	0%	9%	5%	5%	5%
Record date for annual dividend	30 Mar '07	10 May '08	12 May '09	6 May '10	12 May '11	Mid May '12	Mid May '13
Interim dividends (y/n)	N	Y	N	N	N	N	N
Dividend yield, %	1.40%	0.70%	n/a	0.70%	1.20%	0.53%	0.43%

## OGK-2

## Dividend per share, yield



**Review:** OGK-2 was established as a 100% subsidiary of RAO UES, and regularly paid dividends to the latter until 2007. In 2007, the company came under the management of a new owner, Gazprom. In 2008-09, which coincided with the global crisis, the company ceased distributing dividends. During that period, the company spent all profits on investments. In 2010, OGK-2 renewed the practice of paying dividends based on a dividend policy approved at the end of 2010. OGK-2's dividend policy stipulates a payout ratio of at least 5% of RAS net income per annum, adjusted for non-cash items and one-off income. Once the obligatory maintenance and new commissioning program concludes (2015 is the target date), the company will be in a position to increase the dividend payout ratio to 35%.

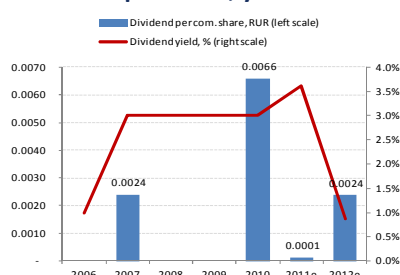
**Outlook:** Based on the minimum payout ratio and our expectation on net income, we expect OGK-2 to significantly decrease 2011 dividends y/y. We anticipate a dividend yield of 0.01%, which is likely to be the lowest in the sector. In our view, OGK-2 will maintain a negligible dividend payout in the medium term owing to its massive CAPEX program and restrictions on 2012-2014 tariff hikes.

## Dividend dynamics

OGK-2	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	0.005400	0.001500	-	-	0.004900	0.000100	0.002000
Div. per com. share, US\$	0.000200	0.000060	-	-	0.000161	0.000002	0.000070
Total dividend payment, RUR mn	139	40	-	-	160	5	139
Total dividend payment, US\$ mn	5	2	-	-	5	0	5
As % of net profit	6%	-	0%	0%	7%	5%	5%
Dividend record date for annual dividend	8 May 2007	8 May 2007	7 May 2009	5 May 2010	3 May 2011	Mid May'12	Mid May'13
Interim dividends (y/n)	Y	Y	N	N	N	N	N
Dividend yield, %	n/a	0.24%	n/a	n/a	0.66%	0.01%	0.24%

## Bashkirenergo

## Dividend per share, yield



**Review:** Bashkirenergo is the most attractive utility in terms of dividends. The company historically pays generous dividends, especially for preferred shares. We estimate the average payout ratio for the past two years at 50%, which is the highest in the industry. Bashkirenergo calculates dividends for preferred based on the corporate charter, whereas dividends for common shares are based on its dividend policy. The charter obligates Bashkirenergo to pay dividends on preferred shares of not less than 10% of RAS net income, divided by the total number of shares, which comprise 9.9% of share capital. Under the dividend policy, preferred and common shareholders, combined, may receive at least 10% of consolidated net income. In 2011, the company approved Interim dividends.

**Outlook:** In 2011, the company sold an energy retail subsidiary to RusHydro for RUR5.7 bn, and this income will be reflected in RAS 2011 financial report. Based on Bashkirenergo's charter, we expect the company to increase dividends for preferreds by three-fold y/y, which implies a 29.5% dividend yield for FY2011.

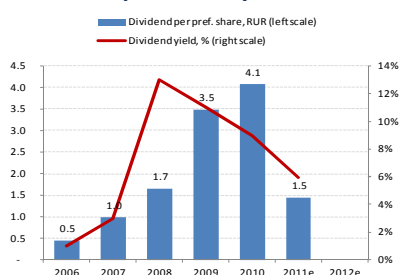
## Dividend dynamics

Bashkirenergo	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	0.41	0.82	1.00	1.09	0.94	1.59	0.38
Dividend per pref. share, RUR	0.87	1.74	4.11	2.30	2.01	7.23	2.55
Dividend per com. share, US\$	0.02	0.03	0.04	0.03	0.03	0.05	0.01
Dividend per pref. share, US\$	0.03	0.07	0.17	0.07	0.07	0.25	0.09
Div. payment on com. share, RUR mn	427	855	1 043	1 133	984	1 658	396
As % of net profit	90%	31%	32%	53%	35%	16%	8%
Div. payment on pref. share, RUR mn	44	87	206	115	101	362	128
As % of net profit	9%	3%	6%	5%	4%	4%	2%
Total dividend distribution, RUR mn	471	942	1 248	1 249	1 085	2 020	524
Total dividend distribution, US\$ mn	17	37	50	39	36	69	18
As % of net profit	99%	35%	38%	58%	39%	20%	10%
Div. record date for annual dividend	7 Mar'07	12 Mar'08	20 Apr'09	30 Apr'10	6 May 2011	Early May 2012	Early May 2013
Dividend yield on com. share, %	1.00%	3.00%	3.00%	3.00%	3.00%	3.62%	0.86%
Dividend yield on pref. share, %	4.00%	9.00%	22.00%	9.00%	9.00%	29.48%	10.40%



# Lenenergo

## Dividend per share, yield



**Review:** Historically, Lenenergo has been among the best dividend ideas in the Russian utilities sector. Until now, the company has paid dividends only on preferred shares. Its corporate charter implies the company has to allocate 10% of RAS net income per annum on preferred shares. Between 2006-10, the company has met this requirement. On growing net income, the dividend for preferreds has consistently risen from RUR0.45 for 2006 to RUR4.08 for 2010.

**Outlook:** We expect dividends on preferred shares for 2011 will decrease by roughly 65% y/y due to weak 2011 financial performance, reflecting a decline in revenue from connection fees. Despite the decline, with a dividend yield of 6%, Lenenergo's preferred shares remain one of the best dividend ideas among Russian utilities for 2011. We expect the company to adopt a dividend policy for both common and preferred shares in 2012.

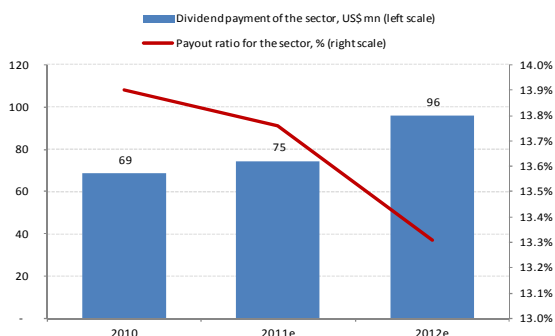
## Dividend dynamics

Lenenergo	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	-	-	-	-	-	-	-
Dividend per pref. share, RUR	0.45	0.98	1.65	3.49	4.08	1.45	-
<b>Dividend per com. share, US\$</b>	-	-	-	-	-	-	-
<b>Dividend per pref. share, US\$</b>	<b>0.02</b>	<b>0.04</b>	<b>0.07</b>	<b>0.11</b>	<b>0.13</b>	<b>0.05</b>	-
Div. payment on com. share, RUR mn	-	-	-	-	-	-	-
<i>As % of net profit</i>	-	-	-	-	-	-	-
Div. payment on pref. share, RUR mn	42.40	91.61	153.96	325.80	380.56	134.82	-
<i>As % of net profit</i>	-	7%	8%	13%	8%	10%	0%
Total dividend distribution, RUR mn	42	92	154	326	381	135	-
<b>Total dividend distribution, US\$ mn</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>10</b>	<b>13</b>	<b>5</b>	-
<i>As % of net profit</i>	n/a	7%	8%	13%	8%	10%	0%
Div. record date for annual dividend	8 May 2007	18 Apr 2008	27 Apr 2009	11 May'10	11 May'11	Early May'12	Early May'13
<b>Dividend yield on com. share, %</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Dividend yield on pref. share, %</b>	<b>1%</b>	<b>3%</b>	<b>13%</b>	<b>11%</b>	<b>9%</b>	<b>5.91%</b>	<b>0.00%</b>

## Consumer Goods

## No interesting yields

### Total sector dividend payment



### Dividend dynamics

	Record date annual dividend		Interim divid'd	Remaining dividend			Total divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share	US\$ per share	Div. yield %	US\$ mn	Ch., % y/y	
Magnit	6 May 2011	1-10 May 12	-	12.90	0.44	0.34%	39	15%	10%
M.Video	12 May 2011	10-15 May 12	-	4.70	0.16	1.84%	29	21%	30%
Veropharm	13 May 2011	10-15 May 12	-	19.00	0.65	2.04%	6	0%	12%
<b>Total for sector</b>						<b>1.41%</b>	<b>75</b>	<b>8%</b>	<b>14%</b>

### Outlook

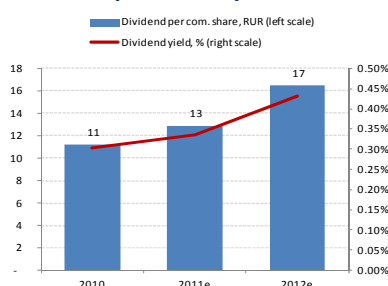
We do not expect the current dividend picture to be any different from last year. Although no stars, retail dividend payers will continue with the strategy as an indication of good will towards minority shareholders. We expect **Magnit** to increase dividends y/y based on solid 20% growth in consolidated net income, offering 0.3% yield. As for **M.Video**, its bottom line may rise by 28% in 2011, which may support higher dividends. **Veropharm** remains a special case, as we believe that dividends might be directed to its majority owner, **Pharmacy Chain**, 36.6 to support cash flows.

### Review

The Consumer Goods and Retail sectors in Russia consist largely of growth companies reluctant to pay dividends, due to high leverage and investment to foster extensive business growth. At the same time, dividend payers have started to emerge in retail (Magnit and M.video) and pharmaceutical production (Veropharm). We find that only low-debt companies offer payments to shareholders, however small. Dividend yields are hardly of interest, and payments are not secured by corporate documents. Based on cash flows and financial outlook, the dividend case is rather supplemental to company valuations.

## Magnit

### Dividend per share, yield



**Review:** Magnit started dividend payments in 2009, when 11% of 2008 consolidated net income was distributed to shareholders. The dividend payout for 2009 was 10% of bottom line, and the tradition looks stable. Like in 2009, last year the dividend was a combination payment for full-year and 1Q11 due to lower RAS net income, but dividend payout ratio was again 10% of IFRS net income for 2010. The dividend yield is low, since the market looks at Magnit growth rates (37% revenue CAGR in 2008-2011). The company has no official document fixing dividend payouts, but its dividend policy (adopted in 2010) states that payment cannot exceed net income under RAS.

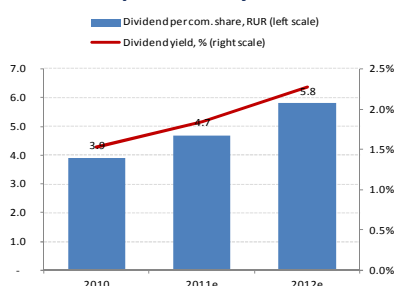
**Outlook:** Magnit has already reported 2011 consolidated financials. Net income rose by 20% y/y, which, in our view, implies the dividend could rise proportionately. However, as dividends cannot exceed 100% of RAS net income, the risk arises that the payout may be lower as RAS net income for 9M11 is weak. We expect dividends for 2011 (excl. 1Q11) should not exceed RUR12.9 (US\$0.44) per share, yielding 0.3%. Going forward, we believe Magnit will adhere to its practice of paying 10% of consolidated income as dividends.

### Dividend dynamics

Magnit	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	--	--	6.22	10.06	11.24	12.90	16.50
Div. per com. share, US\$	--	--	0.19	0.33	0.41	0.44	0.56
Total dividend payment, RUR mn	--	--	518	895	1 000	1 148	1 565
Total dividend payment, US\$ mn	--	--	16	30	37	39	54
As % of net profit	--	--	11%	10%	10%	10%	10%
Dividend record date for annual dividend	--	--	8 May 2009	7 May 2010	6 May 2011	1-10 May 12	1-10 May 2013
Interim dividends (y/n)	--	--	N	N	N	N	N
Dividend yield, %	--	--	0.57%	0.43%	0.30%	0.34%	0.43%

## M.Video

### Dividend per share, yield



**Review:** M.video distributed its first dividend for 2009, at a payout ratio over 50% of consolidated net income and 85% of net income under RAS. The 2010 dividend grew by 70% y/y, thanks to strong financial performance: The payout was 32% of IFRS net income and 87% of RAS figure. However, despite solid payouts, the dividend yield was modest at 1.4% and 1.5% in 2009 and 2010, respectively. M.video's dividend policy is not definitely stipulated in official documents or company charter. However, we believe the company may adopt a clearer dividend policy in the next few years.

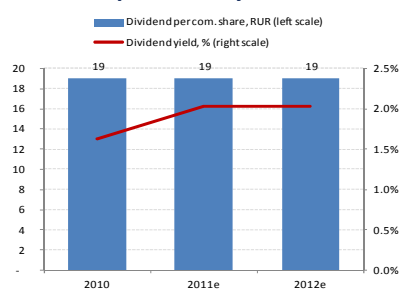
**Outlook:** Thanks to solid cash flow and net cash position on the balance sheet, M.video is well-positioned to distribute part of its profits to shareholders. We estimate M.video's consolidated net income growth at 28% y/y in ruble terms for 2011, supported by a healthy 47% y/y rise in 1H11, and assume the company will maintain around a 30% payout ratio. However, the dividend is only RUR4.7(US\$0.16) per share under our assumptions, offering just 1.8% yield to the current market quote.

### Dividend dynamics

M.Video	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	--	--	--	2.30	3.90	4.70	5.80
Div. per com. share, US\$	--	--	--	0.08	0.14	0.16	0.20
Total dividend payment, RUR mn	--	--	--	413	701	845	1 051
Total dividend payment, US\$ mn	--	--	--	14	25	29	36
As % of net profit	--	--	--	53%	32%	30%	30%
Dividend record date for annual dividend	--	--	--	12 May 2010	12 May 2011	10-15 May 12	10-15 May 2013
Interim dividends (y/n)	--	--	--	N	N	N	N
Dividend yield, %	--	--	--	1.41%	1.52%	1.84%	2.27%

# Veropharm

## Dividend per share, yield



**Review:** Last year, Veropharm surprised the market with a dividend payment of RUR19 (US\$0.68) per share after years of reinvesting profits. The payout ratio was 16% of consolidated net income and 50% of net income under RAS, while the dividend yield was 1.6%. We believe that dividend payments were initiated primarily for the benefit of the company's majority shareholder, Pharmacy Chain 36.6 (36.6), which is over-leveraged with financial debt and trade payables. Veropharm documents do not clarify dividend prospects. We do not expect major changes in this respect in foreseeable future, since dividend payments are made rather for the benefit of the controlling shareholder than to increase company attractiveness in the market.

**Outlook:** The risk is high that Veropharm's dividend payments will be unstable y/y. However, the cash needs of 36.6 suggest that last year's practice should be continued. We are positive on Veropharm's net income dynamics in 2011 – the 9M11 bottom line was already close to its full year 2010 result. For 2011, therefore, we expect dividends to be no less than those paid for 2010, yielding 2.0%.

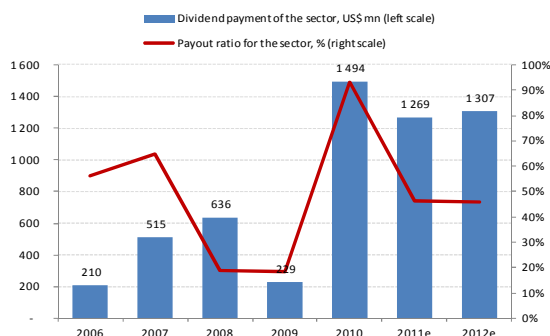
## Dividend dynamics

Veropharm	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	--	--	--	--	19.00	19.00	19.00
<b>Div. per com. share, US\$</b>	--	--	--	--	<b>0.68</b>	<b>0.65</b>	<b>0.65</b>
Total dividend payment, RUR mn	--	--	--	--	190	190	190
<b>Total dividend payment, US\$ mn</b>	--	--	--	--	<b>7</b>	<b>6</b>	<b>6</b>
<i>As % of net profit</i>	--	--	--	--	<b>16%</b>	<b>12%</b>	<b>10%</b>
Dividend record date for annual dividend	--	--	--	--	13 May 2011	10-15 May 12	10-15 May 2013
Interim dividends (y/n)	--	--	--	--	N	N	N
<b>Dividend yield, %</b>	--	--	--	--	<b>1.62%</b>	<b>2.04%</b>	<b>2.04%</b>

## Fertilizers

## Inconsistent performers

### Total sector dividend payment



### Review

Russian fertilizer companies are set to distribute a total of US\$1.3 bn in the form of dividends for 2011. Although the figure suggests a 15% decline y/y (PhosAgro made a US\$ 870 mn pre-IPO distribution of cash prior to the IPO as an annual dividend for 2010), the absolute amount of dividend payment for the sector is two-fold larger compared to 2008. Most Russian fertilizer companies have a dividend policy, which sets a minimum payout ratio ranging from 30% to 50% of net income. As a result, dividend payments are dependent on fertilizer export revenue. In this respect, dividend payments of Russian fertilizer companies have been a roller-coaster in 2006-2011. However, it is a noticeable fact that total dividend payments of Russian fertilizer companies increased 5-6 fold from 2006 to 2011.

### Dividend dynamics

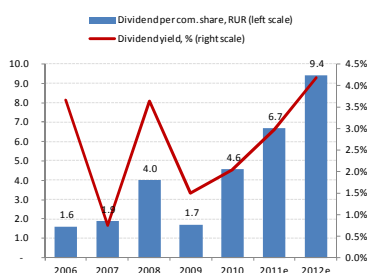
	Record date annual dividend		Interim divid'd	Remaining dividend			Total divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share	US\$ per share	Div. yield %	US\$ mn	Ch., % y/y	
Uralkali	24 May 2011	Mid-May '12	4.00	2.70	0.09	1.20%	709	43%	50%
PhosAgro	12 May 2011	Mid May 12	560.35	96.82	3.31	0.97%	277	-70%	40%
Acron	8 Apr 2011	1-10 April	129.00	41.49	1.42	3.25%	278	350%	62%
Dorogobuzh com. shares	1 Apr 2011	Early Apr '12	-	-	-	0.00%	-	0%	0%
Dorogobuzh pref. shares	1 Apr 2011	Early Apr '12	-	1.00	0.03	5.15%	5	-4%	3%
<b>Total for sector</b>						<b>1.81%</b>	<b>1269</b>	<b>-15%</b>	<b>46%</b>

### Outlook

Most Russian fertilizer companies have already distributed a part of their earnings for 2011 as interim dividends. **Uralkali** paid a dividend of RUR4.0 per share for 9M11. **Acron** paid US\$200 mn in dividends for 9M11, a part of which represented distribution of US\$110 mn proceeds from the sale of potash permits in Canada. **PhosAgro** paid two interim dividends in 2011 – one pre-IPO and one post share placement. Our analysis suggests that Uralkali, Acron and PhosAgro should pay an additional dividend for 4Q11, which would yield at current share prices from 1% (Uralkali and PhosAgro) to 3% (Acron). In the long term, we consider Russian fertilizer sector as an appealing dividend story. Should the companies hold fast to their announced dividend payout ratios, dividend payments of Uralkali, Acron and PhosAgro would yield 4-7% on an annual basis in 2012-2015. Additional drivers for dividend yields for Uralkali and Acron will be the cancelation of companies' treasury shares (15% for Acron and 3% for Uralkali), which we expect in mid-2012.

# Uralkali

## Dividend per share, yield



**Review:** Uralkali's dividend payments vary depending on the state of the fertilizer market. In 2006-2007, the company paid dividends of RUR1.5-1.9 per share. In mid 2008, when potash prices were skyrocketing, the company distributed RUR4.0 per share as interim dividends. Uralkali, however, decided to forego annual dividends, given worsening conditions on the potash market in 2H08 and 1H10. The recovery in potash prices and the change of the company's core shareholder brought an uptick in the company's dividend payments in 2011. For 2010, Uralkali distributed 85% of IFRS net profit as dividends or RUR4.55 per share.

Uralkali adopted its new dividend policy in September 2011. The document calls for a minimum 50% distribution of net profit under IFRS as dividends. The company, however, states that a 50% payout is a right, not an obligation. According to Uralkali's policies, the company plans to make dividend payments twice a year.

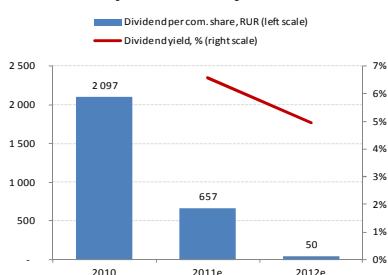
**Outlook:** The visibility of Uralkali's dividend payment for 2011 remains low. In October 2011, the company announced an interim dividend of RUR4.0 per share, which implied a distribution of RUR12.4 bn (US\$403 mn). In a press release, the company said the dividend related to undistributed profit of the previous years. It was not clear if that interim dividend payment was related to cash reserves of Silvinit, which did not pay dividends for 2010, given the company was in the process merger with Uralkali in mid-2011. Uralkali's decision on interim dividends also followed the company's announcement of a US\$2.5 bn buy-back program, which was aimed at supporting the company's share price. According to Uralkali, so far the company has spent a total of US\$404 mn of cash to repurchase its own shares from the market. It is not clear if the company considers buy-back costs as a part of cash distribution to the company.

Assuming that Uralkali's dividend for the whole of 2011 will represent 50% of IFRS net profit, including the interim dividend, the company can pay an additional dividend of RUR2.7 per share. At current levels, this dividend would yield 1.2%. In the long-term, a 50% payout suggests that Uralkali's shares would yield 4-5% on an annual basis. The upside to this forecast is related to the potential cancellation of Uralkali's treasury shares (3% of current number of shares outstanding). The record date for Uralkali's remaining dividend for 2011 is expected in mid-May 2012.

Uralkali	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	1.59	1.90	4.00	1.70	4.55	6.70	9.42
<b>Div. per com. share, US\$</b>	<b>0.06</b>	<b>0.08</b>	<b>0.13</b>	<b>0.06</b>	<b>0.16</b>	<b>0.23</b>	<b>0.32</b>
Total dividend payment, RUR mn	3 378	4 036	8 498	3 611	14 080	20 750	29 151
<b>Total dividend payment, US\$ mn</b>	<b>127</b>	<b>170</b>	<b>274</b>	<b>120</b>	<b>496</b>	<b>709</b>	<b>997</b>
<b>As % of net profit</b>	<b>97%</b>	<b>50%</b>	<b>39%</b>	<b>40%</b>	<b>85%</b>	<b>50%</b>	<b>50%</b>
Record date for annual dividend	7 Nov '06	13 May '08	25 May '09	11 May '10	24 May '11	Mid-May '12	Mid-May '13
Interim dividends (y/n)	Y	N	Y	N	N	Y	Y
<b>Dividend yield, %</b>	<b>3.66%</b>	<b>0.74%</b>	<b>3.64%</b>	<b>1.50%</b>	<b>2.04%</b>	<b>2.97%</b>	<b>4.17%</b>

# PhosAgro

## Dividend per share, yield



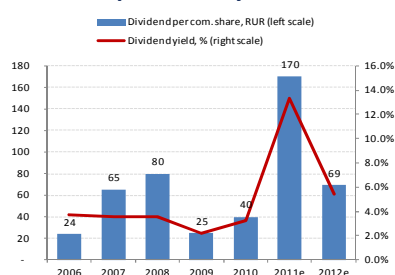
**Review:** PhosAgro went public in mid 2011. Prior to the IPO, the company distributed excess cash for a total amount of RUR33 bn as dividends (as annual dividends for 2010 and interim for 1Q11). For the IPO, PhosAgro committed itself to paying dividends (including interim) equivalent to 30% to 40% of IFRS net profit. In October 2011, the company paid interim dividends of RUR250 per local share, which offered a yield of 2.3%. Recently, PhosAgro completed the conversion of preferred shares into ordinary and a 10:1 split of common shares.

**Outlook:** Despite current weakness on the fertilizer market, PhosAgro's management confirmed that the total dividend payment for 2011 (from IPO to year end) will amount to 30%-40% of IFRS net profit for 2Q-4Q12. This will include a dividend of RUR250 per share already distributed in 2011 as interim payment. Based on our forecast for the company's 2Q-4Q11 IFRS net profit (RUR 14 bn) and already distributed dividends, we expect PhosAgro to pay an additional dividend of RUR10 per share (after split), which suggests a dividend yield of approximately 1%. This estimate assumes that the company will distribute 30% of 2Q-4Q11 IFRS net profit, as we think that PhosAgro will choose the low-end of the payout range, given the bearish situation on the fertilizer market. Going forward, a 40% payout ratio suggests that PhosAgro shares at current levels would offer a 5-7% dividend yield, which we find attractive. The dividend record date for the remaining dividend for 2011 is expected in mid-May 2012. The amount of dividend should be announced in April 2012.

PhosAgro	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	--	--	--	--	2 097.00	657.17	49.68
Div. per com. share, US\$	--	--	--	--	75.05	22.47	1.70
Dividend per pref share (1), RUR	--	--	--	--	2 080.50	308.25	-
Dividend per pref share (1), US\$	--	--	--	--	74.46	10.45	-
Dividend per pref share (2), RUR	--	--	--	--	52.90	1.81	-
Dividend per pref share (2), US\$	--	--	--	--	1.89	0.06	-
Total dividend payment, RUR mn	--	--	--	--	26 000	8 167	6 184
Total dividend payment, US\$ mn	--	--	--	--	931	277	210
As % of net profit	--	--	--	--	217%	40%	40%
Record date for annual dividend	--	--	--	--	12 May 2011	Mid May 12	Mid May 13
Interim dividends (y/n)	--	--	--	--	N	Y	Y
Dividend yield, %	--	--	--	--	-	6.56%	4.96%

# Acron

## Dividend per share, yield



**Review:** Acron has been an inconsistent dividend payer – the company’s cash distribution to shareholders has fluctuated depending on the situation on the fertilizer market. Acron’s dividend payment in 2006-2008 ranged from RUR24 per local share in 2006 to RUR80 per share in 2008. Following a dive in fertilizer prices in 2009, Acron had to cut its dividend payment to RUR25 per share. The recovery of the market prompted the company to increase its dividend payment to RUR40 per share in 2010. The dividend yield in 2006-2010 ranged from 2% to 4%, which we find acceptable. In turn, the payout ratio ranged from 16% of IFRS net profit in 2009 to 55% in 2007. Acron’s dividend policy suggests that the company should be paying a minimum of 30% of RAS net income, net of non-cash profit generated on the revaluation of long-term investments.

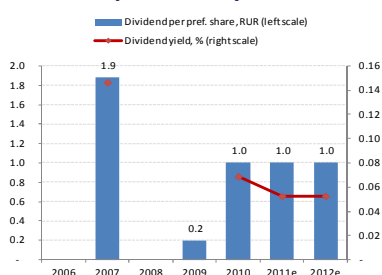
**Outlook:** Acron has already distributed a dividend of RUR129 per share for 9M11, which was a record high dividend payment. In total, the company paid RUR6.2 bn (US\$200 mn) for 9M11 and a bigger part of this amount represented a distribution of proceeds from a US\$110 mn sale of the company’s licenses on eight of its potash permits in Canada. Assuming that the rest of the dividend payment for 9M11 represented a distribution of 30% of RAS net income, we expect Acron to pay an additional dividend of RUR2 bn or RUR41 per local share for 4Q12 (based on the number of shares prior to cancelation of treasury shares). The latter suggest a 3.3% yield. The reliability of our estimate, however, remains low. Acron may produce a positive surprise with its dividend payment for 4Q11 should the company choose to distribute part of its proceeds from the sale of Acron’s stake in Uralkali. In turn, the downside to our estimate is related to a weak situation on the fertilizer market in terms of pricing, which may prompt Acron to reduce its dividend payment for 4Q11. Following the cancelation of 15% treasury shares in mid-2012, we expect Acron to offer a dividend yield of 4-5% in 2012 and going forward. The record date for the remaining 2011 dividend is expected in early April 2012.

Acron	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	24	65	80	25	40	170	69.27
Div. per com. share, US\$	0.88	2.54	3.22	0.79	1.32	5.83	2.37
Total dividend payment, RUR mn	1 145	3 100	3 808	1 192	1 875	8 130	2 808
Total dividend payment, US\$ mn	42	121	153	38	62	278	96
As % of net profit	46%	55%	39%	16%	30%	62%	30%
Record date for annual dividend	10 Apr 2007	10 Apr 2008	10 Apr 2009	9 Apr 2010	8 Apr 2011	1-10 April	1-10 April
Interim dividends (y/n)	Y	Y	Y	N	N	Y	Y
Dividend yield, %	3.72%	3.53%	3.56%	2.17%	3.22%	13.36%	5.43%



# Dorogobuzh

## Dividend per share, yield



**Review:** Dorogobuzh does not have an official dividend policy. The company's charter calls for the distribution of 10% of RAS net income as a dividend for preferred shares. However, the company did not strictly comply with the target ratio. Dorogobuzh paid dividends for 2007 that were equivalent to 43% of IFRS net profit. The dividend for 2008 was withheld as the company incurred a net loss under RAS accounting. For 2009, Dorogobuzh distributed a dividend of a mere 1% of IFRS net profit and RAS net income for preferred shares. For 2010, the company paid RUR1 per preferred share, which suggested a 7% yield.

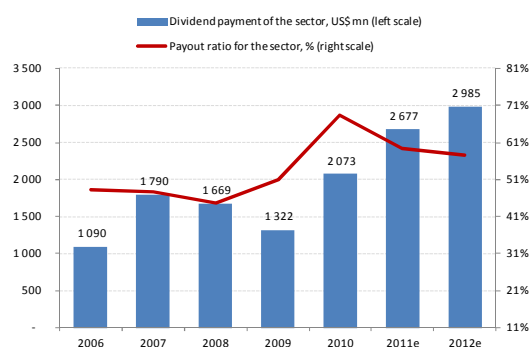
**Outlook:** In the absence of any guidance from either Dorogobuzh or its parent entity (Acron), we assume that Dorogobuzh will maintain a RUR1 per preferred share dividend distribution in 2011-2012. At current price levels, this suggests a 5% yield. We, however, should note that Acron may choose to fully consolidate Dorogobuzh as the parent recently increased its stake in the subsidiary to 85%. Due to the volatile nature of Dorogobuzh's dividends in the past and potential prospects for the company's consolidation into Acron, we do not consider Dorogobuzh as an appealing dividend story.

Dorogobuzh	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	--	1.88	-	-	-	-	-
<b>Div. per com. share, US\$</b>	--	<b>0.08</b>	-	-	-	-	-
Dividend per pref. share, RUR	--	1.88	-	0.20	1.00	1.00	1.00
<b>Dividend per pref. share, US\$</b>	--	<b>0.08</b>	-	<b>0.01</b>	<b>0.04</b>	<b>0.03</b>	<b>0.03</b>
Total dividend payment, RUR mn	--	580	-	31	154	154.26	154.26
<b>Total dividend payment, US\$ mn</b>	--	<b>24.61</b>	-	<b>1.05</b>	<b>5.45</b>	<b>5.23</b>	<b>5.23</b>
<i>As % of IFRS net income</i>	--	<b>43%</b>	-	<b>0.87%</b>	<b>6.61%</b>	<b>2.75%</b>	<b>2.77%</b>
Dividend record date	--	4 Apr 2008	-	2 Apr 2010	1 Apr 2011	beg. Apr '12	beg. Apr '13
<b>Dividend yield per com. share, %</b>	--	<b>7.60%</b>	-	-	-	-	-
<b>Dividend yield per pref. share, %</b>	--	<b>14.66%</b>	-	-	<b>6.89%</b>	<b>5.26%</b>	<b>5.26%</b>

## Telecoms

## Wide yield selection

### Total sector dividend payment



### Review

Globally, telecommunication companies report moderate growth rates, allowing for high dividends (for example, the S&P 500 aggregate payout ratio for telecommunication is estimated at more than 60%). In Russia, historically, fixed line telecom providers were among the most attractive of the dividend yield stories, especially preferred shares as they are secured by corporate charter. For preferred shares, the charter requires that preferred shareholders receive not less than 10% of RAS net income. In 2011, eight fixed line telecom providers were consolidated under Rostelecom, establishing a national telecommunications operator. The new company approved its own dividend policy by year end 2011. The policy provides that not less than 20% of IFRS net profit will be paid a dividend on common shares; the policy for preferred shares remains the same as set forth in the company's charter. Rostelecom has not yet made payments based on the dividend policy. Cellular service providers also were involved into consolidation process. MTS merged with Comstar and VimpelCom merged with Kievstar. However, currently, only MTS has a stable dividend history. Some telecoms pay interim dividends.

### Dividend dynamics

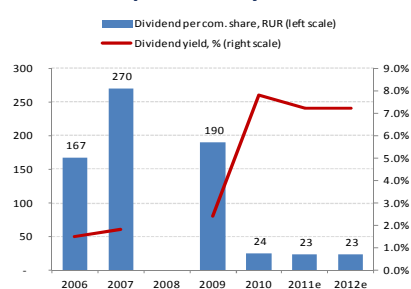
	Record date annual dividend		Interim divid'd	Remaining dividend			Total divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share	US\$ per share	Div. yield %	US\$ mn	Ch., % y/y	
MTS	10 May 2011	Early May 2012	-	15.33	0.52	6.4%	1 083	5%	75%
Rostelecom com. shares	10 May 2011	Early May 2012	-	2.54	0.09	1.7%	255	822%	20%
Rostelecom pref. shares	10 May 2011	Early May 2012	-	4.68	0.16	5.5%	39	161%	3%
Vimpelcom	1 June 2011	June 12	13.14	10.26	0.35	3.2%	1 300	20%	73%
<b>Total for sector</b>						<b>4.2%</b>	<b>2677</b>	<b>29%</b>	<b>59%</b>

### Outlook

We expect Russian telecoms to continue to offer among the highest payout ratios in Russia as well as increase dividend payments in absolute term y/y. We believe that **MTS** will retain its dividend leadership position and offer the highest dividend yield (6.4% vs 4.2% on average) and payout ratio (75% vs 59% on average) for 2011. However, **VimpelCom** is closing the gap on its rival with a 2011 payout ratio estimated at 73%. In line with management's announcement, we expect **Rostelecom** to pay out a higher percentage of net income than called for under its dividend policy. We believe the consolidation of the industry will improve corporate governance and boost cash flows of the main players, allowing these operators to allocate surplus funds toward dividends. We do not expect any negative changes to the dividend policies of sector through 2012.

# VimpelCom

## Dividend per share, yield



**Review:** VimpelCom has paid dividends since 2006. The payout ratio for 2006-2007 of 40% of net income, on average, higher than called for under its dividend policy (25%). In 2009-2010, VimpelCom merged with Kievstar and, thereafter, with Wind Telecom. Before the merger, VimpelCom Ltd.'s dividend policy implied a payout ratio of not less than 50% of yearly FCF from its operations in Russia and Ukraine. After the deal, VimpelCom Ltd also received assets in Africa, Asia and Italy, and changed its policy, intending to pay dividends for 2011-2013 of at least US\$0.8 per share per annum for not more than 1628 mln common shares.

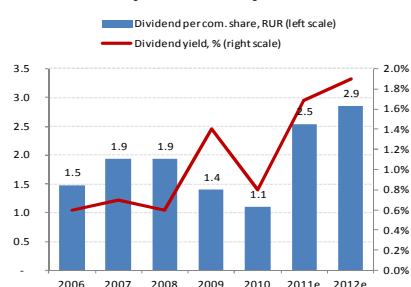
**Outlook:** Based on management's announcement, we expect VimpelCom to pay not less than US\$1.3 bn in dividends for 2011. The company has already paid interim dividends of US\$0.45 per share (USD733 mn) for 2011, which suggests an additional allocation of US\$732 mn, or US\$0.35 per share will be made.

## Dividend dynamics

VimpelCom	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	166.88	270.01	--	190.13	24.30	23.40	23.40
Div. per com. share, US\$	6.14	10.56	--	5.98	0.80	0.800	0.800
Total dividend payment, RUR mn	8 558	13 846	--	9 750	31 647	38 035	39 569
Total dividend payment, US\$ mn	315	541	--	307	1 042	1 300	1 353
As % of net profit	39%	37%	--	27%	63%	73%	67%
Dividend record date for annual dividend	14 May 2007	30 Apr 2008	--	12 Nov 2009	1 June 2011	June 12	June 13
Interim dividends (y/n)	N	N	--	Y	Y	Y	Y
Dividend yield, %	1.50%	1.80%	--	2.40%	7.80%	7.25%	7.25%

# Rostelecom

## Dividend per share, yield



**Review:** In 2011, Rostelecom merged with eight fixed line telecoms providers, establishing Russia's national telecommunications operator. The company has historically delivered a payout ratio of roughly 30%. The consolidated Rostelecom approved a new dividend policy at the end of 2011, which stipulates paying not less than 20% of IFRS net profit as a dividend on common shares. The dividend policy for preferred shares remains the same as set out in the company's charter (the dividend per one preferred share is set at 10% of net profit according to RAS, divided by the total number of shares, which comprise 25% of share capital). According to management, the new unified company will be able to pay up to 40% of net income in dividends.

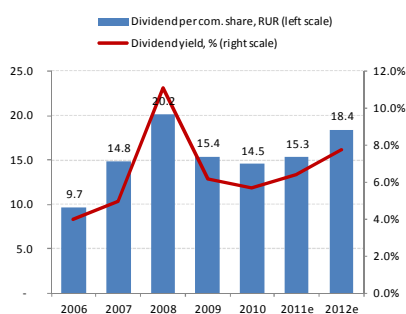
**Outlook:** Despite the recently announced buy back of Rostelecom's common shares, we expect the company to pay dividends for both common and preferred shares. Based on the dividend policy, charter and 2011 Bloomberg's consensus estimates for net income, we expect the company to increase 2011 dividend y/y by 2.3-fold to RUR2.5 per common share and RUR4.7 per preferred share.

## Dividend dynamics

Rostelecom	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	1.48	1.94	1.94	1.40	1.11	2.54	2.86
Dividend per pref. share, RUR	2.96	3.88	2.91	2.10	2.10	4.68	5.28
Dividend per com. share, US\$	0.05	0.08	0.08	0.04	0.04	0.09	0.10
Dividend per pref. share, US\$	0.11	0.15	0.12	0.07	0.07	0.16	0.18
Dividend payment on com., RUR mn	1 078	1 414	1 414	1 020	810	7 462	8 409
As % of net profit	15%	15%	20%	20%	23%	20%	20%
Dividend payment on pref., RUR mn	719	942	707	510	435	1 137	1 282
As % of net profit	10%	10%	10%	10%	13%	3%	3%
Total dividend distribution, RUR mn	1 796	2 356	2 122	1 530	1 245	8 599	9 691
Total dividend distribution, US\$ mn	66	92	85	48	41	294	331
As % of net profit	25%	25%	30%	30%	36%	23%	23%
Record date for annual dividend	27 Apr'07	22 Apr'08	14 Apr'09	7 May'10	10 May'11	Early May 2012	Early May 2013
Dividend yield on com. share, %	0.60%	0.70%	0.60%	1.40%	0.80%	1.68%	1.90%
Dividend yield on pref. share, %	3.50%	6.90%	8.10%	3.10%	2.50%	5.51%	6.21%

# MTS

## Dividend per share, yield



**Review:** Historically, MTS offers the highest dividends among Russian peers. Moreover, since 2004, the company gradually increased its payout ratio from 41% of consolidated net income to 78% in 2010, which is in line with global peers (roughly 60%). We estimate that MTS will pay an average dividend yield for 2004-2010 of 5.6%, which is also in line with global peers. Even during the crisis of 2008, the company paid out higher shares of net profit than called for under its dividend policy. MTS' dividend policy was adopted in 2007. The document implies an allocation among shareholders of not less than 50% of consolidated annual net income.

**Outlook:** In 2012, we expect MTS to remain one of the best dividend ideas among the Russian blue chips. In 2011, MTS completed its merger with COMSTAR and we expect the new unified company to retain its dividend policy and payout ratio. According our estimations, the company will increase 2011 dividends by 5.4% y/y to RUR15.33 per share, which is equal to 6.4% of dividend yield.

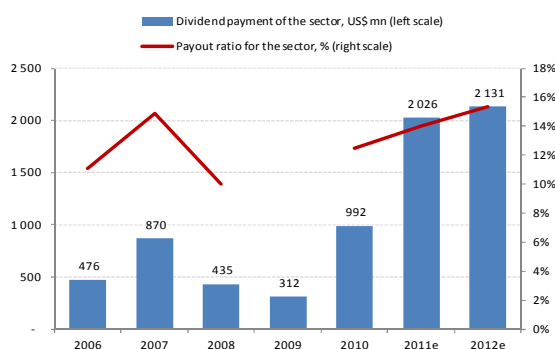
## Dividend dynamics

MTS	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	9.67	14.84	20.15	15.40	14.54	15.33	18.41
Div. per com. share, US\$	0.36	0.58	0.81	0.49	0.48	0.52	0.63
Total dividend payment, RUR mn	19 275	29 581	39 405	30 697	30 046	31 675	38 039
Total dividend payment, US\$ mn	709	1 157	1 584	966	990	1 083	1 301
As % of net profit	60%	60%	60%	75%	78%	75%	75%
Record date for annual dividend	14 May'07	8 May'08	8 May'09	24 Jun'10	10 May'11	Early May'12	Early May'13
Interim dividends (y/n)	N	N	N	N	N	N	N
Dividend yield, %	4.00%	5.00%	11.10%	6.20%	5.70%	6.44%	7.74%

## Banking

## Slim pickens

### Total sector dividend payment



### Review

The banking industry has provided only a limited opportunity for investors to play a dividend story. Russia's major publicly traded banks – Sberbank, VTB, Vozrozhdenie Bank and Bank Saint Petersburg – historically offer a modest dividend yield owing to distribution of marginal funds for dividend payments. Even the shareholders of the country's largest banks, Sberbank and VTB, have not benefited – despite a double-digit payout ratio, the dividend yields over the past years have been modest. For instance, combined dividend yield of these four lending institutions remained flat y/y in 2010 and averaged to 1.4%, which would have been materially lower at 0.6% had Bank Saint Petersburg not paid a 6.6% dividend yield on its convertible preferred shares.

### Dividend dynamics

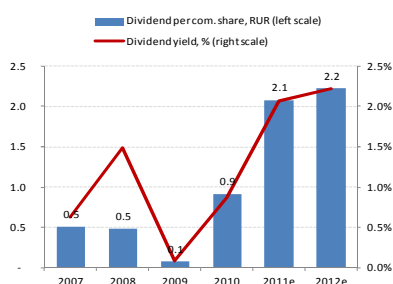
	Record date annual dividend		Interim divid'd	Remaining dividend			Total divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share	US\$ per share	Div. yield %	US\$ mn	Ch., % y/y	
Sberbank com.	15 Apr 2011	14 Apr 2012	-	2.08	0.07111	2.1%	1 535.1	126%	14.21%
Sberbank pref	15 Apr 2011	14 Apr 2012	-	2.59	0.08855	3.1%	88.5	125%	0.82%
VTB com.	21 Apr 2011	Apr.2012	-	0.00104	0.00004	1.4%	373.7	80%	11.00%
Bank Saint-Petersburg com.	10 Mar 2011	11 Mar 2012	-	0.11	0.00376	0.1%	1.1	7%	0.46%
Bank Saint-Petersburg pref.	10 Mar 2011	11 Mar 2012	-	0.11	0.00376	1.5%	0.1	-	0.03%
Bank Saint-Petersburg conv.	10 Mar 2011	11 Mar'12	-	12.07	0.41256	13.2%	26.9	3%	10.88%
Vozrozhdenie Bank com.	5 May 2011	Early May'12	-	0.50	0.01709	0.1%	0.4	-	0.74%
Vozrozhdenie Bank pref.	5 May 2011	Early May'12	-	2.00	0.06838	0.9%	0.1	-	0.16%
<b>Total for sector</b>						<b>2.8%</b>	<b>2026</b>	<b>104%</b>	<b>14%</b>

### Outlook

Our dividend expectations for 2011 remain conservative. Although each of the four banks is forecast to increase net profit by more than 74% y/y, we expect the combined dividend yield to grow from 1.4% in 2010 to just 2.8% in 2011. **Sberbank** has announced it will likely pay RUR2.08 for common and RUR2.59 for preferred shares, implying a yield of 2.1% and 3.1%, respectively. **VTB** intends to pay 10-20% of IFRS net income through 2013. We estimate it will offer just 1.4% dividend yield for 2011. **Vozrozhdenie Bank** and **Bank Saint Petersburg**, for their part, will likely retain constant dividends payments for the foreseeable future, offering a maximum 1.5% dividend yield. Bank Saint Petersburg's convertible stocks, providing a 13.2% yield, are the only exception. The most attractive dividend stories are Sberbank and Bank Saint Petersburg: The former plans to raise the payout ratio from the current 15% to 20% by 2013, while the latter will distribute steady dividends of US\$0.41/share (currently – RUR12.07/share) each year through 2013.

## Sberbank

### Dividend per share, yield



**Review:** Sberbank has steadily paid dividends before 2011, offering a moderate average dividend yield of 0.7% and 1.5% for common and preferred stocks, respectively. The payout ratio has doubled over the past decade from 6% of IFRS net profit in 2001 to 12% in 2010. Moreover, we expect the ratio to advance gradually by 2-3 ppts every year, as the dividend policy of Sberbank, announced in 2011, assumes growth of payout ratio to 20% through 2013. The Charter of Sberbank authorizes annual dividend payments only. Dividends on preferred shares should surpass 15% of their par value; however, actual payments usually exceeded this level.

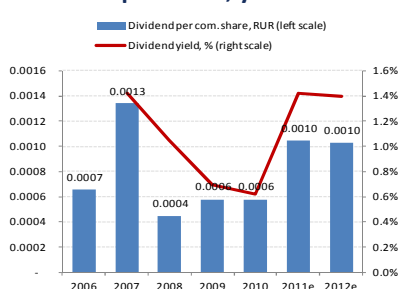
**Outlook:** Sberbank announced 2011 dividend payments of RUR2.08 per ordinary share and RUR2.59 per preferred share, which is roughly two-fold higher than those for 2010 year. These imply a dividend yield of 2.1% for commons and 3.1% for preferred shares, compared to current Sberbank quotes (RUR100 for ordinary and RUR82 for preferred). The dividends are to be approved by shareholders at the AGM (date to be announced). The record date is set for 14 April 2012.

### Dividend dynamics

Sberbank	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	386	0.51	0.48	0.08	0.92	2.08	2.22
Dividend per pref. share, RUR	9	0.65	0.63	0.45	1.15	2.59	2.77
Dividend per com. share, US\$	15	0.02	0.01	0.00	0.03	0.07	0.08
Dividend per pref. share, US\$	0.36	0.03	0.02	0.02	0.04	0.09	0.09
Div. payment on com. share, RUR mn	8322	11009	10362	1727	19860	44901	47986
As % of net profit	10%	10%	11%	7%	11%	14%	16%
Div. payment on pref. share, RUR mn	465	650	630	450	1150	2590	2768
As % of net profit	1%	1%	1%	2%	1%	1%	1%
Total dividend distribution, RUR mn	8787	11659	10992	2177	21010	47491	50754
Total dividend distribution, US\$ mn	340	489	340	75	747	1624	1735
As % of net profit	11%	11%	11%	9%	12%	15%	17%
Div. record date for annual dividend	12 May 07	8 May 08	8 May 09	16 Apr 10	15 Apr 11	14 Apr 2012	Mid Apr 13
Dividend yield on com. share, %	0.39%	0.62%	1.49%	0.09%	0.87%	2.07%	2.21%
Dividend yield on pref. share, %	0.62%	1.27%	3.31%	0.68%	1.58%	3.15%	3.37%

## VTB

### Dividend per share, yield



**Review:** VTB offers an insignificant dividend yield, below 1%, to the owners of VTB's common shares, which continuously declined from 1.4% in 2007 to 0.6% in 2010. VTB paid dividends even for 2009, when the whole VTB group incurred a RUR60bn loss. Although VTB's Charter allows quarterly dividend payments, the bank has paid only on an annual basis. The Supervisory Board's strategic committee recommended that during 2010-2013 dividend payments should account for 10-20% of IFRS net profit. Over the last five years, the payment ranged between 11% and 65% due to highly fluctuating net income.

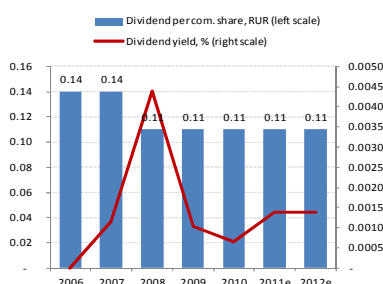
**Outlook:** Net profit under IFRS will increase by 81% y/y to RUR99.4bn in 2011, according to Bloomberg consensus. We expect a conservative payout ratio of 11% for 2011 dividend distribution. Therefore, we estimate that total dividends will increase by 80% y/y to RUR10.9bn in 2011, implying a 1.4% dividend yield to the current VTB quote (RUR0.0735/share).

### Dividend dynamics

VTB	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	0.000660	0.001340	0.000447	0.000580	0.000580	0.001045	0.001028
Dividend per com. share, US\$	0.000026	0.000056	0.000014	0.000020	0.000021	0.000036	0.000035
Total dividend distribution, RUR mn	3439	9010	3006	6067	6067	10931	10753
Total dividend distribution, US\$ mn	134	378	94	209	217	374	368
As % of net profit (IFRS)	11%	23%	65%	n/a	11%	11%	11%
Record date	7 May 07	7 May 08	13 May 09	16 Apr 10	21 Apr 11	Apr 2012	Apr 2013
Dividend yield on com. share, %	n/a	1.42%	1.05%	0.69%	0.62%	1.42%	1.40%

# Bank Saint Petersburg

## Dividend per share, yield



**Review:** Bank Saint Petersburg paid insignificant dividend yields until 2009, when it issued convertible preferred shares with a fixed dividend payment, providing a 7-9% yield over 2009-2010. In this connection, the IFRS-based payout ratio increased from 1% in 2008 to 19% in 2010. Dividends on all share categories are paid on an annual basis. According to the Charter, the Bank is to distribute RUR0.11/share (11% of par) to preferred shareholders, while an almost equal amount (RUR0.11-0.14/share) was typically paid on commons in 2006-10. Additionally, holders of preferred shares are entitled to stable dividend payments, amounting to US\$3.07/share. These will be converted into commons at 1:1 ratio in May 2013.

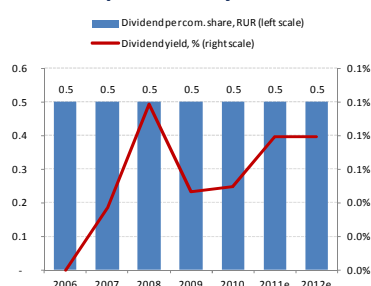
**Outlook:** Bank Saint Petersburg announced 2011 dividend payments of RUR0.11 for each type of share, ordinary and preferred. As for convertible preferred shares, a US\$0.4126 dividend implies a RUR12.07 payment. All the per-share dividend amounts remained unchanged y/y, which implies a dividend yield of 0.1% for ordinary and 1.5% for preferred shares, while that for convertible shares is 13.2%. The dividends are to be approved by the shareholders at the AGM on 28 April.

## Dividend dynamics

Bank Saint Petersburg	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	0.14	0.14	0.11	0.11	0.11	0.11	0.11
Dividend per pref. share, RUR	0.11	0.11	0.11	0.11	0.11	0.11	0.11
Dividend per convertible pref. share, RUR	-	-	-	12.20	11.66	12.07	12.07
<b>Dividend per com. share, US\$</b>	<b>0.005</b>	<b>0.006</b>	<b>0.003</b>	<b>0.004</b>	<b>0.004</b>	<b>0.004</b>	<b>0.004</b>
<b>Dividend per pref share, US\$</b>	<b>0.004</b>	<b>0.005</b>	<b>0.003</b>	<b>0.004</b>	<b>0.004</b>	<b>0.004</b>	<b>0.004</b>
<b>Dividend payment on convert. share, US\$</b>	-	-	-	<b>0.413</b>	<b>0.408</b>	<b>0.413</b>	<b>0.413</b>
Dividend payment on com. share, RUR mn	32	40	31	31	31	33	33
<b>As % of net profit (IFRS)</b>	<b>2.72%</b>	<b>1.97%</b>	<b>1.12%</b>	<b>4.85%</b>	<b>0.75%</b>	<b>0.46%</b>	<b>0.42%</b>
Dividend payment on pref. share, RUR mn	2.2	2.2	2.2	2.2	2.2	2.2	2.2
<b>As % of net profit (IFRS)</b>	<b>0.19%</b>	<b>0.11%</b>	<b>0.08%</b>	<b>0.35%</b>	<b>0.05%</b>	<b>0.03%</b>	<b>0.03%</b>
Divid'd payment on convertible., RUR mn	0.0	0	0	796	760	787	787
<b>As % of net profit (IFRS)</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>124%</b>	<b>18%</b>	<b>11%</b>	<b>10%</b>
Total dividend distribution, RUR mn	35	42	33	829	794	822	822
<b>Total dividend distribution, US\$ mn</b>	<b>1.33</b>	<b>1.76</b>	<b>0.95</b>	<b>28.04</b>	<b>27.80</b>	<b>27.94</b>	<b>28.11</b>
<b>As % of net profit (IFRS)</b>	<b>3%</b>	<b>2%</b>	<b>1%</b>	<b>129%</b>	<b>19%</b>	<b>11%</b>	<b>11%</b>
Record date	31 Mar 07	12 Mar 08	10 Mar 09	10 Mar 10	10 Mar 11	11 Mar 2012	Early March 2013
<b>Dividend yield on com. share, %</b>	-	<b>0.1%</b>	<b>0.4%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>
<b>Dividend yield on pref. share, %</b>	-	<b>0.3%</b>	-	<b>0.4%</b>	<b>0.8%</b>	<b>1.5%</b>	<b>1.5%</b>
<b>Dividend yield on convertible share, %</b>	-	-	-	<b>8.8%</b>	<b>6.6%</b>	<b>13.2%</b>	<b>13.2%</b>

# Vozrozhdenie Bank

## Dividend per share, yield



**Review:** The bank's dividend policy limits the dividend payout ratio to 10% of RAS net profit. However, it is not expected to exceed the 2-3% observed over the past five years, as dividend payments of RUR2 per preferred share (20% of par) is fixed, while RUR0.5 per ordinary share (5% of par) was not changed over 2006-2010. Vozrozhdenie Bank adheres to annual dividend payments, but the Charter implies a quarterly dividend distribution as well.

**Outlook:** IFRS net profit is forecast to grow 2.8-fold y/y to RUR1.6bn in 2011, according to Bloomberg consensus. In this connection, as dividend payments are expected to remain unchanged in 2011 at RUR14.5mn, we estimate the IFRS-based dividend payout ratio will decline from 2.5% to 0.9% in 2011, offering dividend yields of 0.08% for commons and 0.85% for preferreds based on current market prices (RUR630 per common share and RUR235 per preferred share).

## Dividend dynamics

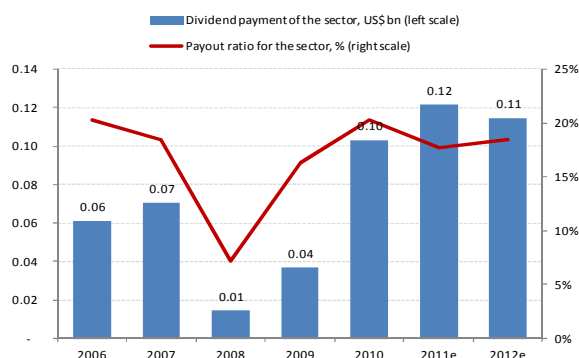
Vozrozhdenie Bank	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Dividend per pref. share, RUR	2.00	2.00	2.00	2.00	2.00	2.00	2.00
<b>Dividend per com. share, US\$</b>	<b>0.019</b>	<b>0.021</b>	<b>0.015</b>	<b>0.016</b>	<b>0.018</b>	<b>0.017</b>	<b>0.017</b>
<b>Dividend per pref. share, US\$</b>	<b>0.077</b>	<b>0.084</b>	<b>0.062</b>	<b>0.065</b>	<b>0.072</b>	<b>0.068</b>	<b>0.068</b>
Dividend payment on com. share, RUR mn	10.4	11.9	11.9	11.9	11.9	11.9	11.9
<i>As % of net profit (IFRS)</i>	<i>1.3%</i>	<i>0.6%</i>	<i>0.4%</i>	<i>1.0%</i>	<i>2.0%</i>	<i>0.7%</i>	<i>0.5%</i>
Dividend payment on pref. share, RUR mn	2.6	2.6	2.6	2.6	2.6	2.6	2.6
<i>As % of net profit (IFRS)</i>	<i>0.3%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.2%</i>	<i>0.4%</i>	<i>0.2%</i>	<i>0.1%</i>
Total dividend distribution, RUR mn	13.0	14.5	14.5	14.5	14.5	14.5	14.5
<b>Total dividend distribution, US\$</b>	<b>0.501</b>	<b>0.611</b>	<b>0.447</b>	<b>0.473</b>	<b>0.523</b>	<b>0.494</b>	<b>0.494</b>
<i>As % of net profit (IFRS)</i>	<i>1.6%</i>	<i>0.8%</i>	<i>0.5%</i>	<i>1.2%</i>	<i>2.5%</i>	<i>0.9%</i>	<i>0.5%</i>
Record date	10 May 07	12 May 08	8 May 09	6 May 10	5 May 11	Early May 2012	Early May 2013
<b>Dividend yield on com. share, %</b>	<b>0.00%</b>	<b>0.04%</b>	<b>0.10%</b>	<b>0.05%</b>	<b>0.05%</b>	<b>0.08%</b>	<b>0.08%</b>
<b>Dividend yield on pref. share, %</b>	<b>0.01%</b>	<b>0.34%</b>	<b>0.66%</b>	<b>0.51%</b>	<b>0.48%</b>	<b>0.85%</b>	<b>0.85%</b>



## Transport

## Low yields, at least for 2011

### Total sector dividend payment



### Review

The transport sector consists mostly of companies that only recently went public. Two of the three companies in our focus list – Globaltrans and Aeroflot – have not yet approved a dividend policy and are paying dividends based on their net income and cash needs. However, the payout ratio of these companies sometimes exceeded 20% – a moderate level, in our view. Transcontainer, for its part, has an approved dividend policy, but its payout ratio is relatively low at 10% of RAS net income. Separately, all three companies had a dividend yield of no more than 2% for the past five years.

### Dividend dynamics

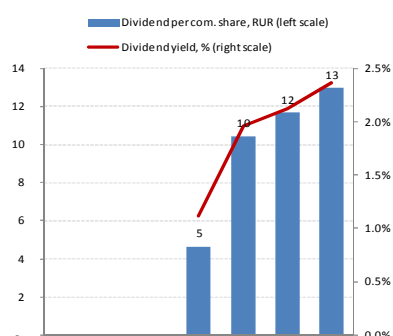
	Record date annual dividend		Interim divid'd	Remaining dividend			Total divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share	US\$ per share	Div. yield %	US\$ mn	Ch., % y/y	
Globaltrans	13 May 2011	1-15 May 2012	-	11.66	0.40	2.13%	63	8%	24%
Aeroflot	11 May 2011	1-10 May 2012	-	1.26	0.04	2.56%	48	10%	16%
Transcontainer	16 May 2011	1-15 May 2012	-	22.31	0.76	0.77%	11	636%	10%
<b>Total for sector</b>						<b>1.82%</b>	<b>112</b>	<b>28%</b>	<b>41%</b>

### Outlook

We expect the companies' payout ratio to stay almost unchanged y/y for 2011 – 23% for Globaltrans, 15% for Aeroflot and 10% for Transcontainer. Additionally, we anticipate that the dividend yield for these companies will remain at a low of 1-3% for the period. However, total dividend payments for the sector are seen to increase by 21% y/y to RUR3.5bn (US\$112mn), as net income is expected to rise y/y. Record dates for 2011 dividends are expected in the first half of May. In the longer run, we do not expect the transport sector to increase its payout ratio, as most of the companies are at the development stage or highly burdened by debt.

## Globaltrans

### Dividend per share, yield



**Review:** Globaltrans is a relatively new public company; hence, its dividend history is short. For 2009-2010, Globaltrans paid a dividend of 23% of IFRS net profit on average, giving investors a yield of 1-2%. As the company does not have a charter-based dividend policy, the company pays dividends based on its cash needs for the next year. In 2009-2010, the company paid dividends on the yearly basis.

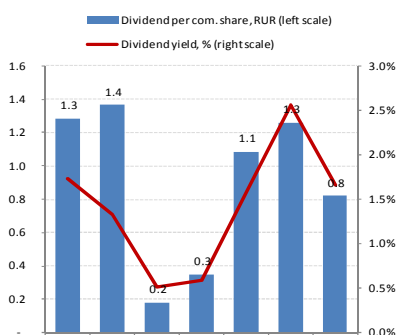
**Outlook:** We expect Globaltrans to pay 23% of its IFRS net profit for 2011, which is estimated at US\$259mn (Bloomberg consensus). Consequently, according to our calculations, the company will pay roughly US\$0.40 per common share. If the practice in previous years is again applied, the record date will be set for the first ten days of May 2012 and the dividend yield could amount to 2%. However, as the company plans to increase 2012 CAPEX spending by nearly ten-fold y/y in 2012, management may decide not to pay dividends for 2011.

### Dividend dynamics

Globaltrans	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	-	-	-	4.65	10.41	11.66	12.97
Div. per com. share, US\$	-	-	-	0.15	0.37	0.40	0.44
Total dividend payment, RUR mn	-	-	-	736	1 647	1 843	2 051
Total dividend payment, US\$ mn	-	-	-	24	59	63	70
As % of net profit	-	-	-	20%	26%	24%	25%
Dividend record date for annual dividend	-	-	-	03 May 2010	13 May 2011	1-15 May 2012	1-15 May 2013
Interim dividends (y/n)	-	-	-	N	N	N	N
Dividend yield, %	-	-	-	1.12%	1.96%	2.13%	2.36%

## Aeroflot

### Dividend per share, yield



**Review:** Aeroflot management does not have a Charter-based dividend policy. Instead, the company pays dividends based on its cash needs for the next year. Before the 2008 economic downturn, Aeroflot used to pay more than 20% of IFRS net profit as dividends. However, the shareholders approved distribution of only 11% of net income as dividends for 2008, the lowest level in the previous five years. In 2009-2010, management paid a moderate payout rate of 15-17% of IFRS net income. Separately, the dividend yield for five-year period stood low at 1-2%. Traditionally, Aeroflot pay dividends on an annual basis.

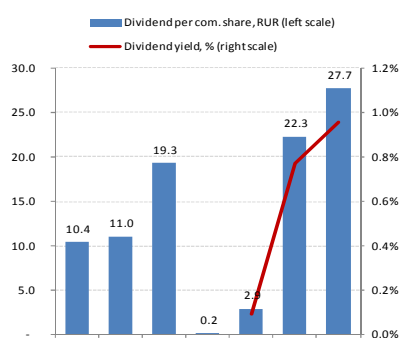
**Outlook:** Aeroflot's 2011 net income is set to increase by 19% y/y to US\$301mn, according to Bloomberg consensus. As such, we expect the company will pay roughly US\$0.04 per common shares or US\$42mn, which corresponds to 15% of the annual net income. However, we estimate Aeroflot's dividend yield will not exceed 3% for 2011.

### Dividend data

Aeroflot	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	1.29	1.37	0.18	0.35	1.09	1.26	0.82
Div. per com. share, US\$	0.05	0.06	0.01	0.01	0.04	0.04	0.03
Total dividend payment, RUR mn	1 429	1 518	202	388	1 205	1 401	911
Total dividend payment, US\$ mn	56	64	6	13	43	48	31
As % of net profit	22%	21%	11%	15%	17%	16%	15%
Record date for annual dividend	7 May 2007	5 May 2008	5 May 2009	4 May 2010	11 May 2011	1-10 May 2012	1-10 May 2013
Interim dividends (y/n)	N	N	N	N	N	N	N
Dividend yield, %	1.73%	1.33%	0.52%	0.58%	1.58%	2.56%	1.66%

# Transcontainer

## Dividend per share, yield



**Review:** For the last five years, Transcontainer regularly paid dividends to the shareholders. However, before 2011 company's dividend policy had no fixed payout ratio and only in the end of December 2011 Transcontainer's board approved a 10% (of RAS net income) payout ratio. Additionally, company's dividend yield for 2010 was close to 0%, while there was no market price for the company's shares in 2006-2010. The company pays dividends on a yearly basis.

**Outlook:** Based on Bloomberg consensus of IFRS net profit, we estimate Transcontainer's 2011 RAS net income at RUR3.1bn (9M11: RUR2.6bn). Consequently, based on the company's dividend policy, we expect Transcontainer to pay RUR22.31 per share as dividends for 2011, while dividend yield is estimated at 1%. Transcontainer expects to review its dividend policy as RUR3.0bn bonds to be repaid in 2013.

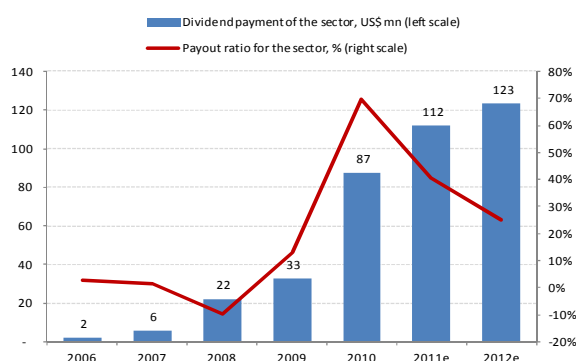
## Dividend dynamics

Transcontainer	2006	2007	2008	2009	2010	2011e	2012e
Div. per com. share, RUR	10.38	11.03	19.29	0.16	2.91	22.31	27.73
Div. per com. share, US\$	0.40	0.47	0.60	0.01	0.10	0.76	0.95
Total dividend payment, RUR mn	144	153	268	2.22	40	310	385
Total dividend payment, US\$ mn	6	6	8	0.07	1	11	13
As % of net profit	12%	9%	6%	0.39%	5%	8%	10%
Record date for annual dividend	16 May'07	12 May'08	11 May'09	11 May'10	16 May'11	1-15 May'12	1-15 May'13
Interim dividends (y/n)	N	N	N	N	N	N	N
Dividend yield, %	-	-	-	-	0.09%	0.77%	0.96%

## Real Estate & Infrastructure

### Low yields on high expenditures

#### Total sector dividend payment



#### Review

The real estate and infrastructure industries do not typically offer attractive dividend yields, as their projects usually involve high expenditures. LSR Group, Mostotrest, Mostostroy-11 (MSTS) and Mostootrjad-19 (MSOT) combined paid an average dividend yield of 1.2% in 2010, led by Mostotrest. The two-industry average was strengthened by LSR Group, which distributed dividends in 2010 for the first time ever, offering a 1.2% dividend yield.

#### Dividend dynamics

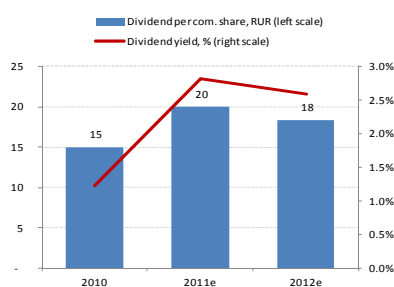
	Record date annual dividend		Interim divid'd	Remaining dividend			Total divid. payment		Payout, % of net profit
	For 2010	For 2011 (exp.)		RUR per share	US\$ per share	Div. yield %	US\$ mn	Ch., % y/y	
LSR	3 Mar 2011	17 Feb 2012	-	20.00	0.68	2.81%	70	33%	49%
Mostotrest	4 Apr 2011	April 2012	-	4.01	0.14	1.91%	39	34%	33%
Mostostroy-11	12 Apr 2011	Apr. 2012	-	500.00	17.09	1.42%	1	0%	10%
Mostootrjad-19	21 Feb 2011	Apr. 2012	-	500.00	17.09	1.14%	1	0%	72%
<b>Total for sector</b>						<b>1.82%</b>	<b>112</b>	<b>28%</b>	<b>41%</b>

#### Outlook

We do not see any drivers that would prompt these companies to alter their dividend practices. Consequently, we take a conservative view and estimate the four companies will offer a dividend yield of 1.8% on average for 2011. **LSR Group** announced a dividend payment of RUR20/share, implying a 2.8% dividend yield, whereas the IFRS-based payout ratio decreased to 49%. Although **Mostotrest** is expected to roughly double net profit figures in 2011 (Bloomberg consensus forecast), the company will provide a dividend yield of just 2%. For Mostotrest, we consider a slightly-above-30% payout ratio to be more than realistic, given the company's minimal target of 30%. We assume that **Mostostroy-11** and **Mostootrjad-19** will not increase their DPS for 2011, leaving them at least unchanged at RUR500/share, respectively, due to a significant decline in net profit since 2008, and will offer approximately a 1% dividend yield.

## LSR Group

### Dividend per share, yield



**Review:** LSR Group distributed its first dividend in 2010, paying out RUR1.5bn at RUR15/share, which provided a 1.2% dividend yield. So far, LSR has been the only public real estate company to distribute dividends. The Charter of LSR Group does not restrict the dividend policy, and allows for a quarterly dividend distribution. Moreover, the dividend policy implies the dividend payout ratio should exceed 20% of IFRS net profit.

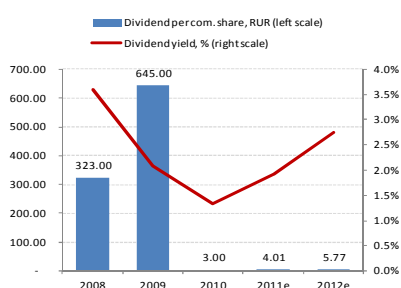
**Outlook:** LSR Group announced dividends for 2011. RUR20 will be paid for each share, which is 33% higher than a year ago. This implies a decrease in the payout ratio to 49% of IFRS net profit, which is forecast at RUR4.2bn. The current dividend yield amounts to 2.8% compared with the market price of RUR711. The record date was 17 February 2012. On the back of a short-lived dividend history, we opt for conservatism and anticipate a 21% payout ratio going forward.

### Dividend dynamics

LSR Group	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	-	-	-	-	15.00	20.00	18.43
Dividend per com. share, US\$	-	-	-	-	0.53	0.68	0.63
Total dividend distribution, RUR mn	-	-	-	-	1 545	2 061	1 899
Total dividend distribution, US\$ mn	-	-	-	-	55	70	65
As % of net profit (IFRS)	-	-	-	-	44%	49%	21%
Record date	-	-	-	-	03 Mar 11	17 Feb 2012	Early March 2013
Dividend yield on com. share, %	-	-	-	-	1.2%	2.8%	2.6%

## Mostotrest

### Dividend per share, yield



**Review:** The dividend policy currently recommends a minimum IFRS-based payout ratio of 30%, which has not been reached during 2008-10 period. The company's Charter calls for a quarterly dividend distribution, but Mostotrest's practice has been to pay dividends on an annual basis. Mostotrest restarted dividend payments in 2008 after a two-year pause. Despite a relatively high IFRS-based payout ratio, floating from 33% to 56%, the company provided just a 1-4% dividend yield, which gradually declined over 2008-2010.

**Outlook:** Mostotrest is expected to increase net profit to RUR3.4bn in 2011 (+98% y/y), according to Bloomberg consensus. We expect a conservative dividend payout ratio that is slightly above 30%. However, we are anticipating total dividend payments will advance by 34% y/y in 2011, thereby pushing the dividend yield from 1.3% in 2010 to 1.9% in 2011 based on the current market price (RUR207/share).

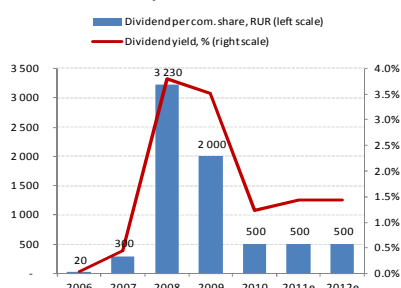
### Dividend dynamics

Mostotrest	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	-	-	323.00	645.00	3.00	4.01	5.77
Dividend per com. share, US\$	-	-	10.24	20.46	0.11	0.14	0.20
Total dividend distribution, RUR mn	-	-	401	801	845	1 132	1 627
Total dividend distribution, US\$ mn	-	-	13	25	30	39	56
As % of net profit (IFRS)	-	-	56%	31%	49%	33%	33%
Record date	-	-	20 May 09	25 May 10	04 Apr 11	Apr 2012	Apr-May 2013
Dividend yield on com. share, %	-	-	0.04	2.1%	1.3%	1.9%	2.7%

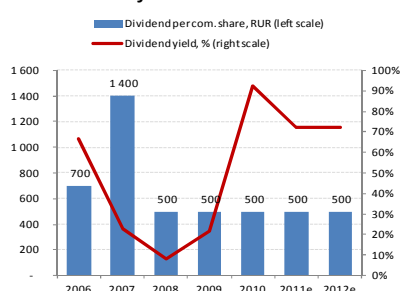
# Mostostroy-11, Mostootrjad-19

## Dividend per share, yield

### Mostostroy-11



### Mostootrjad-19



**Review:** A quarterly distribution of dividends is allowed by the corporate charters of MSOT and MSTs, although in recent practice both have paid annual dividends. Neither company has published an official dividend policy, consequently, we assume the companies are not limited in their distribution of net income as dividends. The yield of Mostostroy-11 (MSTS) averaged 1.8% for 2006-2010, while that of Mostootrjad-19 (MSOT) was lower during the same period – at the 1% level. The payout ratio of both companies mostly ranged between 10% and 92%, fluctuating significantly over the past years due to volatile net profit figures.

**Outlook:** We assume both MSTs and MSOT will keep the same level of dividend payments as in 2010 (RUR500/share), thus distributing RUR43mn and RUR38mn, respectively, as dividends. In this connection, based on Bloomberg consensus forecast of MSTs's 2011 net profit, which is expected to rise by 42% y/y to RUR435mn, we estimate the company's payout ratio will decline further in 2011 – to 10%. MSOT's payout ratio is also anticipated to show a negative move – from 92% in 2010 to 72% in 2011. Shareholders of both companies are offered an estimated 1.1-1.4% dividend yield in comparison to current market quotes – RUR35k and RUR44k for MSTs and MSOT, respectively.

## Dividend dynamics

Mostostroy-11	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	20	300	3 230	2 000	500	500	500
Dividend per com. share, US\$	1	13	96	69	17	17	17
Total dividend distribution, RUR mn	2	26	280	173	43	43	43
Total dividend distribution, US\$ mn	0	1	8	6	1	1	1
As % of net profit (RAS)	0%	6%	28%	32%	14%	10%	10%
Record date	1 Jun 07	1 Apr 08	10 Apr 09	9 Apr 10	12 Apr 11	Apr 2012	Apr 2013
Dividend yield on com. share, %	0%	0%	4%	3.5%	1.2%	1.4%	1.4%

## Mostootrjad-19

Gazprom	2006	2007	2008	2009	2010	2011e	2012e
Dividend per com. share, RUR	700	1 400	500	500	500	500	500
Dividend per com. share, US\$						17	17
Total dividend distribution, RUR mn	53	106	38	38	38	38	38
Total dividend distribution, US\$ mn	2	4	1	1	1	1	1
As % of net profit (RAS)	67%	23%	8%	22%	92%	72%	72%
Record date	15 Mar 2007	30 Apr 2008	8 Apr 2009	7 Apr 2010	21 Feb 2011	Apr 2012	Apr 2013
Dividend yield on com. share, %	1%	1%	1%	0.9%	0.9%	1.1%	1.1%

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