

# State Firms Face Orders to Allocate 25% of Profits for Dividends

By [The Moscow Times](#)

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Russia's largest state companies may be required to allocate 25 percent of their net profits under international financial reporting standards to pay out dividends, Vedomosti reported Monday, citing a Finance Ministry proposal.

The Finance Ministry earlier proposed that state-run companies pay out as much as 35 percent of their net revenue in dividends, but this idea has not been supported by the government, an unidentified ministry official told Vedomosti.

The ministry now hopes that the 25 percent plan will find backing in the government as it and other ministries look for ways to milk state companies for much-needed revenues.

At the same time, the change could encourage international investors to take a second look at state companies.

"One of the reasons why international investors do not favor state-owned companies is their low dividend rates," said Helena Lowen, head of Swedbank Robur Rysslandsfond, Vedomosti reported.

Current annual dividend returns of state companies can be as low as zero percent. Gazprom now pays the highest dividends, of 4.2 percent, and the amount could be increased to 8.8 percent if the government plans were put into practice, BKS analysts told Vedomosti.

But the profitability of some state companies could be hit by state regulations. On Friday, Prime Minister Dmitry Medvedev ordered the Cabinet to evaluate the effect that a freeze on prices for gas, electricity and rail transportation set by the state-owned monopolies would have on the economy.

The measure, widely seen as a populist attempt to please a population struggling in a weak economy, has been supported by the Finance Ministry and the Economic Development Ministry.

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