

OAO "IDGC OF URALS": 1Q 2009 RAS RESULTS

May 22, 2009 (Ekaterinburg) – OAO "IDGC of Urals" (RTS and MICEX: MRKU), united operating company of the Urals region exercising control over distributive grid complexes in Sverdlovsk, Chelyabinsk, Kurgan and Perm regions – reports on 1Q 2009 financial and operating results under Russian Accounting Standards (RAS).

Table 1. Consolidated financial result of the Company in 1Q 2008 and 2009.^[1]

Item	1Q 2009	1Q 2008	Change, %
Revenues from services, US\$ thous.*	324 456.9	388 631.6	-16.5%
Expenses, US\$ thous.	292 845.4	371 037.5	-21.1%
Operating profit, US\$ thous.	31 611.4	17 597.2	+79.6%
<i>Operating margin</i>	<i>9,74 %</i>	<i>4,53 %</i>	
Pre-tax profit, US\$ thous.	-8 819.1	11 760.2	-175.0%
Net profit (loss), US\$ thous.	-11 335.7	7 963.7	-242.3%
<i>Net margin</i>	<i>-3,49 %</i>	<i>2,05%</i>	

^[1] For better comparison here and henceforth financial and economical figures as of 1Q 2008 are calculated as the sum of the results by managing company OAO "IDGC of Urals" and OAO "Permenergo", OAO "Sverdlovenergo", OAO "Chelyabenergo".

* Here and henceforth currency conversions are based on average exchange rates: 1Q 2009 – RUR 34.4 and 1Q 2008 – RUR 24.3.

Table 2. Operating results as of 1Q 2009:

Item	1Q 2009		
Network and equipment			
Aerial lines, thous. km	122.3		
Cable lines, thous. km	4.9		
Quantity of transformer substations PS-35/110-220 kW	999		
Installed capacity of transformer substations PS-35/110-220 kW, MVA	20 287.5		
Quantity of transformer substations TP-6-20/0.4 kW	27 335		
Installed capacity of transformer substations TP-6-20/0.4 kW, MVA	7 260.2		
Energy supply and losses			
	1Q 2009	1Q 2008	Change, %
Energy supply, mln. kWh.	20 049.2	24 088.7	-16.8%
Productive supply, mln. kWh.	17 882.6	21 823.2	-18.1%
Energy losses, mln. kWh.	2 166.6	2 265.5	-4.4%

More detailed information on the Company's revenues and expenses can be found in Supplement "Financial Review".

More detailed information on the Company's operating results can be found in Supplement "Operating Review".

For full accounting statements as of 1Q 2009 prepared under Russian Accounting Standards (RAS), please, visit our corporate web-site at "Financial Statements" Section (www.mrsk-ural.ru).



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FINANCIAL REVIEW

Revenue and Expense Review

OAO "IDGC of Urals" is a non-exporting company which earnings are nominated in Russian rubles. Therefore, due to 1Q 2009 ruble devaluation, 1Q 2009 earnings in US dollar terms are less than 1Q 2008 ones, though in ruble terms they increased.

On the whole, revenues from services, except for other operating and extraordinary revenue gains, in 1Q 2009 reached US\$ 324.5 mln. (-16.5% on 1Q 2008). In ruble terms the revenues increased by 18.2%.

General revenue structure of the Company as of 1Q 2009 is as follows:

Table 2. The Company's revenue structure in 1Q 2008-2009, US\$ thous.

Item	1Q 2009	Share, %	1Q 2008	Share, %	Change, %
Revenues from services, including:	324 456.8	97.7%	388 631.6	97.7%	-16.5%
<i>Revenues from energy transmission</i>	<i>317 552.7</i>	<i>95.6%</i>	<i>377 502.4</i>	<i>94.9%</i>	<i>-15.9%</i>
<i>Revenues from technological connection</i>	<i>4 374.7</i>	<i>1.3%</i>	<i>4 602.1</i>	<i>1.2%</i>	<i>-4.9%</i>
<i>Other revenues from main activities</i>	<i>2 489.7</i>	<i>0.7%</i>	<i>6 380.0</i>	<i>1.6%</i>	<i>-61.0%</i>
<i>Non-core revenues</i>	<i>39.8</i>	<i>0.01%</i>	<i>147.1</i>	<i>0.04%</i>	<i>-72.9%</i>
Other revenues (operating, extraordinary)	7 620.8	2.3%	9 186.5	2.3%	-17.0%
TOTAL REVENUES	332 077.7	100.0%	397 818.0	100.0%	-16.5%

Revenues from energy transmission contribute most to the revenue structure of the Company. As of 1Q 2009, these revenue gains reached US\$ 317.6 mln., comprising 95.6% of the revenues (-15.9% on 1Q 2008). In Russian rubles the revenues increased by 19.1%, the increase being due to average transmission tariff growth.

Revenues from technological connection as of 1Q 2009 reached US\$ 4.4 mln., contributing 1.3% to the revenues (-4.9% on 1Q 2008). In ruble terms the revenues increased by 34.6%, the increase being caused by connection (execution of contracts for connection) as well as by technological connection tariff growth in comparison to 2008.

Other revenues from main activities gave US\$ 2.5 mln., comprising 0.7% of the revenues (-61.0% on 1Q 2008). The decrease in rubles reached 44.8% and was caused by the fact that in 2008 OAO "IDGC of Urals" executed the functions of the sole executive body according to the agreements signed by the merged distributive grid companies.

Other (operating and extraordinary) revenues as of 1Q 2009 totaled US\$ 7.6 mln. (2.3% of overall revenues), including:

- Revenues from securities and financial instruments – US\$ 6.3 mln.;
- Profit of previous years revealed in the reported period – US\$ 0.4 mln.;
- Penalties, fines, forfeits acknowledged by court – US\$ 0.5 mln.
- Revenues from selling core assets, materials, non-tangible assets – US\$ 0.2 mln.;

Again, we want to draw your attention that figures in US dollars are shown just for information and they give a slightly distorted picture of the Company's expenses due to ruble devaluation in 1Q 2009.

The Company's expenses in 1Q 2009 totaled US\$ 1 363.3 mln. (+11.7% on 1Q 2008). Overall expenses of the Company as of 1Q 2009 are as follows:

Table 3. The Company's expense structure in 1Q 2008 - 2009, US\$ thous.

Item	1Q 2009	Share, %	1Q 2008	Share, %	Change, %
Purchased energy for loss compensation	81 441.3	27.8%	106 764.2	28.8%	-23.7%
Payments to OAO "FSK UES"	60 903.0	20.8%	71 411.0	19.2%	-14.7%
Payments to other distributive companies	73 126.7	25.0%	87 433.3	23.6%	-16.4%
Wages and other social benefits	26 930.6	9.2%	36 765.4	9.9%	-26.8%
Depreciation and amortization (fixed and intangible assets)	15 076.0	5.1%	18 793.4	5.1%	-19.8%
Taxes and dues	911.4	0.3%	2 003.6	0.5%	-54.5%
Repair expenses	2 419.6	0.8%	5 494.8	1.5%	-56.0%
Other expenses	32 036.7	10.9%	42 368.7	11.4%	-24.4%
TOTAL EXPENSES	292 845.4	100.0%	371 034.5	100.0%	-21.0%

The largest 1Q 2009 expenses include:

Purchased energy for loss compensation which totaled US\$ 81.4 mln. as of 1Q 2009 (27.8% of overall expenses). In Russian rubles the increase reached 8.0% and was mainly due to loss compensation tariff growth.

Payments to other distributive companies which amounted to US\$73.1 mln. in 1Q 2009 (25.0% of overall expenses). In ruble terms 18.4% increase was caused by appearance of transmission tariff with "boiler" model format in Chelyabinsk region since January 01, 2009.

Payments to OAO "FSK UES" which increased up to US\$ 60.9 mln. contributing 20.8% to overall expenses. In ruble terms the increase totaled 20.7%. These expenses are formed on the basis of contract demands request with stipulation of contract demand and energy supply volume from United National Electric Grid network and comprise service expenses which include tariff

for FSK and MRSK network maintenance as well as tariff for energy loss compensation in FSK and MRSK networks.

Wages and other social benefits in 1Q 2009 reached US\$ 26.9 mln. contributing 9.2% to overall expenses (in ruble terms +3.7% on 1Q 2008). The increase was caused by labor tariff growth in accordance with CPI increase.

Other expenses totaled US\$ 32.0 mln. (10.9% of overall expenses) and include transportation services, premises leasing, technical maintenance services. Expenses in ruble terms grew by 7.0% and were due to price growth in oil and petroleum, materials and equipment for main activities (which are not regulated by the state).

As of 1Q 2009 OAO "IDGC of Urals" had a net loss in amount of US\$ 11.3 mln. This loss was caused by forming a bad debts reserve in the amount of US\$ 17.0 mln., created to write off bad debts which were not redeemed in time and are not secured by bails, banker guarantees (in accordance with item 70 of Financial Accounting Provisions, approved by the Decree of the Russian Ministry of Finance #34n dated 29.07.1998 (version as of 26.03.2007), as well as Article 266 of the Russian Tax Code).

Debt Review

Table 4. The Company's credit portfolio as of 1Q 2008 and 2009., US\$ thous.

Item	As of 31.03.2009	As of 31.03.2008
Overall credit portfolio	181 274.1	227 286.7
Short-term loans and borrowings	2 886.4	30 452.7
Long-term loans and borrowings	178 387.6	196 834.1
<i>Including bonds</i>	<i>29 069.8</i>	<i>65 843.6</i>

Table 5. The Company's debt as of 1Q 2008 and 2009.

Item	As of 31.03.2009	As of 31.03.2008
Debt/ Equity	0.23	0.21
Equity/ Assets	0.64	0.70

As of 1Q 2009 the credit portfolio reached US\$ 181.3 mln. (in ruble terms +13.0% on 1Q 2008). Share of short-term loans and borrowings significantly decreased in comparison to 1Q 2008 and totaled 1.6% (US\$ 2.9 mln.) of the overall portfolio. Long-term loans and borrowings as of 1Q 2009 amounted to US\$ 178.4 mln. (in ruble terms +28.3% on 1Q 2008).

Net debt in 1Q 2009 increased up to US\$ 161.6 mln. which can be explained by decrease in cash and their equivalents on the Company's balance and credit portfolio growth as a result of financing the Company's 2008 investment program.

On the whole, the Company has a moderate debt level: as of 1Q 2009 15% of assets were financed by loans and borrowings, all liabilities contributed 36% to overall balance.

OPERATING REVIEW

Network and equipment

Overall length of the Company's aerial lines (in chains) as of 01.04.2009 totaled 122,3 thous. km. The aerial line breakdown (in voltage classes) is as follows:

Table 6. Overall aerial line length (in chains), km. (as of 01.04.2009)

Subsidiary	220 kW	110 kW	35 kW	10 kW	6 kW	0.4 kW
Permenergo	0	7 503.8	4 145.5	17 540	2 102	14 083
Sverdlovenego	4.7	10 663.7	2 040.3	12 389	1 311	11 752
Chelyabenergo	0	7 556.0	2 967.4	14 637	1 090	12 493
TOTAL	4.7	25 723.5	9 153.2	44 566	4 503	38 328

Total length of the Company's cable lines as of 01.04.2009 totaled 4 853.8 км. The breakdown (in voltage classes) is shown in Table 7.

Table 7. Total cable line length, km. (as of 01.04.2009)

Subsidiary	110 kW	35 kW	10 kW	6 kW	0,4 kW
Permenergo	10.2	81.7	207.9	1 126.7	753.8
Sverdlovenego	0	0	81.4	149.2	240.4
Chelyabenergo	0	12.3	707.9	535.3	947.0
TOTAL	10.2	94	997.2	1 811.2	1 941.2

Quantity of transformer substations PS-35/110-220 kW belonging to the Company as of 01.04.2009 reached 999, installed capacity of the substations totalling 20 287.5 MVA. The breakdown by quantity and installed capacity in subsidiaries is as follows:

Table 8. Quantity and installed capacity of transformer substations PS-35/110-220 kW (as of 01.04.2009).

Subsidiary	ПС-35 kW		ПС -110-220 kW	
	Quantity	Installed capacity, MVA	Quantity	Installed capacity, MVA
Permenergo	180	1 659.7	165	5 769.1
Sverdlovenego	91	561.3	267	6 467.1
Chelyabenergo	118	961.7	178	4 868.7
TOTAL	389	3 182.6	610	17 104.8

Overall capacity of the Company's transformer substations TP-6-20/0.4 kW as of 01.04.2009 totaled 27 335, with installed capacity being 7 260.2 MVA. The substation breakdown in subsidiaries is shown in Table 9.

Table 9. Quantity and installed capacity of transformer substations TP-6-20/0.4 kW (as of 01.04.2009).

Subsidiary	Quantity	Installed capacity, MVA
Permenergo	11 013	2 732.2

Sverdlovenego	7 503	1 902.0
Chelyabenergo	8 819	2 626.0
TOTAL	27 335	7 260.2

Energy supply and losses

Real energy supply of the Company in 1Q 2009 totaled 20 049.2 mln. kWh (-16.8% on 1Q 2008).

Total productive supply as of 31.03.2009 reached 17 882.6 mln. kWh (-18.1% on 1Q 2008).

Reduction of real energy supply and productive supply, in comparison with the corresponding period in 2008, was caused by decrease in energy consumption by large plants and enterprises.

Energy losses in 1Q 2009 equaled 2 166.6 mln. kWh (10.8% of overall energy supply). In comparison to the corresponding period in 2008 energy losses in 1Q 2009 decreased. This dropdown was affected by decrease in energy consumption.

Detailed information on energy supply in 1Q 2009 is demonstrated in Table 9.

Table 9. Energy supply and losses as of 1Q 2008 and 2009, thous. kWh.

Item	Subsidiary	1Q 2009	1Q 2008	Change, %
Overall energy supply	Permenergo	5 146 824.11	5 853 749.91	-12.08%
	Sverdlovenego	9 043 811.54	10 988 889.02	-17.70%
	Chelyabenergo	5 858 593.74	7 246 094.25	-19.15%
	TOTAL	20 049 229.39	24 088 733.18	-16.77%
Productive energy supply	Permenergo	4 382 821.74	5 089 083.87	-13.88%
	Sverdlovenego	8 318 740.30	10 184 131.65	-18.32%
	Chelyabenergo	5 181 057.78	6 549 985.19	-20.90%
	TOTAL	17 882 619.82	21 823 200.71	-18.06%
Energy losses	Permenergo	764 002.37	764 666.04	-0.09%
	Sverdlovenego	725 071.24	804 757.37	-9.90%
	Chelyabenergo	677 535.96	696 109.07	-2.67%
	TOTAL	2 166 609.57	2 265 532.47	-4.37%

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