

May 14, 2010

ОАО “IDGC OF URALS”: 1Q 2010 RAS RESULTS

Ekaterinburg (Ural Federal District, Russia) – OAO “IDGC of Urals” (RTS and MICEX: MRKU) reports on 1Q 2010 results prepared under Russian Accounting Standards (RAS)

- The Company’s revenues in 1Q 2010 totaled US\$ 447.7 mln. (+38.0% on 1Q 2009).
- Our expenses as of 1Q 2010 totaled US\$ 430.8 mln. (+47.1%).

Tab. 1. Financial result of OAO “IDGC of Urals” in 1Q 2009-2010

Item	1Q 2010	1Q 2009	Change, %
Revenues from services, US\$ thous. ^[1]	447 701.9	324 456.8	+38.0%
Expenses, US\$ thous.	430 790.3	292 845.4	+47.1%
Operating profit, US\$ thous.	16 911.6	31 611.4	-46.5%
<i>Operating margin</i>	3.8%	9.7%	
EBITDA, US\$ thous. ^[2]	28 431.2	10 921.2	+164.9%
<i>EBITDA margin</i>	6.4%	3.4%	
Pre-tax profit, US\$ thous.	3 590.9	-8 819.1	+345.6%
Net profit, US\$ thous.	1 850.1	-11 335.7	+712.7%
<i>Net margin</i>	0.4%	-3.5%	

^[1] Here and henceforth currency conversions are based on average exchange rates: 1Q 2010 – RUR 29.8, 1Q 2009 – RUR 34.4.

^[2] EBITDA is calculated according to the following formula: net profit + income tax and other obligatory payments + interest payable + depreciation and amortization.

Table 2. 1Q 2010 Operating Results:

Item	1Q 2010		
Network and Equipment			
Aerial lines (in lines)/ Cable lines, thous. km	113.2 / 4.7		
Transformer substations PS-35/110-220 kW:			
- quantity, pcs.	1 006		
- installed capacity, MVA	20 453		
Transformer substations TP-6-20/0.4 kW:			
- quantity, pcs.	27 390		
- installed capacity, MVA	7 406.7		
Energy supply and losses			
	1Q 2010	1Q 2009	Change, %
Energy supply, mln. kWh	21 876 912	20 049 229	+9.12%
Productive supply, mln. kWh	19 533 747	17 882 620	+9.23%
Energy losses, mln. kWh	2 343 165	2 166 610	+8.15%

More detailed information on the Company’s financial and operating results can be found in Supplements “[Financial review](#)” and “[Operating review](#)”.

For 1Q 2010 accounting statements prepared under Russian Accounting Standards (RAS), please, visit our corporate web-site at “Financial Statements” section (or follow the link: www.mrsk-ural.ru/ru/672).



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OAO "IDGC of Urals" (est. in February 2005) is grids company responsible for energy transmission and technological connection of consumers to electric networks in Sverdlovsk, Chelyabinsk and Perm regions.

Electric network reform process in the Urals came to an end in April, 2008, and since May 1, 2008 OAO "IDGC of Urals" is a united operating company exercising control over 3 regional subsidiaries (Sverdlovenego, Chelyabenergo and Permenergo) as well as 3 core-asset affiliated companies (OAO "Ekaterinburg Electric Grid Company", OAO "Ekaterinburgenergosbyt").

As of 2009 the revenues from services totaled RUR 41.3 bln., net profit reached RUR 1.1 bln (under RAS). Overall energy supply in 2009 amounted to 75.8 bln. kWh, productive supply totaled 69.3 bln. kWh, energy losses reached 6.5 bln. kWh.

Common shares are traded on MICEX (Quotation list "B") and in RTS (Stock admitted for trading without listing). Free float is about 20%. In December, 2009 Consortium "RID-Expert RA" assigned us Corporate Governance rating at level "6+".

For additional information on the Company, please, visit our corporate web-site at www.mrsk-ural.ru, as well as Complex Information Disclosure System (www.skin.ru), Interfax (www.interfax.ru), AKM (www.akm.ru).

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FINANCIAL REVIEW

Revenues and Expense Review

Revenues from services as of 1Q 2010 totaled US\$ 447.7 mln. (+US\$ 123.2 mln or +38.0% on 1Q 2009).

Table 3. The Company's revenue structure in 1Q 2009 and 2010, US\$ thous.:

Item	1Q 2010	Share, %	1Q 2009	Share, %	Change, %
Revenues from services, including:	447 701.9	100.0%	324 456.8	100.0%	+38.0%
<i>Revenues from energy transmission</i>	441 524.8	98.6%	317 552.7	97.9%	+39.0%
<i>Revenues from technological connection</i>	3 931.2	0.9%	4 374.7	1.3%	-10.1%
<i>Other revenues from main activities</i>	2 189.6	0.5%	2 489.7	0.8%	-12.1%
<i>Non-core revenues</i>	56.4	0.01%	39.8	0.01%	+41.7%

Revenues from energy transmission contribute most to the revenue structure of the Company. As of 1Q 2010 these revenue gains reached US\$ 441.5 mln. comprising 98.6% of the revenues (+39.0% on 1Q 2009). In absolute terms this increase totaled US\$ 124.0 mln. The revenues increase is due to industrial growth in our service area resulting in consumption increase.

Connection revenues as of 1Q 2010 reached US\$ 3.9 mln. contributing 0.9% to overall revenues - 10.1% on 1Q 2009). **Other revenues from main activities** totaled US\$ 2.2 mln. contributing 0.5% to overall revenues (-12.1% on 1Q 2009).

The Company's 1Q 2010 expenses totaled US\$ 430.8 mln. (+47.1% on 1Q 2009). Overall expenses structure is as follows:

Table 4. The Company' expense structure as of 1Q 2009 and 2010, US\$ thous.

Item	1Q 2010	Share, %	1Q 2009	Share, %	Change, %
Total expenses	430 790.3	100.0%	292 845.4	100.0%	+47.1%
Purchased energy for loss compensation	131 526.5	30.5%	81 441.3	27.8%	+61.5%
Payments to OAO "FSK UES"	95 739.4	22.2%	60 903.0	20.8%	+57.2%
Payments to other distributive companies	96 155.6	22.3%	73 126.7	25.0%	+31.5%
Wages and other social benefits	52 797.5	12.3%	26 930.6	9.2%	+96.1%
Depreciation and amortization	19 639.0	4.6%	15 076.0	5.2%	+30.3%
Taxes and dues	958.8	0.2%	911.4	0.3%	+5.2%
Other expenses	31 635.9	7.3%	32 223.4	11.0%	-1.8%
<i>For information: Repair expenses</i>	2 337.6	0.5%	2 232.9	0.8%	+4.7%

Purchased energy for loss compensation which totaled US\$ 131.5 mln. (30.5% of overall expenses). In absolute term the increase amounted to US\$ 50.1 mln. This expense growth is due to

increase of losses purchased at free market prices as well as contingency of free market prices over regulated ones.

Payments to OAO "FSK UES" which increased up to US\$ 95.7 mln. (22.2% of overall expenses). In absolute terms the increase totaled US\$ 34.8 mln. These expenses are formed on the basis of contract demands request stipulating contract demand and energy supply volume from United National Electric Grid network and comprise service expenses which include tariff from FSK and MRSK network maintenance as well as tariff for energy loss compensation in FSK and MRSK networks. The expense increase was caused by FSK maintenance tariff.

Payments to other distributive companies which amounted to US\$ 96.2 mln. (22.3% of overall expenses). In comparison to 1Q 2009 the increase totaled US\$ 23.0 mln and was due to the appearance of new grids as well as tariff growth.

Wages and other social benefits in 1Q 2010 reached US\$ 52.8 mln. contributing 12.3% of overall expenses (+96.1% on 1Q 2009). Since 01.07.2009 we transited metering, IT and maintenance and repair services to non-contracted ones. To perform the functions we enrolled 1 689 persons (planned personnel – 1 768.5 persons) resulting in salary fund growth on 1Q 2009.

Other expenses reached US\$ 31.6 mln. (7.3%) and include transportation services, premises leasing, technical maintenance services. Decrease of other expenses in absolute terms reached US\$ 587.5 thous. and was due to saving measures (most of metering and IT services are non-contracted ones).

Other revenues and expenses in 1Q 2009-2010, US\$ thous.

Item	1Q 2010	1Q 2009
Interest receivable	178.0	0.4
Interest payable	5 124.0	4 670.0
Revenues from participation in other companies	0	0
Other revenues	21 207.2	7 620.4
Other expenses	29 581.9	43 381.4

Other revenues as of 1Q 2010 totaled US\$ 21 207.2 thous. Main revenue gains are:

- Interest receivable – US\$ 178.0 thous.;
- Revenues from securities and financial instruments – US\$ 1 347.7 thous.;
- Revenues selling core assets, apartments, materials, non-tangible assets and other non-current assets – US\$ 266.8 thous.;
- Revenues of previous years revealed during the reported period – US\$ 1 255.2 thous.;

Other expenses as of 1Q 2010 totaled US\$ 29 581.9 thous. and includes the following:

- Interest payable – 5 124.0 thous.;
- Expenses from selling main assets, non-tangible assets and materials – US\$ 190.2 thous.;
- Expenses from selling securities and financial instruments – US\$ 1 342.3 thous.;
- Bad debt reserve – US\$ 22 585.6 thous.
- Losses of previous years revealed during the reported period – US\$ 1 878.9 thous.
- Social expenses – US\$ 356.3 thous.

Debt Review

Table 5. The Company's credit portfolio as of 31.03.2009 and 31.03.2010, US\$ thous.

Item	As of 31.03.2010	As of 31.03.2009
Overall credit portfolio	165 100.7	181 274.1
Short-term loans and borrowings	0	2 886.4
Long-term loans and borrowings	165 100.7	178 387.6

<i>Including bonds</i>	55.0	29 069.8
Accrued interest debt	41.4	1 965.3

As of 1Q 2010 our credit portfolio totaled US\$ 165.1 mln. (-8.9% on 1Q 2009). As of 31.03.2010 we have no short-term loans and borrowings. Long-term loans and borrowings totaled US\$ 165.1 mln. (-7.4% on 1Q 2009).

Table 6. The Company's financial indicators as of 31.03.2009 u 31.03.2010.

Item	As of 31.03.2010	As of 31.03.2009
Debt, US\$ mln. ^[4]	165.1	228.5
Net debt, US\$ mln. ^[5]	119.5	208.8
EBITDA, US\$ mln.	28.4	10.9
Debt/ EBITDA	5.81	20.93
Net debt/ EBITDA	4.2	19.12
Debt/ Equity	0.17	0.29
Equity/ Assets	0.66	0.64

^[4] Debt+ liability and payment provision.

^[5] Debt+ liability and payment provision - cash.

The debt in 1Q 2010 decreased by 27.7% and totaled US\$ 165.1 mln. Net debt as of 1Q 2010 decreased by 42.8% and totaled US\$ 119.5 mln.

OPERATING REVIEW

Networks and Equipment

Overall length of aerial lines (in lines), as of 01.04.2010, reached 113.2 thous. km. The line length breakdown is as follows:

Table 7. Overall length of aerial lines (in lines), km. (as of 01.04.2010)

Subsidiary	220 kW	110 kW	35 kW	10 kW	6 kW	0.4 kW
Permenergo	0	4 828.7	3 510.6	17 529.7	2 111.8	13 956.9
Sverdlovenergo	26.8	7 978.1	1 846.5	12 369	1 343.0	11 773.0
Chelyabenergo	0	5 367.6	2 718.0	14 737.0	1 021.8	12 131.2
Total	26.8	18 174.4	8 075.1	44 635.7	4 476.6	37 861.1

Overall length of cable lines, as of 01.04.2010, reached 4.7 thous. km. The breakdown is presented in Table 8.

Table 8. Overall length of cable lines, km (as of 01.04.2010)

Subsidiary	110 kW	35 kW	10 kW	6 kW	0.4 kW
Permenergo	11.7	77.8	218.0	1 142.0	768.0
Sverdlovenergo	0	0	78.0	226.0	268.0
Chelyabenergo	1.4	12.3	678.3	398.1	841.1
Total	13.1	90.1	974.3	1 766.1	1 877.1

The quantity of substations PS-35/110-220 kW, as of 01.04.2010, totaled 1 006, with overall capacity reaching 20 453 MVA. The breakdown is represented in Table 9:

Table 9. Quantity and installed capacity of substations PS-35/110-220 kW (as of 01.04.2010).

Subsidiary	PS-35 kW		PS -110-220 kW	
	Quantity	Installed capacity, MVA	Quantity	Installed capacity, MVA
Permenergo	180	1 691.1	168	5 790.6
Sverdlovenergo	92	564.8	266	6450.6
Chelyabenergo	120	970.0	180	4 986.0
Total	392	3 225.8	614	17 227.2

The quantity of substations TP-6-20/0.4 kW, as of 01.04.2010, totaled 27 390, with installed capacity reaching 7 406.7 MVA. The breakdown is presented in Table 10.

Table 10. Quantity and installed capacity of substations TP-6-20/0.4 kW (as of 01.04.2010).

Subsidiary	Quantity	Installed capacity, MVA
Permenergo	10 914	2 753.6
Sverdlovenergo	7 563	1 952.7
Chelyabenergo	8 913	2 701.0
Total	27 390	7 406.7

Energy supply and losses

Table 11. Energy supply and losses as of 1Q2009 and 2010, thous. kWh.

Item		1Q 2010	1Q 2009	Changes, %
Energy supply	Permenergo	5 488 429	5 146 824	6.64%
	Sverdlovenego	9 655 543	9 043 812	6.76%
	Chelyabenergo	6 732 939	5 858 594	14.92%
	Total	21 876 912	20 049 229	9.12%
Productive supply	Permenergo	4 645 918	4 382 822	6.00%
	Sverdlovenego	8 875 886	8 318 740	6.70%
	Chelyabenergo	6 011 943	5 181 058	16.04%
	Total	19 533 747	17 882 620	9.23%
Losses	Permenergo	842 511	764 002	10.28%
	Sverdlovenego	779 657	725 071	7.53%
	Chelyabenergo	720 996	677 536	6.41%
	Total	2 343 165	2 166 610	8.15%