

сОАО “IDGC OF URALS”: 2008 RAS RESULTS

April 10, 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 2008 financial and operating results under RAS.

Table 1. Consolidated financial result of united operating company in 2007 and 2008.^[1]

Item	2007	2008	Change, %
Revenues from services, US\$ thous.*	1 276 404.9	1 444 365.7	+13.2 %
Expenses, US\$ thous.	1 168 574.6	1 363 340.2	+16.7 %
Operating profit, US\$ thous.	107 830.2	81 025.5	-24,9 %
<i>Operating margin</i>	8.4 %	5.6%	
EBITDA ^[2] , US\$ thous.	107 515.1	138 800.8	+29.1%
<i>EBITDA margin</i>	8.4%	9.6%	
Pre-tax profit, US\$ thous.	43 387.7	51 744.0	+19.3 %
Net profit, US\$ thous.	36 776.8	34 622.0	-5.9%
<i>Net margin</i>	2.9%	2.4 %	

^[1] Here and henceforth financial and economical figures as of 2008 are calculated as the sum of the results by managing company OAO “IDGC of Urals” and OAO “Permenergo”, OAO “Sverdlovenergo”, OAO “Chelyabenergo” in January-April 2008 (prior to the merger) and the results of united operating company in May-December 2008 (following the merger). For better comparison, the managing company results as of 2007 also include results of Permenergo, Sverdlovenergo and Chelyabenergo.

^[2] EBITDA is calculated as follows: net profit + income tax and other obligatory payments + interest payable + amortization and depreciation.

* Here and henceforth currency conversions are based on average exchange rates: 2008 – RUR 24.9 and 2007 – RUR 25.6.

Table 2. Operating results as of 2008:

Item	2008		
Network and equipment			
Aerial lines, km	122 342		
Cable lines, km	4 840.1		
Quantity of transformer substations PS-35/110-220 kW	999		
Installed capacity of transformer substations PS-35/110-220 kW, MVA	20 327.0		
Quantity of transformer substations TP-6-20/0.4 kW	27 213		
Installed capacity of transformer substations TP-6-20/0.4 kW, MVA	7 129.5		
Energy supply and losses			
	2007	2008	Change, %
Energy supply, mln. kWh.	86 093.8	86 365.8	+0.3%
Productive supply, mln. kWh.	79 118.9	79 902.0	+1.0%
Energy losses, mln. kWh.	6 974.9	6 463.8	-7.3%

2008 Key Events:

January	Affiliated companies (OAO “Sverdlovenergo”, OAO “Chelyabenergo” and OAO “Permenergo”) held AGMs which made a decision on restructuring by merging into managing company OAO “IDGC of Urals”.
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April	<p>Statements on restructuring of OAO “IDGC of Urals” and termination of affiliated businesses were introduced to the Official State Register of Legal Entities.</p> <p>Agreements on transition to a new tariff system were signed between the Company and the Administration of Perm region and Regional Energetic Commission (REC).</p>
May	<p>Merged company OAO “IDGC of Urals” begins to work.</p> <p>An agreement on transition to new tariff model was signed between the Company and United Tariff Body (UTB) of Chelyabinsk region.</p>
June	<p>Trading on IDGC’s shares started in Russian Trade System (RTS) and on Moscow Interbank Stock Exchange (MICEX).</p>
July	<p>A meeting of the Regional President Plenipotentiary Council on regional energy security.</p> <p>A meeting chaired by the head of Federal Tariff Service (FTS) on launching pilot RAB projects was held.</p>
August	<p>A program for provision of energy supply to objects used for the summit of the Shanghai Cooperation Organization.</p>
September	<p>The merger of the Company’s additional share issues on leading Russian trading exchanges (RTS and MICEX).</p> <p>A meeting with Perm Administration and Government on investment program of Permenergo (Company’s subsidiary).</p>
October	<p>Launch of the transformer substation PS-110kW «Petrishevskaya» which will supply energy to future micro district «Akademicheskij» (Ekaterinburg).</p> <p>Management Board of Russian Federal Tariff Service made a decision on RAB-regulation implementation in Permenergo (the Company’s subsidiary).</p> <p>Four BoD committees created: Audit Committee, Strategy and Development Committee, Reliability Committee, Personnel and remuneration Committee.</p>
December	<p>Launch of transformer substation PS-110 kW which will increase reliability of energy supply to Ozersk (Sverdlovsk region).</p> <p>OAO “IDGC of Urals” took part in international exhibition “LEP-2008”.</p> <p>OAO “IDGC of Urals” won several nominations of interregional contest “2008 Results in the Urals and Siberia”.</p> <p>Launch of transformer substation PS-35/6 kW “Gipermarket” which will increase reliability of energy supply in Perm.</p> <p>Corporate Governance Rating (NRKU-6) assigned by Consortium RID-ExpertRA.</p> <p>Common shares listed in Russian Trading System (Quotation List B)</p>



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More detailed information on the Company's revenues and expenses can be found in Supplement #1 "Financial Review".

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

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

FINANCIAL REVIEW

Revenue and Expense Review

On the whole, revenues from services, except for other operating and extraordinary revenue gains, in 2008 reached US\$ 1 444.4 mln. (+13.2% on 2007). General revenue structure of the united operating company as of 2008 is as follows:

Table 2. The Company's revenue structure in 2007-2008, US\$ thous.

Item	2007	Share, %	2008	Share, %	Change, %
Revenues from services, including:	1 276 404.9	95.5%	1 444 365.7	94.8%	+13.2%
<i>Revenues from energy transmission</i>	<i>1 234 817.2</i>	<i>92.3 %</i>	<i>1 383 018.5</i>	<i>90.8%</i>	<i>+12.0%</i>
<i>Revenues from technological connection</i>	<i>13 689.2</i>	<i>0.9 %</i>	<i>35 967.1</i>	<i>2.4 %</i>	<i>+162.7%</i>
<i>Other revenues from main activities</i>	<i>25 963.1</i>	<i>1.9 %</i>	<i>24 965.3</i>	<i>1.6 %</i>	<i>-3.8%</i>
<i>Non-core revenues</i>	<i>3 693.2</i>	<i>0.3 %</i>	<i>414.8</i>	<i>0.03 %</i>	<i>-88.8%</i>
Other revenues (operating, extraordinary)	60 593.3	4.5 %	78 581.4	5.2%	+29.7%
TOTAL REVENUES	1 336 998.2	100.0 %	1 522 947.2	100.0 %	+13.9%

Revenues from energy transmission contribute most to the revenue structure of the Company. As of 2008, these revenue gains reached US\$ 1 383.0 mln., comprising 90.8% of the revenues (+12.0% on 2007). In absolute terms, this increase reached US\$ 148.2 mln. and was mainly due to average transmission tariff increase.

Revenues from technological connection as of 2008 reached US\$ 36.0 mln., contributing 2.4% to the revenues (+162.7% on 2007). In absolute terms, the increase reached US\$ 22.3 mln. and was caused by connection (actual execution of contracts for connection) as well as by increase of technological connection tariff in comparison to 2007.

Other revenues from main activities gave US\$ 25.0 mln., comprising 1.6 % of the revenues (-3.8% on 2007).

Other (operating and extraordinary) revenues as of 2008 totaled US\$ 78.6 mln. (5.2 % of overall revenues), including:

- Revenues from securities and financial instruments – US\$ 18.6 mln.;
- Revenues from selling core assets, apartments, materials, non-tangible assets, other non-current assets – US\$ 16.9 mln.;
- Writing-off accounts payable which are over 3 years – US\$ 3.2 mln.;
- Profit of previous years revealed in the reported period – US\$ 2.1 mln.;
- Revenues from writing-off fixed assets – US\$ 0.8 mln.;

- Revenues from participation in other companies – US\$ 0.5 mln.;
- Revenues from received interest – US\$ 0.6 mln.;
- Penalties, fines, forfeits acknowledged by court – US\$ 0.5 mln.

The Company's expenses in 2008 totaled US\$ 1 363.3 mln. (+16.7% on 2007). Overall expenses of the united operating company as of 2008 are as follows:

Table 3. The Company's expense structure in 2007- 2008, US\$ thous.

Item	2007	Share, %	2008	Share, %	Change, %
Purchased energy for loss compensation	383 061.2	32.8%	301 163.7	22.1%	-21.4%
Payments to OAO "FSK UES"	225 724.1	19.3%	271 735.5	19.9%	+20.4%
Payments to other distributive companies	186 303.8	15.9%	323 353.4	23.7%	+73.6%
Wages and other social benefits	136 291.0	11.7%	155 619.8	11.4%	+14.2%
Depreciation and amortization (fixed and intangible assets)	56 036.8	4.8%	74 482.8	5.5%	+32.9%
Taxes and dues	6 976.0	0.6%	4 717.1	0.3%	-32.4%
Repair expenses	44 008.8	3.8%	39 900.7	2.9%	-9.3%
Other expenses	130 172.9	11.1%	192 367.3	14.1%	+47.8%
TOTAL EXPENSES	1 168 574.6	100.0 %	1 363 340.2	100.0 %	+16.7%

The largest 2008 expenses include:

Payments to other distributive companies which amounted to US\$323.4 mln. in 2008 (23.7% of overall expenses). In comparison to 2007 the increase totaled 73.6% and was due to appearance of transmission tariff with "boiler" model format in Sverdlovsk region since January 01, 2008.

Payments to OAO "FSK UES" which increased up to US\$ 271.7 mln. contributing 19.9% to overall expenses. In absolute terms, the increase reached US\$46.0 mln. (+20.4% on 2007). 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.

Purchased energy for loss compensation which totaled US\$ 301.2 mln. as of 2008 (22.1% of overall expenses). In absolute terms, the decrease amounted to US\$ 81.9 mln. (-21.4% on 2007) and was due to increase in cost of load losses which are deducted from overall expenses for loss compensation.

Wages and other social benefits in 2008 reached US\$ 155.6 mln. contributing 11.4 % to overall expenses (+14.2% on 2007). The increase was caused by labor tariff growth in accordance with CPI increase.

Other expenses totaled US\$ 192.7 mln. (14.1% of overall expenses) and include transportation services, premises leasing, technical maintenance services. Increase of the expenses in comparison to 2007 in absolute terms reached US\$ 62.2 mln. and was due to price growth in oil and petroleum, materials and equipment for main activities (which are not regulated by the state).

Debt Review

Table 4. The Company's credit portfolio as of 2007 and 2008., US\$ thous.

Item	As of 31.12.2007	As of 31.12.2008
Overall credit portfolio	174 110.5	255 483.3
Short-term loans and borrowings	35 546.9	48 192.8
Long-term loans and borrowings	138 563.6	207 290.5
<i>Including bonds</i>	<i>62 500</i>	<i>40 160.6</i>

Table 5. The Company's debt as of 2007 and 2008.

Item	As of 31.12.2007	As of 31.12.2008
Debt/ Equity	19%	24%
Equity/ Assets	71%	66%

As of 2008 the credit portfolio reached US\$ 255.5 mln. (+46.7% on 2007). Share of short-term loans and borrowings slightly increased in comparison to 2007 and totaled 18.9% (US\$ 48.2 mln.) of the overall portfolio. Long-term loans and borrowings as of 2008 amounted to US\$ 207.3 mln. (+49.6% on 2007).

Net debt in 2008 increased up to US\$ 184.7 mln. which can be explained by debt raising to finance the Company's 2008 investment program.

On the whole, the Company has a moderate debt level: as of 2008 16% of assets were financed by loans and borrowings, all liabilities contributed 34% to overall balance.

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

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