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More detailed information on the Company's financial and operating results can be found in Supplements "[Financial Review](#)" and "[Operating Review](#)".

For 2009 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).

Valery RODIN, the Company's CEO, commented: *"2009 was a check-out period for the Company in terms of efficiency under severe economic environment. The Urals region was among the regions mostly affected by economic recession that caused a significant decrease of energy consumption. In this severe environment the Company's management focused its efforts on internal resource generation and cost saving, meanwhile ensuring required supply reliability and investment program execution. Energy supply in 2009 totaled 75.8 bln. kWh (-10.5 bln. kWh or -12% on 2008) that is greatly influenced by economic recession and energy consumption decrease by large industrial consumers (metallurgy and machine-building). Despite it, overall 2009 revenues totaled US\$ 1.3 bln., net profit – US\$ 33.2 mln. These positive results were achieved due to a range of measures aimed at increasing the Company's efficiency, including the switch-over of repair, metering and IT services onto non-contracted form"*.

OAO "IDGC of Urals" (est. in February 2005) is the main service provider responsible for energy transportation 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 1.11bln (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 and in RTS in quotation lists "B". 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

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

Revenues from services as of 2009 totaled US\$ 1 299.9 mln., (+ US\$ 144.5 mln. or -10.0% on 2008). In ruble terms the revenues increased by RUR 5 333 mln. (+14.8% on 2008).

General revenue structure of the Company is as follows (Table 3):

Table 3. The Company's revenue structure in 2008 and 2009, US\$ thous.:

Item	2009	Share, %	2008	Share, %	Change (US\$), %	Change (RUR), %
Revenues from services, including:	1 299 894.1	100	1 444 365.7	100	-10.0%	+14,8%
<i>Revenues from energy transmission</i>	<i>1 259 086.4</i>	<i>96.86</i>	<i>1 383 018.5</i>	<i>95.75</i>	<i>-9.0%</i>	<i>+16,2%</i>
<i>Revenues from technological connection</i>	<i>30 657.4</i>	<i>2.36</i>	<i>35 967.1</i>	<i>2.49</i>	<i>-14.8%</i>	<i>+8,8%</i>
<i>Other revenues from main activities</i>	<i>9 924.1</i>	<i>0.76</i>	<i>24 965.3</i>	<i>1.73</i>	<i>-60.2%</i>	<i>-49,3%</i>
<i>Non-core revenues</i>	<i>226.1</i>	<i>0.02</i>	<i>414.8</i>	<i>0.03</i>	<i>-45.5%</i>	<i>-30,4%</i>

Revenues from energy transmission contribute most to the revenue structure of the Company. As of 2009 these revenue gains reached US\$ 1 259.1 mln. comprising 97% of the revenues (-9.0% on 2008). In Russian rubles the revenues from energy transmission increased by RUR 5 564 (+16.2%) and were due to average transmission tariff growth.

Revenues from technological connection as of 2009 reached US\$ 30.7 mln. contributing 2.4% to the revenues (-14.8%). In Russian rubles the revenues from technological connection increased by RUR 78 mln. (+8.8%) and were due to connection (execution of connection contracts) as well as by technological connection tariff growth in comparison to 2008.

Other revenues gave us US\$ 10.2 mln. contributing 0.78% of overall revenues (in US\$ dollar terms -45.5% or in ruble terms -30.4% on 2008).

Again, we want to draw your attention that the 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 2009.

The Company's expenses in 2009 totaled US\$ 1 152.8 mln. (in US\$ -15.4%, in RUR +7.9% on 2008). Overall expenses of the Company as of 2009 are as follows:

Table 4. The Company's expense structure as of 2008 and 2009, US\$ thous.

Item	2009	Share, %	2008	Share, %	Change (US\$), %	Change (RUR), %
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Total expenses	1 152 773.4	100	1 363 340.2	100	+7,9%	-15.4%
Purchased energy for loss compensation	259 290.4	22.5	301 163.7	22.1	+9,9%	-13.9%
Payments to OAO "FSK UES"	263 611.8	22.9	271 720.6	19.9	+23,8%	-3.0%
Payments to other distributive companies	289 709.0	25.1	323 353.4	23.7	+14,3%	-10.4%
Wages and other social benefits	130 454.2	11.3	155 615.5	11.4	+7,0%	-16.2%
Depreciation and amortization	65 162.0	5.7	74 504.5	5.5	+11,6%	-12.5%
Taxes and dues	3 903.9	0.3	4 717.6	0.3	+5,6%	-17.2%
Other expenses	140 642.1	12.2	232 265.1	17.0	-22,7%	-39.4%
<i>For information:</i>						
<i>Repair expenses</i>	<i>24 784.1</i>	<i>2.1</i>	<i>39 913.5</i>	<i>2.9</i>	<i>-20,8%</i>	<i>-37.9%</i>

Purchased energy for loss compensation which totaled US\$ 259.3 mln. as of 2009 (22.5% of overall expenses). In Russian rubles the increase reached RUR 739 mln. (+9.9% on 2008) and was mainly due to increase of losses purchased at free market prices as well as contingency of free market prices over regulated ones.

Payments to other distributive companies which amounted to US\$ 289.7 mln. as of 2009 (25.1 of overall expenses). In Russian rubles the increase totaled RUR 1 153 mln. (+14.3%) and was due to the appearance of new grid companies as well as tariff increase.

Payments to OAO "FSK UES" which increased up to US\$ 263.6 mln. contributing 22.9% to overall expenses. In Russian rubles the increase totaled RUR 1 609 mln. (+23.8%) and was caused by increase of FSK maintenance tariff.

Wages and other social benefits in 2009 reached US\$ 130.5 mln. contributing 11.3% to overall expenses (in ruble terms +7.0% on 2008). The increase was caused by personnel increase due to transition to non-contracted repair, metering and other services since July 01, 2009.

Other expenses totaled US\$ 140.6 mln. (12.2% of overall expenses) and include transportation services, premises leasing, technical maintenance services. In Russian rubles the decrease totaled RUR 1 315 mln. and was due to transition from contracted repair, metering and IT services.

Other revenues and expenses in 2008-2009, US\$ thous.

Item	2009	2008
Interest receivable	459.5	600.5
Interest payable	22 934.2	17 502.8
Revenues from participation in other companies	416.8	535.1
Other revenues	121 052.2	77 445.8
Other expenses	202 269.4	90 360.2

Other revenues as of 2009 totaled US\$ 121.9 mln. Main revenue gains are:

- revenues from securities and financial instruments – US\$ 13.0 mln.;
- revenues selling core assets, apartments, materials, non-tangible assets and other non-current assets – US\$ 5.4 mln.;
- revenues of previous years revealed during the reported period – US\$ 10.0 mln.;
- revenues from restitution of bad debt reserves – US\$ 79.4 mln.

Other expenses as of 2009 totaled US\$ 225.2 mln. and include:

- Interest payable – US\$ 22.8 mln.;
- expenses from selling main assets, non-tangible assets and materials – US\$ 4.6 mln.;
- expenses from selling securities and financial instruments – US\$ 13.0 mln.;
- Bad debt reserve – US\$ 141.4 mln.
- Losses of previous years revealed during the reported period – US\$ 26.7 mln.
- Expenses of social character – US\$ 2.0 mln.

Debt Review

Table 5. The Company's credit portfolio as of 31.12.2008 and 31.12.2009, US\$ thous.

Item	As of 31.12.2009	As of 31.12.2008
Overall credit portfolio	176 583.7	257 201.0
Short-term loans and borrowings	-	48 192.8
Long-term loans and borrowings	175 749.5	207 290.5
<i>Including bonds</i>	<i>51.6</i>	<i>40 160.6</i>
Accrued interest debt	834.2	1 717.7

As of 2009 the Company's credit portfolio totaled US\$ 176.6 mln (-31.3% on 2008, in Russian rubles -12.4%). As of 31.12.2009 the Company's credit portfolio has no short-term loans and borrowings, long-term loans and borrowings reached US\$ 175.7 mln. (-15.2% on 2008, in ruble terms +8.2%).

Table 6. The Company's financial indicators as of 31.12.2008 and 31.12.2009.

Item	As of 31.12.2009	As of 31.12.2008
Debt, US\$ mln.	175.8	255.5
Net debt, US\$ mln.	143.0	231.4
EBITDA, US\$ mln.	131.9	143.6
Debt/ EBITDA	1,3	1,8
Net debt/ EBITDA	1,1	1,6
Debt/ Equity	20%	23%
Equity/ Assets	66%	66%

As of 2009 debt decreased by 31.2% on 2008 (in ruble terms -12%) and totaled US\$ 175.8 mln. 2009 net debt decreased by 38.2% (in ruble terms -21%) and reached US\$ 143.0 mln.

OPERATING REVIEW

Networks and Equipment

Overall length of aerial lines (in lines), as of 01.01.2010, reached 113.2 thous. km. The line length breakdown is as follows:

Table 7. Overall length of aerial lines (in lines), km. (as of 01.01.2010)

Subsidiary	220 kW	110 kW	35 kW	10 kW	6 kW	0.4 kW
Permenergo	0	4 829	3 511	17 530	2 112	13 957
Sverdlovenego	27	7 978	1 847	12 369	1 343	11 773
Chelyabenergo	0	5 368	2 718	14 737	1 022	12 131
Total	27	18 174	8 075	44 636	4 477	37 861

Overall length of cable lines, as of 01.01.2010, reached 4 691 km. The breakdown is presented in Table 8.

Table 8. Overall length of cable lines, km (as of 01.01.2010)

Subsidiary	110 kW	35 kW	10 kW	6 kW	0.4 kW
Permenergo	12	78	203	1 141	754
Sverdlovenego	0	0	78	226	268
Chelyabenergo	1	12	678	398	841
Total	13	90	959	1 765	1 863

The quantity of substations PS-35/110-220 kW, as of 01.01.2010, 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 01.01.2010).

Subsidiary	PS-35 kW		PS -110-220 kW	
	Quantity	Installed capacity, MVA	Quantity	Installed capacity, MVA
Permenergo	180	1 691	168	5 791
Sverdlovenego	92	565	266	6 451
Chelyabenergo	120	970	180	4 986
Total	392	3 226	614	17 227

The quantity of substations TP-6-20/0.4 kW, as of 01.01.2010, totaled 27 390, with installed capacity reaching 7 407 MVA. The breakdown is presented in Table 10.

Table 10. Quantity and installed capacity of substations TP-6-20/0.4 kW (as of 01.01.2010).

Subsidiary	Quantity	Installed capacity, MVA
Permenergo	10 914	2 754
Sverdlovenego	7 563	1 952
Chelyabenergo	8 913	2 701
Total	27 390	7 407

Energy supply and losses

Table 11. Energy supply and losses as of 2008 and 2009, thous. kWh.

Item	Subsidiary	2009	2008	Change, %
Overall energy supply	Permenergo	18 991 809	20 875 189	-9,02%
	Sverdlovenargo	34 511 475	40 147 542	-14,04%
	Chelyabenergo	22 292 612	25 343 066	-12,04%
	Total	75 795 896	86 365 797	-12,24%
Productive energy supply	Permenergo	16 737 643	18 670 184	-10,35%
	Sverdlovenargo	32 205 849	37 753 791	-14,70%
	Chelyabenergo	20 395 740	23 478 000	-13,13%
	Total	69 339 232	79 901 975	-13,22%
Energy Losses	Permenergo	2 254 166	2 205 004	2,23%
	Sverdlovenargo	2 305 626	2 393 751	-3,68%
	Chelyabenergo	1 896 872	1 865 066	1,71%
	Total	6 456 664	6 463 821	-0,11%