

## 2.1. OUR SERVICE AREA.

IDGC of Urals, OAO is an electric grid company providing energy transmission using 0.4-220 kV lines and connection to grids in the Sverdlovsk, Chelyabinsk and Perm regions.

### THE SVERDLOVSK REGION



Established on January 17, 1934. Administrative center - Ekaterinburg. Time difference: Moscow (+2 hours), London (+5 hours), New York (+10 hours).

#### Geography

Borders with the Perm region in the west, the Komi Republic and Hanty-Mansiisk autonomous region in the north, the Tyumen region in the east, the Kurgan Chelyabinsk regions and the Republic of Bashkortostan in the south.

The large settlements: Ekaterinburg, Nizhni Tagil, Kamensk-Uralski, Pervouralsk, Serov.

#### Population

Highly urbanized region – urban population totals 83%. The size of the population is about 4.4 mln. Ethnic composition: Russians (89.2%), Tartars (3.8%), Ukrainians (1.2%), Bashkirs (0.8%) and other (5.0%).

#### Economy

Ferrous and non-ferrous metallurgy, uranium enrichment, iron ore concentration and machine-building dominate in the industrial complex. Military industrial complex (armored vehicles and tank ammunition) and industrial machine-building (equipment for primary, energy and chemical sectors) prevail in machine-building.

Largest enterprises: Nizhni Tagil Metallurgy Plant, Kachkanar Mining and Processing Complex, VSMPO Avisma, Uralmash, Bogoslovsky and Uralsky aluminum plants, Kamensk-Uralsky Metallurgy plant, Uralvagonzavod, UGMK-Holding.

#### Regional advantages

- 1) Advantageous geographical position between Europe and Asia.
- 2) Abundance and diversity of mineral resources.
- 3) Developed transport infrastructure and telecommunications.
- 4) Industrial juggernaut and developed banking sector.
- 5) High scientific potential and highly-skilled workers.
- 6) Implementation of large projects (Titanic valley, the Industrial Urals the Polar Urals, OAO, construction of international logistic center).

### THE CHELYABINSK REGION



Established on January 17, 1934. Administrative center - Chelyabinsk. Time difference: Moscow (+2 hours), London (+5 hours), New York (+10 hours).

#### Geography

Borders with the Sverdlovsk region in the north, the Kurgan region in the east, the Orenburg region in the south, Bashkiria in the west and Kazakhstan in the south east.

The largest settlements: Chelyabinsk, Magnitogorsk, Zlatoust, Miass, Kyshtym.

#### Population

Highly urbanized region – urban population totals 81.4%. The size of the population is about 3.6 mln. Ethnic composition: Russians (82.3%), Tartars (5.7%), Bashkirs (4.6%), Ukrainians (2.1%) and others (5.3%).

#### Economy

The backbone of the regional economy is machine-building, metalworking, ferrous and non-ferrous metallurgy. Chemical, textile and food-processing industry are highly developed, electronics and measurement equipment are produced by the region.

The largest enterprises: MMK, ChMK, Chelyabinsk zinc plant, ChTPZ, Chelyabinsk Coal company, Chelyabinsk chemical and pharmaceutical plant, ChTZ, Makfa, OAO, Soyuz Pischeprom, OAO, Elektromachina Holding.

#### Regional advantages

- 1) Advantageous geographical position between Europe and Asia.
- 2) Developed transport system and telecommunications.
- 3) Diverse resource base.
- 4) Developed oil and energy complex, industry and agricultural sector.
- 5) Tourist and recreation cluster (national parks Taganai, Zyuratkul, Lake region, ski resort).
- 6) Possibility for establishing special economic zone.
- 7) Implementation of large foreign projects (Rexam, Henkel and Omia plants).

## THE PERM REGION



Established on December 01, 2005. Administrative center - Perm. Time difference: Moscow (+2 hours), London (+5 hours), New York (+10 hours).

### Geography

Borders with the Komi Republic, the Kirov region, Udmurtia, Bashkortostan and the Sverdlovsk region. The largest settlements: Perm, Berezniki, Solikamsk, Chaikovsky, Kungur.

### Population

The size of the population is about 2.7 mln. Ethnic composition: Russians (85.2%), Komis (5.7%), Tartars (4.9%), Bashkirs (1.5%), Ukrainians (0.9%) and others (1.8%).

### Economy

The backbone of the regional economy is highly developed industrial complex. Oil, chemical and petrochemical industries, ferrous and non-ferrous metallurgy, machine-building, lumber complex as well as food-processing industry predominate in manufacturing sector.

The largest enterprises: Lukoil Perm, OOO, Lukoil Permnefteorgsintez, OOO, Uralkali, OAO, Silvinit, OAO, Azot, OAO, Sibur Khimprom, ZAO, Chusovskoy Metallurgy plant, OAO, Gubakhinsky Koks, OAO, Perm Non-ferrous Metals, OAO, Motovilikhinskye Zavody, OAO.

### Regional advantages

- 1) Advantageous geographical position between Europe and Asia.
- 2) Diverse resource base.
- 3) Developed transport system and telecommunications.
- 4) Significant scientific and technical potential.
- 5) Developed industry, oil and energy complex, lumber complex.
- 6) Large foreign affiliates (Henkel-Pemos, Gypopolimer, SAN InBev, Nestle RUS).

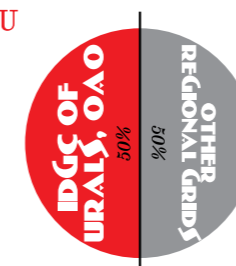
## 2.2. OUR REGIONAL MARKET SHARE

IDGC of Urals, OAO provides energy transmission services to wholesale and retail subjects as well as connection of equipment belonging to legal entities and natural persons to the grids in the Sverdlovsk, Chelyabinsk and Perm regions. The main line of activities is monopolistic and it is regulated by the state in terms of the transmission and connection tariffs. Energy transmission services are provided to the providers of last resort, independent retail supplier and direct consumers-participants of the wholesale energy market.

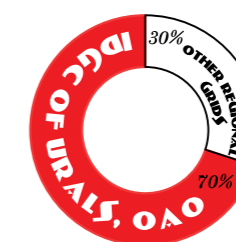
IDGC of Urals, OAO occupies a dominant position on energy transmission market in the service area. This market is constantly expanding due to the growth of energy consumption and connection of new consumers. Our competitors, in terms of energy transmission, are allied municipal and private grid companies, mainly, grids operating in low-voltage class. Thus, in our service area there are 286 allied grid companies (including industrial companies providing transmission services for sub-consumers), about 30 being large ones. Smaller competitors directly depend upon IDGC of Urals, OAO that adheres to the policy of consolidating all grids in its service area.

The Company's market share in terms of productive supply to end-user is 70%. In terms of CU we occupy 50% of the market share.

In terms of CU



In terms of productive supply



In terms of conventional units the market share of Permenergo is 53%, of Sverdlovenergo - 42%, Chelyabenergo - 59%. The market share in terms of productive supply of Permenergo - 82%, of Sverdlovenergo - 65%, Chelyabenergo - 66%.

Main regional gridcos operating in the services area of IDGC of Urals, OAO are:

Name	Required gross revenues (RGR) in 2010		The volume of grid facilities belonging to regional gridcos in 2010	
	RUR, thous	Share in regional RGR, %	CU	Share in regional CU, %
Lukoil Energoseti, OOO	688 356,66	5,61	35 516,00	9,70
Communal systems – Prikamye, OAO	624 970,00	5,10	14 203,70	3,88
Novogor-Prikamye, OOO (branch in Berezniki)	146 881,24	1,20	5 792,65	1,58
RZHD, OAO (Sverdlovsk railroad)	155 067,29	1,26	19 747,00	5,39
SC Contact, OOO	48 965,64	0,40	5 511,60	1,51
Oblkommunenergo, GUP SO (Ekaterinburg)	555 900,00	2,49	20 000,00	4,75
Regional grid company, OAO (Ekaterinburg)	612 030,00	2,74	43 000,00	10,21
Russian Railroads, OAO, Sverdlovsk railroad – branch of RZHD, OAO (Ekaterinburg)	496 550,00	2,22	60 000,00	14,25
Tagilenergoseti, ZAO (Nizhni Tagil)	389 170,00	1,74	16 000,00	3,80
Gorelektroset, OAO (Pervouralsk)	155 440,00	0,70	7 500,00	1,78
Regional grid company, OOO	565 039,00	5,82	19 875,00	6,94
South Urals Railroad – branch of RZHD, OAO	55 271,00	0,57	16 404,00	5,73
Korkinskaya grid company, OOO	78 818,00	0,81	11 758,00	4,11
Chelyabinskaya grid company, OAO	107 569,22	1,11	6 635,00	2,32
Elektroseti, OOO	77 718,00	0,80	5 896,00	2,06

1 Conventional unit of equipment (CU) that characterizes property complex used for energy transmission



2.3. OUR KEY EVENTS

# 2010

IDGC of Urals, OAO and Russian German Energy Agency signed cooperation agreements on energy-efficient technologies.



The Company participated in the conference "Russian grids: current status, problems and roadmaps".

IDGC of Urals, OAO created Operations Situation Room for exchange of data on technological accidents, emergencies and natural disasters.

Chelyabenergo branch put into beta testing new telemetric equipment.



DGC of Urals, OAO presented its long-term energy efficiency program at INNOPROM-2010.



A new mimic diagram board was launched in our Sverdlovenego branch (Kirovgrad).

Permenergo management and representatives from ZM discussed opportunities of new-age wire application.

OAO "IDGC of Urals" received a letter of thanks from the Governor and Government of the Sverdlovsk region for social and charity activities in 2009

JANUARY

MARCH

MAY

JULY

FEBRUARY

APRIL

JUNE

AUGUST



IDGC of Urals, OAO presented its projects during energy-saving meeting.



Annual General Shareholder Meeting took place.

The Government of the Perm region approved the completion of Permenergo investment program.



The Company demonstrated its energy saving laboratory at the exhibition dedicated to energy saving and efficiency.



Permenergo branch completed repair process on 4 large substations in Perm.



The Government of the Sverdlovsk region signed an agreement with IDGC of Urals, OAO on cooperation in social, economic and ecological spheres within strategic regional development.

# 2011



The Government of the Perm region and IDGC of Urals, OAO signed agreement of cooperation within regional strategic development.

Top management met with investors within a UBS investment conference (Moscow).



All branches obtained 2010-2011 autumn - winter certificates.

Registrar Company Status, ZAO approved as the Company's registrar.



Chelyabenergo branch tests new incident indicators.

IDGC of Urals, OAO began to implement automatic system of grid maintenance and repair.



A new mimic diagram board was launched in Permenergo branch.

IDGC of Urals, OAO successfully passed Quality Management System audit.

SEPTEMBER

NOVEMBER

JANUARY

MARCH

OCTOBER

DECEMBER

FEBRUARY



A new mimic diagram board was launched in Chelyabenergo (Chelyabinsk).

Top management met with investors within a VTB Capital investment conference (Moscow).



A new substation (90th anniversary of GOELRO plan) was commissioned into operation.



IDGC of Urals, OAO was awarded with Energopromexpo-2010 gold medal.

A new PS 110 kV (Granitnaya) was put into operation in Chelyabinsk.

Permenergo and Perm State Technical University talked over mutual partnership within the context of the elaboration of Permenergo Innovative Development Program.



Top management met with investors within a Troika investment conference (Moscow).