4 OUR RESULTS

4.1. NETWORK AND EQUIPMENT

As of 01.01.2011 overall length of aerial lines (in lines) totals 114 348 km (in chains - 123 255 km), including:

Voltage class	220 kV	110 kV	35 kV	10 kV	6 kV	0.4 kV	TOTAL
Permenergo	-	4 839	3 510	17 495	2 115	13 925	41 885
Sverdlovenergo	27	7 994	1 921	12 403	1 643	12 055	36 042
Chelyabenergo	-	5 380	2 714	14 800	1 143	12 385	36 421
IDGC of Urals	27	18 214	8 145	44 697	4 901	38 365	114 348

Overall length of cable lines, as of 01.01.2011, totals 4 944 km, including:

Voltage class	110 kV	35 kV	10 kV	6 kV	0,4 kV	TOTAL
Permenergo	12	81	230	1 209	814	2 345
Sverdlovenergo	-	0,5	89	237	285	611
Chelyabenergo	1,4	12	717	406	850	1 987
IDGC of Urals	13	94	1 035	1 853	1 949	4 944

As of 01.01.2011 the quantity of substations totals 1 024, installed capacity reaches 20 813 MVA.

	PS 35 kV		PS 110-220 kV		Total	
	Quantity	Capacity, MVA	Quantity	Capacity, MVA	Quantity	Capacity, MVA
Permenergo	181	1 697	168	5 793	349	7 490
Sverdlovenergo	103	719	267	6 467	370	7 186
Chelyabenergo	124	1 010	181	5 127	305	6 137
IDGC of Urals	408	3 427	616	17 386	1 024	20 813

Overall quantity of 6-20/0.4 kV transformer substations, as of 01.01.2011, totals 28 046, installed capacity reaches 7 622 MVA.

	TP 6-20/0.4 kV			Total	
	Pole-mounted	Package	Indoor	Quantity	Capacity, MVA
Permenergo	157	9 395	1 600	11 152	2 990
Sverdlovenergo	2 021	4 914	888	7 823	1 996
Chelyabenergo	1 743	5 355	1 973	9 071	2 636
IDGC of Urals	3 921	19 664	4 461	28 046	7 622

Equipment is repaired with regard to its real technical status following preliminary inspections, expert evaluations, technical diagnostics and control. Primary aim of the repairs is the restitution of equipment life by replacing aerials fuses for over-voltage limiter, oil-filled incoming lines of transformers and 110 kV switchers for incoming lines with RIP-isolation and stick-pedestal insulator of disconnect switches, defect porcelain isolator for polymer ones, worn-out overhead protection cables for aluminum-steel conductors, compression and bolted fittings for spiral hooping, defective wood for wood steeped in pollution-free antiseptic.

During the reported period we laid a special emphasis on building renovation initiated after exploitation-educed defects. Completion of target repair volumes, defined by 2010 repair program, is 112%. Generally, during 2010 we repaired:

	2009 Actual	2010 Target	2010 Actual	Completed, %
35 – 110 KV SUBSTATIONS				
PS overhaul, pcs	95	90	91	101%
35-110 kV transformers	72	47	51	109%
35-110 kV switches	285	292	359	123%
6-10 kV switches	837	846	952	113%
0.4 – 110 KV LINES				
110 kV aerials, km	2 976	3 130	3 317	106%
35 kV aerials, km	1 216	1 321	1 397	106%
6-10 kV aerials, km	2 847	3 026	3 321	110%
0.4 kV aerials, km	1 930	1 779	2 076	117%
0.4 – 110 kV cables, km	22,5	17,6	21,3	121%
Line clearing, ha	5 131	8 664	8 700	100%
6-10/0.4 KV TP				
Transformer substations	2 218	1 765	2 303	130%
6-10 kV transformers	388	445	586	132%

Target grid repair in 2010 totaled RUR 1 180 821 thous. Real repair volume totaled RUR 1 228 575 thous. (104%).

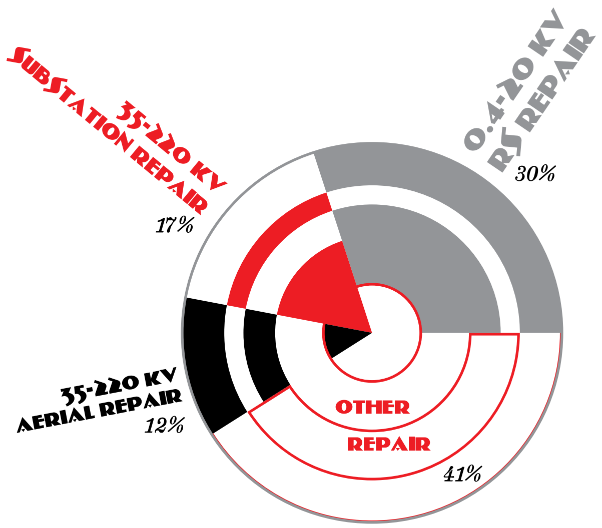
	Target	Actual	Completion, %
Permenergo	401 307	398 211	99
Sverdlovenergo	443 756	482 364	109
Chelyabenergo	334 981	347 044	104
IDGC of Urals	1 180 821	1 228 575	104

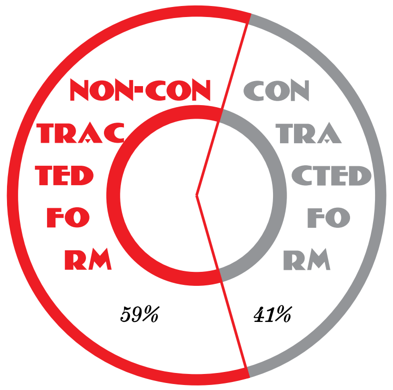
Our expenses in terms of equipment breakdown are:

	Repair				
	35-220 kV aerials	35-220 kV substations	0.4-20 kV RS	Other	Total
Permenergo	40 310	66 861	127 257	163 783	398 211
Sverdlovenergo	61 192	76 609	123 947	220 616	482 364
Chelyabenergo	39 916	67 349	119 569	120 210	347 044
IDGC of Urals	141 418	210 819	370 773	505 565	1 228 575

Our overall expenses in contracted form totaled RUR 501 857 thous. (non-contracted form – RUR 726 718 thous.)

	2009 Actual	2010 Target	2010 Actual
Overall expenses	787 389	1 180 821	1 228 575
Non-contracted form, including:	455 801	713 430	726 718
Wages	67 093	116 203	131 764
Social tax	17 235	30 513	34 600
Materials and spare parts	261 444	411 317	410 938
Other expenses	110 029	155 398	149 415
Contracted form	331 588	467 391	501 857





4.2. CONNECTION

	Requests submitted		Contracts concluded		Contracts executed	
Year	pcs	mW	pcs	mW	pcs	mW
2008	14 136	2 050,61	10 620	769,47	7 933	152,06
2009	16 441	702,42	13 665	509,11	9 496	212,23
2010	22 235	880,40	18 578	586,41	11 528	273,67

ANALYSIS OF SUBMITTED REQUESTS

PERMENERGO

Year	Requests submitted	
	pcs	MW
2008	6 662	652,50
2009	8 226	257,23
2010	11 603	258,21

During the reported period there were 11 603 requests (+41% on 2009, +74% on 2008) with overall capacity 258.2 MW (+0.03% on 2009, -60.4% on 2008). There was an increase of requests submitted by natural persons with capacity up to 15 kW up to 8 619 requests (+36.2% on 2009, +97.84% on 2008) and increase of customer demand up to 76 MW (+54.4% and +120.9% correspondingly). The dynamics of the requests submitted by other applicants is characterized by request increase (+57% on 2009 and +29.2% on 2008) and customer capacity demand decrease (-12.5% and -76% correspondingly). These oppositely directed tendencies, in comparison to 2008, can be explained by decreasing number of “large” applicants (capacity demand more 750 kW at 6-110 kV voltage). Besides, after the publication of Federal Law #261-FZ dd. 23.11.2009 “On energy saving and energy efficiency increase” many applicants were careful with capacity demand requesting the required capacity without reserves.

It should be noted that during the reported period, in comparison to 2009, there were almost no changes in the quantity of requests submitted by legal entities and individual entrepreneurs with capacity up to 15 kW (2 494 applications in 2010, 2 487 in 2009). However, in comparison to 2008 there was an increase of requests by 127.7% (1 095 applications in 2008). At the same time customer capacity demand in 2010 decreased by 0.6% on 2009 г. but it increased by 190% on 2008. The situation can be explained by the changes in legislation on connection: connection fee for legal entities and individual entrepreneurs with capacity up to 15 kW decreased down to RUR 550 including VAT. In 2008 such applicants tried to reduce connected capacity to minimize own connection expenses, in 2009 after changes in legislation these applicants began to demand more capacity within 15 kW.

SVERDLOVENERGO

Year	Requests submitted	
	pcs	MW
2008	3 308	1 059,43
2009	4 373	246,35
2010	6 244	335,00

During 2010 there were 6 244 requests (+43% on 2009, +89% on 2008) with overall capacity 335 MW (+36% and –68% correspondingly). There was an increase of requests submitted by natural persons with capacity up to 15 kW up to 4 993 requests (+61% on 2009, +276% on 2008) and increase of customer capacity demand up to 51.85 MW (+99% and +336% correspondingly). The dynamics of the requests submitted by other applicants is characterized by request decrease by 2% on 2009 (+1% on 2008), as well as customer capacity demand increase by 29.0% on 2009 (-73% on 2008). It should be noted that during the reported period there was an increase of requests submitted by natural persons and legal entities with capacity up to 15 kW (+49% on 2009 and +182% on 2008).

Increase of requests from such applicants is mainly due to improvements in economy and priorities for small business (reduction of connection fee for legal entities and individual entrepreneurs requesting capacity up to 15 kW). At the same time there was an increase of capacity requested by the applicants (+81% on 2009 and +259% on 2008). In 2008 such applicants tried to reduce connected capacity to minimize own connection expenses, in 2009 after changes in legislation these applicants began to demand more capacity.

Chelyabenergo

Year	Requests submitted	
	pcs	MW
2008	4 166	338,63
2009	3 842	198,84
2010	4 388	287,19

In 2010 there were 4 388 requests (+14.2% on 2009 and +5.3% on 2008) with overall capacity 287.19 MW (+44.4% and -15.2% correspondingly). There was an increase of requests submitted by natural persons with capacity up to 15 kW up to 2 682 requests (+19.5% on 2009, +19.4% on 2008) and increase of customer demand up to 28.2 MW (+70.9% and +80.9% correspondingly). The dynamics of the requests submitted by other applicants is characterized by request increase by 6.8% on 2009 (-11.1% on 2008) and customer demand increase by 42.0% on 2009 (-19.8% on 2008).

These oppositely directed tendencies, in comparison to 2008, can be explained by decreasing number of “large” applicants (capacity demand more 750 kW at 6-110 kV voltage). Besides, after the publication of Federal Law #261-FZ dd. 23.11.2009 “On energy saving and energy efficiency increase” many applicants were careful with capacity demand requesting the required capacity without reserves.

It should be noted that during 2010 there were almost no changes in the quantity of requests submitted by legal entities and individual entrepreneurs with capacity up to 15 kW. At the same time in 2010 capacity demanded by such applicants increased (+40.6% on 2009, +83.7% on 2008). The situation can be explained by changes in legislation on connection.

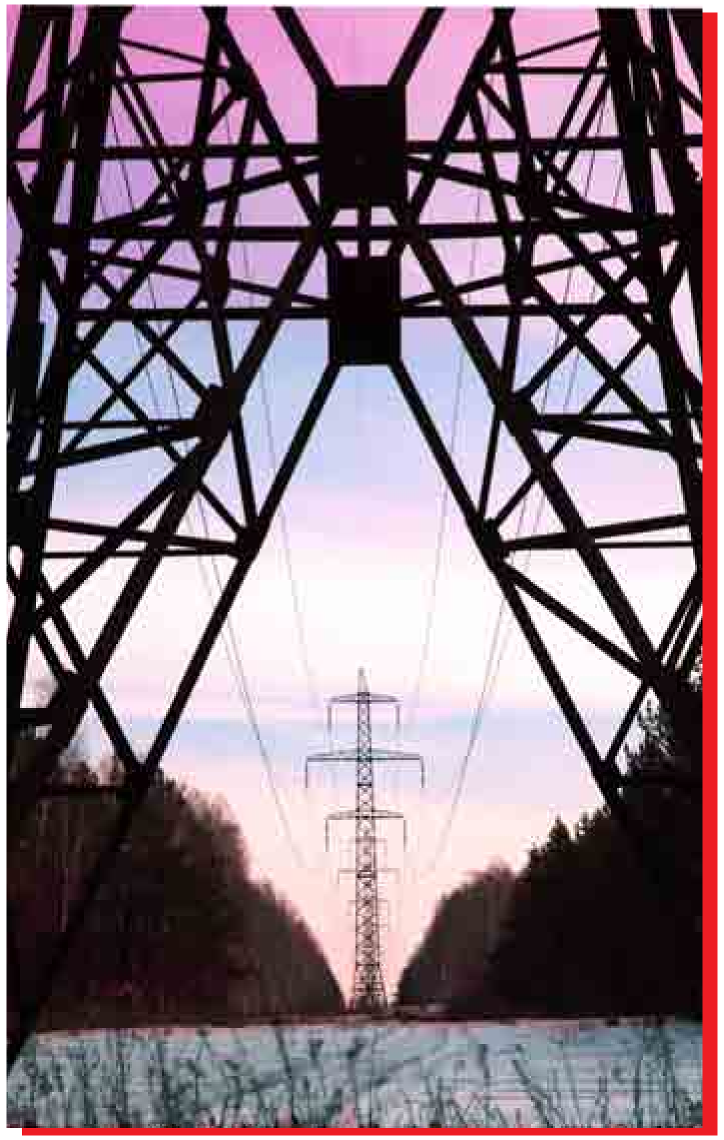
Analysis of concluded contracts

Permenergo

Year	Contracts concluded	
	pcs	MW
2008	5 426	365,57
2009	6 824	223,71
2010	9 134	198,07

During the reported period 9 134 contracts were concluded (+33.9% on 2009, +68.3% on 2008) with overall capacity 198.07 MW (-11.5% and -45.8% correspondingly). Overall contract value decreased (-14% and -70.4% correspondingly) and totaled RUR 749.9 mln. VAT-free (2009 – RUR 855.4 mln. VAT-free, 2008 – RUR 2 534.2 mln. VAT-free). The increase in number of concluded contracts can be explained by the increase in requests submitted by applicants demanding capacity up to 15 kW.

Decrease in overall contract value, in comparison to 2009, was caused by changes in consumer structure due to connection fee for legal entities and individual entrepreneurs requesting capacity up to 15 kW totaling RUR 550. In comparison to 2008 the decrease can be explained by large-size individual contracts concluded in 2008 with RZHD, Lukoil – Perm, UralOil and a range of large developers.



Sverdlovenergo

Year	Contracts concluded	
	pcs	MW
2008	1 825	135,70
2009	3 567	163,82
2010	5 308	194,44

In 2010 5 308 contracts were concluded (+48.8% on 2009, +190% on 2008) with overall capacity 194.44 MW (+18% and +44% correspondingly). Overall contract value in 2010 increased on 2009 by 131% (-76% on 2008) and totaled RUR 506.16 mln. (2009 – 219.02 mln., 2008 – 2 129.07 mln.).

Growth of concluded contracts and synchronous drop of contract value (in comparison to 2008) can be explained by increase of requests submitted by legal entities and natural persons with connected capacity up to 15 KW.

Chelyabenergo

Year	Contracts concluded	
	pcs	MW
2008	3 369	268,20
2009	3 274	121,58
2010	4 136	193,90

In 2010 4 136 contracts were concluded (+26.3% on 2009 and +22.8% on 2008) with overall capacity 193.89 MW (+59.5% and -27.7% correspondingly). Overall contract value decreased (-26.9% and -90.5% correspondingly) and totaled RUR 100.55 mln. (2009 – RUR 137.6 mln., 2008 – RUR 1 063.26 mln.).

Growth of concluded contracts was caused by increase of requests submitted by applicants demanding capacity up to 15 kW. Decrease of overall contract value is due to the fact that the value of each contract is determined individually according to the Decree of State Committee United Tariff Body of the Chelyabinsk region.

Analysis of executed contracts

Permenergo

Year	Contracts executed, pcs	Contracts executed, MW
2008	4 792	78,52
2009	5 780	144,26
2010	6 919	101,54

In 2010 6 919 contracts were executed (+19.7% on 2009, +44.4% on 2008) with overall capacity 101.5 MW (-29.6% and +29.3% correspondingly). Connected capacity volume in 2009 is higher, because in 2009 we executed a large-size individual contract with RZHD. In comparison to 2008, during the reported period there was a significant increase in connected applicants. This growth mainly was caused by increase of connections for applicants demanding capacity up to 15 kW.

Sverdlovenergo

Year	Contracts executed, pcs	Contracts executed, MW
2008	1 305	27,67
2009	1 974	30,34
2010	2 364	125,82

In 2010 2 364 contracts were executed (+19.7% on 2009, +81.1% on 2008) with overall capacity 125.82 MW (+314.7% and +354.6%). A considerable growth of connected capacity was caused by the execution of contracts with Terra Group, OAO (10.1 MW), Urals Pig Complex, ZAO (3 MW and 1.6 MW), NPK Uralvagonzavod, OAO (6 MW), Sukholozhsktsement, OAO (34.85 MW), Kamensk-Uralski Metallurgy Plant, OAO (12.5 MW), Rosenergoatom Beloyarskaya AES, OAO (12 MW), Pervouralsk Novotrubnyi Zavod, OAO (16 MW), Uralgidromed, OAO (5 MW).

Chelyabenergo

Year	Contracts executed, pcs	Contracts executed, MW
2008	1 836	45,87
2009	1 742	37,63
2010	2 245	46,31

In 2010 2 245 contracts were executed (+28.9% on 2009, +22.3% on 2008) with overall capacity 46.31 MW (+23.1% and +1.0% correspondingly). Connected capacity slightly exceeded 2008 results. This shows that we return to pre-depression connection levels. At the same time the quantity of connected applicants grew significantly. This growth is due to the increase in connection of applicants with capacity up to 15 kW.

Industry analysis

Permenergo
In 2010 there was an increase in submitted requests (+41% on 2009, +74% on 2008). The following industries showed an increase (in comparison to 2009 and 2008): agriculture (by 14 times and by 2 times), budget institutions (+74% and +7%), trade industry, catering, storage facilities and logistics (by 5 times and + 8%), other commercial companies (by 6 times and 3 times), other industries (by 8 times and 3 times). At the same time the following industries showed a decrease: residential development (-25% and -78%), machine-building and metal work (-100% and -100%), building material industry (-100% and -100%).

Sverdlovenergo
During 2010 there was an increase in submitted requests (+43% on 2009, +89% on 2008). The following industries showed an increase (in comparison to 2009 and 2008): commercial companies (+44% and +56%), building material industry (+50% and +67%), trade industry, catering, storage facilities and logistics (67% and +113%), residential development (+153% and +485%), transport (+34% and +105%), budget institutions (+42% and +337%). At the same time the following industries showed a decrease: fuel, chemical and petrochemical industries (-16% and -20%), textile, food-processing, flour-and-cereals and formula feed industries (-40% and -25%), agriculture (-25% and -27%).

Chelyabenergo
In 2010 there was an increase in submitted requests (+14.2% on 2009, +5.3% on 2008). The following industries demonstrated a decrease of submitted requests (in comparison to 2009 and 2008): textile, food-processing, flour-and-cereals and formula feed industries (-67% and -75%), transport (-37% and -46%), IT and communications (-41% and -59%), public utilities (-25% and -68%), budget institutions (-28% and -5%). At the same time there was an increase in the following industries: building material industry (+900% and +300%), agriculture (0%, +24%), commercial companies (+38% and +27%), other industries (+51% and +22%).

Analysis of cancelled contracts

Permenergo
In 2010 applicants cancelled 255 contracts (73.8 MW), contract reimbursement totaled RUR 23 045 thous., including VAT (2009 - 165 25.5 MW contracts, reimbursement – RUR 63 437 thous. including VAT, 2008 - 134 31.5 MW contracts, reimbursement – RUR 7 123 thous. including VAT). Cash inflow: 2010 – RUR 746.9 mln. (no VAT), 2009 – RUR 602.1 mln. (no VAT), 2008 – RUR 949.3 mln. (no VAT).

Sverdlovenergo
During 2010 applicants cancelled 253 contracts, overall value totaling RUR 100.582 mln. including VAT (2009 - 68 contracts, overall value totaling RUR 22.07 mln., 2008 - 2 contracts, overall value totaling RUR 17.85 mln. including VAT). Cash inflow: 2010 – RUR 260.2 mln (no VAT), 2009 – RUR 165.2 mln. (no VAT), 2008 – RUR 1 053.0 mln. (no VAT).

Chelyabenergo
During 2010 applicants cancelled 188 contracts (85.8 MW), contract reimbursement totaled RUR 5 175.8 thous., no VAT (2009 - 168 16.5 MW contracts, reimbursement – RUR 7 201.8 thous., no VAT, 2008 - 48 7.2 MW contracts, reimbursement – RUR 124.7 thous, no VAT). Cash inflow: 2010 – RUR 90.28 mln. (no VAT), 2009 – RUR 132.98 mln. (no VAT), 2008 – RUR 283.6 mln. (no VAT).

CONNECTION REVENUES ANALYSIS

PERMENERGO
In 2010 revenues totaled RUR 549.5 mln. (no VAT), revenues decreased by -19.7% on 2009 (RUR 684.4 mln., no VAT), in comparison to 2008 revenues increased by +7.2% (RUR 512.3 mln., no VAT). Decrease of revenues is due to putting-off of commissioning a large-size individual project for 2011.

SVERDLOVENERGO
During the reported period connection revenues totaled RUR 823.359 mln., no VAT. Revenues increased by 1 216% on 2009 (RUR 62.52 mln., no VAT), +851% on 2008 (RUR 86.5 mln. no VAT). This outstanding growth was due to connection of the following large consumers: Terra Group, OAO (RUR 55 901.93 thous., no VAT), Uralski Pig Complex, ZAO (RUR 72 017.5 thous., no VAT and RUR 12 129.9 thous., no VAT), Sukholozhsktsement, OAO (RUR 600 mln., no VAT), Rosenergoatom Beloyarskaya AES. OAO (RUR 3 394.11 thous., no VAT), Pervouralsk Novotrubnyi Zavod, OAO (RUR 12 893.745 thous., no VAT), Uralgidromed, OAO (RUR 5 664.442 thous., no VAT).

CHELYABENERGO
In 2010 revenues totaled RUR 312.9 mln., no VAT. Revenues increased by 37.7% on 2009 (RUR 227.21 mln., no VAT), revenues decreased by 1.9% on 2008 (RUR 319.15 mln., no VAT). The increase was due to the fact that in 2010 we executed several contracts (commissioning of objects stipulated by the contracts was put off for 2010).

FORECASTS ON CONNECTION REVENUES IN 2011-2015

	2011 F	2012 F	2013 F	2014 F	2015 F
Permenergo, RUR mln.	755	593	490	490	490
Sverdlovenergo, RUR mln.	288	234	156	365	100
Chelyabenergo, RUR mln.	263	230	256	268	276

PERMENERGO
Bearing in mind that 2011 connection tariff is retained and economy stabilizes, 5-year revenues are forecast at RUR 490 mln. per annum. Besides, in 2011 we'll execute an individual contract with overall value totaling RUR 255 mln. Three large-size individual contracts with overall value RUR 103.3 mln. (no VAT) will be executed in 2012.

SVERDLOVENERGO
Connection revenues in 2011-2015 are forecast on the basis of connected capacity and contracts concluded in 2007-2010. In 2011 we plan to execute 16 large contracts being a part of our investment program.

CHELYABENERGO
Revenue decrease in 2011-2015, in comparison to 2010, is due to changes in Russian legislation on connection (Federal Law #35-fz dd. 26.03.2003 "On Energy Sector"). According to the legislation, since January 01, 2011 no investment component, related to current infrastructure development, should be included into connection fee. This will lead to the decrease of connection contract value.

4.3. ENERGY TRANSMISSION

TRANSMISSION REVENUES

	Approved business plan			Actual		
	Productive supply, mln. kW/h	Revenues, including VAT, RUR mln.	Average tariff (no VAT), RUR kW/h	Productive supply, mln. kW/h	Revenues, including VAT, RUR mln.	Average tariff (no VAT), RUR kW/h
Permenergo	16 749	13 960	0,71	17 164	14 175	0,70
Sverdlovenergo	33 787	25 834	0,65	33 965	26 670	0,67
Chelyabenergo	22 541	17 271	0,65	19 757	15 516	0,67
IDGC of Urals	73 077	57 065	0,66	70 887	56 361	0,67

Transmission revenues decreased by RUR 705 mln., including VAT (-1.2%) and was caused by the transition of ChEMK, OAO to FSK UES, OAO according to the resolution of Moscow Federal Arbitration Court dd. 29.11.2010 г. on case #A40-86667/08-134-679.

2010 OPERATING RESULTS

	Energy supply, mln. kW/h	Productive supply, mln. kW/h	Losses	
			Mln. kW/h	%
Permenergo	19 893,387	17 679,310	2 214,076	11,13
Sverdlovenergo	36 871,004	34 673,673	2 197,331	5,96
Chelyabenergo	21 617,237	19 695,402	1 921,835	8,89
IDGC of Urals	78 381,628	72 048,385	6 333,243	8,08

Energy transmission, mln. kW/h

	2009*	2010	Change	
			mln. kW/h	%
Permenergo	16 221,683	17 164,341	942,659	5,81%
Sverdlovenergo	31 023,830	33 964,940	2 941,110	9,48%
Chelyabenergo (no energy consumption by ChEMK)	17 822,893	19 757,332	1 934,439	10,85%
IDGC of Urals (no energy consumption by ChEMK)	65 068,405	70 886,614	5 818,209	8,94%

*no energy consumption by ChEMK, OAO.

During the reported period energy transmission totaled 70 887 mln. kW/h (+5 818 mln. kW/h or +8.94% on 2009).

ENERGY LOSSES

	2009 Actual		2010 Actual		Change	
	mln. kW/h	%	mln. kW/h	%	mln. kW/h	%
Permenergo	2 254,166	11,87	2 214,076	11,13	-147,099	-0,74
Sverdlovenergo	2 305,626	6,68	2 197,331	5,96	-265,929	-0,72
Chelyabenergo	1 896,832	9,65	1 921,835	8,89	-163,256	-0,76
IDGC of Urals	6 456,624	8,82	6 333,243	8,08	-583,381	-0,74

Actual losses totaled 6 333 mln. kW/h (8.08% of energy supply). In comparison to 2009, energy supply increased by 7.12% and losses decreased by 583 mln. kW/h (0.74% on 2010). 2010 loss target was 8.17%, actual losses totaled 8.08% (-0.09%).

	2010 target		2010 actual		Change	
	mln. kW/h	%	mln. kW/h	%	mln. kW/h	%
Permenergo	2 163,280	12,06	2 214,076	11,13	-185,066	-0,93%
Sverdlovenergo	2 056,427	5,96	2 197,331	5,96	-1,374	-0,004%
Chelyabenergo	1 736,326	8,32	1 921,835	8,89*	124,131	0,57%
IDGC of Urals	5 956,034	8,13	6 333,243	8,08*	-35,536	-0,05%

It should be noted that 2010 actual figures are given without ChEMK consumption. When tariffs for 2010 were approved by the regulators, ChEMK consumption was taken into consideration. In case we had "retained" the consumer, the losses would have totaled 7.78% (in Chelyabenergo – 7.8%). This is by 0.35% lower than the losses calculated in tariffs (Chelyabenergo – by 0.52%).

Losses for 2010, approved by the BoD in our 2010 business plan, totaled RUR 6 477.214 mln. kW/h (8.17%). As of 2010 actual losses were lower than the losses stipulated by the business plan by 73.166 mln. kW/h (0.09%).

	2010 Target		2010 Actual		Change	
	mln. kW/h	%	mln. kW/h	%	mln. kW/h	%
Permenergo	2 250,745	11,52	2 214,076	11,13	-77,843	-0,39
Sverdlovenergo	2 309,957	6,52	2 197,331	5,96	-207,638	-0,56
Chelyabenergo	1 916,512	7,89	1 921,835	8,89	216,739	1,00
IDGC of Urals	6 477,214	8,17	6 333,243	8,08	-73,166	-0,09

ENERGY SAVING AND EFFICIENCY

In the sphere of energy saving and efficiency, according to energy-saving programs, the following indicators are our targets: energy losses, resources for economic needs, metering for economic needs, metering for retail market. As of 2010 the target indicators are:

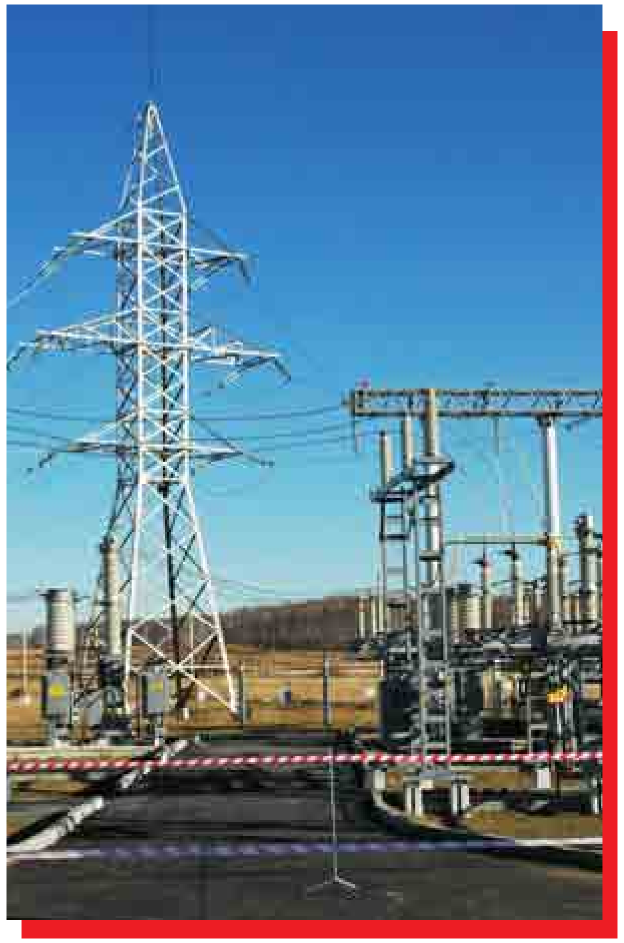
	Target 2010	Actual 2010
Energy losses RUR mln., including VAT	12 956,63	12 736,45
Energy losses mln. kW/h	6 477,21	6 333,24
Energy losses % of energy supply	8,17	8,08
Resources for economic needs RUR mln., including VAT	332,48	312,65
Metering for economic needs, %	100	99,7
Metering for retail market, %	7,73	7,73

Indicator "Metering for economic needs" was not reached, because overhaul completion date (including reconstruction of heating system and heating metering in a Chelyabenergo office building) was put off to 15.09.2011.

Our energy-saving program includes energy saving and efficiency program, metering development/ update program and program stipulating measures to increase industrial and commercial consumption resource efficiency. It should be noted that the program has not included technical and organizational measures that were taken annually during current operations, their implementation having no influence on losses in comparison to the last reported period. In 2010 we expected the following effects from the programs:

	Target		Actual	
	mln. kW/h	RUR mln	mln. kW/h	RUR mln
Metering development/ update program	51,62	71,43	51,62	71,44
Program stipulating measures to increase industrial and commercial consumption resource efficiency	0,05	0,10	0,05	0,10
Overall effect	51,68	71,53	51,68	71,54

As of 2010 the completion of programs totals 100%. Expenses totaled RUR 156.84 mln. (no VAT). Financing sources for energy-saving program were investment program (RUR 101.65 mln.) and repair program (RUR 55.19 mln.).



Energy resources consumed by the Company in 2010 are as follows:

	Measurement unit	Target 2010	Actual 2010
Energy resources supplied according to contracts	RUR, thous. (no VAT)	332 482,1	312 651,7
Electric energy	RUR thous.	263 377,2	246 639,3
	Thous. kW/h	96 162,1	88 081,6
Thermal energy	RUR thous.	63 860,9	60 189,0
	Gcal	62 868,0	59 618,0
Cold-water supply	RUR thous.	5 067,6	5 660,0
	Thous. m3	198,4	220,1
Hot-water supply	RUR thous.	8,4	8,4
	Thous. m3	0,7	0,7
Natural gas	RUR thous.	168,0	155,0
	Thous. m3	41,0	40,0
Petrol	RUR thous.	-	6 657,062
	tons	-	301,39
Diesel fuel	RUR thous.	-	2 932,692
	tons	-	137,35
Oils	RUR thous.	-	4 802,567
	tons	-	71,3

As a priority the Company takes measures aimed at optimization (decrease) of energy losses. Due to loss optimizing measures overall effect totaled 583.381 mln. kW/h. Measures aimed at the decrease of non-technical losses have the effect of 116.231 mln. kW/h. Decrease of technical losses by organization measures totaled 20.31 mln. kW/h (technical measures – 4.19 mln. kW/h). overall economic effect reached RUR 295.846 mln., expenses totaled RUR 94.98 mln. (expenses are disclosed according to the Program on the Perspective Development of Retail Market Metering System). At the same time average pay-back period is 11.5 years. 2010 loss decreasing target was accomplished by 100%.

Loss decrease, mln. kW/h	
Measures on decreasing technical energy losses, including	69,44
Replacement of wires	3,041
Replacement of overloaded/underloaded transformers	0,8668
Disconnection of transformers at substations with 2 transformers and transformers with seasonal loading	0,476
Phase load balancing in 0.4 kV networks	0,183
Optimization of load balancing by the construction of substations and lines, including transition to a higher tension level	0,1348
Subdivision of 0.38-35 kV lines	0,1533
Other organizational measures	19,65
Measures on decreasing non-technical energy losses	116,231

During 2010 non-technical losses were reduced by 116.231 mln. kW/h due to the implementation of Metering Update Program and execution of tasks stipulated by transmission contracts.

As of 31.12.2010 debts under litigation totaled RUR 945 mln. including VAT. The main cause of debts under litigation is disagreements between the Company and a consumer over the amount of capacity and energy presented for payment. We are preparing complaints on SUAL-UAZ debts, in December 2010 we have written off ChEMK debt (RUR 2 855 mln).

	Receivables				Payables			
	Consumer debt at the beginning of the year, RUR mln, including VAT		Consumer debt at the end of the year, RUR mln, including VAT		Gridco's debt (loss compensation) at the beginning of the year, RUR mln., including VAT		Gridco's debt (loss compensation) at the end of the year, RUR mln., including VAT	
	Total	Under litigation	Total	Under litigation	Reflected in accounts	Non-reflected in accounts	Reflected in accounts	Non-reflected in accounts
Permenergo	476	109	415	1	86	0	64	0
Sverdlovenergo	3 584	394	4 086	944	406	0	533	0
Chelyabenergo	2 409	413	899	0	602	0	486	0
IDGC of Urals	6 470	916	5 400	945	1 093	0	1 082	0

Debts under litigation are settled in judicial proceedings. Main debts under litigation in Sverdlovenergo belong to SUAL UAZ, OAO (RUR 841 mln.), there are court proceedings on coercion of FSK UES, OAO to conclude transmission contract with SUAL UAZ, OAO.

Energy transmission services rendered to FSK, debts to FSK, including "last mile" contracts, are as follows:

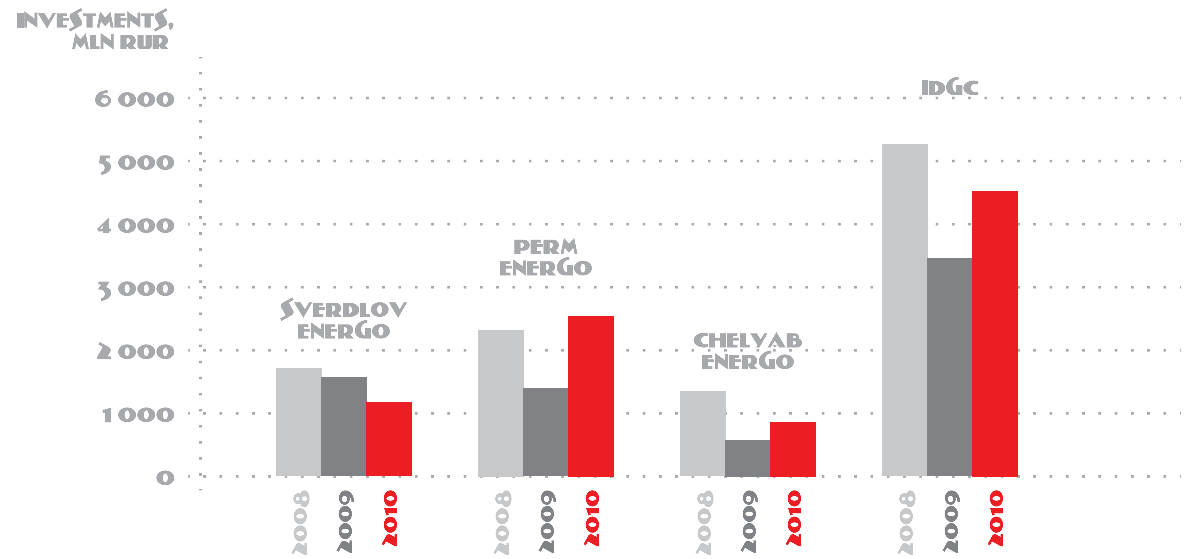
	Total	Permenergo	Sverdlovenergo	Chelyabenergo
Capacity (MW)	9 809	2 110	5 014	2 685
Energy transmitted (mln. kW/h)	1 634 201	414 942	869 644	349 615
Overall price (RUR mln, including VAT):	12 907	2 834	6 669	3 405
Loss compensation (RUR mln.)	2 024	501	1 078	445
Network maintenance (RUR mln.)	12 204	2 625	6 239	3 340
Load losses (RUR mln.)	1 321	293	648	381

FSK services are paid according to the concluded contract, there are no overdue debts, including debts according to "last mile" contracts.

4.4. OUR INVESTMENTS

Our Capex in dynamics is positive. 2010 investments exceed 2009 ones by RUR 1 096 mln. (or 32%) due to the necessity for implementing grid update strategy with a view to increase reliability, to provide continuity of service, to increase the quality of energy transmission by changing obsolete equipment.

During 2010 we fulfilled a considerable amount of work in terms of constructing new objects, update and reconstruction of existing grid objects.
Key Capex directions in 2010:

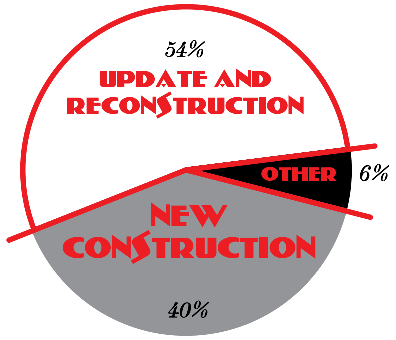


- Prevention of grid ageing (maintenance of equipment performance characteristics within limits of permitted values);
- New construction (removal of restrictions on connection in energy-deficient territories and creation of new main substations);
- Development of energy transmission services (transmitted energy increase by connecting new consumers);
- Provision of grid reliability (continuity of required energy transmission services).

	CAPEX, RUR mln.			including:								
				Update and reconstruction			New construction			Other (acquisition of fixed assets)		
	target	actual	%	target	actual	%	target	actual	%	target	actual	%
Sverdlovenergo	1189	1144	96	782	728	93	284	311	109	122	106	87
Permenergo	2692	2548	95	1409	1302	92	1 227	1 162	95	57	84	148
Chelyabenergo	840	862	103	452	447	99	321	328	102	93	114	122
HQ	14	8	57	11	6	54	3	2	66	0	0	-
IDGC of Urals	4735	4562	96	2654	2482	94	1835	1802	98	272	304	112

	Target					Actual					Completed, %				
	Fixed assets put into operation, RUR mln.	Capacity installed		Increase of capacity installed		Fixed assets put into operation, RUR mln.	Capacity installed		Increase of capacity installed		Fixed assets put into operation, RUR mln.	Capacity installed		Increase of capacity installed	
		km	MVA	km	MVA		km	MVA	km	MVA		km	MVA	km	MVA
Sverdlovenergo	1491	671	236	604	215	1502	721	248	607	231	101	108	105	100	108
Permenergo	2551	374	28	171	11	2689	411	55	193	36	105	110	200	113	336
Chelyabenergo	987	532	239	494	209	1082	538	366	512	324	110	101	153	104	155
HQ	11	0	0	0	0	9	0	0	0	0	81	-	-	-	-
IDGC of Urals	5040	1577	503	1270	435	5282	1670	669	1312	591	105	106	133	103	136

Actual 2010 Capex totaled RUR 4 562 mln. (96% of targets). Completion of technical update and reconstruction, including connection, was 94% (target – RUR 2 654 mln., actual – RUR 2 482 mln.). Deviation from the target figures was due to technological limits and lack of disconnections for update and reconstruction as well as due to decrease of estimated cost after tenders. Completion of new construction and expansion of existing objects, including connection, was 98% (target – RUR 1 835 mln., actual – RUR 1 802 mln.) caused by decrease of estimated cost after tenders. The completion of other works, including acquisition of fixed assets, totaled RUR 304 mln. (112% of target figures). Deviation from target figures was due to disposition of property complexes belonging to other companies to our balance sheet upon a court decision as well as acquisition of grids to consolidate network assets.



The most important grid objects, built and commissioned during 2010, are:

- 110/10 kV substation "Granitnaya" (Chelyabinsk, construction),
- 10 kV cable line (Chelyabinsk, construction),
- 110/10/6 kV substation "Zarechnaya" (Chelyabinsk, reconstruction),
- 110 kV aerial line "Shagol-Sosnovskaya-Isakovo" (the Chelyabinsk region, Sosnovsky district, reconstruction),
- 110/6 kV substation "Gorod-2" (the Chelyabinsk region, Miass, reconstruction),
- 110/35/6 kV substation "Krasnouralsk" (the Sverdlovsk region, Krasnouralsk, reconstruction),
- 110 kv "Belogorye" and 110 kV aerial line (the Sverdlovsk region, Nizhni Tagil, Uralets village, construction),
- overhang of 110 kV aerial line "Serovskaya GRES-Krasnoturinsk-SGRES-Serov" (the Sverdlovsk region, Serov).

During the reported period we commenced to construct the following objects:

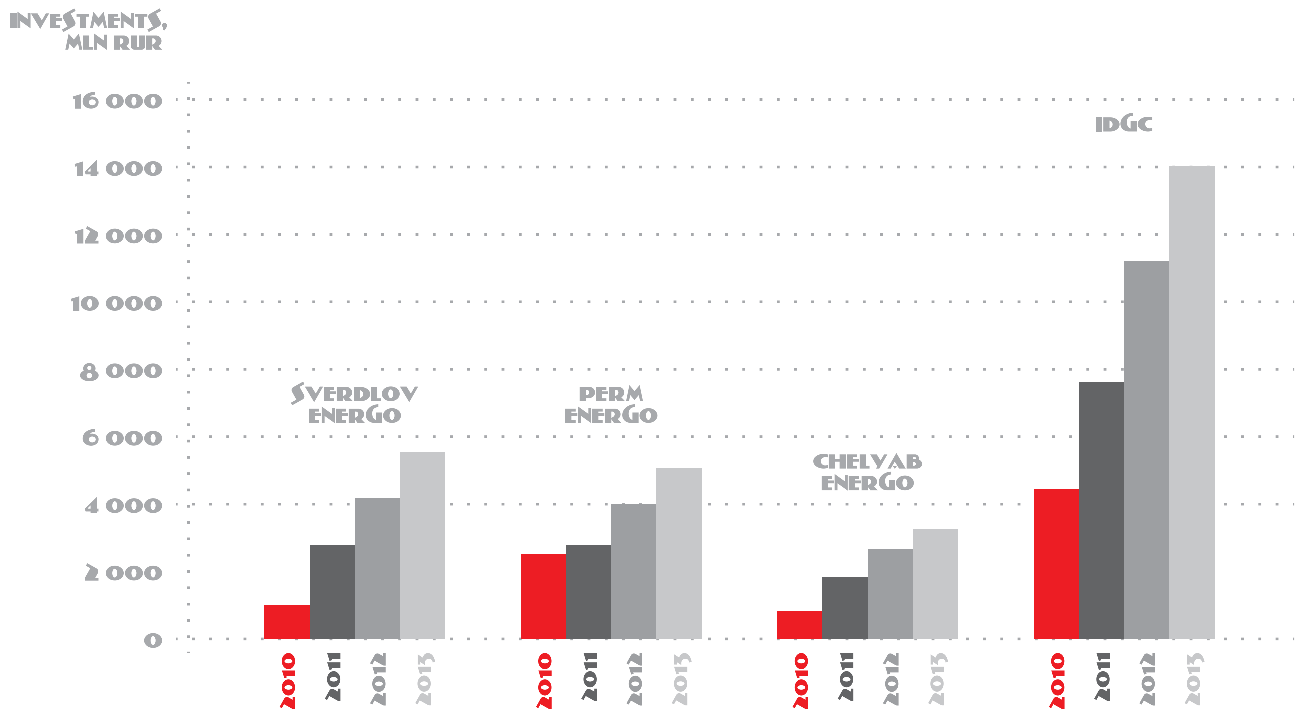
- 110/6 kV substations "Iva" (Perm, microdistrict "Kostarevo", commissioning is planned in 2011),
- 110/35/6 kV substation "Plekhanova" (Perm, commissioning is planned in 2011).

The structure of financing resources for our 2010 investment program is as follows:

		SE	PE	ChE	EO	Total
Investment resources, total, RUR mln, no VAT		1144	2548	862	8	4562
Internal resources / Depreciation of the reported year	Depreciation of the reported year	915	839	517	8	2279
	Unused depreciation of the past years	0	0	38	0	38
	Non-distributed profit of the past years	0	288	26	0	314
	Profit of the reported year used in investment program of the reported year, including	204	367	36	0	567
	Renovation included into tariffs	74	0	0	0	74
	Sale of core non-current assets	0	0	0	0	0
	Sale of non-core non-current assets	0	0	0	0	0
	Connection fee	90	367	36	0	493
	Other internal resources	66	23	81	0	171
External resources	Budget resources (federal, municipal)	0	0	0	0	0
	Borrowed funds (with interest)	0	600	0	0	600
	Borrowed funds (additional issue)	0	0	0	0	0
	Connection fee	0	431	163	0	594
	Other external resources, including participation interest in construction at the expense of other resources	0	0	0	0	0

During the creation of this business report our long-term 2011-2015 investment program was updated. According to Russian Government Decree #977 dd. 01.12.2009 the above-mentioned programs were submitted for approval to the local executive bodies according to the following parameters:

	RUR mln, no VAT			
	2010	2011	2012	2013
Sverdlovenergo	1 144	2 845	4 267	5 617
Update and reconstruction	728	1 815	2 982	4 326
New construction	311	486	603	708
Other	106	543	683	583
Permenergo	2 548	2 942	4 058	5 111
Update and reconstruction	1 302	1 643	2 211	2 533
New construction	1 162	535	1 117	1 844
Other	84	765	730	734
Chelyabenergo	862	1 969	2 716	3 377
Update and reconstruction	447	1 279	1 703	2 324
New construction	328	661	749	886
Other	87	29	264	167
HQ	8	29	186	104
Update and reconstruction	6	9	15	16
New construction	2	15	172	89
Other	0	5	0	0
IDGC of Urals	4 562	7 786	11 228	14 209
Update and reconstruction	2 482	4 747	6 911	9 198
New construction	1 802	1 697	2 640	3 527
Other	277	1 342	1 676	1 484



The diagram demonstrates our target Capex in 2011-2013. We forecast the growth of Capex that is due to investment resources increase, including transition to RAB-tariffs.

The table contains the key resources of our 2010-2013 investment program (submitted for the approval by the local executive bodies.

		2010	2011	2012*	2013*	IDGC
Total:		4 562	7 786	11 228	14 209	4562
Internal resources	Depreciation of the reported year	2 279	2 530	2 793	3 148	2279
Internal resources	Unused depreciation of the past years	38	0	0	0	38
Internal resources	Non-distributed profit of the past years	314	5	0	0	314
Internal resources	Profit of the reported year used in investment program of the reported year, including	567	1 293	5 726	8 130	567
Internal resources	Renovation included into tariffs	74	1 293	5 726	8 130	74
Internal resources	Sale of core non-current assets	0	0	0	0	0
Internal resources	Sale of non-core non-current assets	0	0	0	0	0
Internal resources	Connection fee	493	0	0	0	493
Internal resources	Other internal resources	171	0	0	0	171
External resources	Budget resources (federal, municipal)	0	0	0	0	0
External resources	Borrowed funds (with interest)	600	3 039	1 785	2 168	600
External resources	Borrowed funds (additional issue)	0	0	0	0	0
External resources	Connection fee	594	918	924	762	594
External resources	Other external resources, including participation interest in construction at the expense of other resources	0	0	0	0	0

*forecast prices

4.5. OUR TARIFFS

According to the Russian legislation (FST Decree #20-e/2 dd. 06.08.2004) energy transmission tariffs are set forth as united for all consumers of one voltage class, located on the constituent territory of the federation and belonging to the same group (category), irrespective to which grids they are connected to. We are the holder of united (boiler) grid tariffs in the Sverdlovsk, Chelyabinsk and Perm regions. "Boiler" tariffs:

- Are calculated from payments for energy transmission, according to the contracts, forwarded to the only grid company – IDGC of Urals, OAO;
- Enter expenses for energy transmission by FSK and all grids located in the region;
- Are applied for the settlement of payments between IDGC of Urals and providers of last resort, utility companies, retail suppliers and other customers, being wholesale market participants or those who concluded purchase-and-sale contracts with generators or other energy suppliers.

	2008	2009	2009/2008	2010	2010/2009	2011	2011/2010
Permenergo							
Average transmission tariff, Copecks KW/h	49.1	58.5	19.2%	76.1	30.1%	92.1	21.0%
Maintenance rate, Copecks KW/h	18.7	25.4	35.6%	34.6	36.3%	41.9	21.1%
Sverdlovenergo							
Average transmission tariff, Copecks KW/h	44.7	54.5	21.8%	72.3	32.7%	85.9	18.9%
Maintenance rate, Copecks KW/h	12.6	13.8	9.6%	19.5	41.1%	21.4	9.8%
Chelyabenergo							
Average transmission tariff, Copecks KW/h	40.8	45.9	12.6%	74.0	61.3%	77.5	4.7%
Maintenance rate,Copecks KW/h	14.1	16.9	19.7%	23.9	41.1%	28.2	18.2%
IDGC of Urals							
Productive supply, Mln kW/h	79 852	82 225	3.0%	69 339	-15.7%	71 973	3.8%
Total required gross revenues, RUR mln.	35 571	43 462	22.2%	51 179	17.8%	61 433	20.0%
Average transmission tariff, Copecks KW/h	44.5	52.9	18.7%	73.8	39.6%	85.4	15.6%
Required gross revenues for maintenance, RUR mln	11 573	14 360	24.1%	17 278	20.3%	20 669	19.6%
Maintenance rate, Copecks KW/h	14.5	17.5	20.5%	24.9	42.7%	28.7	15.2%

If we view average transmission tariffs in dynamics, we shall see a positive trend. During the reported period average tariff increase was rather high and totaled 39.6% on 2009. This significant growth was due to recession that resulted in the decrease of productive supply (-15.7% on 2009). At the same time required gross revenues (RGR) grew by 17.8%. In 2011 transmission tariff grew by 15.6% while RGR grew by 20% on 2010.

Our average maintenance rate in 2010 grew by 42.7%, in 2011 – by 15.2% on the previous year. Our total RGR for maintenance in 2011 is calculated and approved by RAB method, the increase on 2010 totaling 19.6%.

	2008	2009	2009/2008	2010	2010/2009	2011	2011/2010
IDGC of Urals, OAO							
RGR for maintenance: , RUR mln.	11 573	14 360	24.1%	17 278	20.3%	20 669	19.6%
Operating expenses, RUR mln.	8 388	9 820	17.1%	11 691	19.1%	13 340	14.1%
Share in maintenance, %	72%	68%	-5.7%	68%	-1.0%	65%	-4.6%
Investment expenses, RUR mln.	3 184	4 540	42.6%	5 587	23.0%	7 328	31.2%
Share in maintenance, %	28%	32%	14.9%	32%	2.3%	35%	9.7%

The key factor that determined the increase of RGR for maintenance is investment component growth. If investment expenses (depreciation, profit capex) in 2011 increase up to RUR 7 328 mln. (+31.2% on 2010), there is an increase of the share in maintenance by 9.7%. Generally, in 2011 the growth of expenses for maintenance, approved by the regulators, totaled 19.6% on 2010 (in 2010 – 20.3% on 2009). At the same time 2010 average inflation rate totaled 8.8%, 2011 target forecast provided by the Ministry of Economic Development is 7.9%.

RAB-REGULATION

Permenergo was transited to RAB on 01.01.2009, Sverdlovenergo and Chelyabenergo were transited on 01.01.2011. Long-term regulation parameters, approved for our branches prior to 01.01.2011, are presented below:

PERMENERGO

	2009	2010	2011
Basic operating expenses, RUR mln.	3 889	5 028	5 363
Operating cost index, %	1%	1%	1%
iRAB, RUR mln.	21 011	-	-
Net capital, RUR mln.	455	455	455
Rate of return on old capital, %	6%	9%	12%
Rate of return on new capital, %	12%	12%	12%
Payback period, years	35	35	35

SVERDLOVENERGO

	2011	2012	2013	2014	2015
Basic operating expenses, RUR mln.	2 816	2 955	3 088	3 236	3 387
Operating cost index, %	1%	1%	1%	1%	1%
iRAB, RUR mln.	20 779	21903	24321	28 084	33037
Net capital, RUR mln.	1 117	1 447	1 700	1 844	1 986
Rate of return on old capital, %	6%	9%	11%	11%	11%
Rate of return on new capital, %	12%	12%	11%	11%	11%
Payback period, years	35	35	35	35	35

CHELYABENERGO

	2011	2012	2013	2014	2015
Basic operating expenses, RUR mln.	2 816	2 955	3 088	3 236	3 387
Operating cost index, %	1%	1%	1%	1%	1%
iRAB, RUR mln.	20 779	21903	24321	28 084	33037
Net capital, RUR mln.	1 117	1 447	1 700	1 844	1 986
Rate of return on old capital, %	6%	9%	11%	11%	11%
Rate of return on new capital, %	12%	12%	11%	11%	11%
Payback period, years	35	35	35	35	35

Our large-scale long-term investment program is approved as follows.

	2010	2011	2012	2013	2014	2015
Total investment, RUR mln.	4 440	6 811	10 118	13 342	15 947	17 562
Growth, %	-	53,4	48,56	31,86	19,5	10,13

Investment influx is required for connection and update of worn-out equipment, construction of new objects and reconstruction of obsolete ones.

CONNECTION TARIFFS.

SVERDLOVENERGO

According to decree of Sverdlovsk REK #16-PK dd. 11.02.2009, we had the following connection fees till April 16, 2010:

	Tariff zones					
	Zone 1		Zone 2		Zone 3	
Voltage class	0.4 kV	6-10 kV	0,4 kV	6–10kV	0,4 kV	6–10 kV
Connection rates, RUR/kW, no VAT	8 933	12 847	2 792	8 868	1 685	6 143

On April 16, 2010 a new decree (#35-PK dd. 07.04.2010) approved the following connection rates:

	Tariff zones			
	Zone 1 and 2		Zone 3	
Connected capacity, kW	15-100	100–8500	15–100	100–8500
Connection rates, RUR/kW, no VAT	5 471	10 606	1 896	5 731

On December 15, 2010 a new decree (#161-PK) approved new connection rates, calculated under recent changes in Federal Law #35-FZ dd. 26.03.2003 "On Energy Sector", coming into force since January 01, 2011.

	Tariff group			
	Group 1 and 2		Group 3	
Connected capacity, kW	15-100	100–4500	15–100	100–4500
Connection rates, RUR/kW, no VAT	3 793	4 585	1 926	1 779

PERMENERGO

During the reported period the following connection rates, approved by decree of Perm REK #10-e dd.28.04.2009, were in effect:

Voltage class	Connected capacity	Basic connection rates, RUR/kW (no VAT)		
		Supply reliability category		
		III category	II category	I category
Low voltage (0.4 kV)	Over 15 up to 30 kW inclusive	11 257	14 633	16 322
	Over 30 kW up to 100 kW inclusive	9 812	12 755	14 226
	Over 100 kW up to 750 kW inclusive	10 338	13 438	14 990
Average voltage II (6-10 kV)	Up to 100 kW inclusive	9 606	12 487	13 928
	Over 100 kW up to 750 kW inclusive	9 000	11 700	13 050
	Over 750 kW	8 032	10 441	11 646

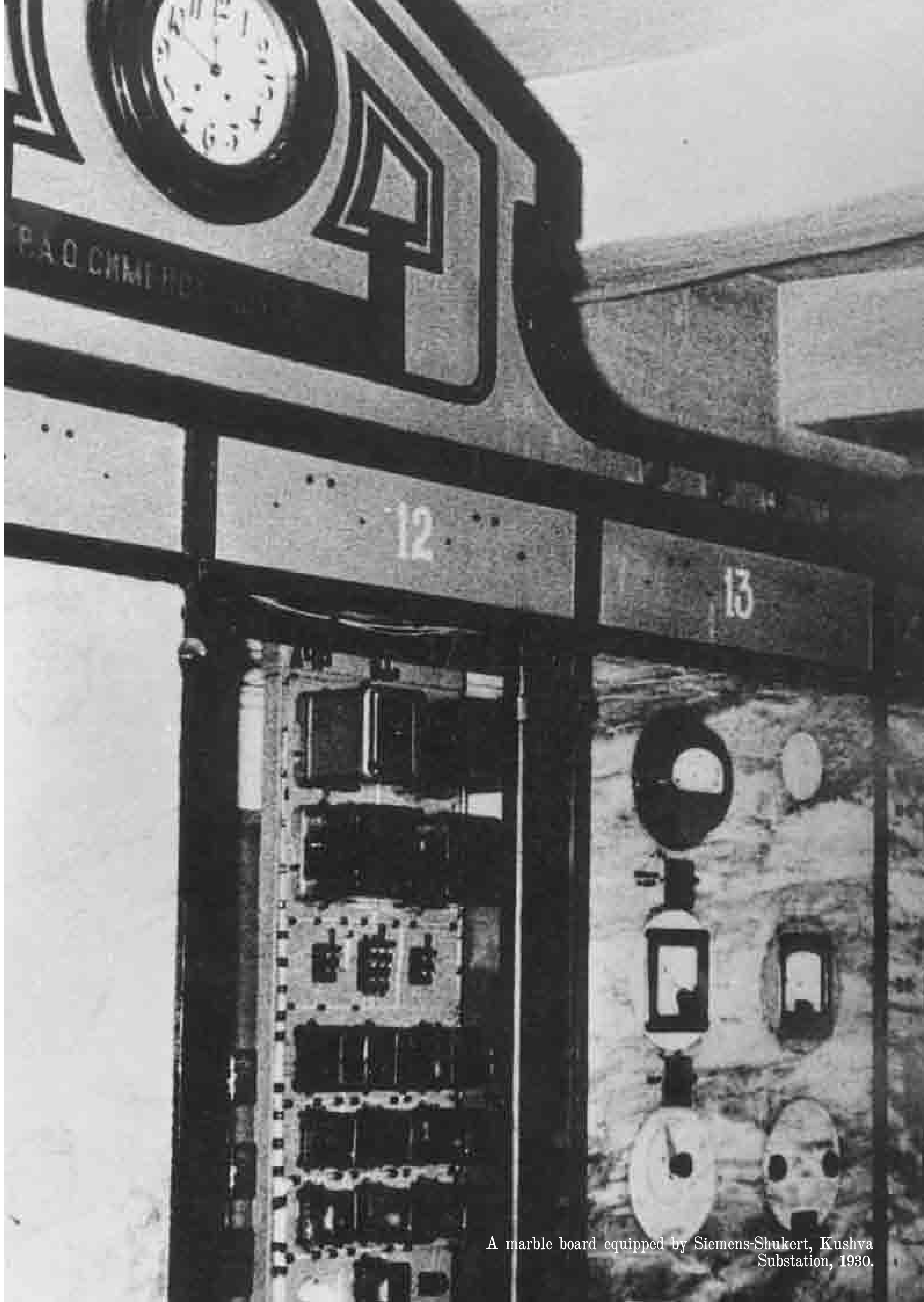
There are also multiplying and reduction factors in supply zones (from 0.6 to 1.31).

January 02, 2011 decree #97-e dd. December 28, 2010 introduced new connection rates:

Voltage class	Connected capacity	Basic connection rates, RUR/kW (no VAT)		
		Supply reliability category		
		III category	II category	I category
Low voltage (0.4 kV)	Over 15 up to 30 kW inclusive	9 812	12 755	14 226
	Over 30 kW up to 100 kW inclusive	9 812	12 755	14 226
	Over 100 kW up to 750 kW inclusive	10 338	13 438	14 990
Average voltage II (6-10 kV)	Up to 100 kW inclusive	9 606	12 487	13 928
	Over 100 kW up to 750 kW inclusive	9 000	11 700	13 050

CHELYABENERGO

In 2010 we were guided by decree of Chelyabinsk ETO #49/64 dd. December 25, 2009 stipulating a connection rate only for applicants with capacity up to 15 kW (approved by FST decree #201-e1). For all other applicants connection fees were approved individually. Since January 01, 2011 a new decree (#52/71 dd. December 30, 2010) retains individual approach for all applicants with capacity over 15 kW.



A marble board equipped by Siemens-Shukert, Kushva Substation, 1930.