

## DEAR SHAREHOLDERS

The elapsed year became the year when post-crisis recovery of the Urals economy has triggered again. After serious meltdown in 2009 energy consumption commenced to grow again on our service area. Our management model, efficiently established and crisis-tested, enabled us to fully exploit our advantages against the backdrop of energy demand boom and to reach high results at the year-end.

Generally, our 2010 energy consumption grew by 8.73% on 2009. During the reported year the volume of transmitted energy totaled 70 887 mln. kW/h, thus exceeding 2009 results by 4.71%. In addition, our net profit also grew up to RUR 1 684 773 thous. (+ RUR 613.5 mln. on 2009). These results allow us to contemplate a dividend pay-out for the first time since 2007.

During the year the Company's Board of Directors worked hard to increase governance efficiency. Generally, there were 16 regularly arranged sessions of the Board of Directors. The BoD reviewed and approved our business plan, insurance coverage program as well as collective labor contract. Besides, the BoD approved the Regulations on Risk Management, Internal Control Policy and the Regulations on Dividend Policy. According to a BoD resolution, IDGC of Urals joined a non-profit partnership (Union for Energy Auditors and Energy Service Companies) as well as incorporated a 100% subsidiary (Energy Service Company of the Urals, OAO).

We commemorated the 90th anniversary of the all-Russia electrification plan by commissioning new objects and updating grids. In 2010 overall investments totaled RUR 4.6 bln. In the Sverdlovsk region we completed the reconstruction of 110/35/6 kV "Krasnouralsk" substation. This enabled us to increase supply reliability for industrial and residential consumers in Krasnouralsk and for a large copper plant belonging to Svyatogor, OAO. In Ekaterinburg we commissioned a new substation ("90th anniversary of the GOELRO plan") portraying successful implementation of the investment program by Urals subdivisions of IDGC Holding. In the Chelyabinsk region we commissioned 110/10 kV "Granitnaya" substation designed to increase supply reliability for consumers in the Lenin district of Chelyabinsk. In the Perm region we completed the reconstruction of 110 kV "Chusovaya – Lysva" aerial line. This modernized line considerably increased supply reliability for plants in Chusovoy and Lysva as well as facilitated energy supply for public utilities and industrial consumers.

In 2011 overall investments will total RUR 7.78 bln., exceeding 2010 investments by 1.6 times. Such large-scale investments are possible due to the transition of our all branches to RAB tariffs: Sverdlovenergo and Chelyabenergo transited to RAB since January 01, 2011, Permenergo transited to RAB in 2009. We worked over the transition during the whole year.

In 2010, as a result of our integration strategy (conclusion of rental contracts or purchase of grids) the company significantly increased its local communal market share. Thus, in 2010 we concluded 9 new grid rental contracts with various municipalities and administrations. Generally, on our service area we concluded 33 rental contracts (service volume exceeding 36.9 thous. c.u.). More than 4.7 thous. c.u. were taken into possession during 2010.

In 2010 we connected about 11.5 thous. new consumers (+21% on 2009). Connected capacity also considerably



*The Chairperson of the Board of Directors  
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increased – 273.67 MW against 212.2 MW in 2009. Repair targets, determined by our 2010 repair program, were accomplished by 112%. In 2010 special attention was given to buildings renovated according to defects detected during exploitation.

With a view to implement our HR policy, on June 23, 2010 the BoD approved the Program on the HR Endorsement and Development. The Program is focused on the preservation of staff potential and improvement of personnel training, retraining and development system. In 2010 the company implemented the new Regulations on personnel training that regulate and encourage the unified approach to training system for all structural subdivisions. Our corporate training center obtained a new status – since September 2010 it works as Training Center of IDGC of Urals, NCHOU. Summarizing our 2010 results we can state that the Board of Directors, management team and personnel successfully dealt with lingering signs of economy crisis that negatively affected our operations. Our course for increasing governance efficiency was fruitful: market capitalization grows, social programs are implemented. We started 2011 with large-scale investment plans and assurance that we are able to fulfill the plans. Grids development, quality and reliability increase, work on behalf of our shareholders will continue to be our key principles in future.