5. OPERATING RESULTS

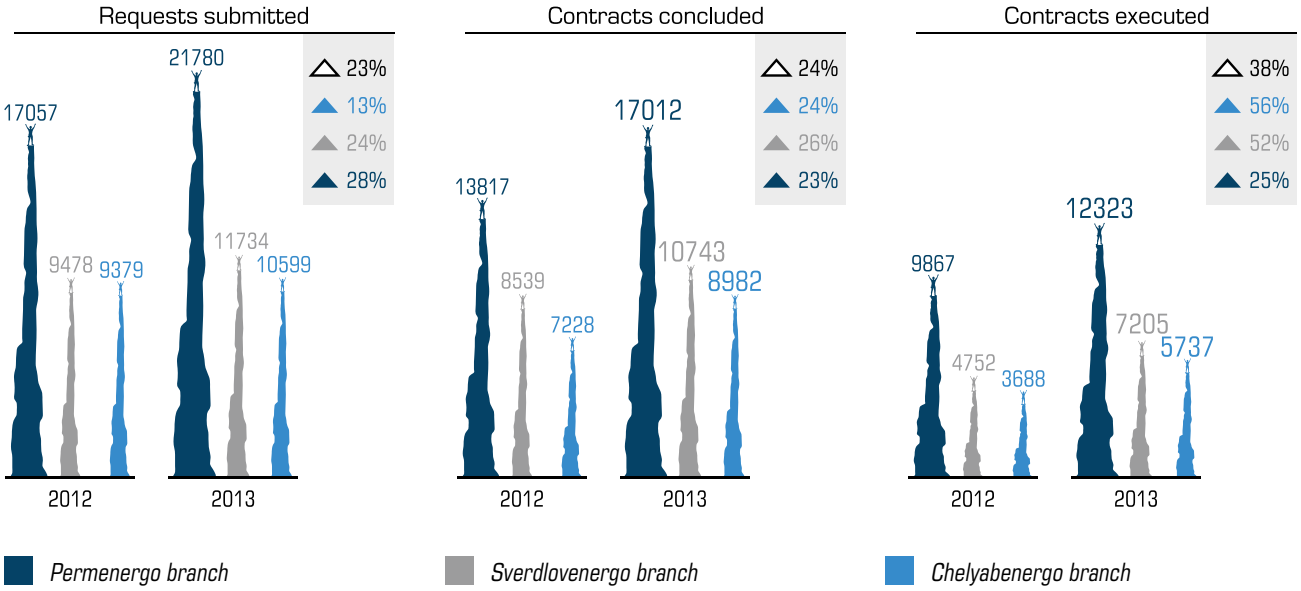
ANNAPURNA

Annapurna (8 091 m) is a section of Annapurna massif in Nepal bounded by the Kali–Gandaki and Marshyangdi rivers. It is the tenth highest mountain on the planet. Annapurna was the first 8000–er to be climbed (1950). On June 03, 1950 Maurice Herzog and Louis Lachenal (France) have reached the peak.

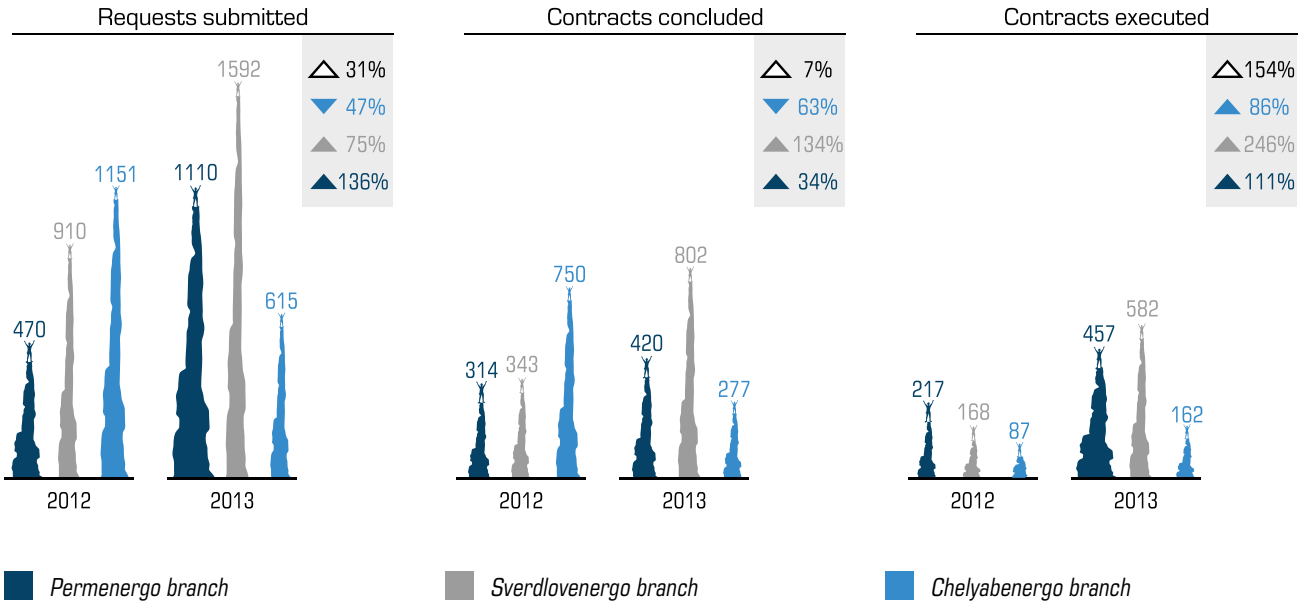
Connection

During the reported period a demand for connection to networks grew in comparison to the previous year. Thus, in 2013 the quantity of submitted requests for connection exceeded 2012 figures by 8 199 requests (+23%). The quantity of concluded contracts exceeded 2012 figures by 7 153 contracts (+24%). The quantity of executed contracts also grew in comparison to 2012 (+6 958 contracts or +38%). Besides, there is a significant growth of capacity on the executed contracts (+730 MW, +154% on 2012).

Analysis of connection demand (pcs).



Analysis of connection demand (MW).



A quantitative growth in executed contracts during 2013 was due to measures taken under the corporate roadmap. The upsurge of maximum requested capacity on the executed contracts was due to the execution of large contracts (including contracts concluded with TGK-9).

Fishing and fish-breeding industries, generation and distribution of electric energy, gas and water as well as educational institutions showed considerable changes on submitted requests in comparison to 2012.

IDGC of Urals	Number of submitted connection requests				Change			
	2012		2013		abs.	%	abs.	%
	pcs	MW	pcs	MW	pcs	pcs	MW	MW
Natural persons	28 664	344	35 414	443	6 750	+23,5	99	+28,7
SECTION A. Agriculture, hunting and forestry	187	109	380	112	193	+103,2	3	+2,7
SECTION B. Fishing and fish-breeding	5	0	12	0	7	+140	0	+160,6
SECTION C. Mining operations	26	74	49	74	23	+88,5	-1	-0,8
SECTION D. Processing industries	122	168	256	160	134	+109,8	-8	-4,5
SECTION E. Production and distribution of electric energy, gas and water (generation)	3	480	17	1 224	14	+466,7	744	+154,8
SECTION E. Production and distribution of electric energy, gas and water (regional grids)	93	434	84	119	-9	-9,7	-315	-72,6
SECTION E. Production and distribution of electric energy, gas and water (other)	72	11	274	167	202	+280,6	157	+1480,7
SECTION F. Construction	744	436	1 089	456	345	+46,4	20	+4,7
SECTION G. Wholesale and retail, auto and motorcycle service, household goods repair, personal appliance repair	1 484	93	1 369	107	-115	-7,7	14	+15,3
SECTION H. Hotels and restaurants	37	5	71	5	34	+91,9	1	+11,8
SECTION I. Transportation and telecommunications	836	24	672	32	-164	-19,6	8	+34,4
SECTION M. Educational institutions	73	7	181	18	108	+147,9	11	+166,1
SECTION N. Health care and social services	102	13	256	25	154	+151	12	+95,4
Other, including Section J, Section K, Section L, Section O, Section P, Section Q.	3 466	335	3 989	374	523	+15,1	39	+11,7
TOTAL (industries)	7 250	2 187	8 699	2 874	1 449	+20	687	+31,4
TOTAL (including natural persons)	35 914	2 531	44 113	3 317	8 199	+22,8	786	+31

Permenergo	Number of submitted connection requests				Change			
	2012		2013		abs.	%	abs.	%
	pcs	MW	pcs	MW	pcs	pcs	MW	MW
Natural persons	14 215	165	17 634	217	3 419	+24,1	52	+31,4
SECTION A. Agriculture, hunting and forestry	77	21	223	28	146	+189,6	7	+34,7
SECTION B. Fishing and fish-breeding	2	0	4	0	2	+100	0	+170
SECTION C. Mining operations	5	1	24	7	19	+380	6	+672,5
SECTION D. Processing industries	53	37	167	97	114	+215,1	59	+160
SECTION E. Production and distribution of electric energy, gas and water (generation)	-	-	2	212	2		212	
SECTION E. Production and distribution of electric energy, gas and water (regional grids)	-	-	12	3	12		3	
SECTION E. Production and distribution of electric energy, gas and water (other)	10	1	107	91	97	+970	90	+7847,9
SECTION F. Construction	283	148	690	271	407	+143,8	123	+83,2
SECTION G. Wholesale and retail, auto and motorcycle service, household goods repair, personal appliance repair	706	17	651	53	-55	-7,8	36	+210,4
SECTION H. Hotels and restaurants	4	0	29	1	25	+625	1	+2564,9
SECTION I. Transportation and telecommunications	280	6	215	23	-65	-23,2	17	+279
SECTION M. Educational institutions	9	1	99	9	90	+1000	8	+1522,7
SECTION N. Health care and social services	44	7	120	19	76	+172,7	12	+171
Other, including Section J, Section K, Section L, Section O, Section P, Section Q.	1 369	67	1 803	81	434	+31,7	14	+21,3
TOTAL (industries)	2 842	305	4 146	893	1 304	+45,9	588	+193
TOTAL (including natural persons)	17 057	470	21 780	1 110	4 723	+27,7	640	+136,2

Sverdlovenergo	Number of submitted connection requests				Change			
	2012		2013		abs.	%	abs.	%
	pcs	MW	pcs	MW	pcs	pcs	MW	MW
Natural persons	7 270	91	9 363	119	2 093	+28,8	27	+29,9
SECTION A. Agriculture, hunting and forestry	40	39	46	40	6	+15	1	+3
SECTION B. Fishing and fish-breeding	1	0	5	0	4	+400	0	+38,9
SECTION C. Mining operations	7	8	19	55	12	+171,4	48	+628,4
SECTION D. Processing industries	45	16	72	36	27	+60	20	+122,7
SECTION E. Production and distribution of electric energy, gas and water (generation)	2	233	4	878	2	+100	645	+277
SECTION E. Production and distribution of electric energy, gas and water (regional grids)	39	337	32	98	-7	-17,9	-239	-70,9
SECTION E. Production and distribution of electric energy, gas and water (other)	32	2	65	31	33	+103,1	29	+1618
SECTION F. Construction	149	28	204	99	55	+36,9	72	+257,3
SECTION G. Wholesale and retail, auto and motorcycle service, household goods repair, personal appliance repair	277	14	223	18	-54	-19,5	3	+23,5
SECTION H. Hotels and restaurants	12	1	19	1	7	+58,3	0	+31,4
SECTION I. Transportation and telecommunications	264	5	239	5	-25	-9,5	-0	-8,6
SECTION M. Educational institutions	32	4	33	5	1	+3,1	2	+41,4
SECTION N. Health care and social services	25	2	49	2	24	+96	1	+27,2
Other, including Section J, Section K, Section L, Section O, Section P, Section Q.	1 283	131	1 361	205	78	+6,1	75	+57
TOTAL (industries)	2 208	819	2 371	1 474	163	+7,4	654	+79,9
TOTAL (including natural persons)	9 478	910	11 734	1 592	2 256	+23,8	682	+74,9

Chelyabenergo	Number of submitted connection requests				Change			
	2012		2013		abs.	%	abs.	%
	pcs	MW	pcs	MW	pcs	pcs	MW	MW
Natural persons	7 179	88	8 417	107	1 238	+17,2	20	+22,5
SECTION A. Agriculture, hunting and forestry	70	49	111	44	41	+58,6	-5	-11
SECTION B. Fishing and fish-breeding	2	0	3	0	1	+50	0	+354,5
SECTION C. Mining operations	14	66	6	12	-8	-57,1	-54	-81,9
SECTION D. Processing industries	24	115	17	28	-7	-29,2	-87	-75,5
SECTION E. Production and distribution of electric energy, gas and water (generation)	1	248	11	134	10	+1000	-113	-45,8
SECTION E. Production and distribution of electric energy, gas and water (regional grids)	54	96	40	18	-14	-25,9	-78	-81,1
SECTION E. Production and distribution of electric energy, gas and water (other)	30	8	102	45	72	+240	38	+492,7
SECTION F. Construction	312	260	195	86	-117	-37,5	-174	-67
SECTION G. Wholesale and retail, auto and motorcycle service, household goods repair, personal appliance repair	501	62	495	37	-6	-1,2	-25	-40,2
SECTION H. Hotels and restaurants	21	4	23	3	2	+9,5	-1	-17,6
SECTION I. Transportation and telecommunications	292	13	218	4	-74	-25,3	-8	-66,1
SECTION M. Educational institutions	32	3	49	4	17	+53,1	2	+64,1
SECTION N. Health care and social services	33	4	87	4	54	+163,6	-0	-4,8
Other, including Section J, Section K, Section L, Section O, Section P, Section Q.	814	138	825	88	11	+1,4	-49	-35,9
TOTAL (industries)	2 200	1 064	2 182	508	-18	-0,8	-556	-52,2
TOTAL (including natural persons)	9 379	1 151	10 599	615	1 220	+13	-536	-46,5

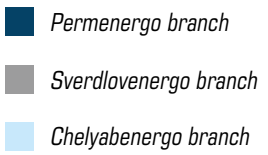
	Cancelled contracts as of the reported period			
	pcs	MW	RUR mln. (returned), excl. VAT	RUR mln. (contract value), excl. VAT
2012				
Permenergo	341	20	49.7	239.3
Sverdlovenergo	1130	29	11.8	102.3
Chelyabenergo	1394	65	6.2	52.5
Total	2865	114	67.7	394.1
2013				
Permenergo	513 (+50%)	35(+74%)	22 (-57%)	388 (+62%)
Sverdlovenergo	601(-47%)	30 (+2%)	11(-11%)	124(+21%)
Chelyabenergo	757 (-46%)	35 (-46%)	6 (-2%)	166 (+271%)
Total	1871	99	39	678

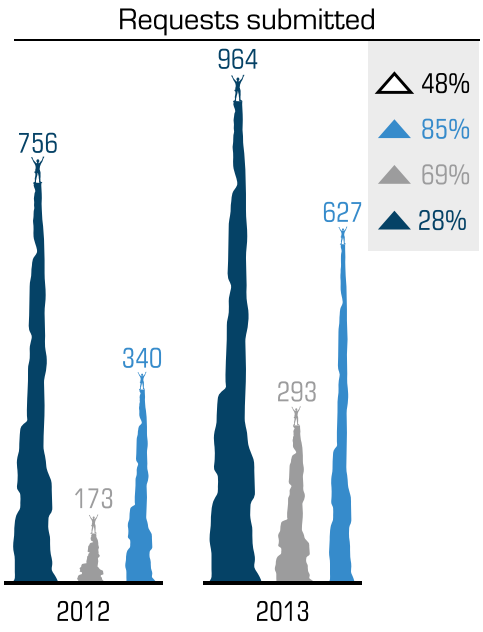
Applicants cancelled contracts due to the changes of plans (changes of terms for construction of applicant's power receivers), refusals to execute projects due to lack of financing or lack of intention to construct (acquisition of technical conditions to increase land plot capitalization).

In 2013, on applicants' initiative, Permenergo cancelled 513 contracts demanding 34.7 MW of capacity with the value of RUR 388.25 mln., excl. VAT. The increase of cancelled contracts totaled 50.44% on 2012 (341 contracts in 2012). A considerable part of the cancelled contracts are contracts with consumers demanding up to 15 kW (including natural persons – 67%). Sverdlovenergo cancelled 601 contracts demanding 29.5 MW of capacity with the value of RUR 124 mln. The decrease totaled 47% on 2012. 90% of the cancelled contracts are contracts with consumers demanding up to 15kW (including natural persons – 71%). Chelyabenergo cancelled 757 contracts demanding 34.7 MW with the value of RUR 166 mln. The decrease totaled 46% on 2012. 81% of the cancelled contracts are contracts with consumers demanding up to 15 kW (including natural persons – 53%).

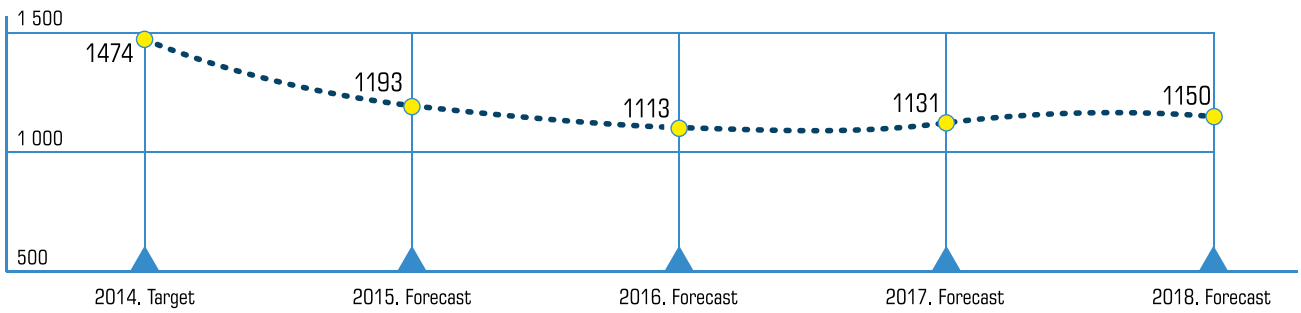
Revenues from connection (executed contracts) as of the reported period, RUR mln.

Revenues from connection services in 2013 totaled RUR 1 884 mln. excl. VAT (+48% on 2012 or RUR +615 mln.). The upsurge was caused by the execution of large-scale contracts (including TGK-9). Positive dynamics on applicants demanding up to 15 kW do not have a significant influence on capacity and revenues from connection services in 2014–2018.

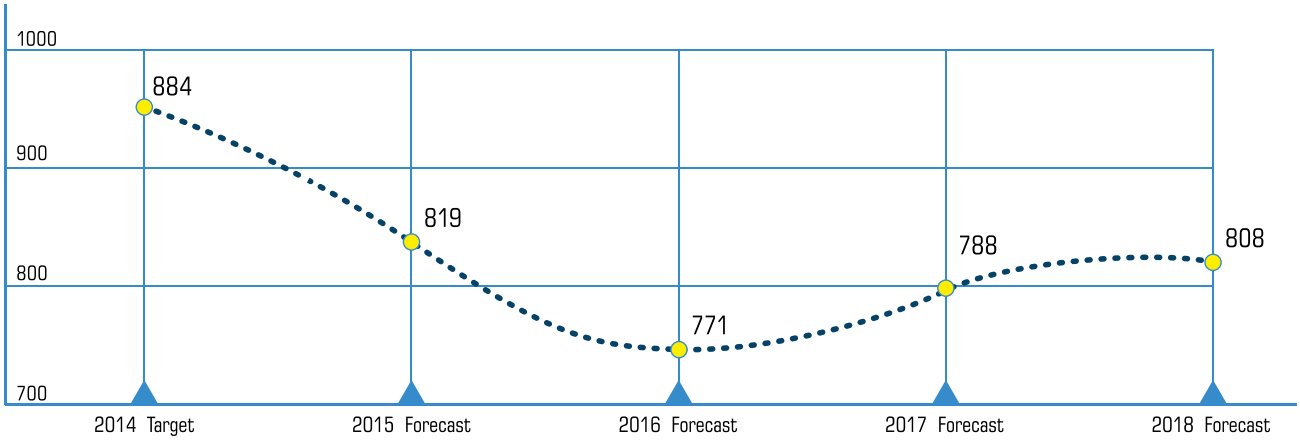




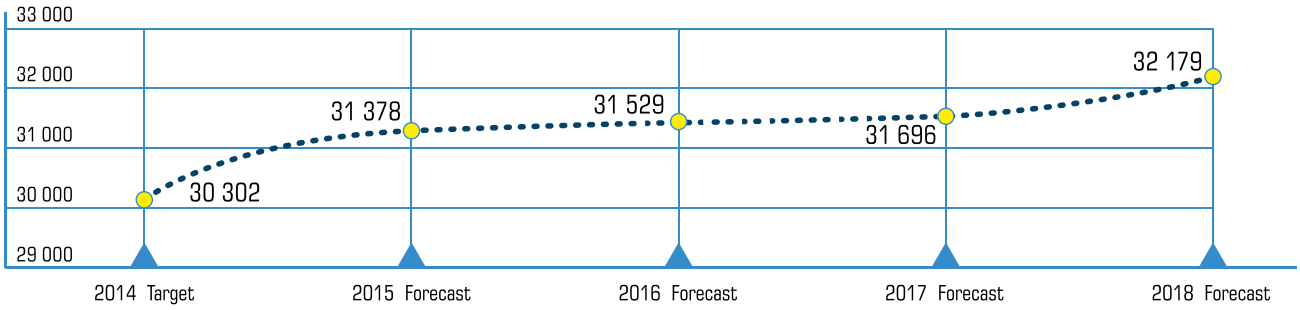
Revenues from connection, RUR mln.



Executed contracts, MW

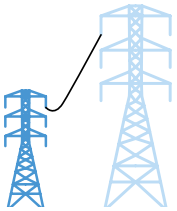


Applicants demanding up up to 15 kW inclusive, persons



Network exploitation

As of 01.01.2014 the overall length of aerial lines (in lines) belonging to our branches on the service area totaled 116 715 km, including:

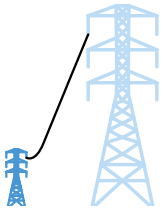


VL 0,4-20 kV – 77%

VL 35 kV and up – 23%

	Voltage class		
	35 kV and up	0.4-20 kV	TOTAL
Permenergo	8 301	34 677	42 979
Sverdlovenergo	9 927	26 868	36 796
Chelyabenergo	8 034	28 907	36 941
IDGC of Urals	26 262	90 453	116 715

The overall length of aerial lines as of 01.01.2014 totaled 125 778 km. Overall length of cable lines as of 01.01.2014 totaled 5 785 km, including:

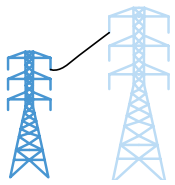


KL 0,4-20 kV – 97%

KL 35 kV and up – 3%

	Voltage class		
	35 kV and up	0.4-20 kV	TOTAL
Permenergo	138	2 513	2 650
Sverdlovenergo	10	702	712
Chelyabenergo	15	2 408	2 423
IDGC of Urals	163	5 622	5 785

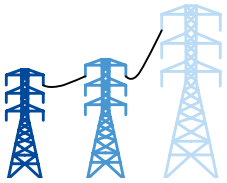
As of 01.01.2014 the overall number of substations belonging to our branches on the service area totaled 1 038 substations, installed capacity of the substation transformers totaled 21 560 MVA.



- *PS 110-220 kV – 61%*
- *PS 35 kV – 39%*

	35 kV substations		110-220 kV substations		Total	
	Number, pcs	Capacity, MVA	Number, pcs	Capacity, MVA	Number, pcs	Capacity, MVA
Permenergo	181	1 757	173	6 059	354	7 816
Sverdlovenergo	102	724	272	6 587	374	7 311
Chelyabenergo	124	1 020	186	5 412	310	6 432
IDGC of Urals	407	3 501	631	18 058	1 038	21 560

The overall number of 6–20/0.4 kV transformer substations belonging to our branches on the service area as of 01.01.2014 totaled 29 605 pcs, installed capacity totaled 8 284 MVA. The type breakdown is presented below:

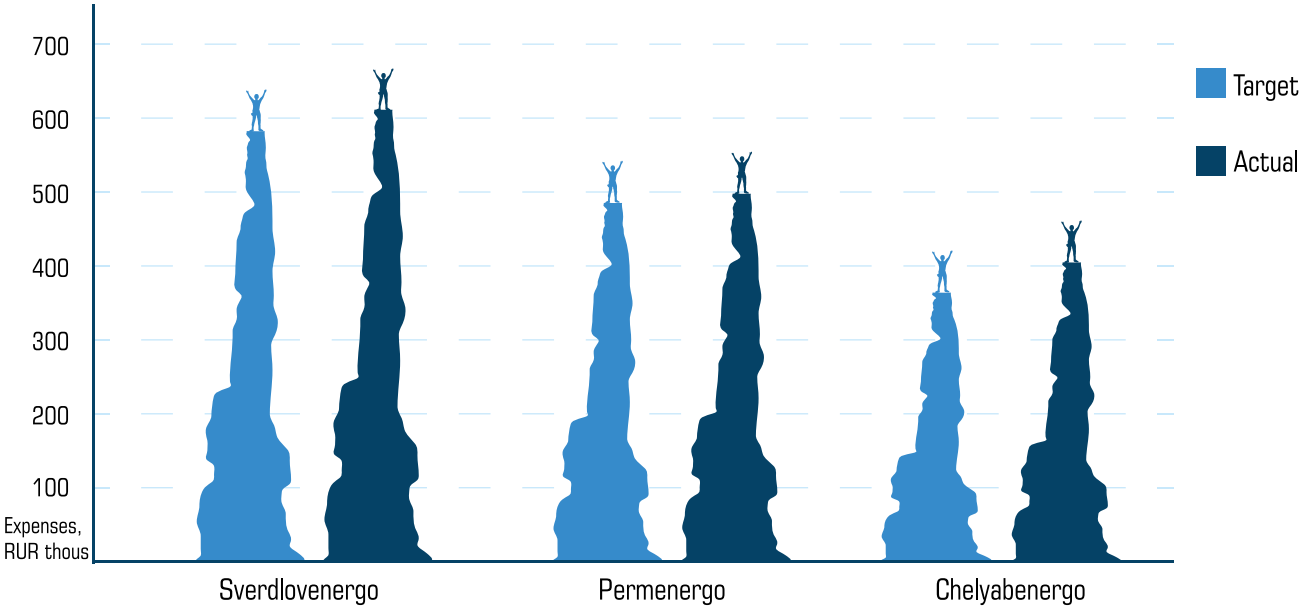


- *Package TS – 71%*
- *Indoor TS – 16%*
- *Pole-mounted TS – 13%*

	6-20/0.4 kV transformer substations			TOTAL	
	Pole-mounted transformer substations	Package transformer substations	Indoor transformer substations	Number, pcs	Capacity, MVA
Permenergo	208	9 917	1 670	11 795	3 278
Sverdlovenergo	1 882	5 602	893	8 377	2 209
Chelyabenergo	1 768	5 611	2 054	9 433	2 797
IDGC of Urals	3 858	21 130	4 617	29 605	8 284

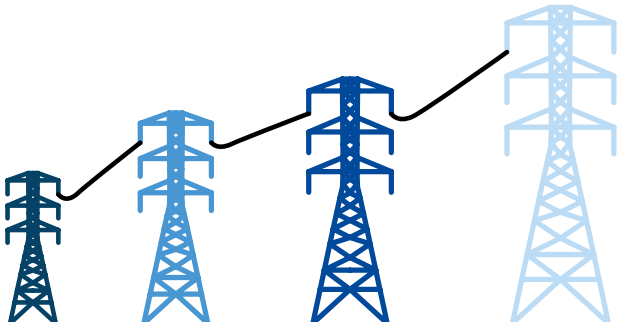
We plan repairs and put equipment under repair after analyzing its technical status identified by preliminary inspections, expert valuations and technical diagnostics according to regulatory and administrative documents. The primary aim of the repairs is restitution of equipment life by replacing key parts and components (aerial fuses for over-voltage limiters, OF incoming lines of transformers for incoming lines with RIP-isolation and stick-pedestal insulators of disconnect switches, defect porcelain isolators for polymer ones, worn-out overhead protection cable for a new one, compression and bolted fittings for spiral hooping, defective wood for wood steeped in pollution-free antiseptic, etc.). Overall repair plan in 2013 totaled RUR 1 519 123 thous. Overall repair program in 2013 totaled RUR 1 578 113 thous. or 104%.

RUR thous.	Target	Actual	% completed
Permenergo	615 256	637 159	104%
Sverdlovenergo	512 686	519 024	101%
Chelyabenergo	389 381	420 600	108%
IDGC of Urals	1 519 123	1 578 113	104%



Expenses incurred by our branches (in terms of power receivers) totaled RUR thous:

RUR thous.	Repair				
	35-220 kV aerials	35-220 kV substations	0.4-20 kV grids	Other repair	TOTAL
Permenergo	72 394	105 962	289 959	168 844	637 159
Sverdlovenergo	72 402	108 992	188 359	149 271	519 024
Chelyabenergo	66 818	66 652	211 402	75 728	420 600
IDGC of Urals	211 614	281 605	689 720	395 173	1 578 113



- *0.4-20 kV grids – 44%*
- *35-220 kV substations – 18%*
- *Other repair – 25%*
- *35-220 kV aerials – 13%*

Energy transmission:

	Supply, mln. kW/h	Productive supply, mln. kW/h	Losses	
			Mln. kW/h	%
Permenergo	19 078	17 002	2 076	10,88
Sverdlovenergo	33 486	31 599	1 887	5,63
Chelyabenergo	22 025	20 302	1 723	7,82
IDGC of Urals	74 589	68 903	5 686	7,62

	Transmission							
	2012		2013		Change			
	Mln. kW/h	RUR mln.	Mln. kW/h	RUR mln.	Mln. kW/h	%	RUR mln	%
Permenergo	16 749	13 325	16 519	14 251	-230	-1%	927	7%
Sverdlovenergo	30 768	24 119	30 485	27 762	-283	-1%	3 643	15%
Chelyabenergo	20 785	12 248	19 065	13 245	-1 720	-8%	997	8%
IDGC of Urals	68 302	49 691	66 069	55 258	-2 233	-3%	5 566	11%

In 2013 the volume of transmitted energy totaled 66 069 mln. kW/h (–2 233 mln. kW/h or 3% on 2012). Revenues from energy transmission increased by RUR 5 566 mln. (11%) due to increased boiler tariffs on energy transmission and transition of providers of last resort to payments for transmission services based on the tariff (flat or two–part tariff) chosen by a consumer according to the contract since 01.01.2013. The main reasons for decrease of productive supply in 2013 are:

- reduced consumption by large industrial consumers (Chusovskoy Metallurgic Plant, Uralkali, SUAL BAZ, Mechel, ChTPZ),
- transition of several consumers (Uralasbest, Magnesit) to FSK UES since 01.01.2013.
- change of a boiler tariff scheme in the Chelyabinsk region since 01.09.2013 that led to the change of payment procedure and decrease of productive supply to end users.

	Energy losses						
	2012 actual figures		2013 actual figures			Change*	
	Mln kW/h	%	Mln kW/h	%	% (in comparable conditions)	Mln kW/h	%
Permenergo	2 147	11,08	2 076	10,88	10,88	-71	-0,2
Sverdlovenergo	2 082	6,11	1 887	5,63	5,67	-195	-0,48
Chelyabenergo	1 756	7,77	1 723	7,82	7,78	-33	0,01
IDGC of Urals	5 984	7,87	5 686	7,62	7,63	-299	-0,25

** Comparable conditions*

Uralasbest and SUAL BAZ transmission volumes (247 mln. kW/h and 467 mln. kW/h) were excluded from Sverdlovenergo transmission volume. Magnezit transmission volume (123 mln. kW/h) was excluded from Chelyabenergo transmission volume. Losses in Chelyabenergo in 2013 declined due to a considerable drop of productive supply (reduced consumption of large industrial enterprises). Actual loss figures in 2013 totaled 5 686 mln. kW/h or 7.62%. In comparison to 2012 a 2.5% productive supply decrease lowered energy losses to 299 mln. kW/h (0.4% of productive supply).

As a priority the Company unleashed an action plan focused on the optimization (reduction) of losses and these measures have saved the Company 217.5 mln. kW/h and RUR 341.219 mln. Administrative procedures have saved us 86.6 mln. kW/h and RUR 133.262 mln.). The savings from technical measures and metering upgrade totaled 2.6 mln. kW/h (RUR 3.933 mln.) and 128.167 mln. kW/h (RUR 204.024 mln.) correspondingly. During 2013 we have spent RUR 317 983 thous. to upgrade over 33.5 thous. metering devices (target figures – 30.1 thous. metering devices, expenses – RUR 329 030 thous., excl. VAT). We have also arranged remote data collection from over 24.105 thous. metering devices (target figures – 21.054 thous.). The completion of our loss decrease plan was 105.05%.

Energy–saving and efficiency increase measures during 2013 were arranged according to a range of federal and regional regulatory documents: Federal Law #261–FZ dd. 23.11.2009, Government Decree #340 dd. 15.05.2010, Government Decree #977 dd. 01.12.2009, decrees of regional executive bodies responsible for tariff regulation, Energy–saving and Efficiency Increase Program of IDGC of Urals for 2013 – 2018.

Numerical values of target indicators from Energy–saving and Efficiency Increase Program are set for 2013–2018. Target and actual figures for 2013 are disclosed in the table below.

The program consists of target and accompanying subprograms including measures on loss decrease during energy transmission and distribution and measures on resource consumption decrease by operating facilities and for economic needs. Target subprograms are focused on the decrease of resource and water consumption by at least 15% in comparison to annual consumption, pay–off equaling 80% for 5 years (measures for economic needs) and for 10 years (measures lowering losses from energy transmission and distribution). Accompanying subprograms are subprograms with high efficiency that cannot be referred to as target ones due to several criteria. Such measures as disconnection of a transformer under a low load on substations with 2 and more transformers, disconnection of transformers on a substation with seasonal load, phase load balancing in 0.38 kV networks are taken on an annual basis and are considered supporting. In 2013 the target effect under the program was 188.05 mln. kW/h in physical terms and RUR 389.94 mln. in money terms. The effect from target subprograms totaled 71.83 mln. kW/h and RUR 142.0 mln., the effect from accompanying subprograms reached 116.22 mln. kW/h and RUR 247.94 mln.

As of 2013 the effect from the program totaled 218.11 mln kW/h in physical terms and RUR 469.82 mln in money terms. The effect from accompanying measures totaled 131.23 mln. kW/h and RUR 281.19 mln. The effect from measures supporting existing loss level totaled 36.16 mln kW/h and RUR 75.05 mln. Expenses on the program totaled RUR 1 010.33 mln. Financing resources of the energy–saving program were investment program (RUR 924.45 mln.), repair program (RUR 82.95 mln.) and consumer facilities (RUR 2.93 mln.). The overall effect from target loss decreasing measures totaled 86.55 mln. kW/h and RUR 187.5 mln. As of 2013 the overall effect from target measures focusing on the decrease of resource consumption for economic needs totaled 135 tfoe and RUR 1.13 mln. (target figures – 269 tfoe and RUR 2.07 mln.).

	MU	2013	
		Target	Actual
Energy losses, including:	Mln. kW/h	6 098.58	5 686.25
	Share in productive supply %	7.92	7.38
Expense on auxiliaries of substations	Mln. kW/h	123.30	100.83
Resource consumption for economic needs, including:	RUR mln.	293.80	262.81
Fuel and energy, including:	Thous. tfoe	43.22	38.34
	RUR mln.	287.46	255.29
	Tfoe per m^2 of floor space	0.08	0.07
Electric energy	Mln. kW/h	93.64	84.26
	RUR mln.	219.29	194.09
Heating energy	GCal	72 600.58	61 656.27
	RUR mln.	67.58	60.62
Gas	thous. m^2	150.00	133.56
	RUR mln.	0.59	0.58
Other (diesel, kerosene, etc.)	Thous. tfoe	0.00	0.00
	RUR mln.	0.00	0.00
Hot water supply	thous. m^2	45.65	22.18
	GCal	44.00	334.96
	RUR mln.	1.21	0.78
Cold water supply	thous. m^2	201.67	202.85
	RUR mln.	5.13	6.84
Metering equipment	%	14.91	16.36