

**Joint-Stock Company
IDGC of Centre**



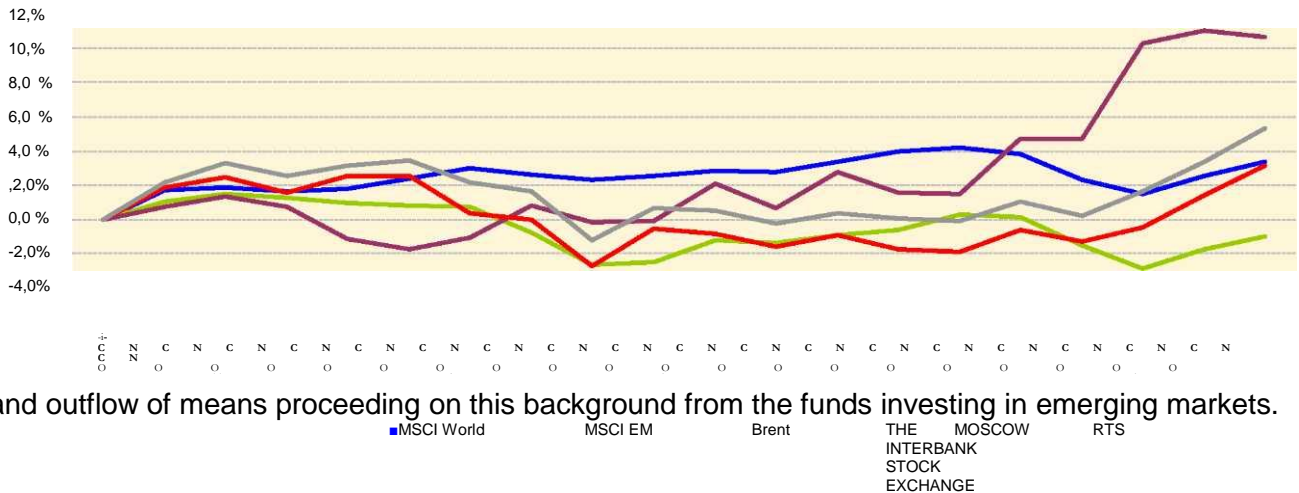
**IDGC of Centre, JSC securities market in
February, 2011**

Moscow, March 2011

International and Russian share markets

The world markets of stocks have finished in February in different directions: the index of developed countries MSCI World has grown on 3,3 %, the index of emerging markets MSCI EM has lost 1,0 %. The basic drivers of growth of stock markets of developed countries of a steel the strong corporate reporting following the results of the fourth quarter 2010, growing optimism concerning prospects of economy of the USA and proceeding improvement of a situation with debt problems in Europe.

In turn, pressure upon emerging markets was rendered still by fears of toughening of a credit policy



Source: the Moscow Interbank Stock Exchange, RTS, Bloomberg

In the beginning of the month the strong corporate reporting continued to render to the markets of developed countries support. So, financial indicators more than 70 % of the companies entering into indexes S&P500 and European Stoxx600, given the reporting following the results of IV quarter 2010, have surpassed forecasts of analysts.

Throughout a month the good macroeconomic statistics from the USA, testifying to confident enough restoration of the largest economy of the world was published:

- Rates of increase of an index of activity in service trade in January were maximum since 2005, the work gain in productivity in the fourth quarter 2010 was accelerated;
- Unemployment in January has decreased to 9 % - a minimum level since April, 2009, the weekly data of the requests for a redundancy payment fixed reduction of an indicator to levels of summer of 2008;
- Growth of volumes of consumer crediting in December has exceeded expectations of economists, the index of consumer trust in February has raised to a maximum for eight months;
- Sales of houses on a secondary market in January have grown to a maximum for eight months;
- Small decrease of manufacture in January was accompanied by revision towards increase of the data for December, and also processing industry growth on which it is necessary about 75 % from total amount of manufacture;
- The index of outstripping economic indicators of the USA in January has grown the seventh month successively, above forecasts there was February data on indexes of production activity in New York and Philadelphia.

Revision towards deterioration of rates of increase of gross national product of the USA (-0,4 items) has not produced special impression on investors. As decrease in an estimation of rates of increase of gross national product of the USA basically has been caused by decrease in expenses of the government of the country and regional authorities while the estimation of growth of consumer expenses, on which share is about 70 % of the American economy, practically has not changed.

Additional positive for the developed markets became, first, the statement of the head of the American Central Bank in the beginning of month that of FRS the USA with the big optimism looks at national economy prospects, but still considers that it needs support. Thus head of FRS has outlined that one of the basic criteria of economic revival of the USA is the unemployment decrease, which returning to normal level, in its opinion, can take some more years. Thus, the markets still can count on inflow of cheap money within the limits of realisation of the second stage of the program of quantitative mitigation.

Secondly, as appears from January reports of Committee on the public markets, published in the middle of the month, of FRS of the USA, in view of revival of a customer demand and export increase, has raised forecasts on rates of increase of national economy in 2011 to 3,4-3,9 % from November level in 3-3,6 %.

Improvement of a situation with the European debts proceeds. In the beginning of month there was information that last week January ECB for the first time for last three months did not buy sovereign obligations of the European countries. Besides, ECB has reported that the volume redeemed since May of last year of debts has appeared below plans - €68,2 billion against earlier announced €76,5 billion. Published information has allowed analysts to draw a conclusion on stabilisation of the market of sovereign obligations of the problem countries of the euro zone. On this background have successfully passed trades on placing of state bonds of Portugal and Spain in which course all planned means have been involved, and profitability of securities has decreased in comparison with results of the previous trades.

Besides, in the middle of the month Ministers of Finance of EU have agreed upon the sizes of the new anti-recessionary mechanism which will come into force in 2013. At the summit in Bruxelles it was accepted the decision that the volume of the constant anti-recessionary mechanism which in 2013 will come in the stead acting stabilizing fund, will be increased with flowing €440 billion to €500 billion. Thus actual volume of the help which can give the new mechanism, will increase twice: now the limit limited to the mechanism of guarantees, constitutes €250 billion.

Negative dynamics of the world markets in the end of February, first of all, has been caused by fears as regards the sharp rise in prices for petroleum can not only worsen prospects of restoration of world economy, but also to become the reason of repeated recession. As experts believe, value increase of petroleum to \$120 for barrel can become threat for the American economy, in particular. Against intensity escalation in Libya standing on the verge of full-scale civil war, in the end of a month oil quotations reached peak values when the prices for petroleum WTI were near a mark of \$103 for barrel, quotations of petroleum Brent came nearer to level of \$120 for barrel. The information on possibility of an extraordinary meeting of the OPEC for discussion of a question on compensation of loss of the Libyan share on a world oil market and about readiness of Saudi Arabia to fill missing Libyan deliveries has comforted the markets.

Lagging behind dynamics of emerging markets, as well as month before, has been connected with expectations of toughening of a credit policy against growing inflation risks and connected with this delay of economy of these countries.

In the first decade of month these expectations were implemented in next, the third since October, 2010, increase of rates by People's Bank of the Peoples' Republic of China. Besides, the Chinese Central Bank has raised reserve requirements for a number of regional banks of the country. In the middle of the month China after reception of the unfavourable data on the inflation accelerated in January to 4,9 %, has raised again reserve requirements for banks. It already the eighth increase from the beginning of 2010.

Besides fears of toughening of a monetary and credit policy for struggle against growing inflation in developing states, doubtless negative influence on decrease in appeal of the markets emerging markets has rendered an aggravation of a political situation in the countries of the North Africa and the Near East.

On this background outflow of means from funds Global Emerging Markets proceeds: according to Emerging Portfolio Fund Research from the beginning of year on February, 23 of these funds have lost all already about \$8,4 billion

In the middle of the month after several weeks of notable decrease the basic emerging markets - Chinese, Brazilian and Indian - nevertheless have shown some restoration. Additional support to the Chinese market was rendered by the information that following the results of 2010 China became the second economy of the world on gross national product volume, having overtaken on this indicator Japan.

Dynamics of the Russian market the most part of month looked comparably with dynamics of share platforms of developing states, and is worse than dynamics of the developed markets. Growth of an index of the Moscow Interbank Stock Exchange following the results of February on 3,2 % has been completely provided by elevating of our market last days month after sharp growth of quotations of petroleum.

In first half of February the Russian platforms ignored strong sales, which were observed in emerging markets, in particular, on Brazilian and Indian. Increase of rates by People's Bank of China became on February, 8th a formal occasion to correction of our market, fixing have arrived this day had very scale character: in the market of RTS FORTS the historical maximum on volume of the trades - \$7,8 billion has been fixed

In the beginning of the third decade of February the basic contribution to decrease in the Russian indexes was brought by Gazprom and Nornikel stocks which have lost about 6 % on a negative corporate background, and also sales in stocks of the companies of power after occurrence of the information on the governmental measures which can be of taken for restraint of growth of electricity rates.

The contribution to negative moods of the Russian market makers has brought and the macroeconomic statistics published by Rosstatom. Following the results of January:

- Investments into fixed capital have fallen to 4,7 % in comparison with January, 2010 after growth on 10,1 % in December, 2010. Falling of investments has appeared a bolt from the blue for analysts who expected continuation of December growth;
- The level of unemployment has grown on 0,4 percentage points - to 7,6 % - after growth on 0,5 % in December. Thus, for two months the level of unemployment has increased almost by percentage point;
- Real cash incomes of the population have fallen in comparison with January, 2010 on 5,5 %;
- Retail trade turnover in January has grown on 0,5 %, thus by December, 2010 this indicator was reduced to 25 %.

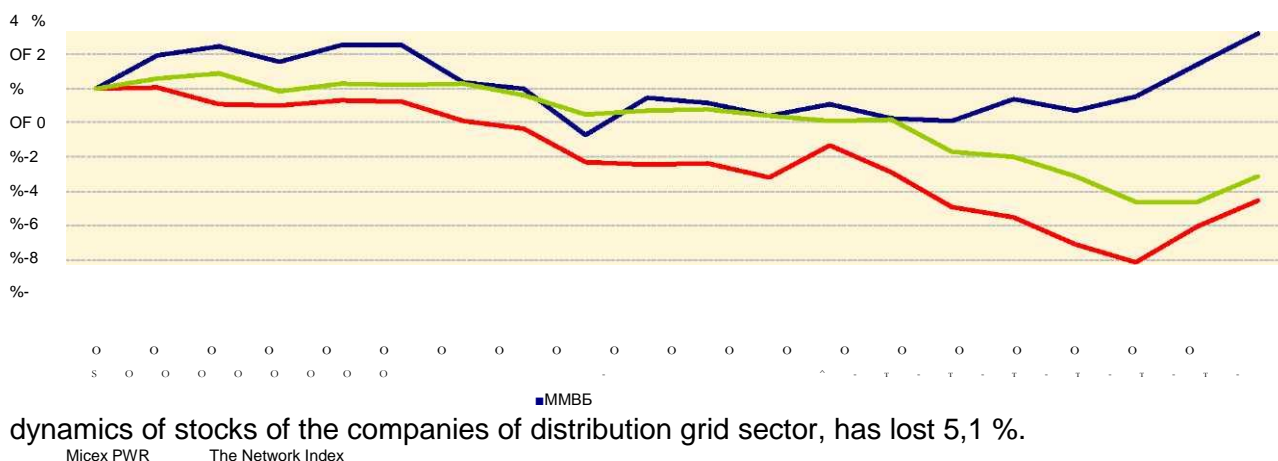
The statistics on manufacture, which in January has grown on 6,7 % in annual expression became almost unique data which have not disappointed analysts.

Occasion to anxiety of economists still is growing inflation which from the beginning of month on February, 21st has constituted - 0,7 %, from the beginning of year - 3,1 %. Besides, in January the rise in prices of manufacturers - to 2,1 % was accelerated. On this background of the Central Bank of the Russian Federation in the end of a month for the first time since 2008 has raised a base rate on 0,25 items to 8%. Besides, all basic rates and reservation specifications have been raised. In the statement of Bank of Russia, in particular, it is said that «the specified decision is accepted in connection with preserving of high inflationary expectations and taking into account forming of preconditions for capital inflow to Russia against the high world prices for petroleum».

The share market of the companies of electric power industry

The companies of electric power sector in the reporting period have shown essential decrease: the index of MicexPWR has on monthly results decreased for 6,5 % while the Moscow Interbank Stock Exchange index has grown on 3,2 %.

Shares of company of IDGC of Centre have decreased by 0,6 %. The index of the Network reflecting



dynamics of stocks of the companies of distribution grid sector, has lost 5,1 %.

Source: the Moscow Interbank Stock Exchange, RTS, calculations DKT

moderately negative dynamics of a branch index of MicexPWR in the first decade of month was, mainly, is caused by uncertainty of moods in the Russian market purchases on which have been concentrated in several "blue chips", including, at the expense of fixing of positions on the majority of other liquid stocks.

Besides, according to analysts, the information on possible sale of Inter RAO of minority shares blocks of these companies which will be received within the limits of current consolidation of assets could render additional pressure upon stocks of variety of the companies of power sector. The Sheet newspaper has reported that for financing of purchasing of 49 % in Nortgaz estimated in \$1,5 billion, Inter RAO can give on realisation to banks in which a part of stocks which will be received by Inter RAO as payment for stocks placed now the new additional issue are called VTB and Bank of Russia.

Consolidation should come to the end in the first half of the year then Inter RAO will receive in the property more than the 40 shares block. Thus company strategy allows use insignificant (to 10 %) packets for merges and absorption, financing attraction. As analysts believe, the number of negotiable assets can include stocks of RusHydro, FGC, OGC-2, OGC-4, TGC-1, TGC-2, Mosenergo, TGC-9, TGC-10, Kuzbassenergo, TGC-13, TGC-14, RAO ES East. In view of low liquidity, experts have moderately negatively estimated medium-term market prospects of these companies in the assumption that excess supply of these securities can put pressure upon quotations.

In second half of the month the stocks of the power companies have appeared of the strong pressure of sales after occurrence of the information on government proposals about measures which it is planned to of the take for restraint of electricity rates within the limits of planned 15 % growth in 2011. It is a question of refusal of indexation on a rate of inflation of the price for capacity, decrease in tariffs for "the forced" generators, reducing investment constituting in tariffs of hydroelectric and nuclear stations, smoothing of growth of tariffs for the electric grid companies. As a whole it is offered to lower revenue of the generating and network companies on 64 billion rbl.

Branch analysts have unequivocally negatively estimated influence of these governmental measures on investment appeal of sector. Besides inevitable in these conditions of financial losses of the power companies, anxiety

Experts are caused also by that circumstance that these measures mean the next withdrawal from the declared principles of liberalisation whereas investments in electric power sector are based on accurate following of the state to the confirmed mechanisms of adjustment.

In total since February, 16th when there was information on government proposals, on February, 24th - local monthly minimum on an index of MicexPWR - capitalisation of the companies of electric power sector has decreased almost for 200 billion roubles. The greatest losses have incurred the electric grid companies - 44 % from total decrease, including FGC UES - 29 %, IDGC Holding - 8 %. The company of heat generation had 34 % of general losses and RusHydro - 11 %.

It is essential to reduce losses to a branch index of MicexPWR it was possible last two days of the month when its growth has constituted 4,0 % against correction of the prices for petroleum and the speculative rerun of means connected with it from stocks of the oil and gas companies in the resold securities of other sectors.

From the sector statistics in the reporting period it is possible to allocate the statement of the System operator of current consumption decrease in January, 2011 as a whole across Russia for 0,3 % in comparison with January of last year. Indicator decrease is caused by higher monthly average temperature of air in January of the current year.

The share market of the companies of electric power industry

Dynamics distribution grid companies in February has been caused, first, by scale correction of the Russian market as a whole and, secondly, the information on measures offered by the government for restraint of a rise in prices for the electric power.

In first half of February dynamics of stocks of the distribution grid companies has been connected with revision by short-term investors of the portfolios against existing uncertainty concerning prospects of further dynamics of the Russian market and with general correction in the Russian market.

The basic occasion to sales in second half of February was fear of market makers concerning possible measures of the government on restriction of growth of electricity rates. According to the analysts, measures offered by the government, first of all, are negative for the electric grid companies, which financial indicators with higher degrees depend on tariffs, than for other representatives of the electric power sector.

Besides, according to representatives of the ministries and departments, transition on PAB distribution grid companies has brought the basic contribution to a rise in prices, and accordingly as experts believe, distribution grid companies will be to the greatest degree subject to risks of toughening of state regulation.

Additional pressure upon stocks of the distribution grid companies has rendered the message of Interfax in the middle of the month that IDGC Holding counts on the state support for liquidation of deficit of financing of the program of the renovations which volume is estimated in 800 billion rbl. Earlier the Minister of Energy estimated deficit of the program of renovations of IDGC Holding in 500 billion roubles.

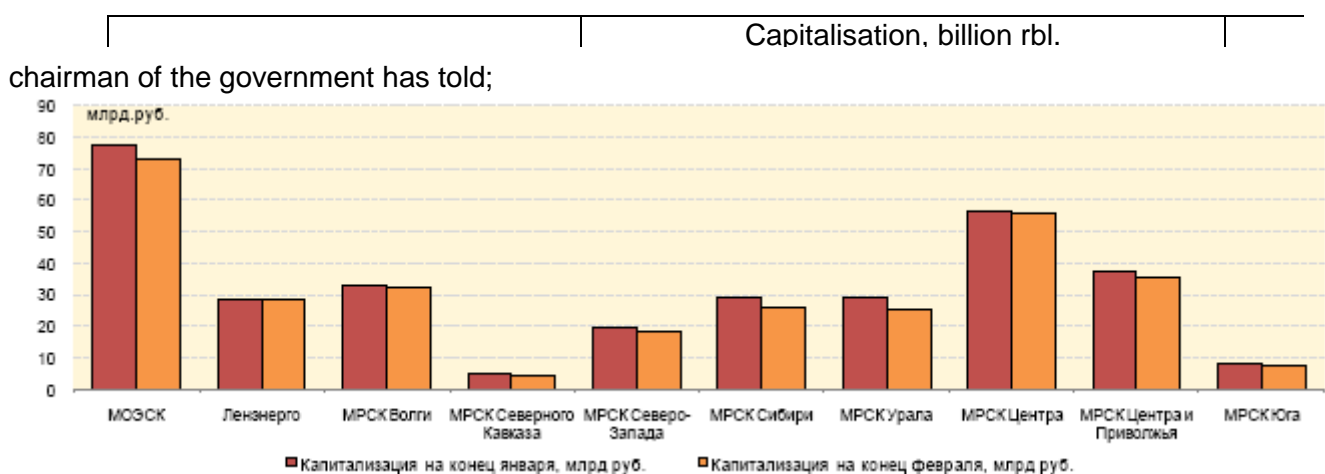
From other news of the distribution grid companies it is necessary to note:

- the message of agency Interfax referring to materials of IDGC Holding that the expected volume of investment programs of the affiliated operational companies of the control to holding in 2011-2015 is expected at level more than 1 bln. roubles. Analysts have neutrally commented on this information, having noticed, however, increasing risks of growth of the capital expenditure which have been not considered by RAB-regulation that can cause necessity of carrying out additional issue in a number of IDGC. As certain confirmation of justice of such assumptions can serve

the information on carrying out of extraordinary shareholders meeting of IDGC of Siberia for decision-making on additional issue of stocks;

- results of meeting headed by the prime minister V. Putin were devoted to activity of the fuel and energy complex of Russia in 2010 and tasks for 2011. In particular, the Chairman of the Government has charged Ministry of Energy to prepare the long-term program of renovation of electric systems. «It is necessary to prepare plans of general renovation of networks. I consider that the special long-term program here is necessary. I ask Ministry of Energy to present the offers in this respect. It is necessary to do, it is necessary to create the program and gradually to begin its realisation», - the

	Capitalisation, billion rbl.	Change
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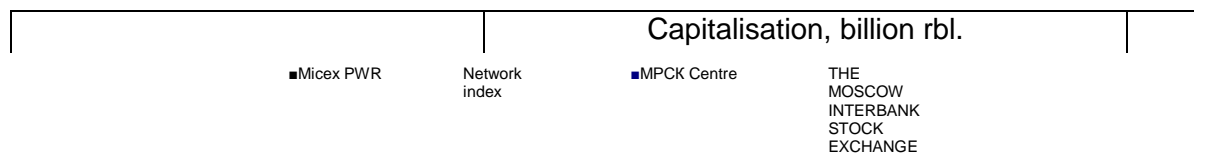
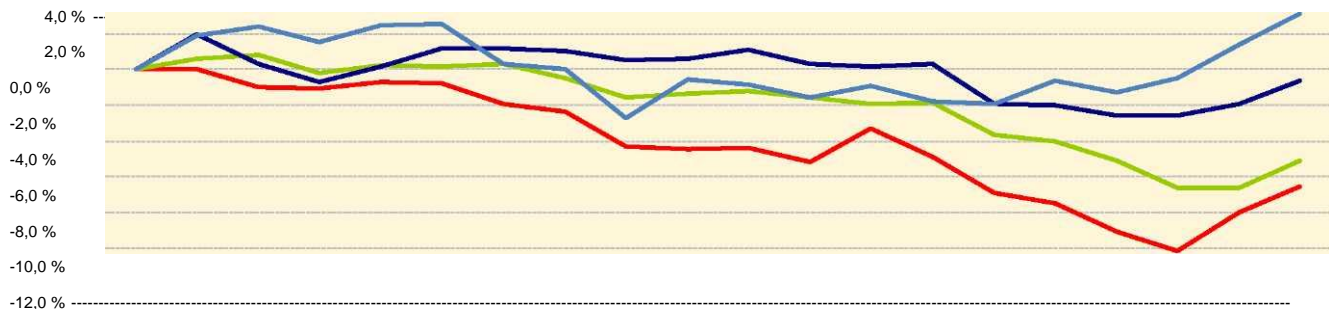
Source: the Moscow Interbank Stock Exchange, calculations DKT

Following the results of February of the stock of all IDGC have shown negative dynamics. Meanings of capitalisation of IDGC on the end of January and February, 2011 (on weighted average prices on the Moscow Interbank Stock Exchange), and also change for a month, are presented in the table:

On the following chart results of change of capitalisation of IDGC in the reporting period are presented: Company	Capitalisation, billion rbl.		Change for the month, %
	(On weighted average prices on the Moscow Interbank Stock Exchange)		
	On 31.01.11	On 28.02.11	
MOESK	77,5	72,8	-6,2 %
Lenenergo	28,5	28,3	-0,5 %
IDGC of Volga	32,7	32,1	-1,9 %
IDGC of North Caucasus	4,9	4,4	-11,0 %
IDGC of Northwest	19,2	17,8	-6,9 %
IDGC of Siberia	29,0	25,9	-10,7 %
On the following chart results of change of capitalisation of IDGC in	Capitalisation, billion rbl.		Change

Share market of IDGC of Center

Stocks of IDGC of Centre have finished the month with decrease in quotations on 0,6 % on the prices of last deals on the Moscow Interbank Stock Exchange. The index of the Network reflecting dynamics of stocks of the companies of distribution grid sector, has lost 5,1 %.



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* - including address deals

In February on RTS some deals have been concluded, thus the unique deal on RTS (exchange) is noted as address. The basic trades passed at the Moscow Interbank Stock Exchange where turnover of the stocks of IDGC of Centre has constituted 169,76 million pieces or 0,40 % from total quantity of shares of the company. Turnover on company securities in February in comparison with the last month has grown 2 times in connection with effect of low base of January. The daily average volume of the trades has constituted about 8,9 million piece whereas last month the given indicator was at level of 5,7 million pieces.

The stocks of IDGC of Centre average bid-ask spread¹ has increased from 0,34 % to 0,36 %. The maximum spread for the period reached 0,67 % (on February, 10th), and the spread reached the minimum value on February, 04th and has constituted 0,07 %.

Among news of IDGC of Centre in the reporting period it is possible to note the publication of the RAS accounting of the company for 2010. The company revenue has constituted 60,40 billion rbl. (+23,1 % by 2009), the net profit has grown to 4,71 billion rbl. (+255,8 % by 2009).

¹ The spread is calculated as (ask/bid-1)
 «Depository and corporate technologies» LLC, March 2011
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Forecasts and recommendations of share analysts of IDGC of Centre and opinion on distribution grid companies as a whole

After occurrence of the information on possible restriction of growth of tariffs it has been issued two reports. Industry analysts yet do not introduce a corrective amendment in estimations of IDGC, waiting clarifications of the governmental initiatives. So, revision of recommendations and estimations experts of Uralsib on the distribution grid companies, lowered a look-ahead stock value of IDGC on the average on 6%, has been connected with renovation of financial models taking into account specification of the data of the RAB-tariffs, presented by the companies from the beginning of year. And analysts of the broker house "Opening" have not considered possible restriction of growth of tariffs in the renewed estimations.

Meanwhile, some analysts consider that concern of market makers concerning the state intervention is exaggerated. In particular, analysts of Alpha bank, recognising possibility of short-term volatility against potential pressure upon tariffs on the threshold of elections, nevertheless recommend to investors to use recent sale to acquire stocks of the power companies as a whole, and distribution grid companies, in particular, on «very much attractive prices».

Arguing on appeal of IDGC of Centre, experts of Alpha bank notice that its stocks are included into the list of the companies which «unite in itself the most considerable potential of growth, the lowest regulatory risk and the highest actual rate of the income».

The information on current recommendations of analysts of investment companies is presented in the table (colour allocates original estimations, without converting in other currency):

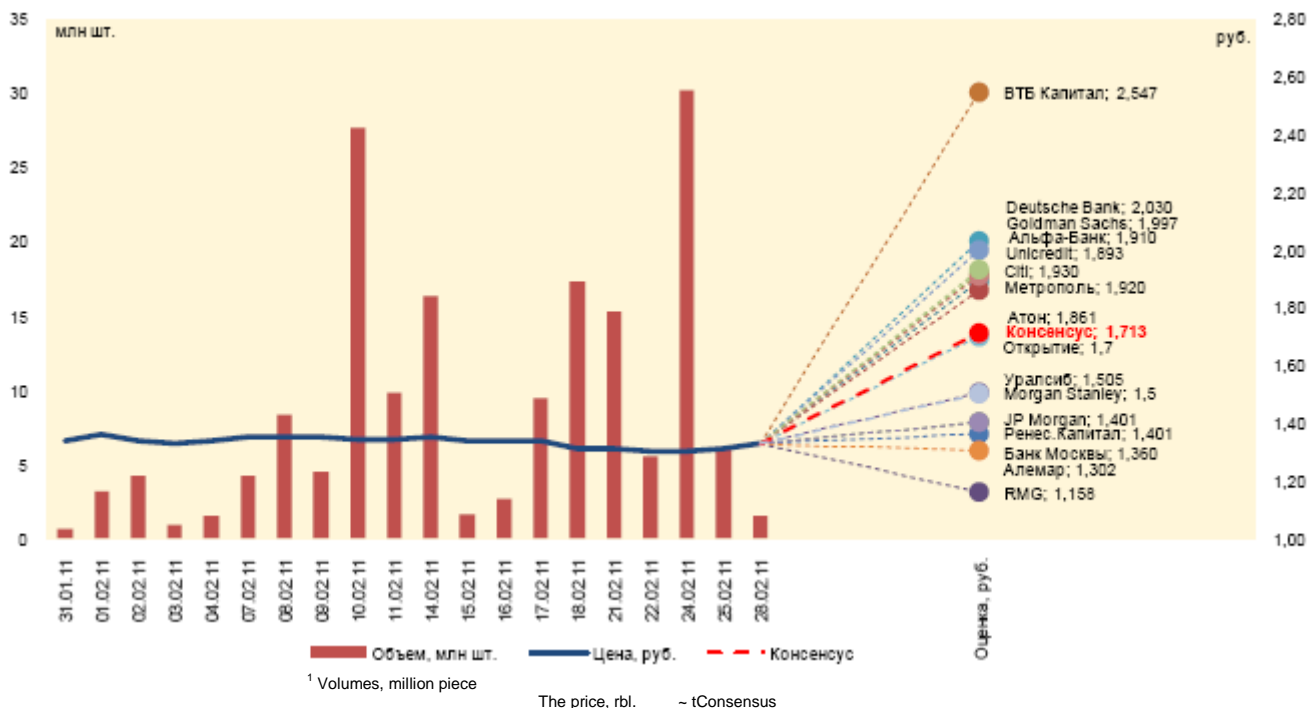
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IDGC of North Caucasus	4,9	4,4	-11,0 %
IDGC of Northwest	19,2	17,8	-6,9 %
IDGC of Siberia	29,0	25,9	-10,7 %
IDGC of Ural	29,1	25,5	-12,2 %
IDGC of Centre	56,3	55,7	-1,1 %
IDGC of Centre and Volga	37,1	35,7	-3,6 %
IDGC of South	7,9	7,2	-9,0 %
The least decrease in capitalisation have shown Lenenergo and IDGC of Centre			

* Estimation Troika Dialog - an indicative price range - is not included in consensus account ** At the rate of rbl. / US dollar for 28.02.11 *** the Final price of the Moscow Interbank Stock Exchange of 28.02.11

**** neutral - determination JP Morgan - expectation of that throughout the next 6-12 months the income of the this stock will be comparable to an average return of the stocks of the companies of the industry "covered" with the given analyst (or a team of analysts); equal-weight - definition Morgan Stanley - expectation of that throughout the next 12-18 months the income of the this stock (gain cost + dividend yield) will be up to standard of an average return of the stocks of the companies of the industry "covered" with the given analyst (or a team of analysts);

The rouble potential of growth of stocks of IDGC of Centre as of the reporting period end in comparison with the end of last month has grown from 25 % to 29 % that, first of all, is connected with renewal of estimation by Goldman Sachs and renewal of covering by company "Opening".

Graphical estimations of stocks of IDGC of Centre by analysts of investment companies and consensus-forecast look as follows:



Source: the Moscow Interbank Stock Exchange, quote.ru, calculations DKT

Last day January bank Morgan Stanley has issued the report with the beginning of analytical covering the Russian distribution grid sector. Meanwhile estimation details became known a little later - in February. On accounts of analysts of banks look-ahead share price of IDGC of Centre constitutes 1,5 rubles that assumed growth potential in 10 % for the report issuing date. The recommendation has been appropriated «equal-weight» (on the market). Meanwhile, the potential of the stocks of other distribution grid companies was from decrease on 20 % on IDGC of Northwest before growth on 46 % on IDGC of Volga.

In turn, analysts of the broker house "Opening" have renewed their covering of the distribution grid sector, which estimations were earlier on the revision, the new look-ahead stock value of IDGC of Centre corresponds to 1,7 rubles for the share, the recommendation appropriated to securities - to "buy".

Thus, at the end of February the analytical covering of stocks of IDGC of Centre is performed by seventeen banks and the investment companies six of which belong to global broker houses.

As for existing estimations and recommendations about stocks of IDGC of Centre in February analysts have made the following changes:

1. Analysts of VTB Capital in connection with agreement of FST of transition of the majority of the companies on RAB-regulation have reviewed models for estimation of the distribution grid sector. As a result decrease in the look-ahead prices has on the average constituted 22 %, thus the average potential of growth has constituted 77 %. The estimation of the stocks of IDGC of Centre is reduced by 5 % - from \$0,092 to \$0,088, the recommendation to "buy" is confirmed

2. Specialists of Uralsib have renewed models of estimation of the companies of distribution grid sector in connection with transition of the majority of the companies on RAB from the beginning of 2011. The total size of base RAB as analysts mark, has appeared on 4 % below their expectations, this factor has affected decrease in estimations of the stocks of the majority of the companies, including IDGC of Centre. The forecast is changed from \$0,056 to \$0,052 (-7 %), thus the recommendation about company securities remained at former level - to "buy".
3. Goldman Sachs have reviewed estimation of shares of company, having raised the forecast practically 2 times from \$0,036 to \$0,069, and has changed also the recommendation from "neutral" to "to buy". Experts of the bank notice that shares of company are at the moment traded at level 0,6 with multiplier EV/RAB that as a whole corresponds to average value for the companies of the sector. Meanwhile, according to analysts, IDGC of Centre deserves higher value EV/RAB in view of higher effective yield expected following the results of 2011 on the capital (7 % on comparison with average yield RAB for IDGC Holding at 3,8 %).

Date	Capitalisation, billion rbl. Value of estimation	Recommendation
<p>On the following chart results of change of capitalisation of IDGC in the reporting period are presented:</p> <p style="text-align: center;">Company</p>	<p>Capitalisation, billion rbl.</p> <p>(On weighted average prices on the Moscow</p>	<p>Change</p> <p>for the month</p>

* the beginning of the analytical covering