



REVIEW OF STOCK MARKETS

Before the opening of trading on Thursday 25 October some negative external background formed on the Russian market. On Wednesday the US indices DJIA and S&P500 collapsed by 2.4-3.1%, while the high-tech Nasdaq showed the most significant drop since August 2011, losing 4.4%. The markets were pressured, Bloomberg writes, by investors' concerns that companies' profits and economic growth are at their peak, while borrowing costs are rising. In particular, the increase in mortgage rates weakens the real estate market – in September sales of new buildings in the US fell to a minimum of 2 years. In addition, more and more reporting companies in their forecasts warn of the negative impact of rising costs and new duties in the following periods. Following the US markets, on Thursday the composite index of the Asia-Pacific region, MSCI Asia Pacific, lost 2.2%. Its fall from the peak value, reached in January, exceeds 20%, which indicates the beginning of the "bearish" trend in the market. December Brent futures traded around \$75.7 a barrel, \$1.1 below our closing level on 24 October. Brent oil fell to a minimum for two months due to the flight of investors from risky assets and the message of the US Department of Energy about the growth of oil reserves in the country by 6.3 million barrels – twice as much as the forecast.

On Thursday sellers dominated the Russian market due to a decrease in traders' interest in assets of emerging markets after sales on the American and Asian exchanges. In the middle of the day, the MOEX Russia Index and the index of emerging markets MSCI EM lost about a percent. An additional negative factor for the markets was the fear of the growing trade war after the publication of The Wall Street Journal. Sources say the US refuses to resume negotiations with China on trade until Beijing offers concrete measures to eliminate the problems that Washington has repeatedly complained about. The results of the ECB meeting were mostly expected and did not have a significant impact on the changes of stock markets. The European regulator retained all key interest rates and the amount of asset repurchases under the QE program. Also, the ECB leadership confirmed its intention to keep key rates unchanged, at least until the end of the summer of 2019, and to complete the QE program in December 2018. At the end of the day, the MOEX Russia Index reduced losses to 0.2% due to the growth of Brent quotes to \$76.6 per barrel and the corrective rise in US stock indices by 1.5-1.7% on good corporate reporting.

During the trading session the MicexPWR Sector Index underperformed. The main contribution to the MicexPWR outpacing decline compared to the MOEX Russia Index was made by shares of FGC UES, Inter RAO and Rosseti.

ELECTRIC POWER INDUSTRY NEWS

Pavel Snikkars: The level of electricity tariffs should not be the same in all regions

Director of the Department of Power Engineering Development at the Ministry of Energy of the Russian Federation Pavel Snikkars noted that representatives of small and medium-sized businesses should take the most active part in the discussion of the forthcoming document on the introduction of a fee for the reserve of capacity and initiatives to increase the cost of discounted connection. He announced this during the forum "Small business is a national project!" at a discussion on the impact of legislative initiatives on the availability of power grid infrastructure held on 23 October by PJSC Rosseti.

Read full text: <https://www.eprussia.ru/news/base/2018/387547.htm>

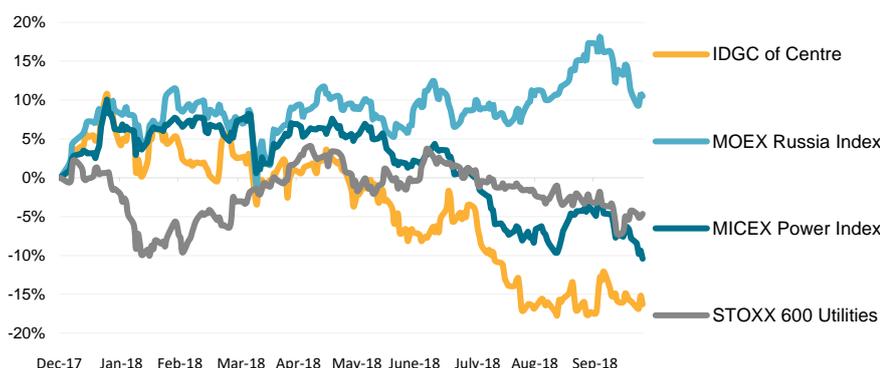
COMPANY NEWS

Belgorodenergo provides electricity to water supply facilities in the region

For 9 months, IDGC of Centre - Belgorodenergo division connected more than 20 water supply and wastewater disposal facilities to power grids as part of the regional program to provide the population with clean drinking water. The total capacity of the connected facilities exceeded 600 kW.

Read full text: <https://www.mrsk-1.ru/press-center/news/branches/66267/>

DYNAMICS OF KEY INDEXES AND SHARES OF THE COMPANY



| World indexes | Value | Change | |
|---------------|-----------|---------|-------------|
| | | per day | fr 31.12.17 |
| MOEX Russia | 2 331,59 | -0,21% | 10,52% |
| S&P 500 | 2 705,57 | 1,86% | 1,20% |
| FTSE 100 | 7 004,10 | 0,59% | -8,89% |
| DAX | 11 307,12 | 1,03% | -12,47% |
| DJStoxx 600 | 355,07 | 0,51% | -8,76% |
| Nikkei | 21 268,73 | -3,72% | -6,57% |
| Sensex | 33 690,09 | -1,01% | -1,08% |
| CSI300 | 3 194,31 | 0,19% | -20,75% |
| Bovespa | 84 083,51 | 1,23% | 10,05% |

Source: Bloomberg, Company calculations

| Currency rates | Value | Change | |
|----------------|-------|---------|-------------|
| | | per day | fr 31.12.17 |
| USD/RUB | 65,63 | 0,49% | 13,88% |
| EURO/RUB | 75,08 | 0,30% | 9,15% |

Source: Bloomberg, Company calculations

| Raw | Value | Change | |
|-----------------|----------|---------|-------------|
| | | per day | fr 31.12.17 |
| Gold, USD/oz | 1 232,17 | -0,13% | -5,42% |
| Brent*, USD/bbl | 76,89 | 0,95% | 14,98% |

* - December futures

Source: Bloomberg, Company calculations

| Shares | Price**, ₽ | MCap**, ₽ bln | MCap**, \$ mln | |
|----------------------------|------------|---------------|----------------|-------------|
| | | | per day | fr 31.12.17 |
| IDGC of Centre | 0,2980 | 12,58 | 191,70 | |
| IDGC of Centre & Volga Reg | 0,2815 | 31,72 | 483,38 | |

Source: Central Bank of Russia, Company calculations

| Comparison with indexes | Change | |
|-----------------------------------|---------|-------------|
| | per day | fr 31.12.17 |
| STOXX 600 Utilities | 0,42% | -4,64% |
| MICEX POWER Index | -1,16% | -10,42% |
| IDGC of Centre** | -1,32% | -16,29% |
| IDGC of Centre and Volga Region** | -0,35% | -6,70% |

Source: Bloomberg, Company calculations

| Grid companies | Change** | |
|----------------------------|----------|-------------|
| | per day | fr 31.12.17 |
| Rosseti, ordinary shares | -2,25% | -14,68% |
| FGC UES | -2,23% | -6,79% |
| IDGC of Volga | -0,98% | -1,61% |
| MOESK | -0,29% | -24,14% |
| IDGC of Northern Caucasus | 0,00% | -25,00% |
| IDGC of North-West | -2,67% | 19,23% |
| IDGC of Urals | -0,29% | -19,09% |
| IDGC of Siberia | 0,60% | -26,20% |
| IDGC of South | -5,18% | 13,21% |
| Lenenergo, ordinary shares | -2,36% | 16,35% |
| TRK, ordinary shares | 0,00% | -15,36% |
| Kubanenergo | -1,17% | -35,46% |

Source: MOEX, Company calculations

** - at the price of last transaction at MOEX

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Tickers
Moscow Exchange (MOEX)
Bloomberg
Reuters

MRKC
MRKC:RM
MRKC:MM