

DAILY MARKET REVIEW

6 February, Monday

2017



ROSSETI



IDGC OF CENTRE

REVIEW OF STOCK MARKETS

Before the opening of trading on Friday 03 February some neutral external background formed on the Russian market. On Thursday the US indices DJIA and S&P500 closed with opposite changes in the range of 0.1%, on Friday the composite index of the Asia-Pacific region MSCI Asia Pacific decreased within 0.5%. As MarketWatch noted, last week the positive factor of fundamental data – macroeconomic data and corporate reports – was compensated by increased economic and political risks of actions of the new US president and his administration. April Brent futures traded near the mark of \$56.8 per barrel, or \$0.3 higher than the closing level on 02 February. Oil quotes continue growing on the information on implementation of obligations by oil producers to reduce oil production. In particular, according to a survey conducted by Bloomberg analysts, and representatives of oil and shipping companies, the OPEC states in January reduced oil production by 800 thous. barrels per day. In addition, oil prices were supported by speculation about possible new US sanctions against Iran – as experts believe, they will not affect the Iranian fuel exports, but will raise the premium for geopolitical risks.

On Friday, in anticipation of the US labour market data, the MICEX Index and the European Stoxx Europe 600 Index traded mostly slightly up on average within 0.5%. Keeping by the Central Bank of the key interest rate at a level of 10% was forecast by investors and had no significant impact on the trends of the ruble and the MICEX Index. Nevertheless, experts drew attention to the tightening rhetoric of the regulator, who specified in the final statement that the potential for reducing the key rate in the first half of the year decreased, including in connection with the need to limit the short-term inflation risks associated with the beginning of buying by the regulator of foreign currency in the market for the Ministry of Finance. The mood in the Russian and Western markets improved somewhat after the publication of statistics on the US labour market in January – the increase in the number of jobs by 227 thous. was a record for four months. At the end of the day our market was additionally supported by growth of Brent quotations above \$57 a barrel after the US had introduced additional sanctions against Iran.

At the end of the trading session the MicexPWR Sector Index looked significantly better than the market. The main contribution to the sector indicator outperformance in comparison with the MICEX Index was made by shares of FGC UES, RusHydro and Rosseti.

ELECTRIC POWER INDUSTRY NEWS

Because of a MED decision to reduce for 2017 estimated average yield of OFZ to 9.97% from 10.95% in 2016 power companies may lose in payment for capacity 17-24 bln RUB per year, says the newspaper

Pursuant to the order of 20 January the Ministry of Economy approved a rate of return of federal loan bonds (OFZ) at 9.97%. This rate is one of the main variables in the method of calculating the profitability of new units constructed under Capacity Delivery Agreements (CDA, which ensure return on investment due to increased payments from the wholesale market): the higher the figure, the higher the income of generators. Based on the level of OFZ, approved by the Ministry of Economy, the total yield of power companies under CDA will be about 15.5%, but the price burden on large consumers in 2017 will decrease by 24 bln RUB, according to "Kommersant" with reference to interlocutors in the industry.

Read full text: <http://www.bigpowernews.ru/markets/document75273.phtml>

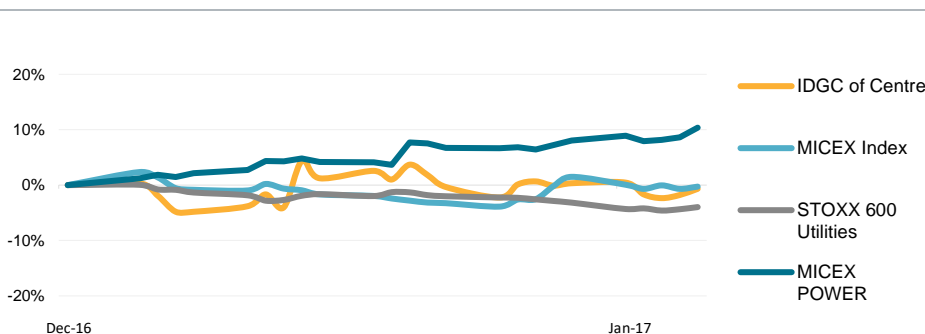
COMPANY NEWS

Smolensk power engineers of IDGC of Centre provided in 2016 new customers with 96.8 MW

At the end of 2016 IDGC of Centre – Smolenskenergo division performed more than 4.4 thousand contracts for grid connection. The total connected capacity was 96.8 MW. The vast majority of grid connections (90.6%) is connection of consumers with maximum power up to 15 kW inclusive.

Read full text: <https://www.mrsk-1.ru/press-center/news/branches/58735/>

DYNAMICS OF KEY INDEXES AND SHARES OF THE COMPANY



World indexes	Value	Change	
		per day	fr 31.12.16
MICEX	2 226,61	0,41%	-0,27%
S&P 500	2 297,42	0,73%	2,62%
FTSE 100	7 188,30	0,67%	0,64%
DAX	11 651,49	0,20%	1,48%
DJStoxx 600	364,07	0,59%	0,73%
STOXX Utilities	265,78	0,40%	-3,97%
Nikkei	18 918,20	0,02%	-1,03%
Sensex	28 240,52	0,05%	6,06%
CSI300	3 364,49	-0,69%	1,64%
Bovespa	64 953,93	0,58%	7,85%

Source: Bloomberg, Company calculations

Currency rates	Value	Change	
		per day	fr 31.12.16
Euro/USD	1,08	-0,05%	2,53%
USD/RUB	59,99	-0,54%	-1,11%
Euro/RUB	64,73	-0,46%	1,44%

Source: Bloomberg, Company calculations

Raw	Value	Change	
		per day	fr 31.12.16
Gold, USD/oz	1 220,30	0,36%	6,34%
Brent*, USD/bbl	56,81	0,44%	-1,18%

* - April futures

Source: Bloomberg, Company calculations

Shares of IDGC of Centre	Value
Last transaction, RUB	0,4440
Capitalisation**, billion RUB	18,74
Capitalisation**, million USD	312,49

Source: Central Bank of Russia, Company calculations

Russian indexes	Change	
	per day	fr 31.12.16
MICEX-Power Index	1,62%	10,37%
Shares of IDGC of Centre**	1,14%	-0,67%

Source: Bloomberg, Company calculations

Grid companies	Change**	
	per day	fr 31.12.16
Rosseti, ordinary shares	2,98%	10,60%
FGC UES	3,33%	22,19%
IDGC of Volga	-0,55%	13,39%
MOESK	1,92%	18,04%
IDGC of Northern Caucasus	0,64%	7,48%
IDGC of Centre and Volga Reg	0,58%	5,74%
IDGC of North-West	-0,72%	0,18%
IDGC of Urals	0,29%	3,65%
IDGC of Siberia	1,86%	-2,03%
IDGC of South	-0,59%	-4,01%
Lenenergo, ordinary shares	1,74%	0,82%

Source: MOEX, Company calculations

** - at the price of last transaction at MOEX

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Tickers
Moscow Exchange (MOEX)
Bloomberg
Reuters

MRKC
MRKC.RX
MRKC.MM