

DAILY MARKET REVIEW

9 July, Monday

2018



ROSSETI



IDGC OF CENTRE

REVIEW OF STOCK MARKETS

Before the opening of trading on Friday 6 July some neutral external background formed on the Russian market. On Thursday the US indices DJIA and S&P500 rose by 0.8-0.9%, on Friday the composite stock index of the Asia-Pacific region MSCI Asia Pacific increased by 0.6%. The markets were supported by hopes of resolving trade disputes between the US and the European Union on duties on the auto industry and the confidence of investors in the good prospects of the US economy. The US service sector index, ISM Non-Manufacturing, unexpectedly rose in June to its highest since February, pointing to the persistence of sustained activity in the services sector, which accounts for almost 90% of the US economy. In the published minutes of the June meeting of the Fed, the Central Bank's leaders gave a positive assessment to the US economy, confirming their commitment to a gradual increase in interest rates. At the same time, the governors noted growing risks associated with foreign trade. They became a deterrent for buyers on Friday, when the US introduced additional duties on more than 800 types of goods from China, whose imports are worth \$34 billion a year. September Brent futures traded near \$77.4 per barrel, \$0.9 lower than our closing level on 5 July. Oil prices were pressured by a report of the US Department of Energy on growth of oil reserves in the country by 1.2 million barrels in spite of the decline forecast of 5 million and the publication in The Wall Street Journal about the growing doubts that the IPO of Saudi Aramco will ever take place.

Most of the trading session the Russian market was dominated by sellers in the framework of profit-taking after almost a 2% growth the day before – on daily lows the MOEX Russia Index lost more than a percent. The reason for the sales was the decline in Brent crude oil prices to around \$76.4 per barrel and the worsening of sentiment in the world financial markets under the pressure of growing risks of transformation of the US and Chinese trade disputes into a full-scale trade war. In response to the US actions, China announced the entry into force of symmetrical charges for US imports of \$34 billion per year. At the same time, the US president confirmed his readiness to impose duties on Chinese goods for another \$200 billion, if Beijing responds to the first step of the US. Subsequently, according to Donald Trump, the US can impose duties on all imports from China of \$505 billion per year. In the second half of the day, the markets were supported by the US labour market statistics in June. Firstly, the number of jobs increased more than expected, the May index was revised upward, and secondly, the smaller than forecasted growth in hourly wages weakened fears of accelerating inflation and, accordingly, the Fed's more active actions to implement the exit strategy. After the publication of these statistics, trading in the US began with more than a half-percentage increase in major indices, the MOEX Russia Index was able to play back almost all of the losses.

During the trading session the MicexPWR Sector Index outperformed. Correction affected mainly the first-tier securities, which grew strongly on Thursday. The main contribution to the small final rise of MicexPWR in the antiphase with the MOEX Russia Index was made by shares of Inter RAO.

ELECTRIC POWER INDUSTRY NEWS

The surplus of capacity in Russia is reduced by 3 GW per year, so a new modernization program is needed, says Mr. Kravchenko

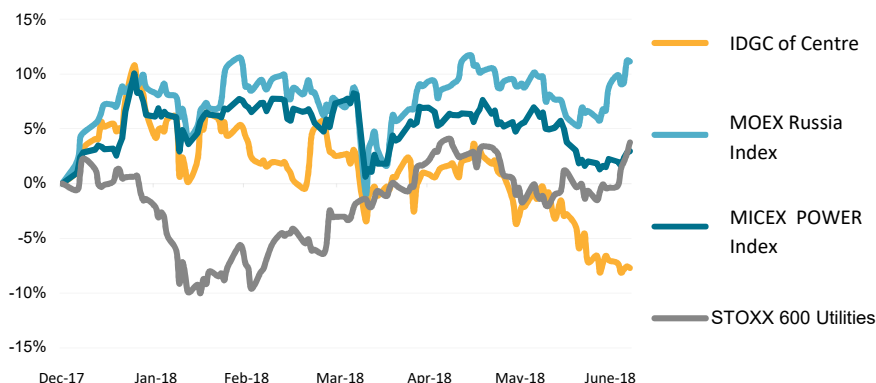
Read full text: <http://www.bigpowernews.ru/markets/document83674.phtml>

COMPANY NEWS

Electricity generation in the Belgorod region in January-June of 2018 decreased by 2.4% with an increase in electricity consumption by 2.3%

Read full text: <http://www.bigpowernews.ru/markets/document83663.phtml>

DYNAMICS OF KEY INDEXES AND SHARES OF THE COMPANY



| World indexes | Value | Change | |
|---------------|-----------|---------|-------------|
| | | per day | fr 31.12.17 |
| MOEX Russia | 2 345,38 | -0,06% | 11,17% |
| S&P 500 | 2 759,82 | 0,85% | 3,22% |
| FTSE 100 | 7 617,70 | 0,19% | -0,91% |
| DAX | 12 496,17 | 0,26% | -3,26% |
| DJStoxx 600 | 382,36 | 0,20% | -1,75% |
| Nikkei | 21 788,14 | 1,12% | -4,29% |
| Sensex | 35 657,86 | 0,23% | 4,70% |
| CSI300 | 3 365,12 | 0,68% | -16,52% |
| Bovespa | 75 010,39 | 0,61% | -1,82% |

Source: Bloomberg, Company calculations

| Currency rates | Value | Change | |
|----------------|-------|---------|-------------|
| | | per day | fr 31.12.17 |
| USD/RUB | 63,26 | 0,05% | 9,77% |
| EURO/RUB | 73,96 | 0,35% | 7,53% |

Source: Bloomberg, Company calculations

| Raw | Value | Change | |
|-----------------|----------|---------|-------------|
| | | per day | fr 31.12.17 |
| Gold, USD/oz | 1 255,48 | 0,19% | -3,63% |
| Brent*, USD/bbl | 77,11 | -0,36% | 19,07% |

* - September futures

Source: Bloomberg, Company calculations

| Shares | Price**, ₽ | MCap**, ₽ bln | MCap**, \$ mln |
|----------------------------|------------|------------------|-------------------|
| | | | |
| IDGC of Centre | 0,3285 | 13,87 | 219,23 |
| IDGC of Centre & Volga Reg | 0,3010 | 33,92 | 536,23 |

Source: Central Bank of Russia, Company calculations

| Comparison with indexes | Change | |
|-----------------------------------|---------|-------------|
| | per day | fr 31.12.17 |
| STOXX 600 Utilities | 1,01% | 3,77% |
| MICEX POWER Index | 0,16% | 2,96% |
| IDGC of Centre** | -0,15% | -7,72% |
| IDGC of Centre and Volga Region** | 0,33% | -0,23% |

Source: Bloomberg, Company calculations

| Grid companies | Change** | |
|----------------------------|----------|-------------|
| | per day | fr 31.12.17 |
| Rosseti, ordinary shares | -0,93% | -4,41% |
| FGC UES | -0,08% | 17,16% |
| IDGC of Volga | 0,43% | 13,93% |
| MOESK | 0,58% | -22,80% |
| IDGC of Northern Caucasus | -1,24% | -16,93% |
| IDGC of North-West | -1,80% | 15,38% |
| IDGC of Urals | -1,60% | -11,69% |
| IDGC of Siberia | -2,29% | -6,99% |
| IDGC of South | 1,79% | 4,35% |
| Lenenergo, ordinary shares | -0,86% | 20,52% |
| TRK, ordinary shares | -2,14% | -13,75% |
| Kubanenergo | 2,74% | -23,34% |

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