

DAILY MARKET REVIEW

26 September, Wednesday

2018



ROSSETI



IDGC OF CENTRE

REVIEW OF STOCK MARKETS

Before the opening of trading on Tuesday 25 September some neutral external background formed on the Russian market. On Monday the US indices DJIA and S&P500 closed with a decrease of 0.4-0.7% on fears of escalating the trade conflict between the US and China after Beijing refused to resume talks with Washington on trade issues. On Tuesday the composite index of the Asia-Pacific region, MSCI Asia Pacific, added 0.1% with multidirectional changes of the main country indices. November Brent futures traded near \$81.5 per barrel, \$0.4 higher than our closing on 24 September. Oil quotes continue to rise after the decision of the OPEC+ committee not to increase production despite drop in Iran's production because of the sanctions and the US calls for an immediate reduction in prices.

The MOEX Russia Index spent most of the day in a small plus within half a percent due to confident growth of shares of oil and gas companies following the rise in Brent quotes above \$82 a barrel. At the same time, the activity of buyers in our market was constrained by inexpressive changes of the global stock exchanges ahead of the outcome of the Fed meeting, which will be published tonight. The market participants, analysts say, do not doubt raising the rate by 0.25 percentage points, to 2-2.25%, and expect the Fed to comment on further actions. In particular, according to economists, the increase in trade duties for Chinese imports strengthens inflationary pressures, which, in turn, may prompt the Fed to more decisively tighten the monetary policy. Against this backdrop, the yield of the US ten-year government bonds, having exceeded the 3.11% mark, has risen to an annual maximum, reducing the attractiveness of risky assets. The MOEX Russia Index closed trading at its historic high: at the end of the day, investors were supported by a moderately positive start of trading in the US on good statistics: the consumer confidence index rose to a maximum in 18 years in September.

During the day changes of the MicexPWR Sector Index in general corresponded to the market. The main contribution to the MicexPWR rise was made by shares of Inter RAO, Rosseti and FGC UES. From the current news of the grid segment, one can note a number of statements by the head of the FAS in an interview with Kommersant. In particular, Mr. Artemiev said that the FAS "will try to give by the end of the year" to Rosseti the 10-year tariff "inflation minus 0.1%". In general, he said, after 31 December 2018 for monopolies only two tariffs should remain: grid (for all consumers) and investment, tied to a specific project. In addition, the head of the Federal Antimonopoly Service said that the privatization of the distribution grid subsidiaries of Rosseti "is still absolutely impractical" – FAS believes that "the grid company, unlike generation, is forced to be in a state of natural monopoly." Analysts of Renaissance Capital as part of the revision of the electric utilities sector increased the projected cost of Rosseti's ordinary and preferred shares by 23% and 6%, to 0.74 rubles and 1.31 rubles, respectively, and the recommendation from "sell" to "hold". Also, the recommendation on FGC UES's securities was improved from "hold" to "buy" with a target price of 0.19 rubles. In the updated Rosseti's model, the experts, in particular, took into account the higher growth rates of tariffs for the population and the increase in dividends, in the FGC UES's model – smaller asset write-offs and an increase in revenues from financial investments.

ELECTRIC POWER INDUSTRY NEWS

FAS considers a ten-year tariff for RusHydro, Rosseti to receive such a tariff by the end of the year – says Mr. Artemiev

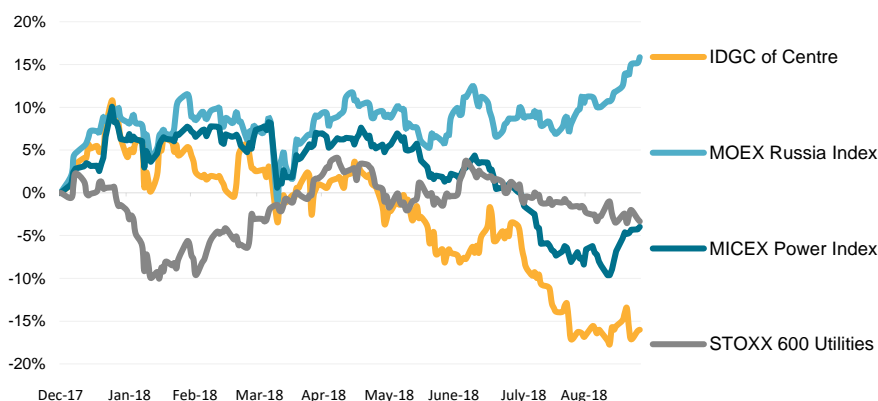
Read full text: <http://www.bigpowernews.ru/markets/document84654.phtml>

COMPANY NEWS

A development of Smolenskenergo's employees recognized as an innovation

Read full text: <https://www.mrsk-1.ru/press-center/news/branches/65718/>

DYNAMICS OF KEY INDEXES AND SHARES OF THE COMPANY



World indexes	Value	Change	
		per day	fr 31.12.17
MOEX Russia	2 444,22	0,58%	15,85%
S&P 500	2 915,56	-0,13%	9,05%
FTSE 100	7 507,56	0,66%	-2,34%
DAX	12 374,66	0,19%	-4,20%
DJStoxx 600	383,89	0,46%	-1,36%
Nikkei	23 940,26	0,29%	5,16%
Sensex	36 652,06	0,96%	7,62%
CSI300	3 379,80	-0,90%	-16,15%
Bovespa	78 630,14	0,83%	2,92%

Source: Bloomberg, Company calculations

Currency rates	Value	Change	
		per day	fr 31.12.17
USD/RUB	66,16	-0,14%	14,80%
EURO/RUB	77,68	-0,50%	12,94%

Source: Bloomberg, Company calculations

Raw	Value	Change	
		per day	fr 31.12.17
Gold, USD/oz	1 201,22	0,18%	-7,80%
Brent*, USD/bbl	81,87	0,83%	27,88%

* - November futures

Source: Bloomberg, Company calculations

Shares	Price**, ₺	MCap**, ₺ bln	Change	
			per day	fr 31.12.17
IDGC of Centre	0,2990	12,62	190,80	
IDGC of Centre & Volga Reg	0,2795	31,50	476,11	

Source: Central Bank of Russia, Company calculations

Comparison with indexes	Change	
	per day	fr 31.12.17
STOXX 600 Utilities	-0,30%	-3,34%
MICEX POWER Index	0,30%	-3,98%
IDGC of Centre**	0,17%	-16,01%
IDGC of Centre and Volga Region**	-0,53%	-7,36%

Source: Bloomberg, Company calculations

Grid companies	Change**	
	per day	fr 31.12.17
Rosseti, ordinary shares	1,85%	-12,20%
FGC UES	0,67%	2,22%
IDGC of Volga	0,30%	-2,68%
MOESK	0,14%	-22,80%
IDGC of Northern Caucasus	-1,33%	-22,92%
IDGC of North-West	-0,44%	30,00%
IDGC of Urals	0,29%	-16,23%
IDGC of Siberia	0,00%	-21,40%
IDGC of South	-1,13%	31,10%
Lenenergo, ordinary shares	-3,51%	34,69%
TRK, ordinary shares	0,00%	-13,21%
Kubanenergo	0,00%	-29,85%

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