

**Joint-Stock Company  
IDGC of Centre**



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

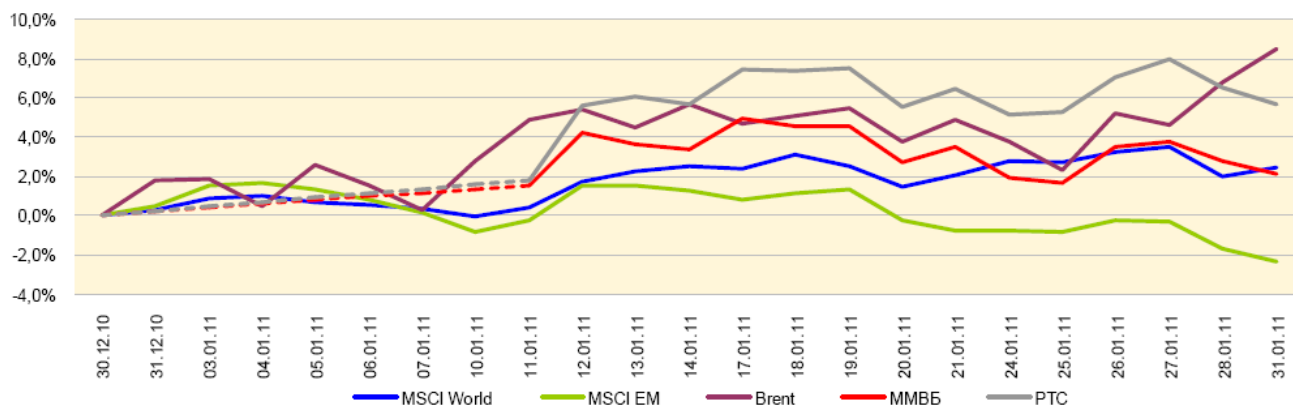
Moscow, January 2011

### International and Russian share markets

The world markets of stocks have finished January differently directed: the index of developed countries MSCI World has grown on 2,5 %, the index of emerging markets MSCI EM has lost 2,3 %. Positive moods of investors in the markets of the developed countries were determined by improvement of the situation with the European debt problems, mainly good corporate reporting and macroeconomic statistics from the USA. In turn, emerging markets were under the pressure of fears of toughening of a credit policy and the amplified outflow of means from the funds investing in emerging markets.

In the first decade of month pressure upon the world markets rendered that fear that Portugal already will be forced to address in the near future for the financial help to EU and IMF as it was made earlier by Greece and Ireland. Moods of market makers have essentially improved after occurrence of the information that Japan is ready to assist in the decision of the European debt problems, taking part in the bond purchase, issued by fund of the financial help of the European Union. Besides, investors have positively reacted to the appeared information that the governments of the European Union countries consider offers on substantial growth of volume of this fund, and the statement of the German chancellor that its country will support reform of fund of the help, and also any other steps necessary for overcoming of debt crisis in a zone of euro.

Successful enough placings throughout month of borrower's notes of Greece, Portugal, Spain and Italy which could involve all planned volume of money funds became display of the European optimism. In the end month the European fund of financial stability had been successfully placed the first bond issue for the sum €5 billion.



*Source: the Moscow Interbank Stock Exchange, RTS, Bloomberg*

The good start of the season of the corporate reporting in the USA - profit and revenue Alcoa, Intel became a doubtless positive for stock markets in first half of January and JPMorgan following the results of the fourth quarter 2010 have surpassed expectations of analysts. Continuation of a season of the quarter reporting looked far not so successful - despite strong results General Electric, IBM, Apple, investors were disappointed with the reporting of the largest American banks. Nevertheless, by estimations of analysts, profits of the companies entering into calculation of an index S&P 500, have grown last quarter on 32 % whereas in the beginning of a season of the reporting increase of this indicator on 9,8 % was predicted.

Support to the markets in January was rendered by the American macroeconomic statistics which had mainly positive character: growth of sales of new buildings in January was maximum since 1992, to a maximum for eight months the index of consumer trust, growth of manufacture in December has grown was maximum since July, growth of sales in the secondary market of habitation in December became the strongest for seven months, growth of expenses of Americans in December has surpassed expectations, increase of consumer spending in the fourth quarter on which it is necessary about 70 % of gross national product of the country, became the greatest for last four years. Last

circumstance has substantially softened disappointment of the markets, slightly not justified expectation of analysts by rates of increase of gross national product in the fourth quarter. From the European data investors have been impressed by increase of a January index of trust of the German businessmen to national economy to the maximum values for all 20-year-old history of the publication of this indicator for the unified Germany.

Among the negative statistics which, however, did not become an occasion to profit fixing, market makers have paid attention to unexpected decrease in gross national product of Great Britain in IV quarter 2010, contrary to forecasts of the analysts expecting its growth on same of half-percent, for the weak data on retails in the USA in December and inflation growth in December in the euro zone, for the first time for two years exceeded a target objective of the European Central Bank.

Lagging behind dynamics of emerging markets has been connected with fears of toughening of a credit policy for decrease in growing inflation.

In the middle of the month the markets have reacted essential decrease to the strong statistics from China following the results of the fourth quarter 2010: economy growth has surpassed expectations of analysts and third quarter results, all following the results of the last year gross national product of China has grown on 10,3 %. Thus inflation in December was slowed down to 4,6 % in comparison with record in the last two days 5,1 %, fixed in November. In total following the results of 2010 the rise in prices in China has constituted 3,3 %, slightly having exceeded a target objective in 3 %. Market makers have assumed that such rates of increase of economy will inevitably cause the further rise in prices, new steps of a regulator on toughening of a monetary policy become a consequence of that.

These fears amplified stocks of Central Banks of other countries BRICK. The Central Bank of Brazil in the second decade of January has raised interest rates on half-percent, thus having let know that is ready to the further toughening of a monetary policy in the face of the increased inflationary risks. The reserve bank of India in the third decade of January has raised interest rates on 0,25 percentage points as acceleration of economic growth threatens the country with strengthening of inflationary pressure - the rise in prices in December has constituted almost 8,5 %, having exceeded indicators of November.

Decrease in stock markets of developing countries in the end of a month passed against the amplified outflow of means from the funds investing in emerging markets. According to Emerging Portfolio Fund Research, for the week which has come to the end on January, 26th, these funds have lost \$3,054 billion that constitutes around 0,4 % from total amount of assets. Such considerable outflow of means last time was observed in the middle of February, 2010.

At the end of the month the results of two-day session of FRS have rendered support to the markets the USA - the American Central Bank has made the decision on preserving of a target range of a benchmark interest rate from 0 % to 0,25 % annual, having repeated that will keep the rate at «exclusively low level» during «long time». Besides, FRS has reported about preserving of the program of the redemption of treasury obligations of the USA for the sum of \$600 billion till the end of the second quarter 2011.

The disorders which have reached the peak in Egypt became an unconditional negative of stock markets in the end of a month. Investors are afraid that destabilization of political conditions in the north of Africa which beginning was necessary power change in Tunis, can mention other countries of region and extend to the next petroliferous Near East, seriously having complicated prospects of restoration of world economy.

Also, the negative factor of the end of January which though has not rendered considerable pressure upon the markets, but nevertheless became an occasion to anxiety, there was a decrease in ratings of Japan by agency S&P on one step - to level «AA», this is the first lowering of ratings of the country since 2002. Growth of a state debt and absence of effective strategy of its reducing - according to analysts of agency, the state debt constituting almost 200 % from gross national product became a basis for decrease in ratings, the next years will grow and will reach a maximum only in the middle of next decade.

Dynamics of the Russian market in January looked comparably with dynamics of share platforms of the developed countries, and it is better than dynamics of the markets emerging markets - the Moscow Interbank Stock Exchange index has on monthly results grown on 2,1 %. Additional support throughout a month heavy prices on the oil, added in January about 9 % and punched in the end of the month rendered to the Russian market with \$100 for barrel.

The statement of agency Fitch for possible increase of ratings of Russia became in the near future a positive for our market, first. The agency notices in the report that reducing of budgetary deficit which reduces vulnerability of the country to sharp changes of the prices for oil, and also decrease in inflation and the further improvement of a paying balance can create conditions for increase of sovereign ratings of Russia.

Secondly, the information on an exchange of stocks of Rosneft and English BP which, according to experts, should be reflected by the positive image as in appeal of the Russian companies of oil and gas sector, and our market as a whole became the powerful driver of growth of the Russian market in the middle of the month. As the assistant to the president of the Russian Federation A. Dvorkovich, the transaction between BP and Rosneft can become one of "star" in 2011 and will cause interest to other state assets in Russia.

From among negative factors of January it is possible to note growing inflation which causes the increasing anxiety of economists. From the beginning of year on January, 24th of the price have grown already on 1,8 %, and, in opinion of deputy chief of Ministry of economic development and trade A. Klepach, inflation in the Russian Federation in 2011 can exceed 7 % which now are the official forecast. The Central Bank of the Russian Federation, reacting to inflationary threats, last day of January has made the decision on increase of specifications of required reserves while having kept key interest rates without changes.

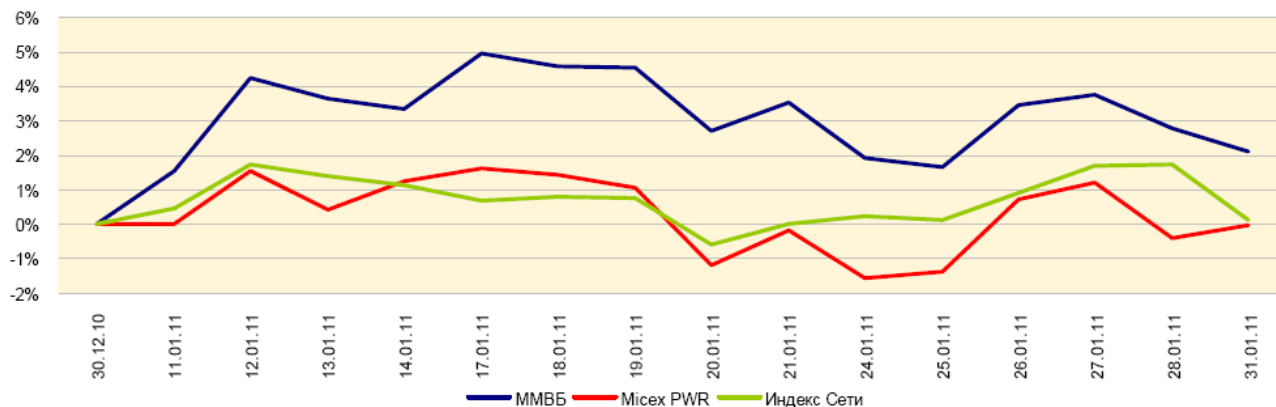
The macroeconomic data presented by Rosstat for December and 2010 as a whole carried, behind a statistics exception on unemployment, mainly positive character:

- Industrial production growth in comparison with December, 2009 has constituted 6,3 %, all following the results of 2010 manufacture has grown on 8,2 % by 2009;
- Growth of investments into fixed capital remained at high level and has constituted 10,1 %. For 2010 the investment have grown on 6 % by 2009;
- Real had cash incomes of the population in December, 2010 have grown in comparison with the similar period of 2009 on 3,3 %. For 2010 incomes have increased by 4,3 % by 2009;
- Turnover of retail trade has grown on 3,4 % by December, 2009, all following the results of 2010 growth of this indicator has constituted 4,4 % in comparison with 2009.
- The aggregate number of the unemployed has grown in comparison with November on 378 thousand and has constituted 5,392 million persons. Thus the rate of unemployment has grown at once on 0,5 percentage points - to 7,2 % - after falling on 0,1 items last month.

Besides, according to preliminary data Rosstat of gross national product of Russia for 2010 has grown on 4 %, at this Rosstat has specified gross national product falling 2009 prior to 7,8 % against 7,9 % on the previous estimation. As to forecasts of experts on gross national product growth next year the IMF has raised the October forecast of growth of economy of Russia in 2011 on 0,2 percentage points - to 4,5 %. Thus, by estimations of analysts of IMF, gross national product of the Russian Federation will grow twice more slowly, than gross national product of China and India - 9,5 % and 8,4 % accordingly.

### The share market of the companies of electric power industry

The companies of electric power sector in the reporting period have shown lagging behind in comparison with the market as a whole dynamics: the index of MicexPWR following the results of the month has decreased at 0,04 %, while the Moscow Interbank Stock Exchange index has grown at 2,10 %.



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

The basic positive contribution in MicexPWR was brought by stocks of FGC (more than 2,5 percentage points) and IDGC Holding common stocks (about 0,5 items) that, however, could not compensate negative influence on dynamics of index MicexPWR of stocks of the generating companies led by papers of RusHydro (-1,5 items).

As the basic drivers of growth of stocks of FGC, which have added in January about 20 %, it is possible to name, first, the information that in the end of the last year FST has confirmed the RAB-tariff for of FGC for the five years' period, having left without change earlier confirmed rates of increase of the tariff for 2011 - 32,8 %. Secondly, on January, 25th in the market there was an information referring to Reuters agency that the Russian authorities consider a variant of placing of 4,11 % of stocks of FGC among a circle of investors within the limits of privatisation after listing reception on the London stock exchange in the end of March. As one of the major conditions of privatisation of FGC the is achievement by stocks of FGC of level 0,5 roubles for the stock - i.e. a face-value medium-term prospects of stocks of FGC for the market became more than are obvious.

In turn the stocks of RusHydro, which have lost in January about 10 %, were under the pressure of tariff decisions FST for the Siberian hydroelectric power stations - tariffs for capacity have appeared more low both last year's levels, and expectations of analysts. Tariff decisions FST already became an occasion to decrease in the look-ahead prices and recommendations about stocks of RusHydro: Uralsib has lowered an estimation on 4 % and the recommendation - to to "sell", Goldman Sachs has lowered look-ahead cost on 10 % and the recommendation - to to "hold".

As a whole the branch news background for the electric power industry companies had positive enough character:

- Complete liberalisation of the wholesale market of the electric power since January, 1st, 2011 became expectation event for electric power sector. Transition to open pricing has begun since 2007 and assumed increase in a share of the liberalised power market twice a year. In the second half of the year 2010 the share of free sales constituted 80-85 %.
- Rating agency Fitch expects in 2011 of positive dynamics in generating sector of the Russian market of electric power industry - ОГК and ТГК. According to published review Fitch, the termination of liberalisation of the wholesale market of the electric power and development of the long-term market of capacity in the Russian Federation become the basic drivers of growth. Fitch also specifies in restoration of the Russian economy after crisis therefore credit rates have decreased, the competition has increased

Among banks which are ready to give to the infrastructural companies long-term credits.

- According to the System operator, current consumption in Russia in 2010 has grown on 4,3 % in comparison with 2009, electric power development last year has increased by 4,4 % in comparison with a similar indicator year before.

### **The share market of distribution grid companies**

Dynamics of distribution grid companies in January has been caused, first, by tariff decisions concerning the largest companies of sector - Lenenergo, Tyumenenergo and MOESK, and, secondly, the information on possible expenses on restoration of the network economy, formed in the end of 2010 - the beginning 2011 as a result of natural anomaly.

In the first working week of January there was a reality on values of base of invested capital for Lenenergo and Tyumenenergo. Base RAB on Lenenergo has been opened at level 78,557 billion rubles, for Tyumenenergo - 92,778 billion rubles that has appeared on 13 % and 22 % below IDGC Holding expectations accordingly. Meanwhile on size RAB for MOESK uncertainty still remained. The regional power commission (РЭК) Moscow and fuel and energy committee of Moscow Region have confirmed RAB-tariff parameters, thus value of base RAB in resolution РЭК of Moscow essentially differed from IDGC Holding forecasts. And though official values of base RAB did not reveal, analysts have assumed that the discrepancy can be connected with IDGC Holding expectations by that regulators used different concepts: in Moscow the complete base of the capital (without a depreciation deduction), in Moscow Region - residual base of the capital (taking into account depreciation) has been specified.

As a result, the confirmed value of base RAB is total on branches IDGC which have passed to RAV-TARIFFS it has appeared approximately on 10 % below initial expectations of IDGC Holding. Analysts believe that this fact, and also transition of some branches IDGC instead of RAB regulation can put pressure upon stocks of the companies upon a method of long-term indexation of tariffs of distribution grid companies, at least, in short-term prospect.

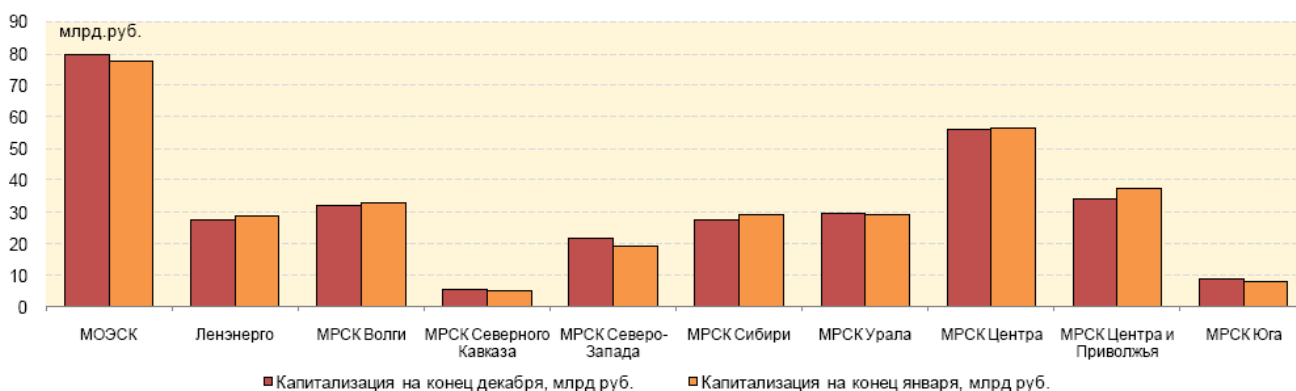
Pressure upon stocks of the companies of distribution grid companies in the middle of the month could render the statement of the prime minister of the Russian Federation that the power companies should not pledge expenses on restoration of the network economy, formed in the end of 2010 - the beginning 2011, in tariffs for the population. «Under the information from our network company, in restoration of a network economy it is enclosed more than 9 billion rubles. On these purposes additional resources, not at the expense of the consumer» should be found, - the chairman of the Government of the Russian Federation has noted. According to analysts of Uralsib incurred as a result of act of nature losses irrespective of the fact how they will be allocated, can cause negative attitude of investors to the distribution companies.

Adjustment of forecasts on size of damage from abnormal weather of the end of 2010 became an essential occasion to improvement of moods of investors of distribution grid companies in the third decade of January. According to the head of IDGC Holding, «for today the sum of this damage constitutes 1 billion 77 million roubles». Moreover, according to N. Shvets, work with the insurance companies is now led, and by the present moment these companies have already accepted documents on damage compensation for the sum of 30 % from general losses. «We hope that 95 % of a damage will be compensated at the expense of the insurance companies», - the head of holding has told.

From other news of distribution grid companies and the separate companies it is necessary to note the following information:

- Ministry of Energy has reported about plans to make the offers, concerning the obligatory redemption IDGC Holding of the territorial network organisations which do not consult with the obligations on granting of services. It was declared by the head of Ministry of Energy S.Shmatko at the meeting devoted to liquidation of consequences of accident on transmission lines in Moscow suburbs;
- The head of Ministry of Energy has noticed that deficit of the program of renovation of IDGC Holding which has total amount 2,8 trillion rubles, is estimated for 10 years in 500 billion rubles As he said, this deficit can be closed or at the expense of the state, or by attraction of new shareholders, or placing of infrastructural bonds. At the same time S. Shmatko has noticed that deficit of this program conditional enough because it can be made and smaller on volume, nevertheless, having underlined that considering a current condition of networks, it is necessary to put means in their development;
- Lenenergo management has declared that in 2011-2013 the company plans to place some additional releases of common stocks for a total sum 7,5-10 billion rubles Thus with IDGC Holding, as at the major shareholder, the company plans to involve 5 billion rubles, at St.-Petersburg - 2,5 billion rubles, other means - with existing minority shareholders.

On the following chart results of change of capitalisation of IDGC in the reporting period are presented:



Source: the Moscow Interbank Stock Exchange, calculations DKT

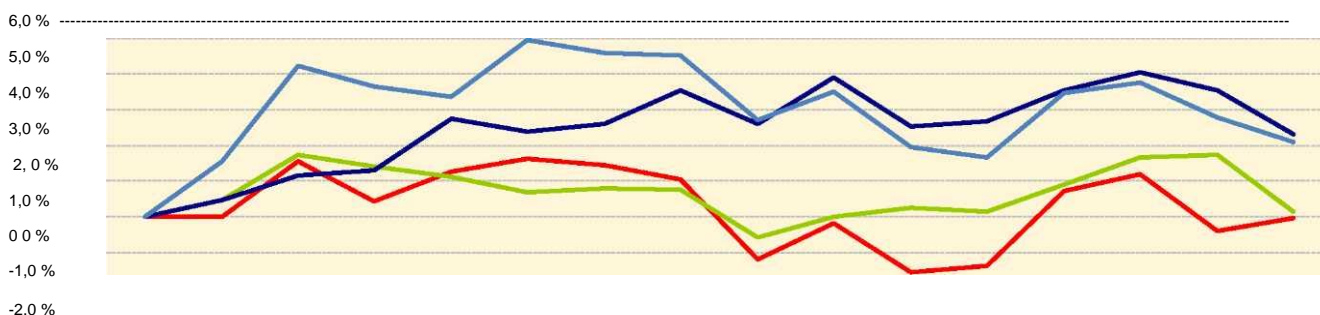
Following the results of January of stock of IDGC have shown different dynamics. Values of capitalisation of IDGC at the end of December 2010 and January, 2011 (on weighted average prices on the Moscow Interbank Stock Exchange), and also change for a month, are presented in the table:

Company	Capitalisation, billion rubles (On weighted average prices on the Moscow Interbank Stock Exchange)		Change For the month, %
	On 30.12.10	On 31.01.11	
MOESK	79,3	77,5	-2,3 %
Lenenergo	27,4	28,5	4,0 %
IDGC of Volga	32,1	32,7	1,9 %
IDGC of North Caucasus	5,2	4,9	-5,4 %
IDGC of Northwest	21,6	19,2	-11,3 %
IDGC of Siberia	27,5	29,0	5,3 %
IDGC of Ural	29,4	29,1	-1,2 %
IDGC of Center	56,0	56,3	0,6 %
IDGC of Center and Volga	33,8	37,1	9,7 %
IDGC of South	8,8	7,9	-10,7 %

The maximum growth of capitalisation was shown by stocks of IDGC of Center and Volga which have added 9,7%. In leaders of decrease, as well as in December of last year - stocks of IDGC of Northwest and IDGC of South. Stocks of these companies continued to win back a negative of the information on transfer of some these branches of IDGC on long-term indexation.

**Share**

Stocks of IDGC of Center have finished month growth of quotations on 2,3 % on the prices of last deals. The index of the Network reflecting dynamics of stocks of the companies of distribution grid sector, has added 0,1 %.



**Share**  
 ■ Micex PWR    Network index    ■ of IDGC the Center    THE MOSCOW STOCK EXCHANGE    INTERBANK

Share market of IDGC of Center	Quantity of transactions	Volume, piece	Volume, million rbl.
	Quantity of transactions	Volume, piece	Volume, million rbl.
	Quantity of transactions	Volume, piece	Volume, million rbl.

\* - including address deals

In January the basic trades passed at the Moscow Interbank Stock Exchange where turnover of stocks of IDGC of Center has constituted 87,1 million pieces or 0,20 % from total quantity of shares of the company. Turnover on company securities in January has decreased in 2,5 times, one of the reasons of it is January the shortest working month, the daily average volume of the trades has constituted about 5,7 million piece whereas in December of last year the given indicator was at level of 10,4 million piece the Maximum volumes of the trades have passed on January, 19th, 2011 - 19,6 million stocks, about 23 % from all turnover for the month.

Under stocks of IDGC of Center average bid-ask the spread<sup>1</sup> has increased from 0,30 % to 0,34 %. The maximum spread for the period reached 0,9 % (on January, 24th), and the spread reached the minimum value on January, 14th and has constituted 0,07 %.

Among news of IDGC of Center in the reporting period acquisition of 100 % shares in the authorised capital of Open Joint Stock Company «Energy service company» (Lipetsk) is possible.

<sup>1</sup> The spread is calculated as (ask/bid-1)  
 «Depository and corporate technologies» LLC, February 2011



**Forecasts and recommendations of share analysts of IDGC of Centre and opinion on distribution grid companies as a whole**

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

The company	Estimation (forecast)		Potential growth	Date of renewal	Recommendation ****
	\$	Rbl. **			
1 Troika Dialog*	0,057-0,071			11/25/2010	-
2 Renaissance Capital	0,0473	1,403	5 %	11/3/2009	To buy
3 Rye, Man AND Gor Securities	0,04	1,187	-11 %	8/23/2010	To hold
4 Unicredit	0,0654	1,940	45 %	12/22/2010	To buy
5 VTB Capital	0,074	2,195	65 %	4/23/2010	To buy
6 Bank of Moscow	0,047	1,394	5 %	12/2/2010	To hold
7 Aton	0,0643	1,908	43 %	6/2/2010	To buy
8 Metropol	0,065	1,920	44 %	11/2/2010	To buy
9 Uralsib	0,056	1,661	25 %	12/1/2010	To buy
10 Deutsche Bank	0,068	2,030	52 %	1/18/2011	To buy
11 Alemar	0,045	1,335	0 %	3/10/2010	-
12 Goldman Sachs	0,036	1,068	-20 %	7/1/2010	Neutral
13 Alpha bank	0,066	1,958	47 %	1/25/2011	Above the market
14 Citi	0,065	1,930	45 %	11/8/2010	To buy
15 JP Morgan	0,0484	1,436	8 %	12/3/2010	Neutral
16 Opening			REVISION		
<b>Consensus</b>	<b>0,056</b>	<b>1,669</b>	<b>25 %</b>		
Current price ***		1,334			
	So	Bank	of renewal	The previous	The renewed

\* Estimation Troika Dialog - an indicative price range - is not included in consensus calculation

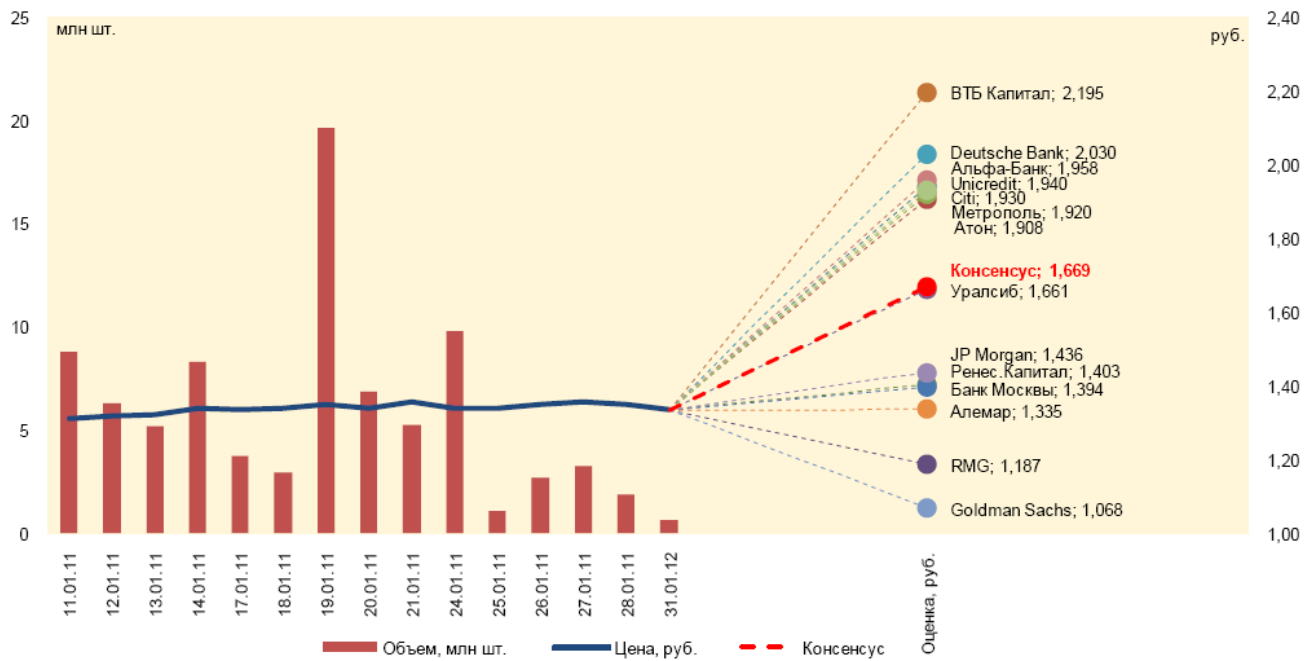
\*\* At the rate of rubles / US dollar for 31.01.11 \*\*\* the Final price of the Moscow Interbank Stock Exchange of 31.01.11

\*\*\*\* neutral (neutrally) - determination Goldman Sachs - investment prospects (investment outlook) stocks throughout the following of 12 months are neutral concerning an estimation and-or historical fundamental indicators of group of the covered companies; neutral - determination JP Morgan - expectation of that throughout the next 6-12 months the income under this stock will be comparable to average earnings under stocks of the companies of the industry "covered" with the given analyst (or a command of analysts);

The ruble potential of growth of stocks of IDGC of Center as of the reporting period end in comparison with the end of last month has decreased from 31 % to 25 % that, first of all, is connected with growth of share price of the company and dollar exchange rate easing.

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

Department on interaction with shareholders of IDGC of Centre, January, 2011



In January under stocks of IDGC of Center following changes sell-side analysts have been made:

1. Deutsche Bank has lowered the forecast for stocks of IDGC of Center on 4 % to 2,03 rubles, thus the recommendation to "buy" has been kept.
2. Analysts of Alpha bank have raised an estimation from \$0,61 to \$0,66, the recommendation «above the market» has been confirmed. Thus experts notice that papers of IDGC of Center enter in "top list" of stocks among of distribution grid companies companies.  
 «Parameters of IRAB (base of invested capital) for IDGC, at last, are declared. Some regional branches have passed to long-term indexation of tariffs instead of transition on RAB. We have renewed our models taking into account new RAB parameters and capital costs, and also have lowered awards for regulatory risk and debt cost» - is told in the Alpha bank review.

So	Bank	of renewal Date	Value			Recommendation	
			The previous	The renewed	Change	The previous	The renewed
So	Bank	of renewal	The previous	The renewed	Change	The previous	The renewed
ur							
ce:							
th							
e							