

REVIEW OF STOCK MARKETS

Before the opening of trading on Thursday 3 October some moderately negative external background formed on the Russian market. On Wednesday the US indices DJIA and S&P500 fell 1.8-1.9%, on Thursday the main country indices in the Asia-Pacific region lost more than 2%. The markets were pressured by another batch of weak statistics from the US, which increased investors' concerns about the prospects for the global economy. On Thursday, the ADP data pointed to the potential weakness of the labour market – the main driver for growth in consumer spending and the US GDP. In September the increase in the number of new jobs turned out to be less than analysts' forecasts; during the review the August indicators were worsened by almost 20%. An additional negative factor in the Asian session was the information that the World Trade Organization allowed the US to impose duties on European imports worth \$7.5 billion in response to illegal subsidies by the European Union of the aircraft manufacturer Airbus. December Brent futures were trading around \$57.7 per barrel, \$0.1 higher than our close on 2 October. Brent quotes stabilized after a 2% fall on Wednesday, triggered by rising risks of a weakening global economy and a report by the US Department of Energy about a weekly increase in oil reserves by 3.1 million barrels.

In the first half of Thursday, world markets showed sideways changes in the framework of consolidation after active sales the day before. Futures on the S&P500 Index traded in a small plus at around half a percent, while the European Stoxx Europe 600 Index fell within a third of a percent after the escalation of the trade dispute with the US and weak statistics on business activity. The Eurozone's consolidated PMI in September fell to 6-year lows, with analysts pointing to signs of a negative impact of the industry slowdown on the services sector, which had one of the fastest decline in activity over the past six years. In the second half of the trading session, the market volatility intensified. The rate of decline in the Stoxx Europe 600 Index and S&P500 futures exceeded three quarters of a percent after the publication of the US statistics on business activity in the services sector – the ISM Non-Manufacturing fell to its lowest level since August 2016, 52.6 points. However, by the end of our trading, all the losses of the western markets were played back on the growth of expectations of the Fed rate cut in October – according to the Chicago Stock Exchange, traders estimate the probability of this at almost 100%. An additional indicator for the MOEX Russia Index on Thursday, in addition to the mood in the world markets, was the changes of oil prices – the loss of the index, which was mainly trading at a half percent minus, approached a percent following the fall in Brent quotes to \$56.2 per barrel.

During the day, the electric utilities sector index outperformed. The main contribution to the final MOEXEU growth in antiphase with the MOEX Russia Index was made by shares of Rosseti, Inter RAO and FGC UES, which were recovering from active sales. From the sector's news, one can note the statement by Deputy Head of the Ministry of Energy, Yury Manevich, that the department is opposed to the mandatory payment of dividends by state-owned companies in the amount of 50% of the profit, because, in particular, according to him, one must take into account Rosseti's "social load" and RusHydro's operation features in the Far East.

ELECTRIC POWER INDUSTRY NEWS

Rosseti proposed a cost recovery scheme for the purchase of Territorial Grid Companies, - say sources

Rosseti, buying back and consolidating territorial electric grid companies (TGCs) in various regions of the country, expects to recover costs for this due to a kind of savings: they propose that regional companies' tariffs be kept in the long run higher than the cost of maintaining the assets of Rosseti, and keep the difference for themselves, told RIA Novosti on the sidelines of the Russian Energy Week two sources in the industry.

Read full text: <http://www.bigpowernews.ru/news/document90089.phtml>

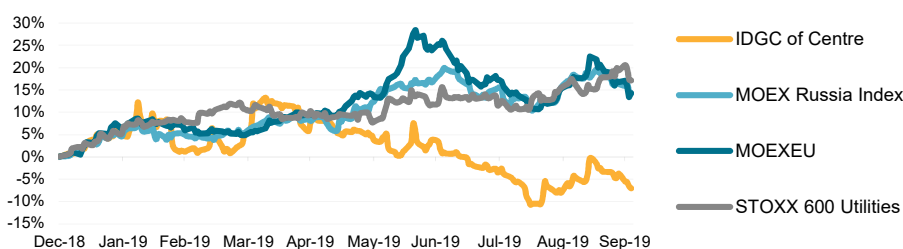
COMPANY NEWS

Lipetskenergo discussed the issues of increasing the availability of grid infrastructure

Specialists of the branch "Rosseti Centre Lipetskenergo" and entrepreneurs of the region met at a round table. A working meeting between the power engineers and representatives of the business community was dedicated to the creation of favourable conditions for the development of small and medium-sized enterprises in the territory of the Lipetsk region.

Read full text: <https://www.mrsk-1.ru/press-center/news/branches/69770/>

DYNAMICS OF KEY INDEXES AND SHARES OF THE COMPANY



| World indexes | Value | Change | |
|---------------|----------|---------|-------------|
| | | per day | fr 31.12.18 |
| MOEX Russia | 2707,47 | -0,44% | 14,27% |
| S&P 500 | 2895,06 | 0,26% | 15,49% |
| FTSE 100 | 7077,64 | -0,63% | 5,19% |
| DAX | 11925,25 | 0,00% | 12,94% |
| DJStoxx 600 | 377,46 | -0,02% | 11,79% |
| Nikkei | 21341,74 | -2,01% | 6,63% |
| Sensex | 38106,87 | -0,52% | 5,65% |
| CSI300 | 3814,53 | 0,00% | 26,70% |
| Bovespa | 100686 | -0,34% | 14,56% |

Source: Bloomberg, Company calculations (19:00 MSK)

| Currency rates | Value | Change | |
|----------------|---------|---------|-------------|
| | | per day | fr 31.12.18 |
| USD/RUB | 65,4399 | 0,57% | -5,80% |
| EURO/RUB | 71,4669 | 0,88% | -10,06% |

Source: Bloomberg, Company calculations (19:00 MSK)

| Raw | Value | Change | |
|-----------------|--------|---------|-------------|
| | | per day | fr 31.12.18 |
| Gold, USD/oz | 1507,8 | 0,56% | 17,57% |
| Brent*, USD/bbl | 57,3 | -0,68% | 6,51% |

* - December futures

Source: Bloomberg, Company calculations (19:00 MSK)

| Shares | Price**, ₽ | MCap**, ₽ bln | MCap**, \$ mln |
|----------------------------|------------|---------------|----------------|
| | | | |
| IDGC of Centre & Volga Reg | 0,2442 | 27,52 | 420,55 |

Source: Central Bank of Russia, Company calculations

| Comparison with indexes | Change | |
|-----------------------------------|---------|-------------|
| | per day | fr 31.12.18 |
| STOXX 600 Utilities | -0,17% | 17,17% |
| MOEXEU | 0,80% | 14,30% |
| IDGC of Centre** | -0,45% | -7,13% |
| IDGC of Centre and Volga Region** | -0,97% | -7,85% |

Source: Bloomberg, Company calculations

| Grid companies | Change** | |
|----------------------------|----------|-------------|
| | per day | fr 31.12.18 |
| Rosseti, ordinary shares | 2,85% | 53,45% |
| FGC UES | 1,48% | 23,08% |
| IDGC of Volga | 0,16% | -6,12% |
| MOESK | 0,53% | 29,47% |
| IDGC of Northern Caucasus | -1,93% | 139,43% |
| IDGC of North-West | 1,41% | 10,45% |
| IDGC of Urals | -0,35% | -6,93% |
| IDGC of Siberia | -1,35% | 113,17% |
| IDGC of South | 0,09% | 5,79% |
| Lenenergo, ordinary shares | 0,00% | 24,57% |
| TRK, ordinary shares | 2,80% | 42,86% |
| Kubanenergo | -1,63% | 23,77% |

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