

**Open Joint-Stock Company
IDGC of Centre, JSC**



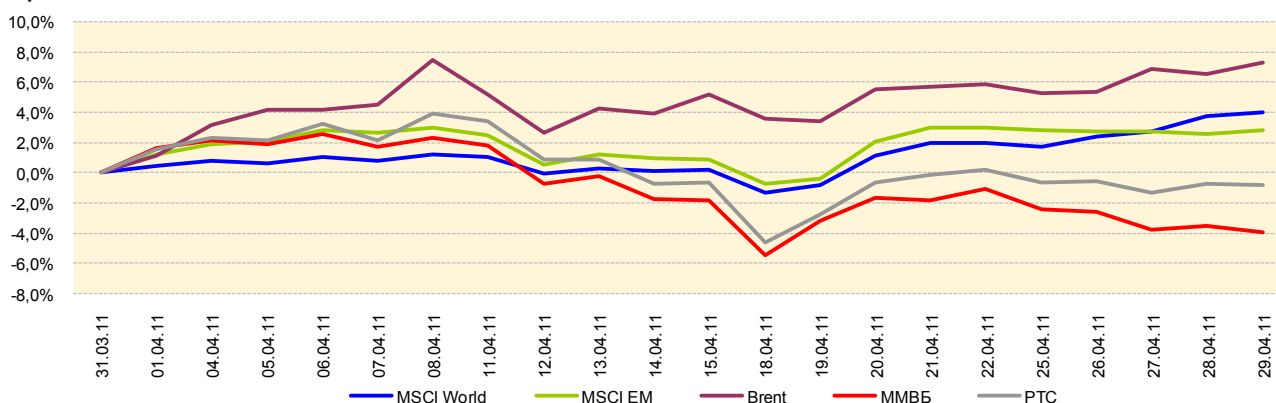
**Securities market of IDGC of Centre, JSC
in April 2011**

Moscow, May 2011

International and Russian share markets

The world markets of stocks have finished April with growth: the index of developed countries MSCI World has increased by 4 %, the index of emerging markets MSCI EM has added 2,8 %. Positive results of April have defined the strong quarter reporting of the largest world companies and statement of the US Federal Reserve System about preservation of a stimulating policy.

Dynamics of emerging markets looked slightly worse than dynamics of the markets of the developed countries in connection with fears of investors concerning the further toughening of the monetary and credit policy of these states for struggle against growing inflation. In April the Central Bank of the Peoples' Republic of China has raised reserve requirements for banks and the requirement to the capital for the largest banks of the country, the Central Bank of Brazil and Bank of Russia have increased interest rates. Participants of the market expect similar measures from the Indian Central Bank.



Source: the Moscow Interbank Stock Exchange, RTS, Bloomberg

In the beginning of the month moderately positive dynamics of stock markets, basically, has been caused by news from Europe. First, there was some definiteness in the situation with Portugal problems which compelled to address for the financial help to EU and IMF. Secondly, the head of ECB after the expected by market participants increase of interest rates by the bank by 0,25 points has declared that the bank's credit policy nevertheless remains stimulating. Besides, support to the markets was given by the unavailability of FRS of the USA, as it follows from the report of last session, to update the program of the second stage of quantitative easing.

Decrease in IMF of forecasts of rates of increase of gross national product of the USA and Japan in 2011, speculation about possible re-structuring of the Greek debts and the fear that along with Greece, Portugal and Ireland will be compelled to pass procedure of re-structuring of debts, became an occasion to correction in the middle of the month.

April minimums in the markets have been fixed on the 18th after occurrence of the information on decrease of ratings forecasts of the USA with "stable" on "negative" by agency S&P.

Emotional reaction of the markets to the S&P actions was sharply negative, but short. Already the next day investors, having realised that the following step of S&P agency – decrease in the American ratings – at least, a question far not the near future, have preferred to concentrate on current events.

The good quarter reporting of the largest world companies became the major factor which has defined restoration of the stock markets. From more half of the companies which are in S&P500 index and have already given their financial indicators following the results of the first quarter, profit and gain of more than 70 % of the companies have surpassed expectations of analysts. Under forecasts of The Wall Street Journal, the net profit of the companies following the results of the first quarter can become a record for this period.

Last week in April FRS of the USA decision to leave without change interest rates and to keep the program of the second stage of quantitative easing till the end of the second quarter 2011 gave support to the markets.

The macroeconomic statistics of April, which had ambiguous character, could not render significant influence on dynamics of the markets. From the coming data investors paid attention to unemployment decrease in the USA in March to its minimum for two years, worse of expectations rates of increase of the gross national product of the USA in the first quarter, and the published report on inflation in the USA in March which indicators have kept for FRS possibility of continuation of realisation of the stimulating policy.

Dynamics of the Russian market which lost in April about 4 % on the Moscow Interbank Stock Exchange indexes looked essentially worse than the dynamics of MSCI World and MSCI EM indexes. The basic pressure upon the Russian market was rendered by correction of oil quotations from annual maximum in the end of the first decade and the fear of the further reduction of oil prices. And though by the end of the month oil quotations won back all the losses, the Russian market could not restore its positions, continuing to be under the pressure of sales.

Own news background did not differ with news. From significant news of the accounting period it is possible to note increase of the rate of refinancing by Bank of Russia and interest rates on separate operations by 0,25 percentage points in connection «with preservation of high level of the inflationary expectations exceeding reference points on inflation for current year». According to Rosstat, for April, 25th rates of inflation in annual expression have made 9,6 %, thus Ministry of economic development and trade predicts a rise in prices in 2011 by 7-7,5 %, and the Central Bank of the Russian Federation – by 6-7 %.

In the accounting period Ministry of economic development and trade has reconsidered the forecast of the basic macroeconomic indicators for 2011 and 2012. Rates of increase of gross national product in 2011 are kept at level of 4,2 %, despite almost 30 % – to \$105 for the barrel – increase of forecasts of the price of oil in 2011. Expectations for 2012 and 2013 have been lowered to 3,5 % and 4,2 % accordingly whereas the autumn report assumed economy growth in these years by 3,9 % and 4,5 %.

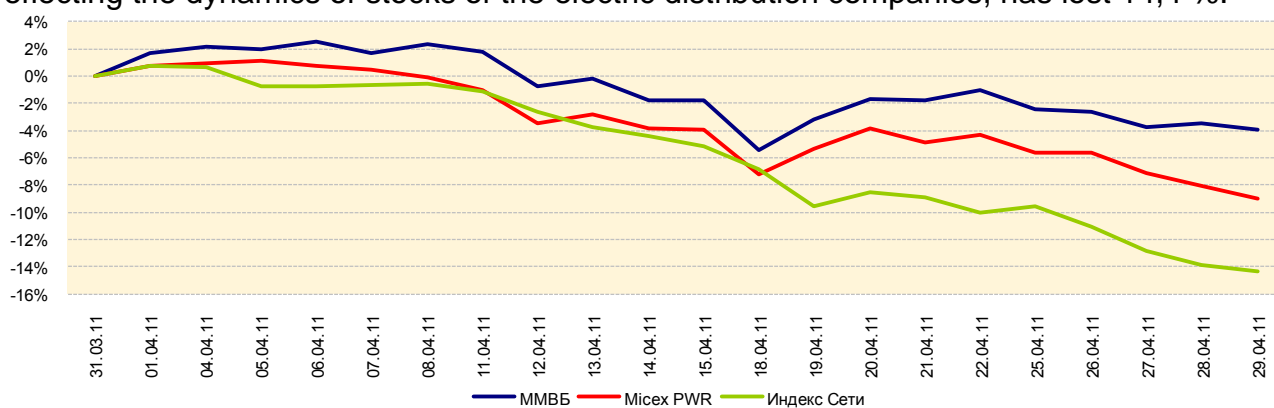
Views of IMF at prospects of the Russian economy have more optimistic character – the forecast for 2011 is raised to 4,8 % – by 0,3 points in comparison with the January report, expectations for 2012 also are reconsidered towards increase – by 0,1 points to 4,5 %.

The macroeconomic statistics published by Rosstat had ambiguous character. Following the results of March:

- industrial production growth has made 5,3 %, the indicator became minimum for last 15 months;
- investments into fixed capital have decreased by 0,3 % in comparison with March, 2010. Decrease in this indicator has appeared unexpected for experts who believed that against the high prices for oil growth of investments in March in annual expression should make 1,7 % - the consensus-forecast prepared by Interfax in the end of March;
- real monetary incomes of the population have fallen in comparison with the similar period of 2010 to 3,4 %. For I quarter 2011 incomes have decreased by 2,9 % in real expression in comparison with January-March, 2010;
- the rate of unemployment has gone down to 7,1 % from 7,4 % in February. Unemployment decreases the second month successively after its seasonal growth in December and January;
- the turnover of retail trade has grown by 4,8 % in comparison with the indicator in March of last year. In I quarter the turnover of retail trade has increased by 4,7 %.

The share market of the companies of electric power industry

The companies of electric power industry sector in the accounting period have shown decrease: MicexPWR index following the results of the month has decreased by 9,0 % while the Moscow Interbank Stock Exchange index has decreased by 4,0 %. The Network index, reflecting the dynamics of stocks of the electric distribution companies, has lost 14,4 %.



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

Negative dynamics of the industry index MicexPWR during the whole month was caused by uncertainty concerning the governmental decisions on the measures directed on reduction of prices of electric power.

Strengthening of negative character of the share market of the companies of electric power industry was promoted by the published by the government offers in the middle of April of tariffs for 2012-2014. On April, 21st the prime minister V.Putin assigned departments to calculate variants at which rates of increase of tariffs during this period will not exceed a rate of inflation. Already next day Ministry of economic development and trade published the alternative forecast of the rise in prices for the electric power for the industry in 2012-2014: in 2012 growth can make 5-7 % instead of earlier planned 11-13 %, in 2013 – 6-8 % (10-12 %), in 2014 – 6,5-8 % (9-9,5 %).

According to the head of Ministry of economic development and trade, new tariff plans will demand change of the regulatory framework. Thus the Minister underlined that «it is unconditional, we will not change any long-term obligations to investors, infringement of the rights of investors should be avoided».

Industry analysts unequivocally negatively commented on the new initiatives of the government, having noted increasing uncertainty concerning prospects of regulation of the industry.

Besides, experts paid attention to the information of a representative of FTS that the decrease of tariffs for the compelled generation in 2011 will lower loading for consumers by 8,5 billion roubles whereas earlier reduction of the gain of generators from revision of these tariffs was estimated in 7 billion roubles.

As the analysts believe, the observed toughening of the measures accepted for restraint of the rise in prices for electric power during the current year, can lead to the fact that dropping out incomes of the companies of electric power industry this year can exceed the declared earlier 65 billion roubles.

The share market of distribution grid companies

Advancing negative dynamics of distribution grid companies in April in comparison with indexes of the Moscow Interbank Stock Exchange and industry index MicexPWR was caused, mainly, by pessimistic expectations of investors under tariff decisions for IDGC.

Thus fears of investors can appear nevertheless superfluous as the Ministry of economic development and trade sees negative consequences of excessive rigidity concerning the grid companies. In particular, the head of the ministry has noticed that it is necessary to understand, «as our restraint of a tariff component will affect the final price taking into account that the big share is on sale in the free market, and whether it simply will lead to redistribution from regulated sectors – grid sector to generation sector. But we need investments into grids, because a bottleneck is in grids».

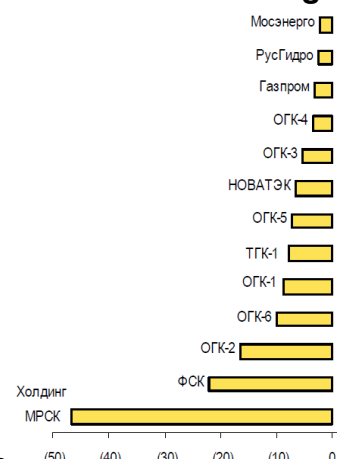
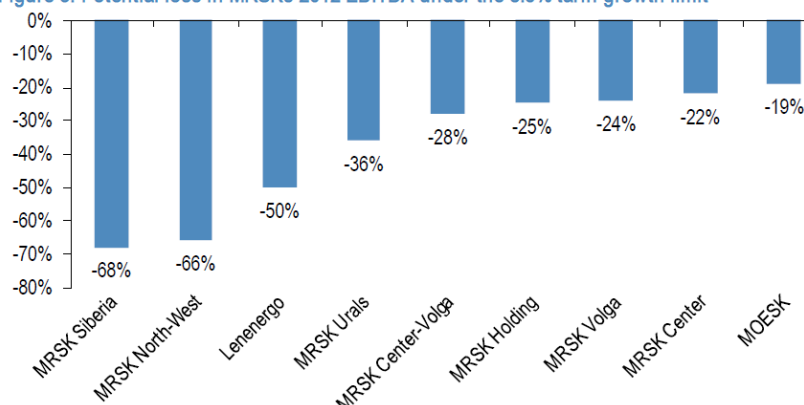
In the beginning of the month pressure upon stocks of the distribution grid companies was rendered by the information that revision of RAB-tariffs will affect about 30 regions while earlier it was a question of 10-15 regions. At the same time analysts believe that now it is difficult to estimate consequences of the planned revision of tariffs for a concrete IDGC as, first, there is no information on regions where change of tariffs is planned, and, secondly, not clearly, in what proportion revision of tariffs will be distributed between IDGC and the territorial grid organisations (TGO). Earlier the head of IDGC Holding nevertheless has assumed that measures on revision of tariffs for the purpose of smoothing of their growth should concern, first of all, TGO.

The subsequent negative dynamics of the market has been connected with occurrence of the first concrete information on consequences of tariff decisions for IDGC, read out aloud during the telephone conference with the analysts, held by the management of IDGC of Center and Volga. All industry experts who were making comments on the results of the conference, paid attention to decrease in 2011 of one of key financial indicators – EBITDA – by various estimations, by 20-30 % in connection with 15 % restriction of growth of tariffs. Following the results of the conference call the analytics of Uralsib have recalled for revision the look-ahead prices and recommendations about all IDGC. Nevertheless, before occurrence of concrete decisions under tariffs the majority of experts do not hasten to reconsider the look-ahead prices and recommendations about stocks of distribution grid companies, as a whole keeping them at attractively enough level. From the companies covering IDGC of Center, only analysts of the broker house "Opening" lowered estimations in view of less optimistic forecast in terms of tariffs.

In the end of the accounting period pressure on distribution grid companies was rendered by the offers of the government read out loud on April, 21st regarding the binding of tariffs for electric power with inflation in 2012-2014. In their comments analytics again paid attention to negative influence of the governmental offers, first of all, on financial indicators of distribution grid companies.

Estimation of EBITDA decrease in 2012 from JP Morgan (at the left) and Uralsib (on the right), %

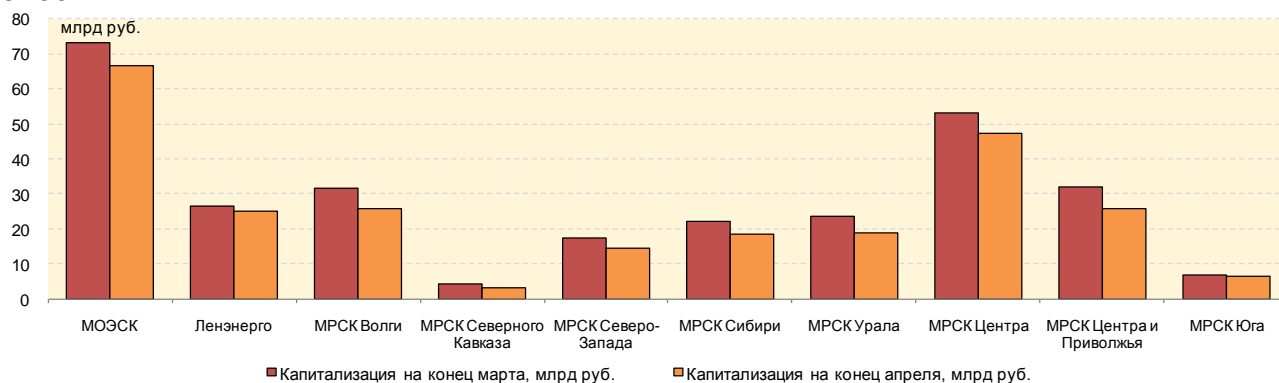
Figure 3: Potential loss in MRSKs 2012 EBITDA under the 8.5% tariff growth limit



More pessimistic view of Uralsib is connected with the fact that analysts put growth of the tariff by 6 % in their forecasts, and JP Morgan – by 8,5 %.

For some positive potential for stocks of the distribution grid companies in April industry analysts noted possible decrease in rates of increase of tariffs for gas in 2012 which as experts believe, will reduce growth of cost of a tariff component of generating companies that, in turn, will lower pressure upon tariffs of IDGC which make 30-35 % in the price for end users.

The following chart presents the results of change of capitalisation of IDGC in the accounting period:



Source: the Moscow Interbank Stock Exchange, calculations DKT

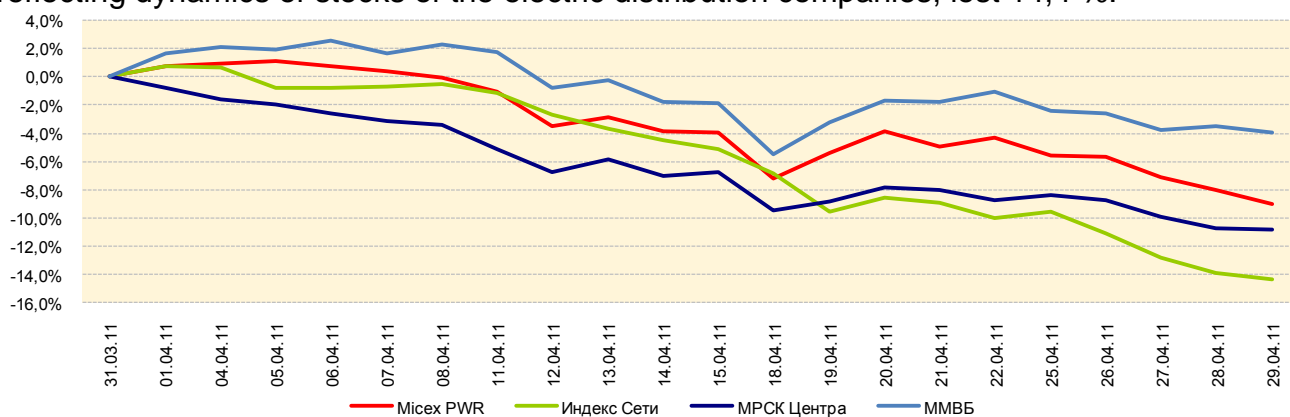
Following the results of April capitalisation of all IDGC without exceptions showed negative dynamics. IDGC of North Caucasus and IDGC of Urals showed the worst dynamics having lost more have 19 %. The least losses were shown by IDGC of South which capitalisation decreased by 4,3 %.

Values of capitalisation of IDGC at the end of March and April, 2011 (at the average prices at the Moscow Interbank Stock Exchange), and also change for a month, are presented in the table:

Company	Capitalisation, billion rubles (average prices at the Moscow Interbank Stock Exchange)		Change for a month, %
	As of 31.03.11	As of 29.04.11	
MOESK	73,1	66,7	-8,7 %
Lenenergo	26,7	25,0	-6,6 %
IDGC of Volga	31,7	25,7	-18,8 %
IDGC of North Caucasus	4,2	3,4	-19,6 %
IDGC of North-West	17,4	14,3	-17,4 %
IDGC of Siberia	22,3	18,7	-16,5 %
IDGC of Urals	23,6	19,0	-19,5 %
IDGC of Center	53,0	47,3	-10,7 %
IDGC of Center and Volga	31,9	25,9	-18,9 %
IDGC of South	6,9	6,6	-4,3 %

The share market of IDGC of Centre

Stocks of IDGC of Center finished the month with decrease in quotations by 10,8 % against the prices of last transactions at the Moscow Interbank Stock Exchange. The Network index, reflecting dynamics of stocks of the electric distribution companies, lost 14,4 %.



Source: the Moscow Interbank Stock Exchange, DKT calculations

In the first half of March stocks of IDGC of Center showed lagging behind dynamics in comparison with dynamics of Micex PWR and Network Index, in the second half of the month depreciation of shares of the company was slowed down that allowed to reduce backlog from the index of electric power industry and outstrip the Network Index.

The characteristic of volumes of the trades of the stocks of IDGC of Center at the Moscow Interbank Stock Exchange and RTS stock exchanges in the accounting period is presented in the table:

Stoc Exchange	Quantity of transactions	Volume, pieces	Volume, million rbl.
RTS (classical) ¹⁾	1	4 052 000	4,98
RTS (stock exchange)	3 ²⁾	4 452 009 ²⁾	5,49 ²⁾
MOSCOW INTERBANK STOCK EXCHANGE	1 600	82 001 000	96,95

1) - including transactions with specified counterparties

2)-1 the transaction in the volume of 4 052 000 pieces for the sum of 5,00 million rbl. is noted at RTS as a transaction with specified counterparties

In April only 4 transactions for the sum of 10,5 million rubles were concluded at RTS. the Basic auctions passed at a Moscow Interbank Stock Exchange stock exchange where the turnover of stocks of IDGC of Center was made up to 82,00 million pieces or 0,19 % from the total amount of shares of the Company. The turnover of the Company's shares in April in comparison with the last month decreased by 3,5 times. The daily average volume of the trades was made up to about 3,9 million pieces whereas last month the given indicator was at level of 13,1 million pieces.

The maximum volumes of the trades were on April 12th, 2011 – this day more than 28 % of all the turnover occurred.

For stocks of IDGC of Center the average bid-ask spread¹ decreased from 0,79 % to 0,19 %. The maximum spread for the period reached 0,79 % (on April 1st), and the minimum value of the spread was 0,01 %.

Among the news of IDGC of Center in the accounting period it is possible to note the notice of the regulator's decision in terms of tariffs for Kursk and Tver divisions for 2011.

¹The spread is calculated as (ask/bid-1)

Analysts of VTB Capital commented the given news as follows:

<p>VTB Capital</p>	<p>= / -</p>	<p>«By our estimations, the maximum net-effect of the given update of the tariffs from the point of view of EBITDA of IDGC the Center will make near 1.6 billion rbl., or 8 % look-ahead EBITDA for 2011. In case of Kurskenergo decrease in rates of growth is carried out by tariff smoothing thanks to what it will have the minimum consequences for the company's estimation.</p> <p>The tariff is supposed to be lowered for Tverenergo without application of the mechanism of smoothing, however this decision can be reconsidered, as IDGC the Center and the regional retail company have already addressed to the court to appeal. Earlier IDGC Holding mentioned a possibility of transfer of the region for the 7-year-old period of RAB-regulation. <u>As a whole we consider the present news moderately negative for IDGC of Center though the potential decrease in tariffs has been already basically taken into account in the estimation of the company by the market.</u></p> <p>We still consider electrical grid companies underestimated by the market and we confirm a positive estimation of long-term investment prospects of the sector».</p>
------------------------	--------------	---

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 the investment companies is presented in the table (colour shows original estimations, without converting into other currency):

Компания	Оценка (прогноз)		Потенциал роста	Дата обновления	Рекомендация ⁴
	\$	руб. ²			
Оценки в рублях					
1 Метрополь	0,077	2,130	90%	26.04.2011	Покупать
2 Газпромбанк	0,057	1,570	40%	18.04.2011	Покупать
3 Открытие	0,056	1,550	38%	12.04.2011	Покупать
4 Русс-Инвест	0,066	1,813	61%	29.03.2011	-
5 Алемар	0,049	1,350	20%	28.03.2011	Держать
6 Morgan Stanley	0,055	1,500	33%	31.01.2011	equal-weight
7 Deutsche Bank	0,074	2,030	81%	18.01.2011	Покупать
8 Citi	0,070	1,930	72%	08.11.2010	Покупать
Оценки в долларах США					
9 ТKB Капитал	0,0641	1,763	57%	03.03.2011	Покупать
10 ВТБ Капитал	0,088	2,420	115%	17.02.2011	Покупать
11 Goldman Sachs	0,069	1,897	69%	16.02.2011	Покупать
12 Альфа-Банк	0,066	1,815	61%	25.01.2011	Выше рынка
13 Unicredit	0,0654	1,798	60%	22.12.2010	Покупать
14 JP Morgan	0,0484	1,331	18%	03.12.2010	Neutral
15 Банк Москвы	0,047	1,292	15%	02.12.2010	Держать
16 Rye, Man & Gor Securities	0,04	1,100	-2%	23.08.2010	Держать
17 Атон	0,0643	1,768	57%	02.06.2010	Покупать
18 Ренессанс Капитал	0,0484	1,331	18%	03.11.2009	Покупать
Оценки на пересмотре и не входящие в консенсус					
19 Тройка Диалог ¹	0,052-0,069			04.03.2011	-
20 Уралсиб			Пересмотр		
Консенсус	0,061	1,688	50%		
Текущая цена ³		1,124			

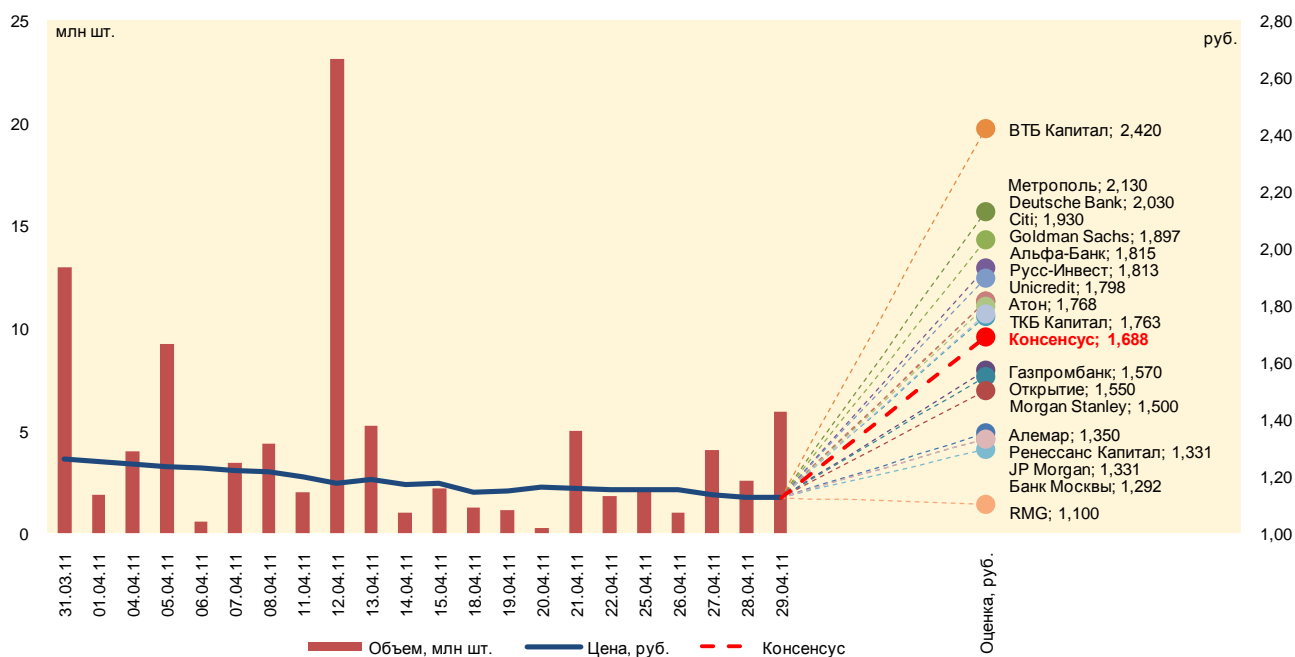
Source: the Moscow Interbank Stock Exchange, quote.ru, DKT calculations, reports of analysts

1. The estimation of Troika Dialog - an indicative price range - is not included in consensus account
2. At the rate of RUR / US dollar for 29.04.11
3. The final price of the Moscow Interbank Stock Exchange of 29.04.11
4. *neutral* – definition of JP Morgan – the expectation that throughout the next 6-12 months the income under this stock will be comparable to an average return under stocks of the companies of the industry "covered" with the given analyst (or a team of analysts); *equal-weight* - definition of Morgan Stanley – the expectation that throughout the next 12-18 months the income under this stock (a gain cost + dividend yield) will be up to standard of an average return under stocks of the companies of the industry "covered" with the given analyst (or a team of analysts);

The rouble potential of growth of stocks of IDGC of Center as of the end of the accounting period in comparison with the end of last month has grown from 35 % to 50 % that, first of all, is connected with decrease in quotations.

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

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



Source: the Moscow Interbank Stock Exchange, quote.ru, SPARK, DKT calculations

In April of analytics of Gazprombank have begun illumination of sector IDGC, having estimated action IDGC of Center at level 1,57 rbl. accordingly that assumes growth potential in 40 %, having appropriated recommendation papers to "Buy".

As to existing estimations and recommendations about stocks of IDGC of Center in April analysts made the following changes:

1. Experts of the bank "Opening" made revaluation of stocks of distribution grid companies. The target price for stocks of IDGC of Center was lowered to 9 % - from 1,70 rbl. to 1,55 rbl. in view of less optimistic forecast in terms of tariffs. «We believe that restraint of rates of increase of the tariff not only will lead to decrease of the gain in 2011 and 2012, but also to rise in prices for end users at 14 % y/y that bears in itself risk of repeated decrease in tariffs by the regulator ... Nevertheless, we believe that stocks of IDGC of Center, IDGC of Center and Volga, IDGC of Volga and IDGC Holding are attractive from the point of view of their purchase», - as the bank report says. The recommendation to "Buy" shares was confirmed.
2. Experts of Uralsib recalled for revision the look-ahead prices and recommendations about all IDGC after telephone conference with the analysts, held by the management of IDGC of Center and Volga following the results of which the restriction of rates of increase of tariffs in 2011 – 2012 at level of 15 % was elaborated. «We consider potential restraint of rates of increase of the tariff in 2012 as negative from the fundamental point of view not only for IDGC of Center and Volga, but also for the entire sector. Restriction of growth of tariffs by level of 15 % a year, will lead to almost 30 percent decrease of EBITDA of the sector in 2011-2012 whereas any advantages of transition to RAB will become appreciable not earlier than 2013-2014, that is by the end of the first period of regulation», - analysts have noted in the report.
3. Investment financial company "Metropol" also made the sector revaluation, having risen the target price for stocks of IDGC of Center by 11 % – from 1,92 rbl. to 2,13 rbl., having considered RAB-parameters in the model for IDGC, which have passed to RAB-regulation since January, 2011, and also the results of the companies in accordance with RAS in 2010 and forecasts of the management for 2011.

Changes of estimations/ratings for stocks of IDGC of Center are presented in the table:

№	Банк	Дата	Значение оценки			Рекомендация		
			Предыдущее	Обновленное	Изменение	Предыдущая	Обновленная	
1	Открытие	12.04.2011	1,7 руб.	1,55 руб.	-9%	Покупать	Покупать	
2	Уралсиб	14.04.2011	ОТОЗВАНЫ НА ПЕРЕСМОТР					
3	Метрополь	26.04.2011	1,92 руб.	2,13 руб.	11%	Покупать	Покупать	
4	Газпромбанк*	18.04.2011	-	1,57 руб.		-	Покупать	

*- the beginning of analytical covering

Thus, at the end of April the analytical covering of stocks of IDGC of Center is carried out by eighteen banks and investment companies, six of which belong to global broker houses. Besides, one estimation – from Uralsiba - at the moment is on revision. The estimation of Troika Dialog is presented as an indicative range of the prices.