

DAILY MARKET REVIEW

19 October, Thursday

2017



ROSSETI



IDGC OF CENTRE

REVIEW OF STOCK MARKETS

Before the opening of trading on Wednesday 18 October some moderately positive external background formed on the Russian market. On Tuesday the US indices DJIA and S&P500, once again updating their historical highs, closed with an increase of 0.1-0.2% due to strong financial statements of major banks and pharmaceutical companies. At the same time, in addition to optimism, such an active rise of the US stock market also causes many experts to worry about its revaluation. Currently, according to the Financial Times, the ratio of companies' capitalization in the S&P500 index to their profits over the past 10 years as an indicator introduced by the economist Robert Schiller to smooth short-term fluctuations, is the highest after the peaks that preceded the serious meltdowns in 1929 and 2000. On Wednesday, the weakest positive trend was demonstrated by most of the major indices of the Asia-Pacific region, where investors' attention is focused on the 19th congress of the Chinese Communist Party, which started on Wednesday – the market participants hope to receive information on the prospects for the development of China's economy. December Brent futures traded near the mark of \$58.2 per barrel, \$0.9 higher than our closing level on 17 October. Oil prices were supported by the American Petroleum Institute data, which recorded a decline in oil reserves in the country by 7.1 million barrels.

On Wednesday the MICEX Index spent the trading session flat near zero. Stability of oil prices at \$58 per barrel and moderate growth of European indices on good corporate reporting could not provide significant support to Russian investors. The statistics published during the day were neutral: a decrease in the number of new buildings in the US in September to a minimum for the year and a record drop in oil production in the US last week to the levels of May 2014, experts said, were mainly due to the effects of hurricanes. At the end of the day, the MICEX Index was able to gain a foothold in positive territory after the start of trading in the US with a slight increase in major indices.

During the trading session the MicexPWR Sector Index looked significantly worse than the market. The main contribution to the final MicexPWR decline in antiphase with the MICEX Index was made by shares of RusHydro and grid companies. Shares of Rosseti and the majority of liquid IDGCs remain under pressure of the head of the holding's statement about the intention to apply to the government to free the company from paying dividends within current tariffs. Analysts noted a negative factor of this piece of news for the grid segment. In particular, Gazprombank, having stated that "the rejection of dividend payments will negatively affect the capitalization of Rosseti," announced the withdrawal of recommendations and target prices for shares of Rosseti and subsidiaries prior to clarifying the situation with dividends.

ELECTRIC POWER INDUSTRY NEWS

"Rosseti" has little monopoly

The new head of Rosseti, Pavel Livinsky, put forward another original idea on energy reform: the manager suggested to Prime Minister Dmitry Medvedev to transfer the functions of the dispatcher of the Unified Energy System (UES) of Russia to the power grid holding company too. After the reform of RAO UES, the independent "System Operator" is engaged in this, and there they believe that the implementation of the idea of "Rosseti" will make the management of the UES not transparent. We note that the dispute between the state companies is developing against the backdrop of the conflict between the "System Operator" and the power grid complex, which shift responsibility for the malfunction of automation during serious energy failures this year.

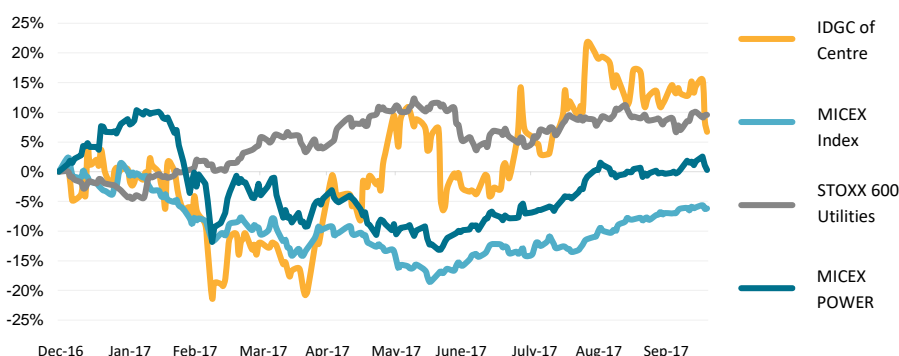
Read full text: <https://www.kommersant.ru/doc/3442370>

COMPANY NEWS

IDGC of Centre for eight months reduced receivables for electricity transmission services by more than one and a half billion rubles

Read full text: <https://www.mrsk-1.ru/press-center/news/company/62122/>

DYNAMICS OF KEY INDEXES AND SHARES OF THE COMPANY



World indexes	Value	Change	
		per day	fr 31.12.16
MICEX	2 094,40	0,09%	-6,20%
S&P 500	2 561,26	0,07%	14,40%
FTSE 100	7 542,87	0,36%	5,60%
DAX	13 043,03	0,37%	13,60%
DJStoxx 600	391,56	0,29%	8,34%
STOXX Utilities	303,25	0,04%	9,57%
Nikkei	21 363,05	0,13%	11,76%
Sensex	32 584,35	-0,08%	22,38%
CSI300	3 944,16	0,79%	19,16%
Bovespa	76 591,09	0,51%	27,17%

Source: Bloomberg, Company calculations

Currency rates	Value	Change	
		per day	fr 31.12.16
Euro/USD	1,18	0,35%	12,08%
USD/RUB	57,34	0,44%	-5,47%
Euro/RUB	67,46	0,24%	5,72%

Source: Bloomberg, Company calculations

Raw	Value	Change	
		per day	fr 31.12.16
Gold, USD/oz	1 281,08	-0,31%	11,64%
Brent*, USD/bbl	58,15	0,47%	-0,99%

* - December futures

Source: Bloomberg, Company calculations

Shares of IDGC of Centre	Value
Last transaction, RUB	0,4770
Capitalisation**, billion RUB	20,14
Capitalisation**, million USD	351,21

Source: Central Bank of Russia, Company calculations

Russian indexes	Change	
	per day	fr 31.12.16
MICEX-Power Index	-0,81%	0,29%
Shares of IDGC of Centre**	-1,65%	6,71%

Source: Bloomberg, Company calculations

Grid companies	Change**	
	per day	fr 31.12.16
Rosseti, ordinary shares	-1,37%	-11,71%
FGC UES	-0,03%	-16,19%
IDGC of Volga	-1,61%	96,43%
MOESK	-1,60%	-3,90%
IDGC of Northern Caucasus	-3,92%	-11,11%
IDGC of Centre and Volga Reg	-3,39%	115,54%
IDGC of North-West	-5,90%	7,27%
IDGC of Urals	-3,17%	11,55%
IDGC of Siberia	-3,76%	46,95%
IDGC of South	-3,19%	-18,89%
Lenenergo, ordinary shares	-0,57%	-4,18%
TRK, ordinary shares	-3,38%	-15,97%
Kubanenergo	0,00%	-5,75%

Source: MOEX, Company calculations

** - at the price of last transaction at MOEX

IDGC of Centre, PJSC
 127018, Moscow, 2nd Yamskaya, 4
 +7 (495) 747 92 92
<http://mrsk-1.com/en/investors/>

IR Division
 +7 (495) 747 92 92, ext. 33-34
ir@mrsk-1.ru

Tickers
 Moscow Exchange (MOEX)
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MRKC
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