

DAILY MARKET REVIEW

21 December, Friday

2018



ROSSETI



IDGC OF CENTRE

REVIEW OF STOCK MARKETS

Before the opening of trading on Thursday 20 December some negative external background formed on the Russian market. On Wednesday the US indices DJIA and S&P500 fell 1.5%, on Thursday the composite stock index of the Asia-Pacific region MSCI Asia Pacific lost 1.5%, futures for US indices – 0.6%. The markets were pressured by the results of the Fed meeting held on the eve. The US Central Bank confirmed the policy of tightening monetary policy, despite Donald Trump's objections and the expectations of some investors that the completion of the tightening cycle would be announced soon due to the threat of economic slowdown and market volatility. Firstly, the Fed raised its key rate by 0.25 p.p., to 2.25-2.50% in line with forecasts. The Fed's governors explained their decision by the strong economic growth of the American economy, low unemployment and stable "anchored" inflation. Secondly, the median forecasts of the Fed's officials point to two more rate hikes in 2019 and one in 2020, to a total of 3.0-3.25%. Thirdly, Jerome Powell confirmed that the Central Bank will continue the implementation of the plan to reduce its bond portfolio (\$50 billion a month), which is \$4.1 trillion. Against this background, traders began to shift from risky assets to protective government bonds of developed countries, gold and yen. The decision of the Bank of Japan to preserve the parameters of the current aggressive stimulating monetary policy was expected and did not have a significant impact on the markets. February Brent futures traded around \$56.3 per barrel, \$1.2 below our 19 December close. Oil fell in price due to concerns that the Fed's policy will increase global growth retardation, while investors expect oversupply of raw materials on the market due to record production by the US, Russia and Saudi Arabia.

On Thursday sellers dominated the Russian market, as well as on world markets as a whole. At the daily lows, the losses of the MOEX Russia Index and the European Stoxx Europe 600 Index exceeded 1.7%, the index of emerging markets MSCI EM – 1%. Investors got rid of risky assets due to the tightening of financial conditions and prospects for a slowdown in the global economy. So, following the Fed, the Central Bank of Sweden unexpectedly raised the base interest rate for the market, while the increase was the first in seven and a half years. In turn, the Bank of England retained the key rate and parameters of the QE program unchanged in accordance with the forecast, while traders estimate the chances of a rate increase in 2019 at 60%. The next country that reported a slowdown in the economy was New Zealand – the country's GDP growth in the third quarter was minimal in 5 years. An additional negative factor for our market was the fall of Brent quotes below \$55 per barrel for the first time since 2017. At the end of the day, the stock markets were supported by a sharp weakening of the dollar in the foreign exchange market and a decline in the yields of US government bonds. The driving force behind the decline in the domestic market was LUKOIL's shares, which lost 2% after the ex-dividend date.

At the end of the trading session changes of the MicexPWR Index as a whole corresponded to the market. The main contribution to the MicexPWR decline was made by shares of Enel Russia and RusHydro.

ELECTRIC POWER INDUSTRY NEWS

Head of ROSSETI Pavel Livinskiy commented on the adoption by the State Duma of the Russian Federation in the third reading of the draft law on the development of smart metering

"The development of metering systems is the most important task of the power grid complex," stressed Pavel Livinskiy.

Read full text: http://www.rosseti.ru/press/news/index.php?ELEMENT_ID=34409

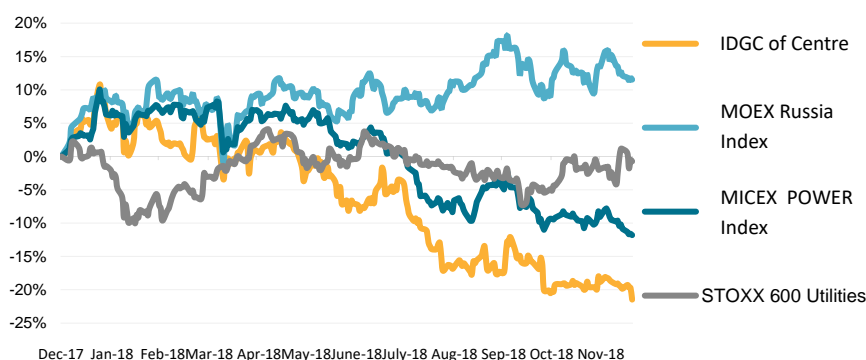
COMPANY NEWS

IDGC of Centre's specialists for ten months received about 800 thousand requests from consumers

IDGC of Centre summed up the results of work with consumers for ten months of 2018. During this period, specialists of the unit of interaction with customers of the company accepted 779,085 consumers' requests. More than 241,499 calls were filed by citizens personally when visiting customer service offices, the rest were sent through Internet resources and the contact-centre of the company.

Read full text: <https://www.mrsk-1.ru/press-center/news/company/66847/>

DYNAMICS OF KEY INDEXES AND SHARES OF THE COMPANY



World indexes	Value	Change	
		per day	fr 31.12.17
MOEX Russia	2 352,88	-0,24%	11,52%
S&P 500	2 467,42	-1,58%	-7,71%
FTSE 100	6 711,93	-0,80%	-12,69%
DAX	10 611,10	-1,44%	-17,86%
DJStoxx 600	336,58	-1,45%	-13,52%
Nikkei	20 392,58	-2,84%	-10,42%
Sensex	36 431,67	-0,14%	6,97%
CSI300	3 067,42	-0,77%	-23,90%
Bovespa	85 269,29	-0,47%	11,61%

Source: Bloomberg, Company calculations

Currency rates	Value	Change	
		per day	fr 31.12.17
USD/RUB	67,11	0,55%	16,46%
EURO/RUB	76,47	0,92%	11,18%

Source: Bloomberg, Company calculations

Raw	Value	Change	
		per day	fr 31.12.17
Gold, USD/oz	1 259,86	1,35%	-3,30%
Brent*, USD/bbl	54,35	-5,05%	-18,72%

* - February futures

Source: Bloomberg, Company calculations

Shares	Price**, ₹	MCap**, ₹ bln	MCap**, \$ mln	
			per day	fr 31.12.17
IDGC of Centre	0,2796	11,80	175,89	
IDGC of Centre & Volga Reg	0,269	30,32	451,72	

Source: Central Bank of Russia, Company calculations

Comparison with indexes	Change	
	per day	fr 31.12.17
STOXX 600 Utilities	-0,20%	-0,74%
MICEX POWER Index	-0,25%	-11,79%
IDGC of Centre**	-2,17%	-21,46%
IDGC of Centre and Volga Region**	-0,48%	-10,84%

Source: Bloomberg, Company calculations

Grid companies	Change**	
	per day	fr 31.12.17
Rosseti, ordinary shares	0,57%	-5,47%
FGC UES	-0,41%	-6,72%
IDGC of Volga	0,30%	-3,56%
MOESK	-1,12%	-26,31%
IDGC of Northern Caucasus	-0,84%	-26,46%
IDGC of North-West	-0,19%	1,92%
IDGC of Urals	0,00%	-14,56%
IDGC of Siberia	-3,73%	-16,51%
IDGC of South	-0,18%	-8,03%
Lenenergo, ordinary shares	-0,72%	14,38%
TRK, ordinary shares	0,00%	-9,43%
Kubanenergo	0,00%	-35,46%

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