

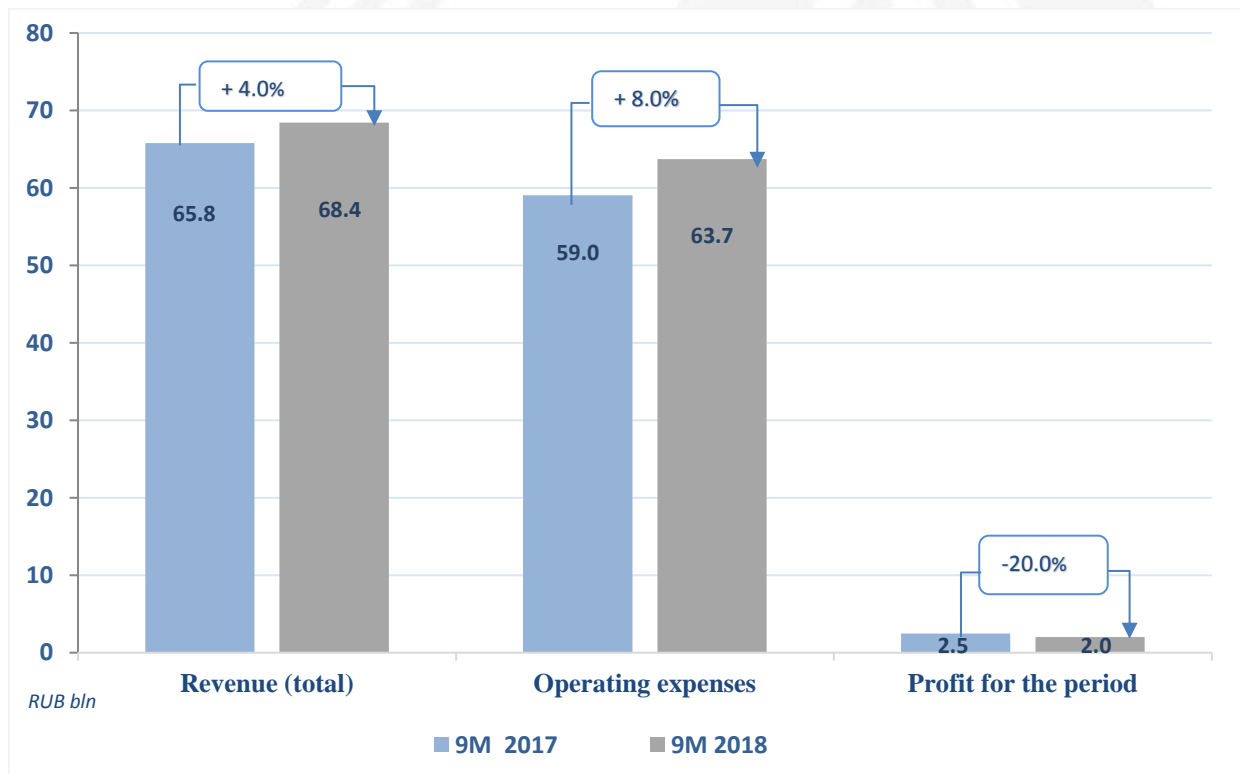
The Management Discussion and Analysis of PJSC “IDCG of Centre” to Consolidated Interim Condensed Financial Statements of the Company, including its financial condition and performance results (MD&A)

The primary activities of PJSC “IDCG of Centre” (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter together referred to as the “Group of Companies”) are provision of services for transmission and distribution of electricity for power grids, as well as the provision of services for technological connection of consumers to the network, as well as the sale of electricity to the end consumer in a number of regions of the Russian Federation.

The Group of Companies, in addition to the Company, includes the following enterprises:

Name	Shareholding, %	Core activity
JSC “Sanatorium “Energetic”	100	Rendering of sanatorium and resort services
JSC “Yaroslavl Electric Grid Company”	51	Rendering of electric grid services

The Company has published its unaudited Consolidated Interim Condensed Financial Statements for 3 and 9 months of 2018 in accordance with International Financial Reporting Standards (IFRS), profit for the period amounted to RUB 2.0 bln, which is lower than the similar indicator in the last year by RUB 0.5 bln.



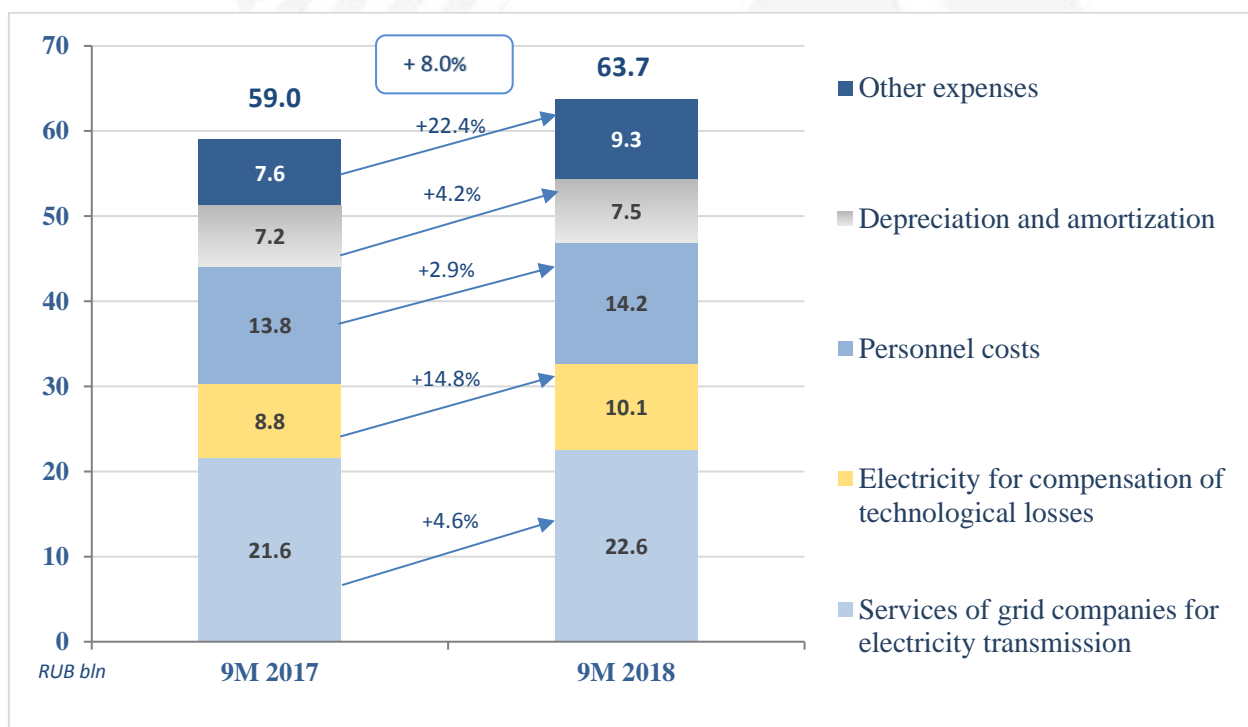
Revenue for the reporting period is RUB 68.4 bln, including revenue from electricity transmission — RUB 65.7 bln, revenue from technological connection — RUB 1.2 bln, revenue from resale of electricity and capacity — RUB 0.4 bln and other revenue — RUB 1.1 bln.

Data in billion RUB, unless otherwise stated

Indicators	9M 2018	9M 2017	Change
Revenue (total), including:	68.4	65.8	4.0%
Electricity transmission services	65.7	63.7	3.1%
Technological connection services	1.2	0.9	33.3%
Revenue from resale of electricity and capacity	0.4	0.4	0.0%
Other revenue	1.1	0.8	37.5%

The main factors that influenced the indicator of consolidated revenue are the growth of the tariff for the electricity transmission and the increase in the volume of rendered services for the electricity transmission in comparable conditions, technological connection and other services of unregulated activity.

Operating expenses of the Company for 9 months of 2018 amounted to RUB 63.7 bln, which is 8.0% higher than the indicator for the same period in 2017. The main reason for the increase was the growth of uncontrolled expenses: expenses for purchasing electricity to compensate for technological losses increased by 14.8%, accrued depreciation and amortization by 4.2%, expenses for services of grid companies for electricity transmission by 4.6%.



Earnings before Interest, Taxation, Depreciation & Amortization (EBITDA) following the results of 9 months of 2018 amounted to RUB 13.0 bln. EBITDA margin following the results of 9 months of 2018 amounted to 19.0%.

Financial stability ratio shows the portion of funding sources that the company uses for more than a year. If the value of the ratio fluctuates within 0.8-0.9 and there is a tendency to increase, the financial position of the company is considered stable.

Equity to total assets ratio shows the portion of the company's assets that are covered by equity. This indicator following the results of 9 months of 2018 against the same period of last year did not significantly change and is within the normative values.

The actual value of the current liquidity ratio as of 30 September 2018 is 0.81. The ratio reflects the ability of the Company to repay current (short-term) liabilities at the expense of only current assets. The higher the indicator, the better the solvency of the Company. The normative value of this ratio is above 1.

The proportion of accounts receivable and accounts payable characterizes the rationality of use of funds in turnover. If the growth rate of accounts receivable is comparable to the growth rate of accounts payable, this is a favorable situation. Following the results of 9 months of 2018 against the same period of last year the indicator changed by 0.10.

Turnover of accounts receivable changed by 19% following the results of 9 months of 2018 against the same period of last year. This is due to a decrease in debt by RUB 1.2 bln.

Name	9M 2018	9M 2017	Change	
			absolute	%
EBITDA, bln RUB	13.0	14.8	-1.8	-12.2
EBITDA margin, %	19.0	22.5	-3.5	-15.6
Financial stability ratio	0.75	0.76	-0.01	-1.3
Equity to total assets	0.43	0.41	0.02	4.9
Current liquidity ratio	0.81	1.07	-0.26	-24.3
A/R to A/P ratio	0.96	1.06	-0.10	-9.4
A/R turnover, days	44	54	-10	-18.5

As at 30 September 2018 the Company's assets were RUB 104.8 bln (as at 31 December 2017 — 105.1 RUB bln). Net debt decreased to RUB 39.4 bln (as at 31 December 2017 — RUB 40.1 bln). The decrease in net debt is due to sufficient volume of own financial resources to cover the Company's current and investment expenses, as well as early repayment of part of the principal debt for 9 months of 2018.

Data in billion RUB, unless otherwise stated

Name	As at 30.09.2018	As at 31.12.2017	Change
Total equity	45.6	44.2	3.2%
Total assets	104.8	105.1	-0.3%
Loans and borrowings	39.6	41.5	-4.6%
Cash and cash equivalents	0.2	1.4	-85.7%
Net debt ¹	39.4	40.1	-1.7%

[1] Net debt is calculated as follows: long-term loans and borrowings + short-term loans and borrowings – cash and cash equivalents

The financial condition of the Group of Companies is characterized by stable results for 9 months of 2018. During the period under review, the planned level was ensured according to the main performance indicators, improvement was achieved relative to the planned values of the following indicators (in comparable units of measure):

- profit growth by RUB 0.2 bln;
- decrease in accounts receivable by RUB 1.9 bln;
- decrease in the indicator “Debt” (Loans and borrowings) by RUB 3.3 bln.

The Company’s interim condensed consolidated financial statements can be found at:
<https://www.mrsk-1.ru/information/statements/msfo/2018/>