

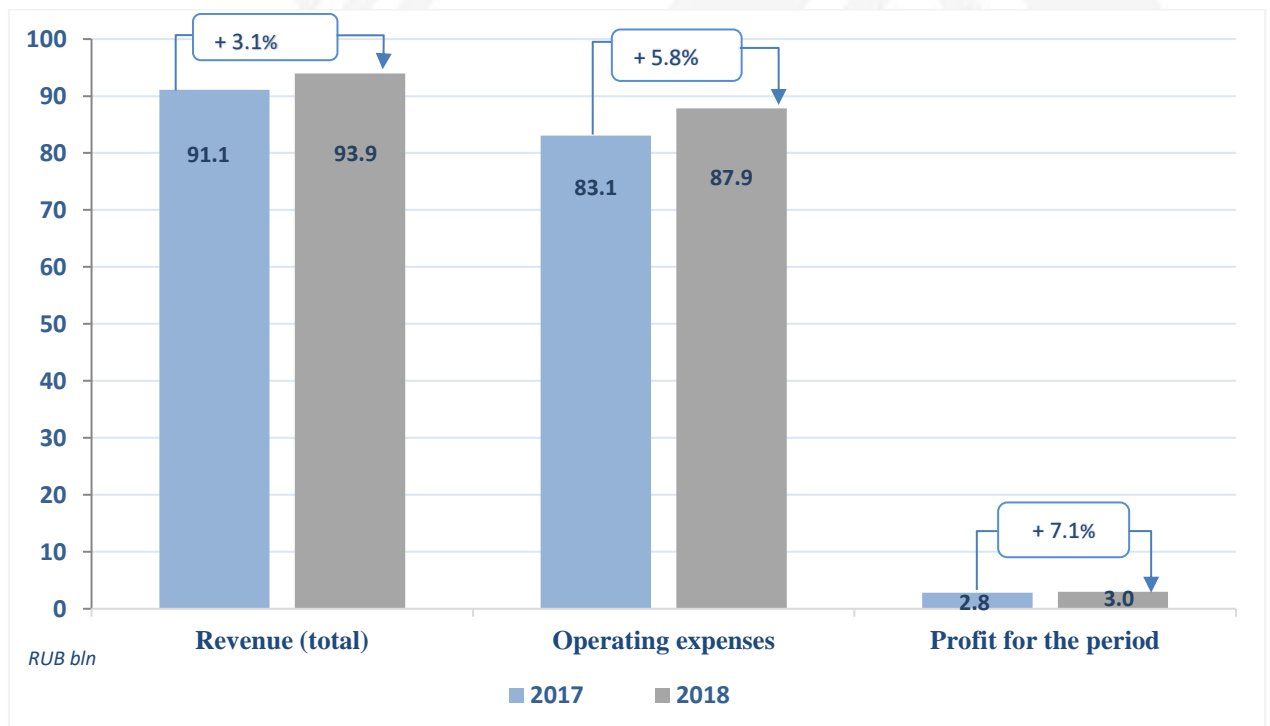
## The Management Discussion and Analysis of PJSC “IDGC of Centre” to Consolidated Financial Statements of the Company, including its financial condition and performance results (MD&A)

The primary activities of PJSC “IDGC 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, %	Primary 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 audited Consolidated Financial Statements for 2018 in accordance with International Financial Reporting Standards (IFRS), profit for the period amounted to RUB 3.0 bln, which is higher than the similar indicator in the last year by RUB 0.2 bln.



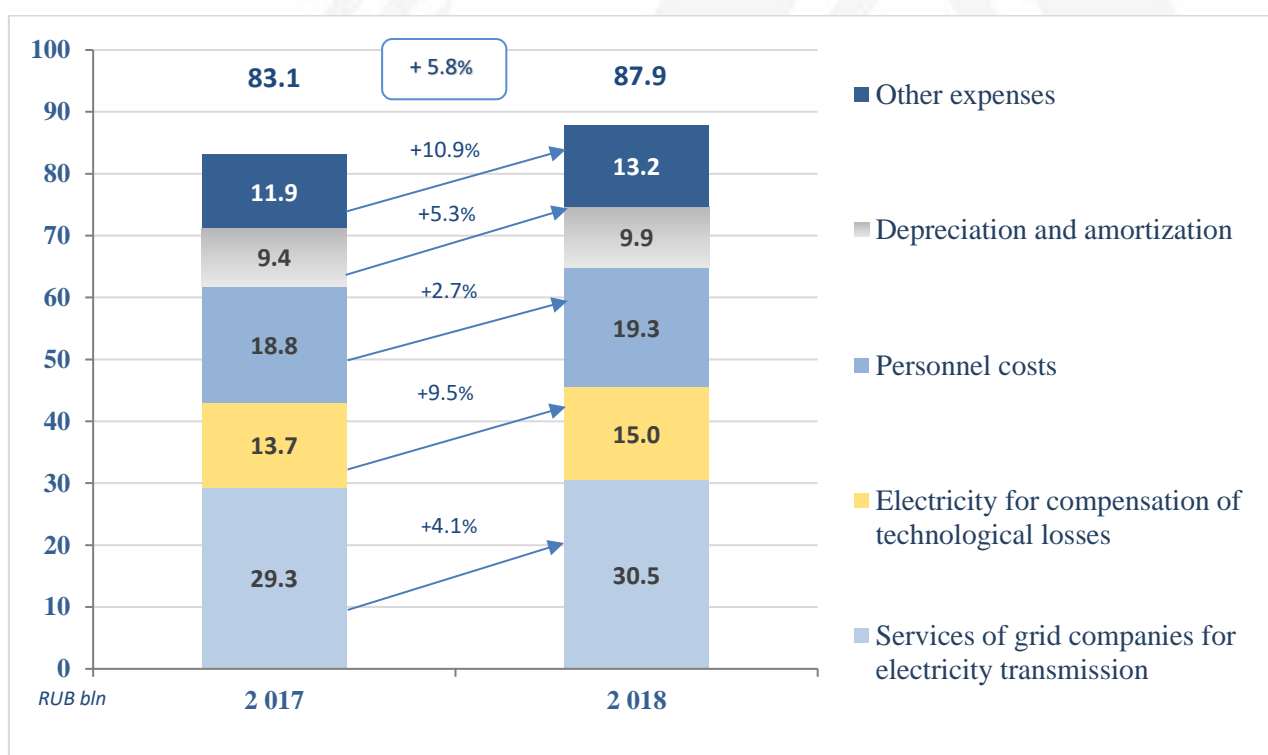
Revenue for the reporting period is RUB 93.9 bln, including revenue from electricity transmission — RUB 90.0 bln, revenue from technological connection — RUB 1,9 bln, revenue from resale of electricity and capacity — RUB 0.5 bln and other revenue — RUB 1,5 bln.

Data in billion RUB, unless otherwise stated

Indicators	2018	2017	Change
<b>Revenue (total), including:</b>	<b>93.9</b>	<b>91.1</b>	<b>3.1%</b>
Electricity transmission services	90.0	87.6	2.7%
Technological connection services	1.9	1.6	18.8%
Revenue from resale of electricity and capacity	0.5	0.5	0.0%
Other revenue	1.5	1.4	7.1%

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 2018 amounted to RUB 87.9 bln, which is 5.8% 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 due to rising electricity prices at the Wholesale market for electricity and power by 9.5%, accrued depreciation and amortization by 5.3% due to the commissioning of new facilities (implementation of the investment program), expenses for services of grid companies for electricity transmission by 4.1%.



Earnings before Interest, Taxation, Depreciation & Amortization (EBITDA) following the results of 2018 amounted to RUB 17.2 bln. EBITDA margin following the results of 2018 amounted to 18.3%.

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 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 at 31.12.2018 – 0.61. 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 2018 against the same period of last year the indicator decreased by 0.19.

Turnover of accounts receivable decreased by 9.8% following the results of 2018 against the same period of last year, which is due to a growth in revenue by RUB 2.8 bln.

Name	2018	2017	Change	
			absolute	%
EBITDA, bln RUB	17.2	18.8	-1.6	-8.5
EBITDA margin, %	18.3	20.6	-2.3	-11.2
Financial stability ratio	0.68	0.73	-0.05	-6.8
Equity to total assets	0.41	0.42	-0.01	-2.4
Current liquidity ratio	0.61	0.81	-0.20	-24.7
A/R to A/P ratio	0.86	1.05	-0.19	-18.1
A/R turnover, days	46	51	-5	-9.8

As at 31 December 2018 the Company's assets were RUB 108.1 bln (as at 31 December 2017 — RUB 104.0 bln). Net debt decreased to RUB 39.6 bln (as at 31 December 2017 — RUB 40.1 bln). The decrease in the 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 during 2018. The weighted average borrowing rate of IDGC of Centre as at 31.12.2018 was 8.25%.

Data in billion RUB, unless otherwise stated

Indicators	As at 31.12.2018	As at 31.12.2017	Change
Total equity	44.9	42.6	5.4%
Total assets	108.1	104.0	3.9%
Loans and borrowings	40.4	41.5	-2.7%
Cash and cash equivalents	0.8	1.4	-42.9%
Net debt <sup>1</sup>	39.6	40.1	-1.2%

[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 following the results of 2018 is characterized as stable. During the period under review, the financial condition was improved relative to the previous year:

- profit growth by RUB 0.2 bln;
- decrease in the period of turnover of accounts receivables by 5 days;
- decrease in the loans and borrowings by 1.1 bln.

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