

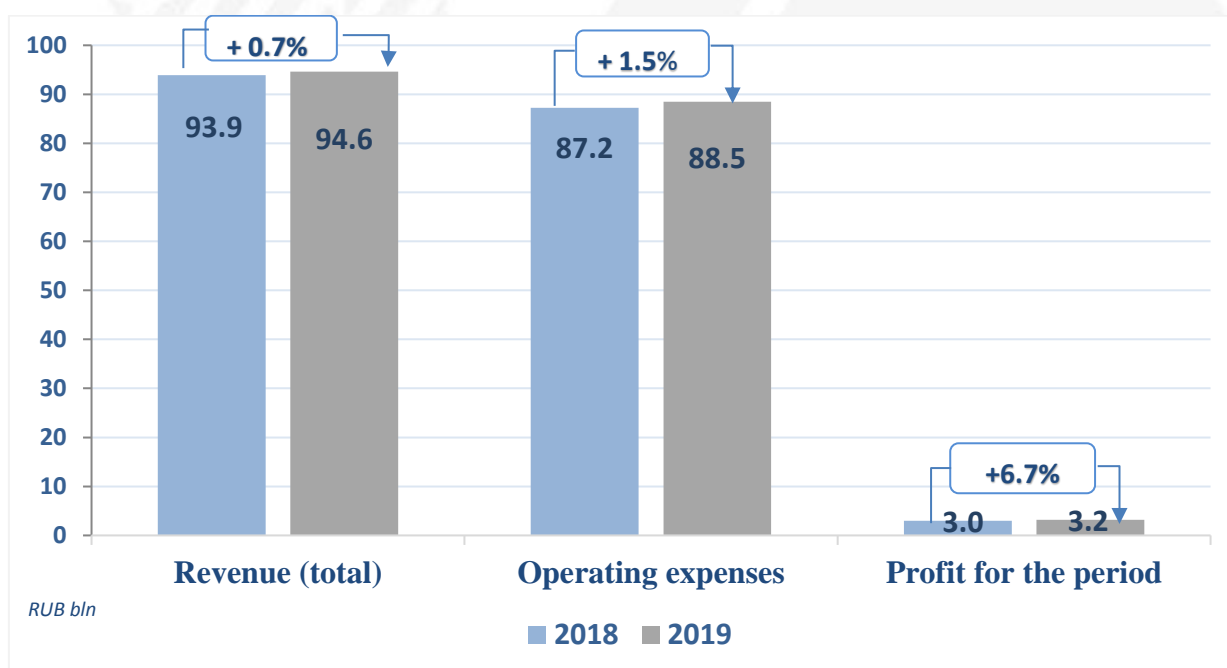
The Management Discussion and Analysis of PJSC “IDGC of Centre” to Consolidated Financial Statements of the Company, including its financial condition and performance results (MD&A)

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, 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
JSC “Voronezh City Electric Grids”	100	Rendering of electric grid services
JSC “Tula City Electric Grids”	69.9992	Rendering of electric grid services

The Company has published its audited Consolidated Financial Statements for 2019 in accordance with International Financial Reporting Standards (IFRS), profit for the period amounted to RUB 3.2 bln, which is higher than the similar indicator in the last year by RUB 0.2 bln.



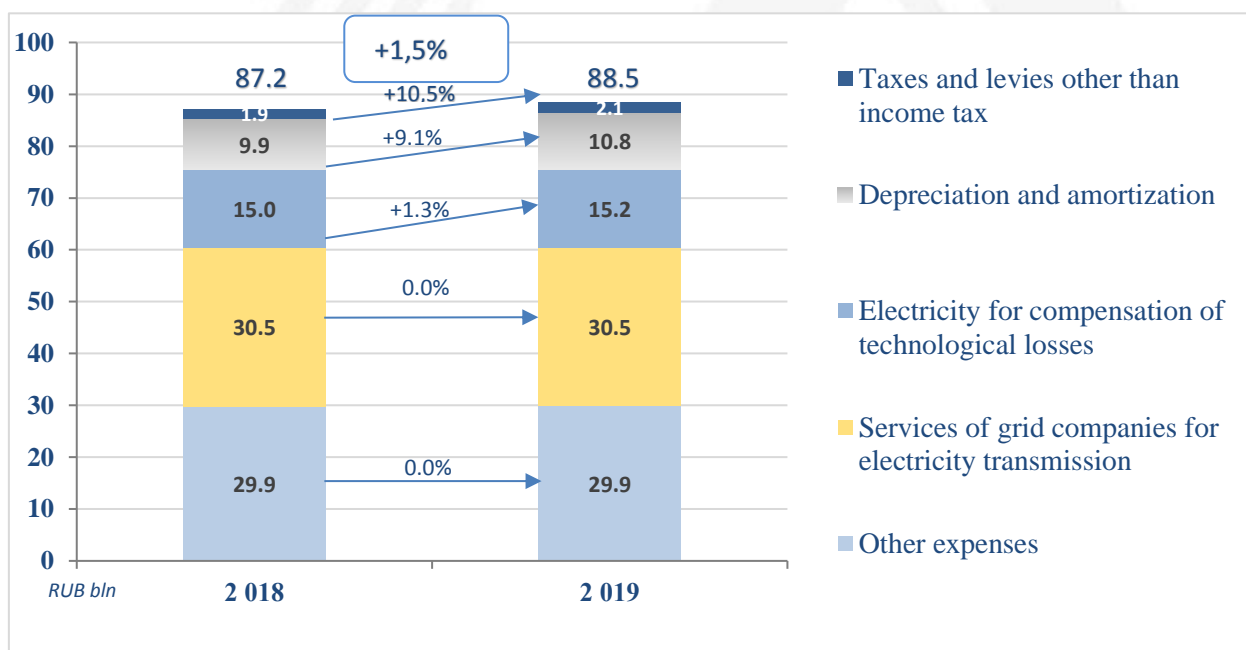
Revenue for the reporting period is RUB 94.6 bln, including revenue from electricity transmission — RUB 90.9 bln, revenue from technological connection — RUB 1.6 bln, revenue from resale of electricity and capacity — RUB 0.5 bln and other revenue — RUB 1.6 bln.

Data in billion RUB, unless otherwise stated

Indicators	2019	2018	Change
Revenue (total), including:	94.6	93.9	0.7%
Electricity transmission services	90.9	90.0	1.0%
Technological connection services	1.6	1.9	-15.8%
Revenue from resale of electricity and capacity	0.5	0.5	0.0%
Other revenue	1.6	1.5	6.7%

The main factor that influenced the growth of the consolidated revenue is an increase in the electricity transmission tariff.

Operating expenses of the Company for 2019 amounted to RUB 88.5 bln, which is 1.5% higher than the value for the same period in 2018. The reason for the increase was the growth of uncontrolled expenses: by 10.5% of the cost related to taxes and levies in connection with an increase in the property tax rate in accordance with Article 380 of the Tax Code of the Russian Federation, by 9.1% of the accrued depreciation and amortization due to the commissioning of new facilities within the implementation of the investment program and depreciation of the right-of-use assets in connection with the application of the new IFRS 16 Leases standard from 1 January 2019, by 1.3% of the cost of purchasing electricity to compensate for technological losses due to the rise in the price of electricity at the Wholesale market for electricity and power.



Earnings before Interest, Taxation, Depreciation & Amortization (EBITDA) following the results of 2019 amounted to RUB 18.9 bln. EBITDA margin following the results of 2019 amounted to 20.0%.

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, then 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 changed by less than 10% in the period under review.

The actual value of the current liquidity ratio as at 31 December 2019 is 0.73. 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. The optimum result is to ensure a comparable growth rate of accounts receivable and payable. Over the past period, the indicator increased by 0.02.

Turnover of accounts receivable increased over the past period by 4 days.

Name	2019	2018	Change	
			absolute	%
EBITDA, bln RUB	18.9	17.2	1.7	9.9
EBITDA margin, %	20.0	18.3	1.7	9.3
Financial stability ratio	0.71	0.68	0.03	4.4
Equity to total assets	0.38	0.41	-0.03	-7.3
Current liquidity ratio	0.73	0.61	0.12	19.7
A/R to A/P ratio	0.88	0.86	0.02	2.3
A/R turnover, days	50	46	4	8.7

As at 31 December 2019 the Company's assets were RUB 118.4 bln (as at 31 December 2018 — RUB 108.1 bln), net debt was RUB 45.0 bln (as at 31 December 2018 — RUB 39.6 bln). The increase in the net debt is due to the application of the new IFRS 16 Leases standard from 1 January 2019, as a result, the loan and borrowings included lease obligations in the amount of RUB 2.9 bln, as well as the attraction of credit resources during 12 months of 2019 to cover the Company's current and investment expenses. The weighted average borrowing rate of IDGC of Centre as at 31 December 2019 was 7.32%.

Data in billion RUB, unless otherwise stated

Indicators	As at 31.12.2019	As at 31.12.2018	Change
Total equity	46.1	44.9	2.7%
Total assets	118.4	108.1	9.5%
Loans and borrowings	46.5	40.4	15.1%
Cash and cash equivalents	1.5	0.8	87.5%
Net debt ¹	45.0	39.6	13.6%

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

Despite the influence of negative factors, the financial result of the Group of Companies following the results of 2019 is positive and amounted to RUB 3.2 bln.

The financial condition of the Group of Companies following the results of 2019 is characterized as stable.

The Company's audited consolidated financial statements can be found at: <https://www.mrsk-1.ru/information/statements/msfo/2019/>