

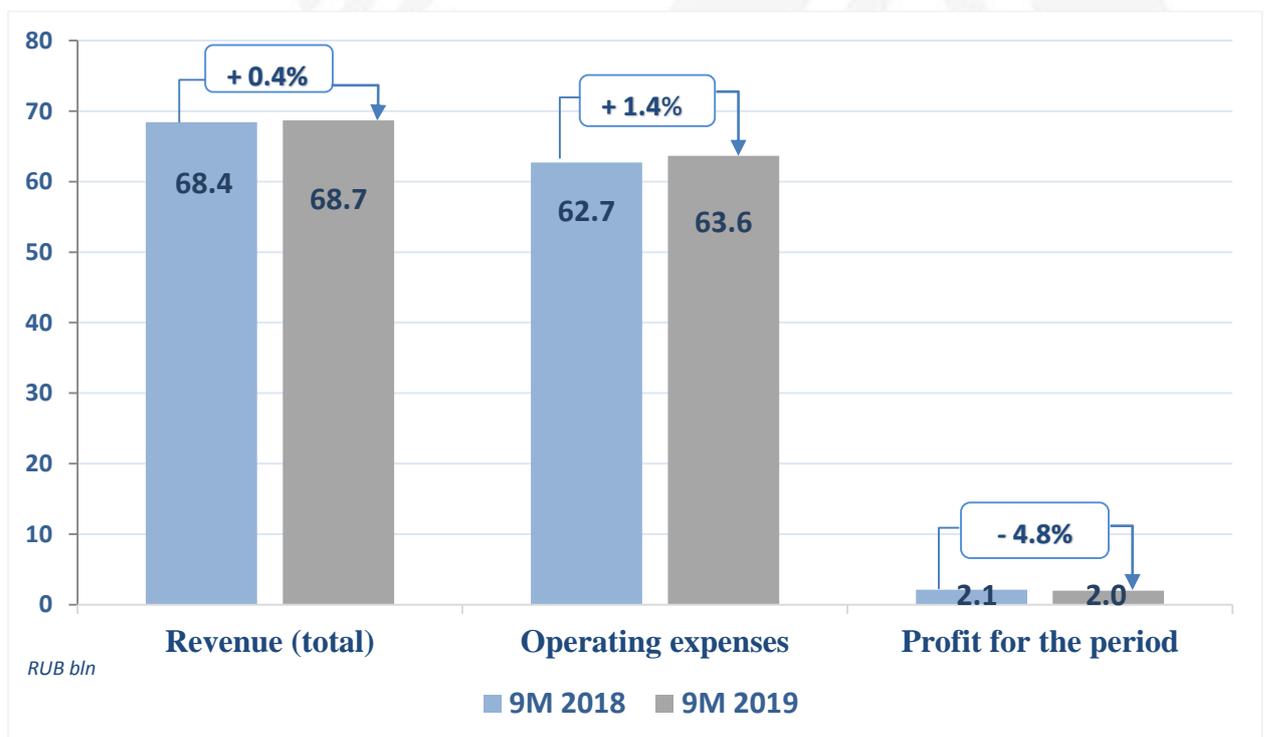
The Management Discussion and Analysis of PJSC “IDGC of Centre” to Consolidated Interim Condensed Financial Statements of the Company, including its financial condition and performance results (MD&A)

The primary activities of PJSC “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

The Company has published its unaudited Consolidated Interim Condensed Financial Statements for 3 and 9 months of 2019 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 0.1 bln.



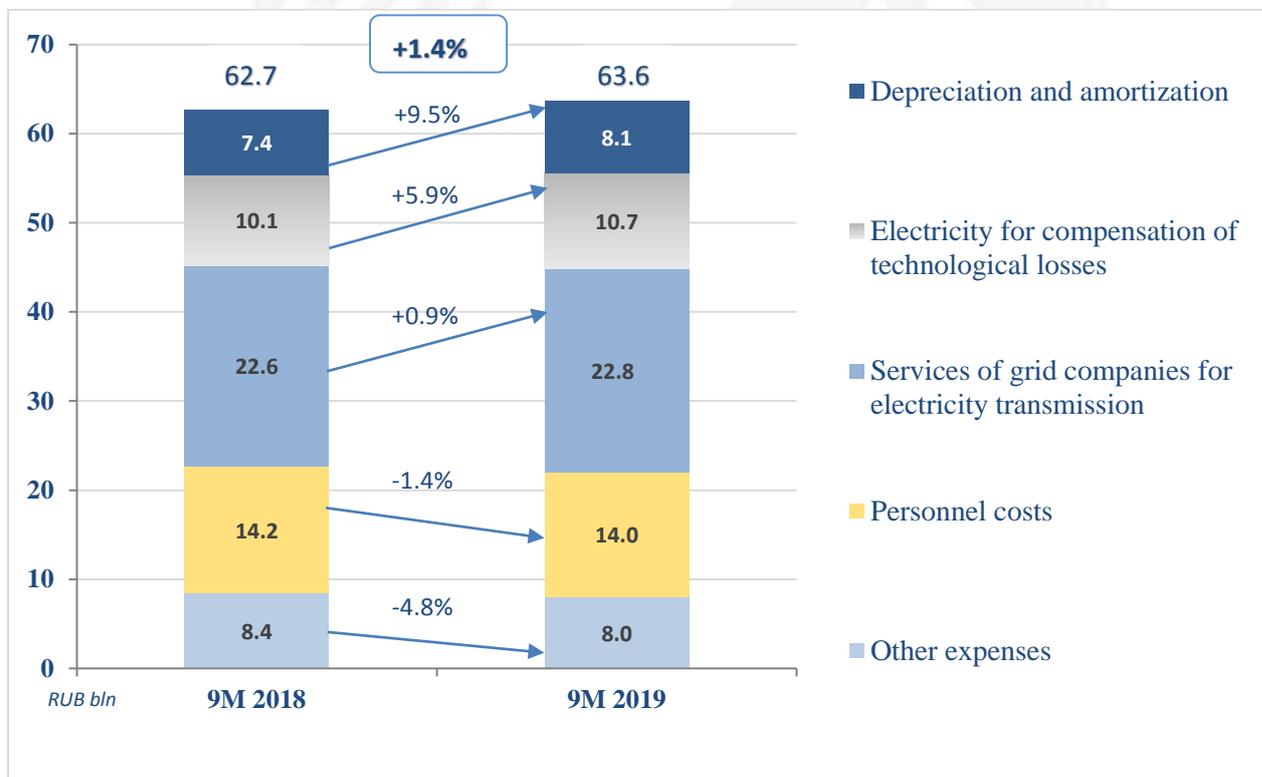
Revenue for the reporting period is RUB 68.7 bln, including revenue from electricity transmission — RUB 66.3 bln, revenue from technological connection — RUB 0.9 bln, revenue from resale of electricity and capacity — RUB 0.4 bln and other revenue — RUB 1.0 bln.

Data in billion RUB, unless otherwise stated

Indicators	9M 2019	9M 2018	Change
Revenue (total), including:	68.7	68.4	0.4%
Electricity transmission services	66.3	65.7	0.9%
Technological connection services	0.9	1.2	-25.0%
Revenue from resale of electricity and capacity	0.4	0.4	0.0%
Other revenue	1.0	1.1	-9.1%

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

Operating expenses of the Company for 9 months of 2019 amounted to RUB 63.6 bln, which is 1.4% higher than the indicator for the same period in 2018. The reason for the increase was the growth of uncontrolled expenses: by 9.5% of the accrued depreciation and amortization due to the commissioning of new facilities (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 5.9% 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, by 0.9% of the cost of services of grid companies for electricity transmission, by -1.4% of the cost of personnel costs and by -4.8% of the cost of other expenses.



Earnings before Interest, Taxation, Depreciation & Amortization (EBITDA) following the results of 9 months of 2019 amounted to RUB 13.4 bln. EBITDA margin following the results of 9 months of 2019 amounted to 19.5%.

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 did not significantly change in the period under review.

The actual value of the current liquidity ratio as at 30 September 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 0.2.

Turnover of accounts receivable increased over the past period by 8 days or 18.2%, which is due to a slight increase in revenue by RUB 0.3 bln and a substantial increase in debt by RUB 3.1 bln.

Name	9M 2019	9M 2018	Change	
			absolute	%
EBITDA, bln RUB	13.4	13.0	0.4	3.1
EBITDA margin, %	19.5	19.0	0.5	2.6
Financial stability ratio	0.7	0.8	-0.1	-12.5%
Equity to total assets	0.41	0.43	-0.02	-4.7%
Current liquidity ratio	0.73	0.81	-0.08	-9.9%
A/R to A/P ratio	1.12	0.94	0.18	19.1%
A/R turnover, days	52	44	8	18.2%

As at 30 September 2019 the Company's assets were RUB 109.6 bln (as at 31 December 2018 — RUB 108.1 bln), net debt was RUB 42.5 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 1.7 bln, as well as the attraction of credit resources for 9 months of 2019 to cover the Company's current expenses. The weighted average borrowing rate of IDGC of Centre as at 30 September 2019 was 8.09%.

Data in billion RUB, unless otherwise stated

Indicators	As at 30.09.2019	As at 31.12.2018	Change
Total equity	45.6	44.9	1.6%
Total assets	109.6	108.1	1.4%
Loans and borrowings	43.1	40.4	6.7%
Cash and cash equivalents	0.5	0.8	-37.5%
Net debt ¹	42.5	39.6	7.3%

[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 for 9 months of 2019 is positive and amounted to RUB 2.0 bln.

The financial condition of the Group of Companies following the results of 9 months of 2019 is characterized as stable.

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