

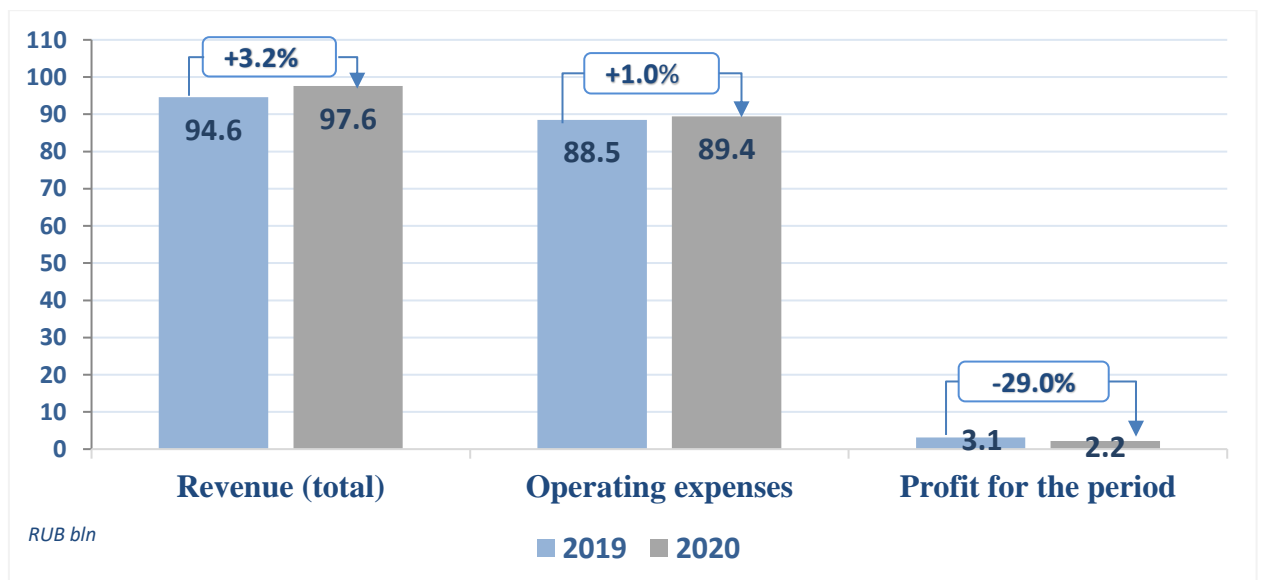
## The Management Discussion and Analysis of PJSC “IDGC of Centre” to Consolidated Financial Statements of the Company, including its financial condition and performance results (MD&A)

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
LLC “Bryanskelectro”	100%	Rendering of electric grid services

The Company has published its audited Consolidated Financial Statements for 2020 in accordance with International Financial Reporting Standards (IFRS). Profit for the period amounted to RUB 2.2 bln, which is lower than the similar indicator in the last year by RUB 0.9 bln.



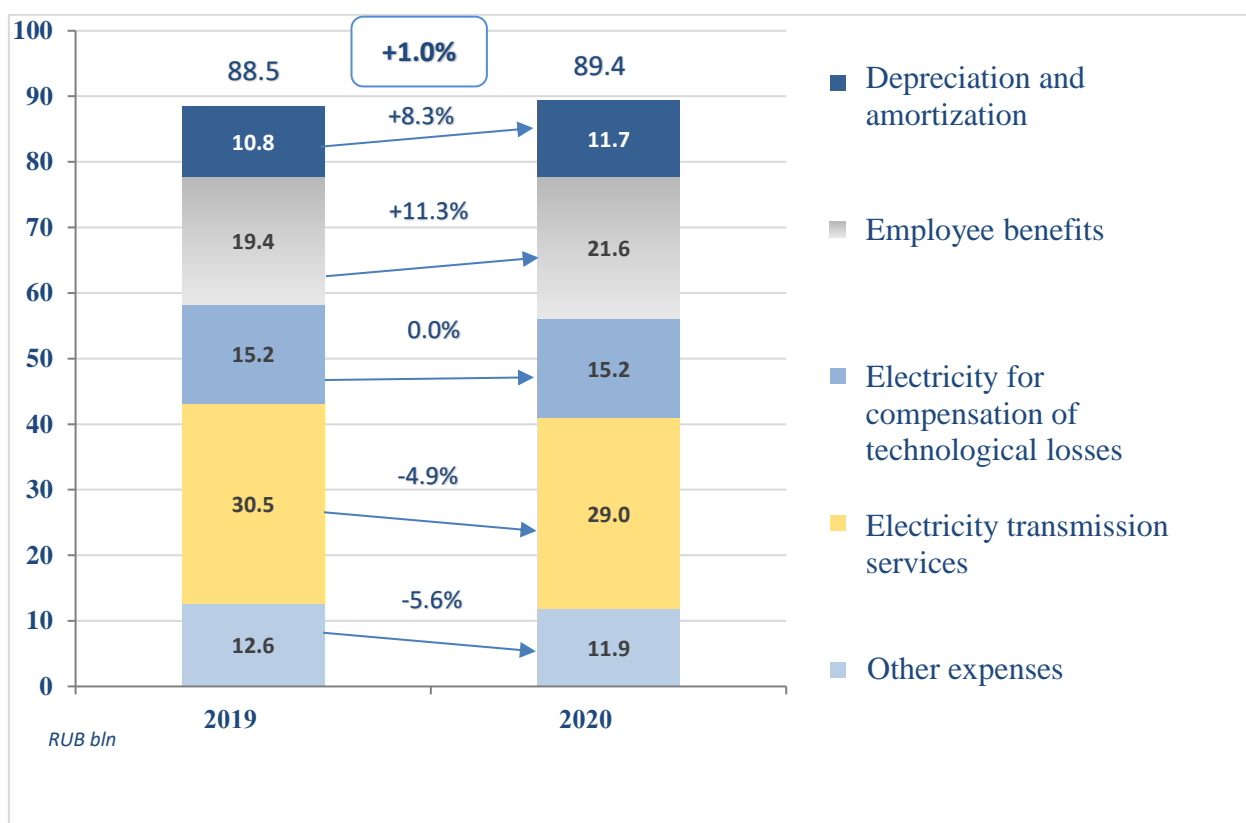
Revenue for the reporting period is RUB 97.6 bln, including revenue from electricity transmission — RUB 92.8 bln, revenue from technological connection — RUB 1.5 bln, revenue from resale of electricity and capacity — RUB 0.5 bln, other revenue — RUB 2,8 bln and revenue for lease agreements – 0.03 bln.

Data in billion RUB, unless otherwise stated

Indicators	2020	2019	Change
<b>Revenue (total), including:</b>	<b>97.6</b>	<b>94.6</b>	<b>3.2%</b>
Electricity transmission services	92.8	90.9	2.1%
Technological connection services	1.5	1.6	-6.3%
Revenue from resale of electricity and capacity	0.5	0.5	0.0%
Other revenue	2.8	1.6	75.0%
Revenue for lease agreements	0.03	0.03	0.0%

The main factors that influenced the growth of consolidated revenues were the growth in revenue from electricity transmission due to an increase in tariffs and the addition of new subsidiaries to the Group at the end of 2019 – 2020, as well as the growth of other revenue due to active work to promote unregulated services to residential customers and legal entities.

Operating expenses of the Company for 2020 amounted to RUB 89.4 bln, which is 1.0% higher than the value for 2019. The reason for the growth was an increase in depreciation expenses due to receipt of fixed assets of new subsidiaries in the Group, as well as an increase in employee benefits due to indexation of wages, compensation payments to personnel during the period of high alert for epidemiological requirements, additional bonuses to employees for performance and sale of value-added services, as well as an increase in personnel costs of subsidiaries entered into the Group.



Earnings before Interest, Taxation, Depreciation & Amortization (EBITDA) following the results of 2020 amounted to RUB 22.0 bln. EBITDA margin following the results of 2020 amounted to 22.5%.

Financial stability ratio following the results of 2020 in comparison with 2019 decreased from 0.72 to 0.66. The actual value of the current liquidity ratio as at 31 December 2020 was 0.60. The decrease in the ratios at the end of 2020 compared to 2019 is primarily due to an increase in short-term liabilities as a result of the reclassification of loans (transfer from long-term to short-term, depending on the period remaining to maturity). To service short-term liabilities, the Company has available limits for long-term credit lines in the amount of over RUB 64 bln, which is almost twice the volume of short-term liabilities. Thus, a decrease in the values of the financial stability and current liquidity ratios does not actually affect the solvency of the Company, which remains at a high level.

Equity to total assets ratio shows the portion of the company's assets that are covered by equity. The value of the indicator in the reporting period did not change.

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, this indicator did not practically change.

Name	2020	2019	Change	
			absolute	%
EBITDA, bln RUB	22.0	17.8	4.2	23.6%
EBITDA margin, %	22.5	18.8	3.7	19.7%
Financial stability ratio	0.66	0.72	-0.06	-8.3%
Equity to total assets	0.38	0.38	0.00	0.0%
Current liquidity ratio	0.60	0.73	-0.13	-17.8%
A/R to A/P ratio	0.89	0.88	0.01	1.1%
Period of A/R turnover, days	54	50	4	8.0%

As at 31 December 2020 the assets of the Group of Companies reached RUB 122.0 bln (as at 31 December 2019 — RUB 117.9 bln), net debt was RUB 46.0 bln (as at 31 December 2019 — RUB 45.0 bln). The growth in the net debt was due to an increase in the loan portfolio mainly due to the financing of the Group's investment activities. The weighted average borrowing rate of the Group of Companies (excluding interest-free borrowings) as at 31 December 2020 was 5.93%.

*Data in billion RUB, unless otherwise stated*

Indicators	As at 31.12.2020	As at 31.12.2019	Change
Total equity	47.9	45.9	4.4%
Total assets	122.0	117.9	3.5%
Borrowed funds	47.4	46.5	1.9%
Cash and cash equivalents	1.4	1.5	-6.7%
Net debt <sup>1</sup>	46.0	45.0	2.2%

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

The financial condition of the Group of Companies following the results of 2020 is characterized as stable.

The Company's audited consolidated financial statements can be found at:  
<https://www.mrsk-1.ru/en/information/statements/msfo/2020/>.