

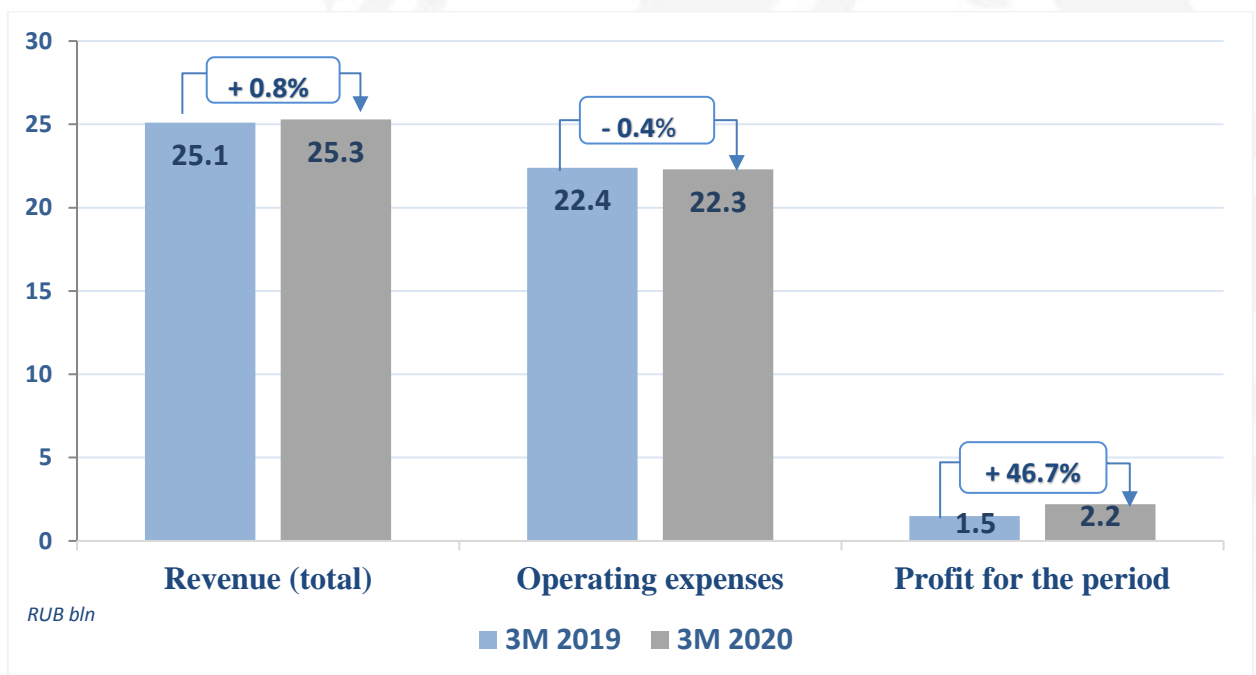
The Management Discussion and Analysis of PJSC “IDGC of Centre” to Consolidated Interim Condensed Financial Statements of the Company, including its financial condition and performance results (MD&A)

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
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 unaudited Consolidated Interim Condensed Financial Statements for 3 months of 2020 in accordance with International Financial Reporting Standards (IFRS), profit for the period amounted to RUB 2.2 bln, which is higher than the similar indicator in the last year by RUB 0.7 bln.



Revenue for the reporting period is RUB 25.3 bln, including revenue from electricity transmission — RUB 24.4 bln, revenue from technological connection — RUB 0.1 bln, revenue

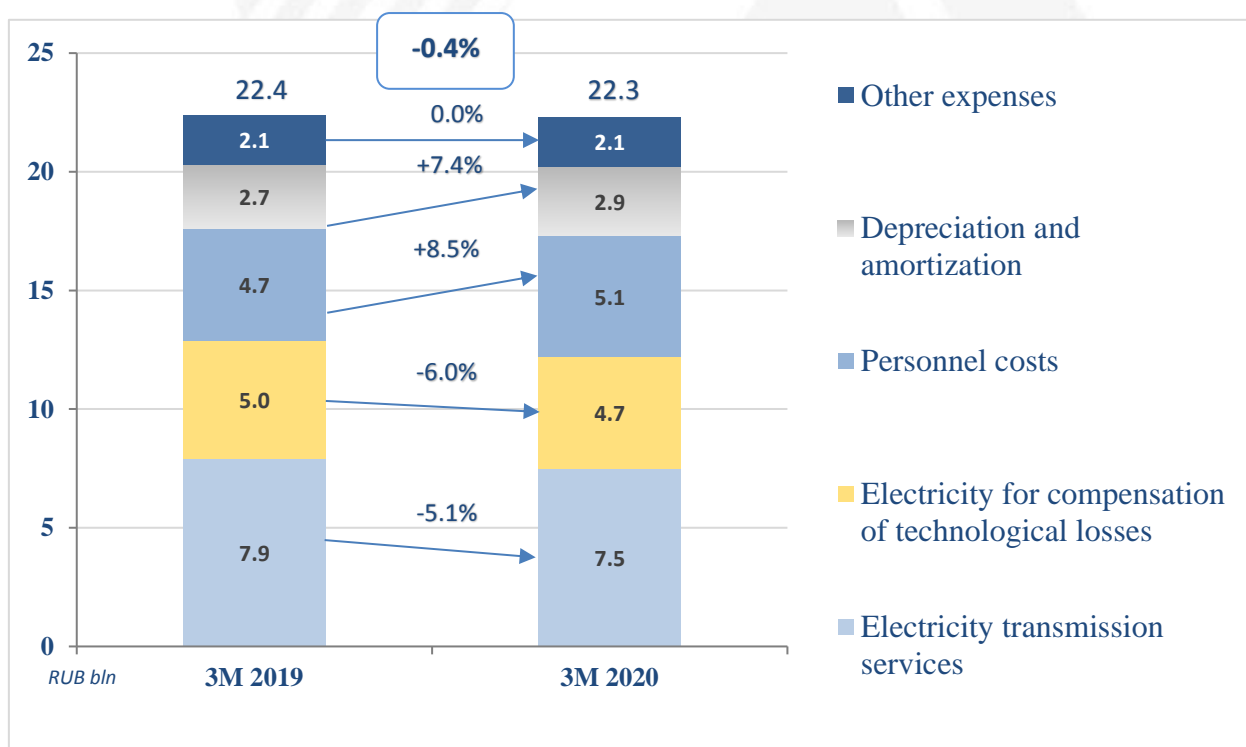
from resale of electricity and capacity — RUB 0.2 bln, other revenue — RUB 0.6 bln and revenue from lease agreements — RUB 0.01 bln.

Data in billion RUB, unless otherwise stated

Indicators	3M 2020	3M 2019	Change
Revenue (total), including:	25.3	25.1	0.8%
Electricity transmission services	24.4	24.3	0.4%
Technological connection services	0.1	0.3	-66.7%
Revenue from resale of electricity and capacity	0.2	0.2	0.0%
Other revenue	0.6	0.3	100.0%
Revenue from lease agreements	0.01	0.01	0.0%

The main factors that influenced the growth in the consolidated revenue are the increase in the volume of unregulated services and the growth in the electricity transmission tariff.

Operating expenses of the Company for 3 months of 2020 amounted to RUB 22.3 RUB, which is 0.4% lower than the indicator for the same period in 2019. The reason for the decrease was the reduction of variable costs: by 5.1% of expenses of electricity transmission services of PJSC FGC UES in connection with a decrease in the volume of regulatory losses and declared capacity and due to a decrease in expenses for services of territorial grid companies in connection with a reduction in the volume of services rendered; by 6.0% of electricity costs to compensate for technological losses by reducing the volume of losses.



Earnings before Interest, Taxation, Depreciation & Amortization (EBITDA) following the results of 3 months of 2020 amounted to RUB 6.2 bln. EBITDA margin following the results of 3 months of 2020 amounted to 24.5%.

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 changed less than 10% in the reporting period.

The actual value of the current liquidity ratio as at 31 March 2020 is 0.83. 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 2.8%.

Turnover of accounts receivable increased over the past period by 2 days.

Name	3M 2020	3M 2019	Change	
			absolute	%
EBITDA, bln RUB	6.2	5.6	0.6	10.7%
EBITDA margin, %	24.5	22.2	2.3	10.4%
Financial stability ratio	0.72	0.71	0.01	1.4%
Equity to total assets	0.39	0.42	-0.03	-7.1%
Current liquidity ratio	0.83	0.73	0.1	13.7%
A/R to A/P ratio	1.06	1.09	-0.03	-2.8%
A/R turnover, days	47	45	2	4.4%

As at 31 March 2020 the Company's assets were RUB 120.6 bln (as at 31 December 2019 — RUB 118.4 bln), the net debt was RUB 43.2 bln (as at 31 December 2019 — RUB 45.0 bln). The decrease in the net debt is due to the sufficient amount of own cash resources to cover the current and investment expenses of the Company. The Company's weighted average borrowing rate as at 3 March 2020 was 7.15%.

Data in billion RUB, unless otherwise stated

Indicators	As at 31.03.2020	As at 31.12.2019	Change
Total equity	48.4	46.1	5.0%
Total assets	120.6	118.4	1.9%
Loans and borrowings	46.7	46.5	0.4%
Cash and cash equivalents	3.5	1.5	133.3%
Net debt ¹	43.2	45.0	-4.0%

[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 3 months of 2020 is characterized as stable due to a substantial cash balance, which allows to maintain the current liquidity.

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