

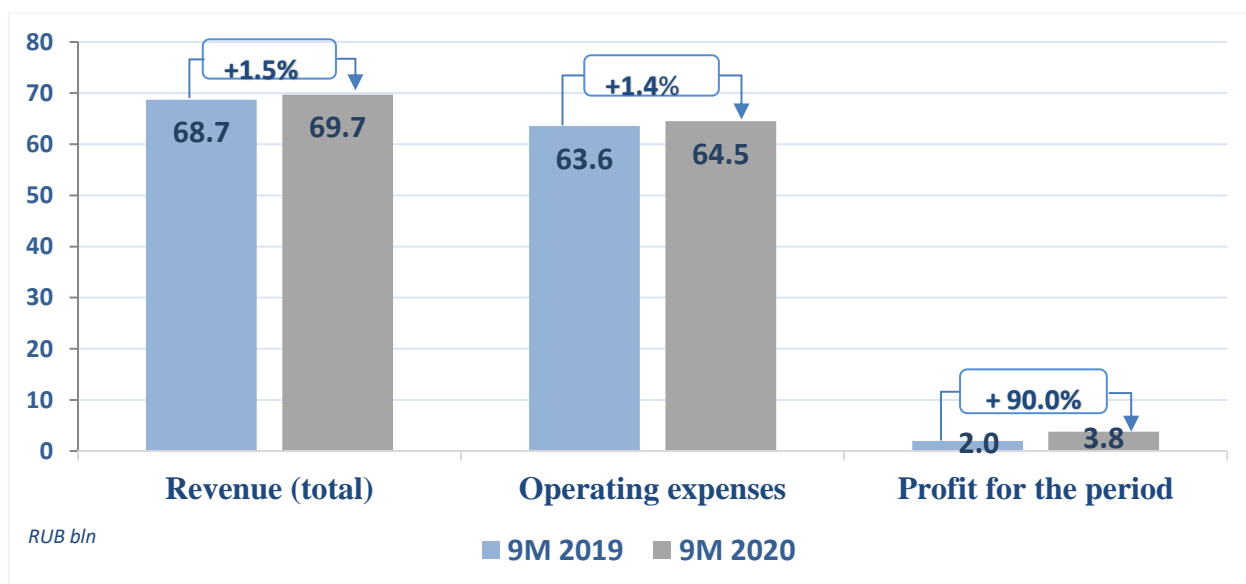
The Management Discussion and Analysis of PJSC “IDGC of Centre” to Interim Condensed Consolidated Financial Statements of the Company, including its financial condition and performance results (MD&A)

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 unaudited Interim Condensed Consolidated Financial Statements for 9 months of 2020 in accordance with International Financial Reporting Standards (IFRS), profit for the period amounted to RUB 3.8 bln, which is higher than the similar indicator in the last year by RUB 1.8 bln.



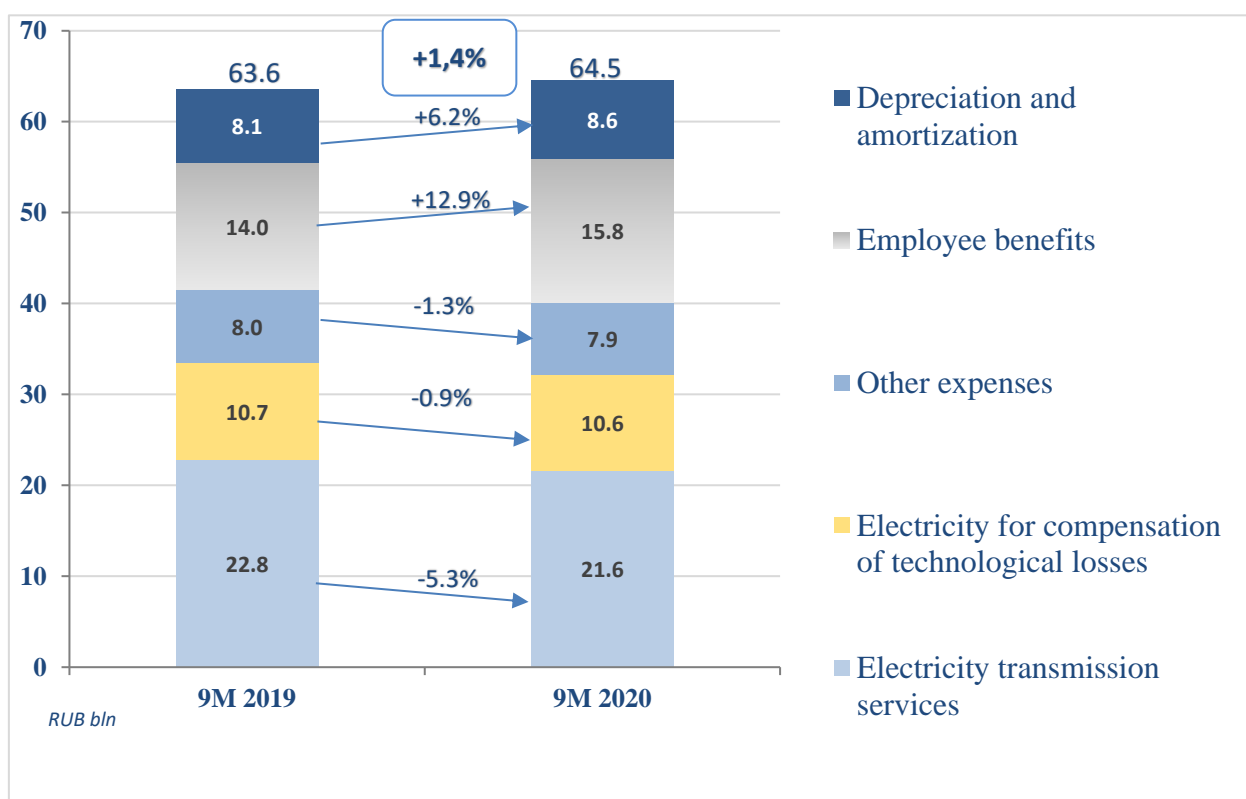
Revenue for the reporting period is RUB 69.7 bln, including revenue from electricity transmission — RUB 66.8 bln, revenue from technological connection — RUB 0.8 bln, revenue from resale of electricity and capacity — RUB 0.4 bln, other revenue — RUB 1.7 bln and revenue from lease agreements – RUB 0.02 bln.

Data in billion RUB, unless otherwise stated

Indicators	9M 2020	9M 2019	Change
Revenue (total), including:	69.7	68.7	1.5%
Electricity transmission services	66.8	66.3	0.8%
Technological connection services	0.8	0.9	-11.1%
Revenue from resale of electricity and capacity	0.4	0.4	0.0%
Other revenue	1.7	1.1	54.5%
Revenue from lease agreements	0.02	0.02	0.0%

The main factors that influenced the growth in the consolidated revenue are an increase of revenue for electricity transmission due to the addition of new subsidiaries to the Group at the end of 2019 – 2020, as well as a growth in other revenues due to an increase in the volume of services provided for reconstruction of the Company’s power grid facilities in the interests of customers.

Operating expenses of the Group of Companies for 9 months of 2020 amounted to RUB 64.5 bln, which is 1.4% higher than the indicator for the same period in 2019. The reason for the growth was an increase in depreciation charges due to the receipt of fixed assets in the Group, as well as an increase in employees’ remuneration expenses due to the indexation of wages, compensation payments to staff during the period of high alert for epidemiological requirements, additional bonuses to employees for performance results and the 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 9 months of 2020 amounted to RUB 15.7 bln. EBITDA margin following the results of 9 months of 2020 amounted to 22.5%.

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 30 September 2020 is 0.66. 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 ratio 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 decreased by 10%.

Turnover of accounts receivable increased by 1 day for the analyzed period.

Name	9M 2020	9M 2019	Change	
			absolute	%
EBITDA, bln RUB	15.7	13.4	2.3	17.2%
EBITDA margin, %	22.5	19.5	3.0	15.4%
Financial stability ratio	0.65	0.70	-0.05	-7.1%
Equity to total assets	0.39	0.41	-0.02	-4.9%
Current liquidity ratio	0.66	0.73	-0.07	-9.6%
A/R to A/P ratio	1.00	1.12	-0.12	-10.7%
A/R turnover, days	53	52	1	1.9%

As at 30 September 2020 the assets of the Group of Companies were RUB 125.7 bln (as at 31 December 2019 — RUB 118.4 bln), the net debt was RUB 44.7 bln (as at 31 December 2019 — RUB 45.0 bln). The level of the net debt is due to the sufficient amount of own cash resources to cover the current and investment expenses of the Group. The weighted average borrowing rate of the Group of Companies as at 30 September 2020 was 5.91%.

Data in billion RUB, unless otherwise stated

Indicators	As at 30.09.2020	As at 31.12.2019	Change
Total equity	49.9	46.1	8.2%
Total assets	125.7	118.4	6.2%
Borrowed funds	48.2	46.5	3.7%
Cash and cash equivalents	3.5	1.5	133.3%
Net debt ¹	44.7	45.0	-0.7%

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

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