

RESULTS OF FINANCIAL AND ECONOMIC ACTIVITIES OF THE COMPANY

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THE KUBANENERGO PROGRAM OF INCREASING OPERATIONAL EFFICIENCY AND REDUCING COSTS FOR 2018–2022 WAS DEVELOPED AND PUT IN PLACE IN 2018. THE PROGRAM HAS THE AIM TO OPTIMIZE COSTS, IMPROVE THE MANAGEMENT EFFICIENCY OF PROCUREMENT AND SUPPLY CHAIN, REDUCE THE UNIT COSTS FOR THE OPERATION OF POWER EQUIPMENT, REDUCE ENERGY LOSSES IN THE NETWORK AND INCREASE THE OVERALL ENERGY EFFICIENCY.

ACCORDING TO THE RESULTS OF THE REPORTING PERIOD, THE TARGET PARAMETERS FOR REDUCING OPERATING EXPENSES UNDER THE DIRECTIVE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 2303P-P13 OF APRIL 16, 2015, FOR 2018 RELATIVE TO THE LEVEL OF 2017 WERE FULFILLED."

ANALYSIS OF THE RESULTS OF FINANCIAL AND ECONOMIC ACTIVITY

In 2018, the proceeds from the sale of the Company's services amounted to 46,401.1 million rubles, which is 4,148.1 million rubles. (9.8%) more than in 2017, including:

- Revenue from electricity transmission was equal to 45,583.5 million rubles (by 4,097.8 million rubles more than in 2017); growth was triggered by:
 - / an increase in the volume of services rendered by 562 million kWh,
 - / with a change in the procedure for reimbursement to the Wholesale Market for Electricity and Power (WMEP) participants of the cost of load losses accounted for in the prices on the WMEP, as a result of which, which set up to calculate the revenue for electricity transmission services without deducting the specified value from August 1, 2017 (Clause 1b of the Resolution of the Russian Federation 07.07.2017 No. 810 "On Amendments to Certain Acts of the Government of the Russian Federation Regarding Payment for Electricity Losses on the Wholesale Electricity and Capacity Market and Retail Electricity Markets, and

Obtaining the Status of a Subject of the Wholesale Electricity and Capacity Market");

- Proceeds from technological connection services amounted to 602.5 million rubles, which is 45.5 million rubles less than in 2017.

The cost price (including management expenses) in 2018 amounted to 41,616.9 million rubles, which is 3,247.9 million rubles. (8.5%) more than in 2017. The increased costs are due to the rise in the price of purchased electricity to compensate for losses, expenses for services of PJSC FGC UES, services of distribution grid companies, depreciation of fixed assets and intangible assets.

Profit before tax amounted to 1,279.8 million rubles, which is 112.1 million rubles (9.6%) more than in 2017.

The Company's net profit in 2018 amounted to 151.2 million rubles (by 374.1 million rubles (71.2%) below the level of 2017).