

The main factors that influenced the financial result:

- + increase in revenue from sales of services by 4,148.1 million rubles (9.8%), including due to the rise in revenue from electricity transmission services for 2018 by 4,097.8 million rubles (9.9%) relative to the parameters of the previous year, while revenue from technological connection services decreased by 45.5 million rubles (7.0%);
- increase in cost, with account for 3,247.9 million rubles of management expenses (8.5%), relative to the parameters for the same period of 2017;
- deterioration of the balance of other income and expenses from profits by 787.99 million rubles (29%) relative to the parameters of 2017;
- increase in income tax by 486.2 million rubles in comparison with the parameters of the same period in 2017;

Key financial and economic indicators of the Company for 2016–2018, million rubles.

SEQ NO.	INDICATOR	2018	2017	2016
1	Proceeds from sales of products (services), including:	46,401	42,253	41,726
1.1	from power transmission	45,583	41,486	39,262
1.2	from technological connection	602	648	2,381
1.3	from the sale of electricity	0	0	0
1.4	from other activities	215	119	83
2	Cost of products (services)	-41,461	-38,259	-35,830
3	Gross profit	4,940	3,994	5,896
4	Administrative expenses	-155	-110	-98
5	Selling costs	0	0	0
6	Profit (loss) from sales	4,784	3,884	5,798
7	Interest receivable	82	47	90
8	Interest payable	-1,911	-1,907	-1,889
9	Income from participation in other organizations	9	0,3	0
10	Other income (total)	2,575	2,393	2,616
11	Other expenses (total)	-4,259	-3,249	-3,109
12	Profit (loss) before tax	1,280	1,168	3,506
13	Profit tax and other payments	-1,129	-642	-1,366
14	Net profit	151	525	2,141
15	EBITDA¹	7,158	6,847	9,015

IMPLEMENTING AN EFFICIENCY AND COST REDUCTION PROGRAM

The program for enhancement of operating efficiency and reduction of Kubanenergo PJSC costs for 2018–2022, approved by the Board of Directors of the Company on December 27, 2017 (minutes of the meeting of the Board of Directors dated 28.12.2017, No. 294/2017). Implementation of the program's activities is taken into account in the business plan, investment program, energy-saving, and energy efficiency improvement program, innovative development program and other targeted programs developed by the Company.

The performance indicators of the program take into account the targets set by the Strategy for the Development of the Electric Grid Complex of the Russian Federation, approved by the decree of the Government of the Russian Federation of 03.04.2013 No. 511-p, and also by the directive of the Government of the Russian Federation of 16.04.2015 No. 2303p-P13.

The reduction in operating expenses following the directive of the Government of the Russian Federation No. 2303p-P13 dated April 16, 2015, for 2018 relative to the level of 2017 was 2%, which corresponds to the target value.

1. Regulation for payment of remuneration and compensation to members of the Auditing Commission of Kubanenergo PJSC is published on the website www.kubanenergo.ru – section 'About Us/ Constituent and internal documents.

As a part of improving operational efficiency and generating additional revenues, the Company in 2018 implemented the following measures:

- improving the efficiency of the process of managing the maintenance and repair of equipment, buildings and structures (the implementation of a set of measures aimed at the redistribution of the method of performing work in the technological areas: OTL 35–220 kV, SS 35–110 kV; distribution networks 0.4–10 kV (OTL, transformer substation); optimization of the distribution of works between contracting and business methods);
- improving working capital management (optimization of receivables (reduction of overdue debts for electricity transmission services), destocking of the emergency reserve, including through adjustments in the direction of reducing the volume of reserve stocks, and transferring a part of the inventories for repair and operation of equipment in 2018);
- improving the management of fixed assets, including:
 - / consolidation of power grid assets
 - / implementation of the event "Development of Price Expertise",
 - / reducing the cost of purchasing raw materials and materials, procuring contractor services for new construction, technical re-equipment and reconstruction as a result of regulated procedures in the framework of investment activities;
- improving energy efficiency (implementation of measures to reduce the level of electricity losses under the Kubanenergo PJSC Electricity Loss Reduction Program for 2018–2022 and the Energy Saving and Energy Efficiency Improvement

Program of Kubanenergo PJSC; organizational and technical measures to ensure the rational use of fuel and energy resources and water for the production and economic needs of the Company);

- increase in operating efficiency (reduction in unit operating expenses), including:
 - / reuse of previously used (post-consumer) materials
 - / reduction of maintenance materials, consumables for office equipment maintenance, reduction of costs for communication services, IT services, write-off of software products,
 - / optimization of costs associated with the decommissioning of vehicles, the further management of which is impractical, including reducing the cost of fuel, optimizing the fleet of cars to be insured by Compulsory Civil Liability Insurance for Vehicle Owners (CCLIVO),
 - / reducing the cost of purchasing raw materials and materials, production and non-production services in terms of operating activities as a result of regulated procedures;
- other activities (implementation of measures aimed at reducing non-contractual electricity consumption).

The program to improve operational efficiency and reduce costs creates a useful tool to improve in-process efficiency and ensure profitability through the productive use of the Company's private reserves to implement the main strategic directions of the Company's activities.

ACCOUNTS RECEIVABLE

Analysis of changes in receivables, mln rub.

	ON 31.12.2018	ON 31.12.2017	ON 31.12.2016
Accounts receivable, including:	7,057.41	6,847.39	7,119.42
Customers and Buyers of electricity transmission	6,206.67	6,155.95	6,410.58
Notes receivable	6,091.36	6,104.65	6,381.93
Advances issued	34.49	32.12	13.37
Other receivables	816.26	659.32	695.47

The total amount of receivables of Kubanenergo PJSC at the beginning of the reporting year amounted to 6,847.39 million rubles, and as of December 31, 2018 – 7,057.41 million rubles.

Accounts receivable from buyers and customers amounted to 6,206.67 million rubles, which is 50.72 million rubles (0.82%) above the level as of December 31, 2017, the increase was due to a rise in the debt on other buyers and customers by 59.45 million rubles.

Accounts receivable on advances issued amounted to 34.49 million rubles, which is 2.37 million rubles (7.38%) above the level as of December 31, 2017.

Accounts receivable for other debts amounted to 816.26 million rubles, which is 156.93 million rubles. (23.80%) below the level as of December 31, 2017.

The main share (86.31%) of accounts receivable of the Company was formed in settlements for the services rendered for the transmission of electricity.

Cost accounts receivable reduction efforts for electricity transmission services

Accounts receivable for services rendered for the transmission of electricity to counterparties of Kubanenergo PJSC as of December 31, 2018 (net of allowance for doubtful debts) 6,091.36 million rubles in total. Disputable receivables at the end of the reporting year amounted to 829.79 million rubles.

Compared to 2017, accounts receivable (based on debt before deducting allowance for doubtful debts) were reduced by 226.71 million rubles. (3.07%).

PJSC "TNS Energo Kuban" is one of the largest debtors for electricity transmission services rendered, whose debt as of December 31, 2018, was 3,456.47 million rubles, including the disputed part - 506.45 million rubles, with the average monthly volume of services provided by the Company in the amount of 2,079.57 million rubles is 1.7 of a settlement period.

To reduce accounts receivable, the Company conducts claim-related work, including settlement of disputes in the pre-trial and court proceedings.