

**PUBLIC JOINT STOCK COMPANY KUBANENERGO
CONSOLIDATED INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2017
(UNAUDITED)**

Contents

Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income.....	3
Consolidated Interim Statement of Financial Position	4
Consolidated Interim Statement of Cash Flows	5
Consolidated Interim Statement of Changes in Equity	7
Notes to the Consolidated Interim Financial Statements	
1 BACKGROUND.....	9
2 BASIS OF PRESENTATION.....	10
3 SIGNIFICANT ACCOUNTING POLICIES	11
4 DETERMINATION OF FAIR VALUES	12
5 OPERATING SEGMENTS	12
6 REVENUE	14
7 OPERATING EXPENSES.....	15
8 OTHER OPERATING INCOME	15
9 FINANCE INCOME/COSTS	16
10 PROPERTY, PLANT AND EQUIPMENT	16
11 EQUITY	19
12 EARNINGS PER SHARE	19
13 INTANGIBLE ASSETS	20
14 LOANS AND BORROWINGS	20
15 OTHER PROVISIONS	21
16 FINANCIAL RISKS MANAGEMENT	21
17 CONTINGENCIES AND COMMITMENTS.....	21
18 RELATED PARTY TRANSACTIONS	22
19 EVENTS SUBSEQUENT TO THE REPORTING DATE.....	24

PJSC Kubanenergo
Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
for six months ended 30 June 2017
(in thousands of Russian roubles, unless otherwise specified)

		Six months ended 30 June 2017 (Unaudited)	Three months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Three months ended 30 June 2016 (Unaudited)
Revenue	6	18,885,905	8,770,044	19,059,682	8,562,790
Operating expenses	7	(18,541,174)	(8,877,256)	(17,188,646)	(7,962,552)
Other operating income	8	380,085	290,172	72,735	58,451
Results from operating activities		724,816	182,960	1,943,771	658,689
Finance income	9	40,160	13,365	74,711	24,784
Finance costs	9	(1,041,025)	(524,358)	(940,213)	(472,061)
Net finance costs		(1,000,865)	(510,993)	(865,502)	(447,277)
Profit before income tax		(276,049)	(328,033)	1,078,269	211,412
Income tax expense		(232,148)	(32,556)	(410,943)	264,149
(Loss)/profit for the period		(508,197)	(360,589)	667,326	475,561
Other comprehensive (loss)/income:					
<i>Items that will never be reclassified to profit or loss:</i>					
Remeasurements of defined benefit liability		(5,928)	1,287	(11,986)	(13,055)
Related income tax		1,186	(257)	2,397	2,611
Other comprehensive (loss)/income the period, net of income tax		(4,742)	1,030	(9,589)	(10,444)
Total comprehensive (loss)/income for the period		(512,939)	(359,559)	657,737	465,117
(Loss)/profit attributable to:					
Shareholders of the Company		(508,197)	(360,589)	667,326	475,561
Total comprehensive (loss)/income attributable to:					
Shareholders of the Company		(512,939)	(359,559)	657,737	465,117
(Loss)/Earnings per share - basic and diluted (in Russian Roubles)	12	(1.67)	(1.19)	2.36	1.68

These consolidated financial statements were approved by management on 21 August 2017 and were signed on its behalf by:

General director
 (by the power of attorney of 30 November 2016 No 119/10-190)

O.V. Ocheredko

Chief Accountant

I.V. Skiba



PJSC Kubanenergo
Consolidated Interim Statement of Financial Position
as at 30 June 2017

(in thousands of Russian roubles, unless otherwise specified)

	Note	30 June 2017 (unaudited)	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	10	49,442,101	48,228,069
Intangible assets	13	104,354	108,227
Investments and other assets		292,832	290,093
Trade and other receivables		13,644	15,192
Deferred tax assets		1,803,070	1,762,358
Total non-current assets		51,656,001	50,403,939
Current assets			
Inventories		1,554,767	1,408,336
Trade and other receivables		5,726,895	6,749,803
Income tax receivable		473,784	366,089
Cash and cash equivalents		1,055,644	1,254,098
Total current assets		8,811,090	9,778,326
Assets classified as held for sale		8,492	8,492
TOTAL ASSETS		60,475,583	60,190,757
EQUITY AND LIABILITIES			
Equity			
Share capital	11	28,286,813	28,286,813
Share issue reserve		2,072,166	2,072,164
Share premium		6,481,916	6,481,916
Capital reserves		(230,089)	(225,347)
Accumulated loss		(9,443,559)	(8,400,237)
Total equity attributable to owners of the Company		27,167,247	28,215,309
Non-current liabilities			
Loans and borrowings	14	20,674,391	18,912,239
Trade and other payables		1,313,582	1,428,181
Employee benefits		598,636	575,813
Government grants		44,710	52,569
Total non-current liabilities		22,631,319	20,968,802
Current liabilities			
Loans and borrowings	14	519,726	80,100
Trade and other payables		7,548,125	8,469,015
Provisions		2,596,468	2,446,329
Government grants		12,698	11,202
Current income tax liabilities		-	-
Total current liabilities		10,677,017	11,006,646
TOTAL LIABILITIES		33,308,336	31,975,448
TOTAL EQUITY AND LIABILITIES		60,475,583	60,190,757

PJSC Kubanenergo
Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2017
(in thousands of Russian roubles, unless otherwise specified)

	Note	Six months ended 30 June 2017 <u>(Unaudited)</u>	Six months ended 30 June 2016 <u>(Unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
		(508,197)	667,325
(Loss)/profit for the period			
<i>Adjustments for:</i>			
Depreciation and amortisation	7	1,564,012	1,426,676
Allowance for impairment of accounts receivable	7	452,962	(438,842)
Impairment loss on property, plant and equipment		-	-
Allowance for obsolescence of inventories		(2,015)	(4,266)
Provision for legal processes		818,274	1,042,315
Finance costs		1,041,025	940,213
Finance income		(40,160)	(74,711)
Loss on disposal of property, plant and equipment and intangible assets		20,640	7,360
Loss on disposal of intangible assets		-	1,193
Income tax expense		232,148	410,944
Other non-cash transactions		(45,923)	(9,515)
Cash flows from operating activities before changes in working capital and provisions		3,532,766	3,968,692
Change in trade and other accounts receivable		570,406	(1,314,908)
Changes in financial assets related to employee benefits plan		17,985	27,069
Change in inventories		(142,118)	(122,700)
Change in trade and other accounts payable		(1,550,265)	97,149
Change in government grants		(6,363)	(6,660)
Change in employee benefit liabilities		(6,622)	(39,081)
Change in provisions		(668,135)	(445,879)
Cash flows from (used in) operations before income taxes and interest paid		1,747,654	2,163,682
Income tax (paid)/return		(381,583)	(1,188,958)
Interest paid (including capitalized interest)		(1,052,583)	(918,295)
Net cash flows used in operating activities		313,488	56,429

PJSC Kubanenergo
Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2017
(in thousands of Russian roubles, unless otherwise specified)

**CASH FLOWS FROM INVESTING
ACTIVITIES**

Acquisition of property, plant and equipment and intangible assets	(2,729,155)	(1,967,867)
Proceeds from disposal of property, plant and equipment	404	557
Dividends received	-	-
Interest received	20,016	61,419
	<hr/>	<hr/>
Net cash flows used in investing activities	(2,708,735)	(1,905,891)
	<hr/>	<hr/>

**CASH FLOWS FROM FINANCING
ACTIVITIES**

Proceeds of share issue	2	-
Proceeds from loans and borrowings	25,677,230	559,405
Repayment of loans and borrowings	(23,480,439)	(469,352)
	<hr/>	<hr/>
Net cash flows from financing activities	2,196,793	90,053
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(198,454)	(1,759,409)
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the reporting period	1,254,098	2,577,751
	<hr/>	<hr/>
Cash and cash equivalents at the end of the reporting period	1,055,644	818,342
	<hr/> <hr/>	<hr/> <hr/>

PJSC Kubanenergo**Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2017***(in thousands of Russian roubles, unless otherwise specified)*

	Equity attributable to owners of the Company					Total equity
	Share capital	Share issue reserve	Share premium	Other provisions	Accumulated loss	
Balance at 01 January 2016	28,286,813	-	6,481,916	(165,233)	(10,110,930)	24,492,566
Profit for the reporting period	-	-	-	-	667,325	667,325
Other comprehensive income for the period						
Re-measurement of the defined benefit liability	-	-	-	(11,986)	-	(11,986)
Income tax on other comprehensive income	-	-	-	2,397	-	2,397
Total other comprehensive income for the period	-	-	-	(9,589)	-	(9,589)
Total comprehensive loss for the period	-	-	-	(9,589)	667,325	657,736
Transactions with shareholders recognised directly in equity						
Share issue reserve	-	-	-	-	(1,144,797)	(1,144,797)
Total transactions with shareholders recognised directly in equity	-	-	-	-	(1,144,797)	(1,144,797)
Balance at 30 June 2016	28,286,813	-	6,481,916	(174,822)	(10,588,402)	24,005,505

PJSC Kubanenergo**Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2017***(in thousands of Russian roubles, unless otherwise specified)*

	Equity attributable to owners of the Company					Total equity
	Share capital	Share issue reserve	Share premium	Other provisions	Accumulated loss	
Balance at 01 January 2017	28,286,813	2,072,164	6,481,916	(225,347)	(8,400,237)	28,215,309
Profit for the reporting period	-	-	-	-	(508,197)	(508,197)
Other comprehensive income for the period						
Re-measurement of the defined benefit liability	-	-	-	(5,928)	-	(5,928)
Income tax on other comprehensive income	-	-	-	1,186	-	1,186
Total other comprehensive income for the period	-	-	-	(4,742)	-	(4,742)
Total comprehensive income for the period	-	-	-	(4,742)	(508,197)	(512,939)
Transactions with shareholders recognised directly in equity						
Share issue reserve	-	2	-	-	-	2
Dividends	-	-	-	-	(535,125)	(535,125)
Total transactions with shareholders recognised directly in equity	-	2	-	-	(535,125)	(535,123)
Balance at 30 June 2017	28,286,813	2,072,166	6,481,916	(230,089)	(9,443,559)	27,167,247

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)
(in thousands of Russian roubles, unless otherwise specified)

1 BACKGROUND

a) The Group and its operations

In 1993 the Krasnodar Production Association of Power and Electrification “Krasnodarenergo” was reorganized into Kuban Power and Electrification Open Joint Stock Company (hereinafter referred to as OJSC “Kubanenergo” or “the Company”) in accordance with Decree No. 922 of the President of the Russian Federation “On Particular Features of Transformation of Public Enterprises, Associations, Organizations of Fuel and Energy Complex into Joint Stock Companies” dated 14 August 1992, with Decree No. 923 of the President of the Russian Federation “On Organization of Management of the Electric-Power Complex of the Russian Federation under Privatization Conditions” dated 15 August 1992, with Decree No. 1334 of the President of the Russian Federation dated 5 November 1992 “On Implementation in the Electric-Power Industry of Decree No. 922 of the President of the Russian Federation “On Particular Features of Transformation of Public Enterprises, Associations, Organizations of Fuel and Energy Complex into Joint Stock Companies” dated 14 August 1992”.

Due to amendments in Civil Code of Russian Federation, the new brand title of the company’s organizational and legal form was approved by the Annual General Meeting of Shareholders held on 22 June 2015. Open Joint Stock Company Kuban Power and Electrification (OJSC “Kubanenergo”) was changed to Public Joint Stock Company Kuban Power and Electrification (PJSC “Kubanenergo”).

The Company’s registered office is located at 2A, Stavropolskaya Str., Krasnodar, Krasnodar Region, Russia, 350033.

The Company’s principal activities are electricity transmission and technological connection services.

The Kubanenergo Group (hereinafter referred to as “the Group”) comprises PJSC “Kubanenergo” and its subsidiaries presented below:

Subsidiaries	Principal activity	Ownership, %	
		30 June 2017	31 December 2016
OJSC “Pansionat ot dyha “Energetik”	Recreation	100	100
OJSC “Energoservis Kubani”	Repair services	100	100

According to the decision of the Arbitration Court of Krasnodar region dated 2 September 2015 the insolvency (bankruptcy) procedure of OJSC “Ozdorovitelniy kompleks “Plamya” was started. As a result, the Company lost control over the subsidiary and disclosed the disposal of the subsidiary in the consolidated financial statements for the year ended 31 December 2015.

b) Group formation

In the past few years the Russian electric utilities industry has gone through a reform designed to introduce competition into the electricity sector and to create an environment in which the companies can raise the capital required to maintain and expand current capacity.

On 1 July 2008 the Unified Energy System of Russia (hereinafter referred to as “RAO UES”) ceased to exist as a separate legal entity and transferred shares of the Company to Open Joint Stock Company Interregional Distribution Grid Companies Holding, a newly formed state-controlled entity, which was renamed to Joint Stock Company ROSSETI in April 2013.

Due to amendments in Civil Code of Russian Federation, the new brand title of the company’s organizational and legal form was approved by the Annual General Meeting of Shareholders held on 30 June 2015. Open Joint Stock Company Rosseti (OJSC “Rosseti”) was changed to Public Joint Stock Company ROSSETI (PJSC “ROSSETI”). The new edition of Company’s Charter with the changed company’s name was registered on 17 July 2015.

As at 31 December 2016, the Government of the Russian Federation owned 88.75% of the voting ordinary shares and 7.01% of preference shares of PJSC ROSSETI, which in its turn owned 92.24% of the Company.

As at 30 June 2017, the Government of the Russian Federation owned 88.89% of the voting ordinary shares and 7.01% of preference shares of PJSC ROSSETI, which in its turn owned 92.77% of the Company.

c) Relations with the state and current regulations

The Group’s business is a natural monopoly which is under the influence of the Russian government. The government of the Russian Federation directly affects the Group’s operations also through state tariffs.

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)

(in thousands of Russian roubles, unless otherwise specified)

In accordance with legislation, the Group's tariffs are controlled by the Federal Service on Tariffs and the Regional Energy Commissions. The Federal Service on Tariffs and the Regional Energy Commissions was dismissed on 21 July 2015, and its authorities have been transferred to Federal Antimonopoly Service.

Currently, the system of tariff setting of the Russian electric utilities industry is undergoing a reform process. The Regulatory Asset Based (RAB) tariffs setting system is being implemented in the Russian Federation.

d) Russian business environment

The Group's operations are located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

For the six months ended 30 June 2017 and in 2016, the Russian economy was negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble, as well as sanctions imposed on Russia by several countries. As of 30 June 2017 the key rate was 9%. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

2 BASIS OF PRESENTATION

a) Statement of compliance

These interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* for the six months ended 30 June 2017.

The interim condensed financial statements should be read in conjunction with the financial statements for the year ended 31 December 2016 prepared in accordance with International Financial Reporting Standards ("IFRS").

b) Basis of measurement

The consolidated interim condensed financial statements are prepared on the historical cost basis except for property, plant and equipment at 1 January 2011 that were measured at carrying amounts included in the consolidated IFRS financial statements of OJSC ROSSETI as part of the Group's first time adoption of IFRSs as at January 1, 2011.

c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's functional currency and the currency in which these consolidated interim condensed financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand, except when otherwise indicated.

d) Use of estimates and judgments

The preparation of the consolidated interim condensed financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial period is included in the Note 16 - commitments and contingencies.

e) Changes in financial reporting for previous periods

- In accordance with the materiality principle and the requirements of IAS 34 *Interim Financial Statements* on disclosure of events that are significant for understanding of the changes in the Group's financial position and performance taken place after the previous year-end reporting date, a decision was made to change the scope of disclosures in the interim financial statements for the six months of 2017 ended 30 June 2017 as compared to the financial statements for the three months of 2017 ended 31 March 2017.

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)
(in thousands of Russian roubles, unless otherwise specified)

Certain amounts in the comparative information for the interim period have been reclassified in order to ensure comparability with the presentation manner of this period. The reclassification of the comparative information have had no impact on the Group's financial position.

- The weighted average number of shares was recalculated for the 2nd half of 2016 to 303,589,790 shares.

- In connection with the revision of information about operating segments for the three months of 2017 relevant information has been restated. The effect of the restatement on these financial statements is presented below.

Before revision:

	Kubanenergo	Other	Total
Revenue from external customers	10,115,135	15,133	10,130,268
Inter-segment revenue	(489)	(13,918)	(14,407)
Total segment revenue	10,114,646	1,215	10,115,861
Segment operating profit / (loss)	(279,645)	1,888	(277,757)
Finance income	5,573	34	5,607
Finance costs	(494,436)	-	(494,436)
Segment profit/(loss) before income tax	(111,273)	2,980	(108,293)
Depreciation	933,070	1,211	934,281
EBITDA	1,316,233	4,191	1,320,424

After revision:

	Kubanenergo	Other	Total
Revenue from external customers	10,114,646	1,215	10,115,861
Inter-segment revenue	489	13,918	14,407
Total segment revenue	10,115,135	15,133	10,130,268
Segment operating profit / (loss)	(279,645)	1,888	(277,757)
Finance income	5,573	34	5,607
Finance costs	(494,436)	-	(494,436)
Segment profit/(loss) before income tax	(111,273)	2,980	(108,293)
Depreciation	933,070	1,211	934,281
EBITDA	1,316,233	4,191	1,320,424

3 SIGNIFICANT ACCOUNTING POLICIES

Except for the adoption of the new standards and interpretations effective as at 1 January 2017, the accounting policies applied by the Company were consistent with those applied in the financial statements as at and for the year ended 31 December 2016.

(a) New Standards and Interpretations not yet adopted

A number of new Standards and amendments to Standards are not yet effective up to the date of issuance of the financial statements, and have not been applied in preparing these financial statements:

- IFRS 9 *Financial Instruments*. IFRS 9 is effective for annual periods beginning on or after 01 January 2018 with earlier application permitted.
- IFRS 15 *Revenue from Contracts with Customers* and amendments to IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.
- IFRS 16 *Leases*. IFRS 16 is partly or fully retrospectively effective for annual periods beginning on or after 1 January 2019, with earlier application permitted under the simultaneous application of IFRS 15.

The Company is currently assessing the impact of these standards on the financial information. The Company does not intend to adopt the standards early.

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)
(in thousands of Russian roubles, unless otherwise specified)

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates* in respect of sale of contribution of assets between an investor and its associate of joint venture.

These amendments are not expected to have any impact or impact significantly on the Group's financial information.

(6) Impact of new standards, interpretations and amendments

The amendments to the standards specified below became effective on 1 January 2017:

- Amendments to IAS 7 *Statement of Cash Flows*. The amendment requires that entities shall provide a reconciliation between the opening and closing balances for items of the statement cash flows except for equity.
- Amendments to IAS 12 *Income Taxes. Recognition of Deferred Tax Assets for Unrealised Losses*. This amendment clarifies the requirements to recognise a deferred tax assets arising from debt instruments carried at fair value.

Adoption of the amendments will not have a significant impact on the Group's financial position or its performance.

4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Trade and other receivables

The fair value of non-current trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Management believes that the fair value of current trade and other receivables approximates their carrying amount. This fair value is determined for disclosure purposes.

b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 OPERATING SEGMENTS

The Group has one reportable segment, as described below, which is the Group's strategic business unit. This strategic business unit offers electricity transmission services including technological connection services in separate geographical regions of the Russian Federation (Krasnodar region and Republic of Adygeya) and is managed in common. The "other" segment includes insignificant operating segments such as rent services and repair and maintenance services. None of them meets any of the quantitative thresholds for determining reportable segments in the first six months of 2017 or 2016.

Segment reports are based on the information reported in statutory accounts, which differ significantly from the consolidated interim condensed financial statements prepared under IFRS. Reconciliation of items measured as reported to the Management Board with similar items in these consolidated interim condensed financial statements includes those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

Segment capital expenditures are the total costs incurred during the period to acquire property, plant and equipment.

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)
(in thousands of Russian roubles, unless otherwise specified)

Key segment items presented to and analysed by the Management Board are presented in the tables below:

(i) **Information about reportable segments**

For the six months ended 30 June 2017:

	Kubanenergo	Other	Total
Revenue from external customers	18,876,083	10,468	18,886,551
Inter-segment revenue	1,051	19,520	20,571
Total segment revenue	18,877,134	29,988	18,907,122
Segment operating profit / (loss)	1,398,192	(6,317)	1,391,875
Finance income	18,506	36	18,542
Finance costs	(998,285)	(43)	(998,328)
Segment profit/(loss) before income tax	(679,953)	(6,810)	(686,763)
Depreciation	1,867,535	2,422	1,869,957
EBITDA	2,185,867	(4,345)	2,181,522

For the three months ended 30 June 2017:

	Kubanenergo	Other	Total
Revenue from external customers	8,761,437	9,253	8,770,690
Inter-segment revenue	562	5,602	6,164
Total segment revenue	8,761,999	14,855	8,776,854
Segment operating profit / (loss)	1,677,837	(8,205)	1,669,632
Finance income	12,933	2	12,935
Finance costs	(503,849)	(43)	(503,892)
Segment profit/(loss) before income tax	(568,680)	(9,790)	(578,470)
Depreciation	934,465	1,211	935,676
EBITDA	869,634	(8,536)	861,098

For the six months ended 30 June 2016:

	Kubanenergo	Other	Total
Revenue from external customers	19,044,820	14,862	19,059,682
Inter-segment revenue	667	2,024	2,691
Total segment revenue	19,045,487	16,886	19,062,373
Segment operating profit / (loss)	1,646,435	(13,615)	1,632,820
Finance income	61,419	-	61,419
Finance costs	(916,908)	(26)	(916,934)
Segment profit/(loss) before income tax	758,694	(13,651)	745,043
Depreciation	1,805,951	2,265	1,808,216
EBITDA	3,481,553	(11,360)	3,470,193

For the three months ended 30 June 2016:

	Kubanenergo	Other	Total
Revenue from external customers	8,550,404	12,386	8,562,790
Inter-segment revenue	388	2,024	2,412
Total segment revenue	8,550,792	14,410	8,565,202
Segment operating profit / (loss)	1,268,185	(6,969)	1,261,216
Finance income	24,421	-	24,421
Finance costs	(458,588)	(26)	(458,614)
Segment profit/(loss) before income tax	65,471	(5,345)	60,126
Depreciation	894,319	1,133	895,452
EBITDA	1,418,378	(4,186)	1,414,192

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)
(in thousands of Russian roubles, unless otherwise specified)

As at 30 June 2017:

	Kubanenergo	Other	Total
Segment assets	67,237,795	71,669	67,309,464
<i>Including property, plant and equipment</i>	<i>56,803,451</i>	<i>31,367</i>	<i>56,834,818</i>

As at 31 December 2016:

	Kubanenergo	Other	Total
Segment assets	67,288,201	54,048	67,342,249
<i>Including property, plant and equipment</i>	<i>55,910,737</i>	<i>32,550</i>	<i>55,943,287</i>

(ii) Reconciliation of reportable segments profit/(loss) before income tax

Reconciliation of reportable segment profit/(loss) before income tax is presented below:

	Six months ended 30 June 2017 (Unaudited)	Three months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Three months ended 30 June 2016 (Unaudited)
EBITDA of reportable segments	2,181,522	861,098	3,470,193	1,414,192
Less depreciation and amortisation	1,869,957	935,676	1,808,216	1,349,896
Less interest expense	998,328	503,892	916,934	4,170
Total segment (loss)/profit before income tax	(686,763)	(578,470)	745,043	60,126
<i>Adjustments for:</i>				-
Capitalization	(17,534)	(8,788)	5,226	2,013
Revenue from electricity transmission	49	49	25,276	-
Depreciation and loss from disposal of property, plant and equipment	340,035	159,143	398,139	193,405
Accrual of provision for unused vacations and bonuses	100,416	114,413	(14,624)	883
Impairment of accounts receivable	(2)	(358)	(29,758)	(29,731)
Recognition of pension liabilities	(14,156)	(17,033)	3,393	8,494
Recognition of expenses	(3,601)	175	(26,500)	4,704
Other adjustments	5,507	2,836	(27,926)	(28,486)
Profit before income tax for the period per Consolidated Interim Statements of Profit or Loss and Other comprehensive Income	(276,049)	(328,033)	1,078,269	211,408

The Group performs its activities in the Russian Federation.

For the six months ended 30 June 2017 the Group had two major customers - distribution companies in Krasnodar region of the Russian Federation with individual turnover over 10% of the total Group revenues. The total amount of revenues for these major customers for the six months ended 30 June 2017 was RUB 15,387,156 thousand or 81.5% of the Group's total revenues, for the three months ended 30 June 2017: RUB 7,098,532 thousand or 80.9% (for the six months ended 30 June 2016: 15,281,383 thousand or 80.2%, for the three months ended 30 June 2016: RUB 7,113,205 thousand or 83.1%).

6 REVENUE

	Six months ended 30 June 2017 (Unaudited)	Three months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Three months ended 30 June 2016 (Unaudited)
Electricity transmission	18,556,779	8,663,815	17,910,268	8,460,835
Connection services	276,270	71,552	1,093,549	67,410
Rental income	9,238	6,030	7,162	4,424
Repairs and maintenance	2,452	1,461	2,580	1,719
Other revenue	41,166	27,186	46,123	28,402
	18,885,905	8,770,044	19,059,682	8,562,790
Government grants	-	-	-	-
	18,885,905	8,770,044	19,059,682	8,562,790

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)
(in thousands of Russian roubles, unless otherwise specified)

Other revenue comprises generally revenue from rendering services related to restriction of electricity use conditions, assembly and disassembling of electrical meters, rendering services related to electricity metering.

Government grants to compensate low electricity tariffs are recognised in the periods when the revenue related with them was recognised in revenue. Other types of grants granted to cover incurred expenses are systematically recognised in other income in the periods when related expenses are recognised.

7 OPERATING EXPENSES

	Six months ended 30 June 2017 (Unaudited)	Three months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Three months ended 30 June 2016 (Unaudited)
Electricity transmission	7,301,470	3,930,271	6,953,446	3,344,784
Purchased electricity for compensation of technological losses	3,603,407	1,244,359	3,746,632	1,376,889
Personnel costs	2,504,770	1,196,853	2,584,672	1,269,425
Depreciation and amortisation	1,563,293	792,684	1,426,676	708,983
Legal claims	818,274	329,660	1,042,315	777,173
Recovery of impairment of trade and other receivables	452,962	224,603	(438,842)	(546,652)
Raw materials and supplies	450,331	279,261	406,374	256,939
Repairs, maintenance and installation services	201,982	166,476	178,085	152,787
Rent	119,266	61,130	97,025	64,626
Security services	80,350	33,250	96,690	48,352
Business trip expenses	57,888	34,959	55,846	32,068
Consulting, legal and audit services	54,661	53,021	5,305	3,582
Insurance	38,057	19,052	37,991	18,942
Other expenses	1,294,463	511,677	996,431	454,654
	18,541,174	8,877,256	17,188,646	7,962,553

8 OTHER OPERATING INCOME

	Six months ended 30 June 2017 (Unaudited)	Three months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Three months ended 30 June 2016 (Unaudited)
Fines and penalty received from contractors for contractual breaches	272,385	265,970	169	-
Insurance compensation received	72,528	17,434	45,423	34,818
Income from property, plant and equipment received free of charge	33,965	7,563	9,515	5,773
Non-contractual consumption of electricity	10,661	5,446	23,155	15,565
Write-off accounts payable	8,767	7,949	771	517
Income from inventories received free of charge	2,419	1,262	2,255	1,743
Income from inventories received from liquidation of property, plant and equipment	2,297	1,475	2,887	2,438
Income from sale of property, plant and equipment	229	-	2,653	1,927
Loss on disposal of intangible assets	-	-	(1,193)	2,200
Write off of property, plant and equipment, including prepayments for property, plant and equipment	(23,166)	(16,927)	(12,900)	(6,530)
	380,085	290,172	72,735	58,451

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)
(in thousands of Russian roubles, unless otherwise specified)

9 FINANCE INCOME/COSTS

	Six months ended 30 June 2017 (Unaudited)	Three months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Three months ended 30 June 2016 (Unaudited)
Recognised in profit and loss				
Financial income				
Interest income on loans, Bank deposits, bills and balances in Bank accounts	18,542	12,935	61,419	24,421
Interest income from assets related to employee benefits payable	20,724	-	12,769	-
Effect of initial discounting of financial liabilities	-	-	44	44
Amortization of discount on financial assets	894	430	479	319
Other financial income	-	-	-	-
	<u>40,160</u>	<u>13,365</u>	<u>74,711</u>	<u>24,784</u>
	Six months ended 30 June 2017 (Unaudited)	Three months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Three months ended 30 June 2016 (Unaudited)
Financial costs				
Interest expense on financial liabilities recorded at amortized cost	1,015,862	512,680	911,708	456,601
Interest expense on long-term employee benefits payable	23,518	11,527	21,388	10,296
Effect of initial discounting of financial liabilities	43	35	3,517	3,437
Amortization of discount on financial assets	1,602	116	3,599	1,727
Other financial costs	-	-	-	-
	<u>1,041,025</u>	<u>524,358</u>	<u>940,213</u>	<u>472,061</u>

10 PROPERTY, PLANT AND EQUIPMENT

The cost of property, plant and equipment at 1 January 2011, the date of transition to IFRSs, was determined by reference to their carrying amounts included in the consolidated IFRS financial statements of the parent - PJSC ROSSETI.

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)
(in thousands of Russian roubles, unless otherwise specified)

	Land and production buildings	Transmission network	Equipment for electricity transmission	Other	Construction in progress	Total
<i>Cost/Deemed cost</i>						
Balance at 01 January 2016	7,150,299	34,640,288	13,336,956	6,496,358	3,158,744	64,782,645
Additions	3,505	2,274	8,155	14,661	1,822,454	1,851,049
Transfers	168,925	396,541	536,656	7,802	(1,109,924)	-
Disposals	(104)	(14,919)	(7,195)	(16,468)	(4,811)	(43,497)
Reclassifications	(8,099)	(15,702)	(107,421)	131,222	-	-
Balance at 30 June 2016 (unaudited)	7,314,526	35,008,482	13,767,151	6,633,575	3,866,463	66,590,197
Balance at 01 January 2017	7,447,938	36,165,526	14,402,824	7,173,374	5,369,204	70,558,866
Additions	2,249	3,155	70,708	50,837	2,642,100	2,769,049
Transfers	7,378	730,343	291,481	13,921	(1,043,123)	-
Disposals	(1,619)	(9,031)	(16,921)	(13,469)	(8,053)	(49,093)
Reclassifications	163	(106)	(51)	(6)	-	-
Balance at 30 June 2017 (unaudited)	7,456,109	36,889,887	14,748,041	7,224,657	6,960,128	73,278,822

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)
(in thousands of Russian roubles, unless otherwise specified)

	Land and production buildings	Transmission network	Equipment for electricity transmission	Other	Construction in progress	Total
<i>Accumulated depreciation and impairment</i>						
Balance at 01 January 2016	(2,123,229)	(8,067,995)	(5,421,686)	(3,785,005)	(145,519)	(19,543,434)
Reallocation of impairment charge	(11,257)	(3,404)	(2,811)	(1)	17,473	-
Charge for the period	(118,237)	(618,033)	(379,867)	(282,986)	-	(1,399,123)
Disposals	85	6,673	4,319	15,075	12	26,164
Reclassifications	27,617	(1,516)	74,898	(100,999)	-	-
Balance at 30 June 2016	(2,225,021)	(8,684,275)	(5,725,147)	(4,153,916)	(128,034)	(20,916,393)
Balance at 01 January 2017	(2,350,190)	(9,323,005)	(6,109,542)	(4,438,517)	(109,543)	(22,330,797)
Reallocation of impairment charge	(105)	(2,648)	(1,472)	-	4,225	-
Charge for the period	(129,710)	(679,777)	(423,407)	(299,120)	-	(1,532,014)
Disposals	842	2,552	9,237	13,430	29	26,090
Reclassifications	(78)	3	69	6	-	-
Balance at 30 June 2017 (unaudited)	(2,479,241)	(10,002,875)	(6,525,115)	(4,724,201)	(105,289)	(23,836,721)
<i>Carrying amount</i>						
At 01 January 2016	5,027,070	26,572,293	7,915,270	2,711,353	3,013,225	45,239,211
At 30 June 2016 (unaudited)	5,089,505	26,324,207	8,042,004	2,479,659	3,738,429	45,673,804
At 01 January 2017	5,097,748	26,842,521	8,293,282	2,734,857	5,259,661	48,228,069
At 30 June 2017 (unaudited)	4,976,868	26,887,012	8,222,926	2,500,456	6,854,839	49,442,101

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)
(in thousands of Russian roubles, unless otherwise specified)

11 EQUITY

Share capital

	<u>30 June 2017</u>	<u>31 December 2016</u>
Par value	RUB 100	RUB 100
Number of ordinary shares authorised, issued and fully paid	282,868,130	282,868,130
Total share capital (in thousands of RUB)	<u>28,286,813</u>	<u>28,286,813</u>

Dividends

The Company's statutory financial statements form the basis for the distribution of profit and other appropriations. Due to differences between statutory accounting principles and IFRS, the Company's loss in the statutory accounts can differ significantly from that reported in the consolidated interim condensed financial statements prepared under IFRS.

At the annual shareholders meeting held on 20 June 2017 the decision was made to pay dividends for the year ended 31 December 2016 in the amount of RUB 535,125 thousand (RUB 1.762658 per ordinary share). No dividends were declared for 2017.

12 EARNINGS PER SHARE

The calculation of earnings per share is based upon the profit for the period and the weighted average number of ordinary shares outstanding during the period. The Company has no dilutive potential ordinary shares.

<i>In shares</i>	<u>Six months ended 30 June 2017 (Unaudited)</u>	<u>Three months ended 30 June 2017 (Unaudited)</u>	<u>Six months ended 30 June 2016 (Unaudited)</u>	<u>Three months ended 30 June 2016 (Unaudited)</u>
Issued shares at the beginning of the period	282,868,130	282,868,130	282,868,130	282,868,130
The number of unregistered shares	20,721,660	20,721,660	-	-
Weighted average number of shares as at 30 June	<u>303,589,790</u>	<u>303,589,790</u>	<u>282,868,130</u>	<u>282,868,130</u>
<i>In shares</i>	<u>Six months ended 30 June 2017 (Unaudited)</u>	<u>Three months ended 30 June 2017 (Unaudited)</u>	<u>Six months ended 30 June 2016 (Unaudited)</u>	<u>Three months ended 30 June 2016 (Unaudited)</u>
Weighted average number of ordinary shares for the period (thousand of shares)	303,590	303,590	282,868	282,868
(Loss)/earnings attributable to the holders of ordinary shares (thousands of RUB)	(508,197)	(360,589)	667,326	475,561
(Loss)/Earnings per share - basic and diluted (in RUB)	<u>(1.67)</u>	<u>(1.19)</u>	<u>2.36</u>	<u>1.68</u>

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)
(in thousands of Russian roubles, unless otherwise specified)

13 INTANGIBLE ASSETS

	Software	Certificates and licenses	R&D	Other intangible assets	Total
<i>Cost</i>					
Balance at 1 January 2016	212,826	5,295	15,741	11,541	245,403
Additions	6,989	-	2,201	-	9,190
Reclassification	4,700	-	(4,700)	-	-
Disposals	(3,406)	-	-	-	(3,406)
Balance at 30 June 2016	221,109	5,295	13,242	11,541	251,187
Balance at 1 January 2017	280,722	5,295	14,511	11,541	312,069
Additions	15,868	-	6,747	5,509	28,124
Balance at 30 June 2017	296,590	5,295	21,258	17,050	340,193
<i>Amortisation</i>					
Balance at 1 January 2016	(144,107)	(4,010)	-	(1,221)	(149,338)
Charge for the period	(26,072)	(771)	-	(1,825)	(28,668)
Disposals	2,213	-	-	-	2,213
Balance at 30 June 2016	(167,966)	(4,781)	-	(3,046)	(175,793)
Balance at 1 January 2017	(193,678)	(5,295)	-	(4,869)	(203,842)
Charge for the period	(29,811)	-	-	(2,186)	(31,997)
Balance at 30 June 2017	(223,489)	(5,295)	-	(7,055)	(235,839)
<i>Carrying amount</i>					
At 1 January 2016	68,719	1,285	15,741	10,320	96,065
At 30 June 2016	53,143	514	13,242	8,495	75,394
At 1 January 2017	87,044	-	14,511	6,672	108,227
At 30 June 2017	73,101	-	21,258	9,995	104,354

14 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings.

	30 June 2017 (Unaudited)	31 December 2016
Non-current loans and borrowings		
Unsecured bank loans	14,109,430	11,912,239
Bonds issued	7,000,000	7,000,000
Minus the current portion of unsecured long term loans	(435,039)	-
	20,674,391	18,912,239
Current loans and borrowing		
Current portion of unsecured long term loans	435,039	-
Unsecured loans	622	1,022
Interest payable	84,065	79,078
	519,726	80,100

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)
(in thousands of Russian roubles, unless otherwise specified)

Terms and condition of outstanding loans and borrowings were as follows:

	Nominal interest rate (fixed), %		Year of maturity	Carrying amount	
	30 June 2017 (Unaudited)	31 December 2016		30 June 2017 (Unaudited)	31 December 2016
PJSC Sberbank*	8.76-9.15%	9.90%	2019	7,214,737	2,000,000
PJSC "ROSSETI"*	10.44-12.63%	10.44-12.63%	2019-2025	7,000,000	7,000,000
Gazprombank (JSC)*	8.75-9.50%	10.00-10.80%	2020	6,738,724	9,912,239
Bank VBRR (JSC)	9.25%	-	2020	155,969	-
Other	Interest free	Interest free	2016	622	1,022
Total				21,110,052	18,913,261

*Loans and borrowings from the government - related entities.

The Group's loans and borrowings are denominated in Russian Roubles.

15 OTHER PROVISIONS

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Balance at 1 January	2,446,329	1,907,775
Provisions raised during the period	884,242	1,110,807
Provisions reversed during the period	(65,969)	(68,492)
Provisions used during the period	(672,269)	(445,879)
Capitalized	4,135	-
Balance at 30 June	2,596,468	2,504,211

Provisions relate to the legal proceedings against the Group and unsettled disagreements with distribution selling entities regarding the purchased electric power for the compensation of technological losses and the electricity transmission services and also untimely payment of accounts payable.

16 FINANCIAL RISKS MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2016.

17 CONTINGENCIES AND COMMITMENTS

Capital commitments

As at 30 June 2017 the Group has outstanding commitments for the acquisition and construction of property, plant and equipment of RUB 3,865,888 thousand (31 December 2016: RUB 2,092,294 thousand).

Insurance

The insurance industry of the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its stations business interruption or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Litigation

The Group was involved in the number of court procedures (both as a plaintiff and as a defendant) arising in the course of business.

As at 30 June 2017 and 31 December 2016 the Group was in dispute with distribution selling entities related to purchase of electricity for compensation of technological losses and electricity transmission services. In the opinion

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)

(in thousands of Russian roubles, unless otherwise specified)

of management the probability of negative outcome of the disputes was probable and recognized a provision of RUB 2,596,468 thousand (at 31 December 2016: RUB 2,446,329 thousand).

Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation official pronouncements and court decisions which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities which have the authority to impose severe fines penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated statements, if the authorities were successful in enforcing their interpretations, could be significant.

Environmental matters

The Group and its predecessors have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group entities periodically evaluate their obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation management believes that there are no significant liabilities for environmental damage.

Other contingencies

The Group believes that all Group's sales arrangements are generally in compliance with the Russian legislation regulating electric power transmission. However, based on uncertainty of legislation that regulates the lease of Unified National Electricity Network property ("last-mile") by the Group there is a risk that customers may challenge that the Group has no legal ground to invoice them and hence recognize revenue for electric power transmission services provided via leased "last-mile" grids and courts agree with the customers' view. The potential amount of such claims could be significant, but cannot be reliably estimated as each claim would have individual legal circumstances and respective estimation would be based on a variety of assumptions and judgments, which makes it impracticable. The Group did not recognize as at the reporting date any provision for those actual and potential claims as it believes that it is not probable that related outflow of resources or decrease of benefits inflow will take place. The Group believes that expected changes in legislation will further reduce the level of risk.

18 RELATED PARTY TRANSACTIONS

Control relationship

Related parties include shareholders, affiliates and entities under common ownership and control with the Group and members of the Board of Directors and key management personnel which comprised of General Director, Deputies General Director and Directors of the branches. The Company's parent as at 30 June 2017 and 31 December 2016 was PJSC ROSSETI. The party with the ultimate control over the Company is the Government of the Russian Federation which held the majority of the voting rights of PJSC ROSSETI.

In the normal course of business the Group enters into transactions with other entities under common government control including Russian railways, state-controlled banks and various governmental bodies. Prices for electricity, electricity transmission and connection services are based on tariffs set by federal and regional tariff regulatory bodies. Bank loans are provided on the basis of market rates. Taxes are accrued and settled in accordance with Russian tax legislation.

The Group's parent company produces publicly available financial statements.

Transactions with the Company's Parent, its subsidiaries and associates

Transactions with the Company's Parent, its subsidiaries and associate include transactions with PJSC ROSSETI, its subsidiaries and associates, and were as follows:

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)
(in thousands of Russian roubles, unless otherwise specified)

Revenue

	Transaction value for the six months ended 30 June		Transaction value for the three months ended 30 June		Outstanding balance	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)	30 June 2017 (Unaudited)	31 December 2016
Parent company						
Other	592	592	296	296	117	-
Transactions with other PJSC ROSSETI's subsidiaries						
Rent	24	24	12	12	5	9
Services on technological connection	9	-	9	-	-	-
Other	1	19,802	-	19,802	193,023	255,909
Reversal of allowance	27,777	-	-	(22,364)	-	-
Allowance for impairment of other receivables	561	-	-	-	(168,409)	(167,116)
	28,964	20,418	317	(2,254)	24,736	88,802

Expenses

	Transaction value for the six months ended 30 June		Transaction value for the three months ended 30 June		Outstanding balance	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)	30 June 2017 (Unaudited)	31 December 2016
Parent company						
Managing services	38,242	38,242	19,121	19,121	5,414	5,297
Other	10,857	7,636	5,249	3,818	496,441	-
	49,099	45,878	24,550	22,939	501,855	5,297
Electricity transmission	2,793,401	2,258,845	1,359,927	1,021,926	384,007	371,979
Rent	36	5,940	18	2,960	13,940	31,063
Connection services	1,713	249	579	12	-	-
Other	175,293	43,948	12,717	37,345	94,925	135,224
	2,970,443	2,308,982	1,373,241	1,062,243	492,872	538,266
Capitalized installation and construction activities	707	-	707	-	64,003	122,170
	3,020,249	2,354,860	1,398,498	1,085,182	1,058,730	665,733

Borrowings

	Transaction value for the six months ended 30 June		Transaction value for the three months ended 30 June		Outstanding balance	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)	30 June 2017 (Unaudited)	31 December 2016
Parent company						
Bonds issued	-	-	-	-	7,000,000	7,000,000
Interest on bonds issued	399,384	401,548	200,774	200,774	73,650	75,814
	399,384	400,548	200,774	200,774	7,073,650	7,075,814

For more details about bonds repurchased by PJSC "ROSSETI" see Note 13.

Management remuneration

The Group identifies members of Board of Directors, members of Management Board and top managers of the Company and its subsidiaries as key management personnel.

There are no transactions with key management personnel and close family members except their remuneration in the form of salary and bonuses which were as follows.

	Six months ended 30 June 2017 (Unaudited)		Three months ended 30 June 2017 (Unaudited)		Six months ended 30 June 2016 (Unaudited)		Three months ended 30 June 2016 (Unaudited)	
	Board of Directors	Other key management personnel	Board of Directors	Other key management personnel	Board of Directors	Other key management personnel	Board of Directors	Other key management personnel
Salaries and bonuses	-	46,438	-	24,413	-	-	-	-

PJSC Kubanenergo
Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 June 2017 (unaudited)
(in thousands of Russian roubles, unless otherwise specified)

As at 30 June 2017 current amount of liabilities of post-employment defined benefit plan, provided in the Consolidated statement of financial position, includes the liabilities related to key management personnel amounting to RUB 1,249 thousand (as at 31 December 2016: RUB 1,140 thousand).

Transactions with government-related parties

In the course of its operating activities the Group is also engaged in significant transactions with government-related entities. Revenues and purchases from government-related entities are measured at regulated tariffs where applicable.

Revenues from government-related entities for the six months ended 30 June 2017 constitute 0.47%, for the three months ended 30 June 2017: 0.51% (for the six months ended 30 June 2016: 5.82%, for the three months ended 30 June 2016: 0.72%) of the total Group revenues. The electricity transmission revenue from government - related entities for the six months ended 30 June 2017 constitutes 0.45%, for the three months ended 30 June 2017: 0.46% (for the six months ended 30 June 2016: 0.71%, for the three months ended 30 June 2016: 0.70%) of total Group revenues.

Electricity transmission costs from government-related entities for the six months ended 30 June 2017 constitutes 5.01%, for the three months ended 30 June 2017: 4.74% (for the six months ended 30 June 2016: 2.98%, for the three months ended 30 June 2016: 1.91%) of total transmission costs.

Pricing policies

Related party revenue for electricity transmission is based on the tariffs regulated by the government.

19 EVENTS SUBSEQUENT TO THE REPORTING DATE

The From 1 July till 18 August the received the following loans:

- In the amount of RUB 2,000,000 thousand from PJSC “Sberbank” to repay received loans;
- In the amount of RUB 2,000,000 thousand from JSC “Gazprombank” to repay received loans;
- In the amount of RUB 221,333 thousand from JSC “Gazprombank” to finance investment activities;
- In the amount of RUB 105,780 thousand from PJSC “Sberbank” to finance investment activities;
- In the amount of RUB 383,835 thousand from PJSC “Sberbank” to finance current activities.