

**Information on Non-Core Assets of Kubanenergo PJSC
Participation of Kubanenergo PJSC in other Commercial Organizations**

Register of Company non-core assets

Company Register of Company non-core assets (hereinafter referred to as the Register) was made by Decision of the Board of Directors of 8/13/2003, Minutes No. 4.

The Register is approved as amended by Decision of the Company's Board of Directors (Minutes No. 98/2010 of 11/1/2010).

As of 1/1/2016, the Register includes 36 facilities, particularly:

- 26 housing and utility facilities;
- 2 social and cultural, recreational facilities;
- 3 administrative and maintenance, sanitary and amenity facilities to service the personnel and provide major activities;
- 5 blocks of shares of commercial organizations.

The Register provides:

- keeping shares in 17 facilities;
- delayed sale of 3 facilities;
- primary sale of 16 facilities.

The Company sold facilities specified in the Register in accordance with the Regulation on management of Company housing and utility facilities approved by Decision of Kubanenergo OJSC Board of Directors (Minutes No. 83/2009 of 12/29/2009) and the Regulation on sale of Company non-core assets approved by Decision of Kubanenergo OJSC Board of Directors (Minutes No. 62/2008 of 11/24/2008).

Sale of Kubanenergo PJSC non-core assets in 2016:

Asset name	Inventory number (if applicable)	Line of the Balance sheet specifying the asset as of the reposting date that is prior to the asset sale date	Accounts (with regard to analytics) specifying revenue and expenses related to the disposal of assets (91.1xxx/91.2x xx)	Carrying amount of an asset (RUB thou)	Actual sales value (RUB thou)	Deviation of the actual sales value from the carrying amount of an asset (RUB thou)	Reason for deviation of the actual sales value from the carrying amount of an asset
17, ul. Shapsugskaya, Tuapsinsky District, utility post settlement Psebe	10052	1152	91.01/01	0	150.00	150.00	Actual asset sales value exceeded carrying amount of the asset
Residential building: 5, ul. Kuprina, Lazarevsky District, settlement Makopse, Sochi	11026	1152	91.01/01	101.85	942.12	840.27	
Residential building: 132, ul. Armavirskaya, Lazarevsky District, Sochi	10062	1152	91.01/01	114.52	2,280.3	2,165.78	

On 12/26/2016 (Minutes No. 259/2016) Kubanenergo OJSC Board of Directors approved Company non-core assets Disposal Program and Register of Company non-core assets Disposal Program.

Non-core assets Disposal Program specifies criteria for classifying Company assets as non-core assets, procedure for keeping the Register of non-core assets, policies related to assessment of non-core assets as well as major regulations on their disposal. Non-core assets are defined upon the results of inventory, examination and analysis of available non-current assets that the Company owns. Non-core assets Disposal Program specifies the following ways of management of non-core assets: sale, donation, liquidation, keeping shares.

As of 12/31/2016, the Register (Sales Plan) of non-core assets includes 11 facilities: 4 of them require sale, 3 facilities require liquidation, 4 facilities require keeping shares.

Participation of Kubanenergo PJSC in other Commercial Organizations

As of 12/31/2016, Kubanenergo PJSC owns blocks of shares of 6 joint-stock companies, including 3 subsidiaries.

Item No.	Name	Subsidiary Region	Subsidiary Main Activity	Company share in authorized capital of joint-stock companies (%)
1. Kubanenergo PJSC subsidiaries:				
1	Open Joint-Stock Company "Recreation Center "Energetik" (OJSC Recreation Center Energetik) 4, ul. Pionerskaya, Krasnodar Region, v. Divnomorskoye 353490	Krasnodar Krai	Recreation and healthcare for children and grown-ups, primarily employees of Kubanenergo PJSC and their relatives; organization and holding of seminars and conferences	100 %
2	Open Joint-Stock Company "Plamya" (OJSC Recreation Center Plamya) Krasnodar Krai, Tuapsinsky District, settlement Novomikhailovsky-2 352856	Krasnodar Krai	Recreation and healthcare for children and grown-ups, primarily employees of Kubanenergo PJSC and their relatives; holding of training camps and competitions for sport teams; organization and holding of seminars and conferences	100 %
3	Open Joint-Stock Company "Energoservice Kubani" (OJSC Energoservice Kubani) 47, ul. Novorossiyskaya, Karasunsky District, Krasnodar 350080	Krasnodar Krai	Performance of design and construction works of power metering units, hot and cold water supply as well as design, assembly and calibration of power and gas metering units, process equipment	100 %
2. Other commercial organizations that the Company owns shares of:				
4	Closed Joint-Stock Company "REGIONAL ENGINEERING AND TECHNOLOGICAL ENERGY COMPANY-SOYUZ" (RITEK-SOYUZ CJSC) Legal address 2, ul. Stavropolskaya, Central Administrative Okrug, Krasnodar 350033 Mailing address: 50, ul. Demusa, Krasnodar 350080	Krasnodar Krai	Organization, performance and support of scientific research and development, engineering, construction and commissioning works; monitoring and management	1.00%
5	Closed Joint-Stock Company "Aquatron" (CJSC Aquatron) 33 B, ul. Dubinskaya, Moscow 113054	Moscow	Organization, development and use of industrial technologies for individual fish farms; scientific research and development and other works in the field of fish farming	3.333%
6	Closed Joint-Stock Company North Caucasian Research and Development Joint- Stock Corporation "Turbogas" (CJSC Turbogas) Legal address Krasnodar Krai, Gelendzhik 353470 Mailing address: 66, ul. Ordzhonikidze, Krasnodar 350000	Krasnodar Krai	Power saving technologies development; production, use, maintenance and repair of power systems; electric power production and sales	4.0%

Blocks of shares of the above mentioned companies are included in the Register (Sales Plan) of non-core assets, except for OJSC Energoservice Kubani. Blocks of shares of CJSC Turbogas, CJSC Aquatron, RITEK-SOYUZ CJSC shall be sold. The Company plans to keep shares in OJSC Recreation Center Energetik. Financial investment (shares of OJSC Recreation Center Plamya) is subject to liquidation as on 9/2/2015 in accordance with the decision of the Arbitration Court of Krasnodar Krai OJSC Recreation Center Plamya was recognized as insolvent (bankrupt); tender procedures were initiated; in accordance with Federal Law No. 127-FZ of 10/26/2002 "On insolvency (bankruptcy)" when the Arbitration Court makes decision on debtor's bankruptcy and initiating tender procedures authorities of OJSC Recreation Center Plamya administrative bodies are withdrawn.

Due to amount of Company voting shares of CJSC Turbogas, CJSC Aquatron, RITEK-SOYUZ the Company can not make its own decisions related to functioning of these commercial organizations, particularly the Company can not form their administrative and control bodies.

Kubanenergo PJSC cooperates with its subsidiary companies (hereinafter referred to as the Subsidiary Companies) in accordance with the legislation of the Russian Federation, Articles of Association and other Company internal documents as well as documents of Company subsidiaries,

including Procedure for Company cooperation with economic entities that the Company owns stock (shares) of as approved by Decision of the Company's Board of Directors (Minutes No. 69/2009 of 3/27/2009).

Major goals of Company cooperation with subsidiary companies:

- to ensure sustainable financial development and profitability of subsidiary companies;
- to provide protection of rights and interests of Company and subsidiary companies shareholders;
- to promote investment appeal of the Company and subsidiary companies by way of providing investment community complete, up-to-date and reliable information on activities of subsidiary companies as well as sustainability and predictability of corporate policy in general;
- to develop and implement coordinated and effective investment policy of subsidiary companies.

The Company manages and controls activities of subsidiary companies using the following corporate management procedures:

- in accordance with the Kubanenergo PJSC Articles of Association Management Board of Kubanenergo PJSC performs duties of joint meetings of shareholders of 100 % subsidiary companies;
- SC Boards of Directors carry out general management of activities of subsidiary companies; majority of Board members are representatives of Kubanenergo PJSC;
- Position of Kubanenergo PJSC on major issues expressed in agenda of general meetings of shareholders and meetings of Boards of Directors of subsidiary companies is stipulated by the Company's Board of Directors;
- SC Revision Commissions carry out regular control of financial and economic activities of subsidiary companies; representatives of Kubanenergo PJSC form these Commissions.

Sole executive body (General Director) carries out operational management of each subsidiary company. Collective executive bodies (management boards) are not stipulated in Articles of Association of subsidiary companies.

The Company specifies target values of net profit and current liquidity ratio of subsidiary companies within the framework of development of business plans of subsidiary companies as well to monitor and control their current activities.

Financial and economic indicators of activities carried out by subsidiary companies

Financial and economic indicators of activities carried out by OJSC Recreation Center Energetik

Item No.	Name	2016	2015	2014
1	Revenue, RUB thou	73,889	63,765	63,921
2	Gross profit , RUB thou	-707	-967	1,263
3	Net profit (unallocated profit / uncovered loss), RUB thou	554	-4,205	223
4	Return on equity (ROE)*, %	1.6	-11.4	0.6
5	Return on total assets (ROTA) from revenue before taxes*, %	2.0	-8.4	0.8
6	Net profit rate, %	0.7	-6.6	0.3
7	Cost to Revenue (sales) rate, %	-1.0	-1.5	2.0
8	Amount of uncovered loss as of reporting date, RUB thou	4,993	5,548	1,287
9	Rate between uncovered loss and balance sheet total, %	12.2	13.8	3.01

Financial and economic indicators of activities carried out by OJSC Energoservice Kubani

Item No.	Name	2016	2015	2014
1	Revenue, RUB thou	62,118	9,364	7,462
2	Gross profit , RUB thou	-7,175	-47	-757
3	Net profit (unallocated profit / uncovered loss), RUB thou	-9,013	-3,870	-4,723
4	Return on equity (ROE)*, %	95.8	79.0	-354.2
5	Return on total assets (ROTA) from revenue before taxes*, %	-101.9	-50.9	-80.7
6	Net profit rate, %	-14.5	-41.3	-63.3

7	Cost to Revenue (sales) rate, %	-18.3	-51.0	-78.5
8	Amount of uncovered loss as of reporting date, RUB thou	14,016	5,003	1,133
9	Rate between uncovered loss and balance sheet total, %	105.9	65.8	11.2

*Rates “Return on equity (ROE)”, “Return on total assets (ROTA) from revenue before taxes” are calculated using the following formulas:

Return on equity (ROE) = Net profit / Equity × 100 %

Return on total assets (ROTA) from revenue before taxes = Revenue before taxes / Equity × 100 %

Detailed information on S&A of Kubanenergo PJSC is available on Company website, see [About the company / Subsidiary companies](#).