



MOEX: LSNG/LSNGP

**Credit rating:**

Moody's Ba2 (stable outlook)

Confirmed in April 2016

**Press Release**

**01.11.2017**

Lenenergo released its financial statements for 9M 2017 prepared in accordance with RAS.

Revenue of PJSC Lenenergo for 9M 2017 increased by 14% as compared to the similar period of the last year and amounted to RUB 48,004 mln. EBITDA for the reporting period amounted to RUB 17,454 mln (+15.6%). Net profit based on the results of 9M 2017 amounted to RUB 6,418 mln (+46.8%).

RUB mln, unless otherwise stated

Indicator	9M 2017	9M 2016	Change
<b>Operating indicators</b>			
Productive supply of electricity, mln kWh	21,572	20,925	3.1%
Electricity losses, %	11.57	11.16	0.41 p.p.
Connected capacity, MW	599.17	513.01	16.8%
<b>Financial results</b>			
<b>Revenue from sales, including:</b>	<b>48,004</b>	<b>41,966</b>	<b>14.4%</b>
- From electricity transmission services	42,819	38,802	10.4%
- From technological connection services	4,640	2,922	58.8%
- From other activities	545	242	125.2%
<b>Prime cost</b>	<b>38,119</b>	<b>35,496</b>	<b>7.4%</b>
Gross profit (loss)	9,885	6,470	52.8%
<b>Net profit (loss)</b>	<b>6,418</b>	<b>4,372</b>	<b>46.8%</b>
<i>Net profit margin, %</i>	13.37	10.42	2.95 p.p.
<b>EBITDA</b>	<b>17,454</b>	<b>15,096</b>	<b>15.6%</b>
<i>EBITDA margin, %</i>	36.36	35.97	0.39 p.p.
	<b>As at 30.09.2017</b>	<b>As at 31.12.2016</b>	<b>Change</b>
<b>Balance sheet indicators</b>			
Assets	194,652	188,652	3.2%
Equity	125,593	121,066	3.7%
<i>Return on equity (ROE), %</i>	5.11	6.25	-1.14 p.p.
Liabilities	69,059	67,586	2.2%
<b>Credit portfolio and debt position</b>			
Loans and credits	31,655	32,304	-2.0%
Net debt	23,467	24,302	-3.4%
<i>Net debt/EBITDA for 12M</i>	0.98	1.12	-

Notices:

EBITDA is reflected net of balance of provision for impairment of debt financial investments. EBITDA = Net profit + Profit tax + Depreciation + Interest payable – balance of provision for impairment of debt financial investments.

Indebtedness sum on loans and credits is reflected with due regard to interest (the sum of lines 1410 and 1510 of the balance sheet)

Net debt is calculated as the sum of the credits and loans net of money and short-term financial investments.

ROE is calculated on the formula: (Net profit/Equity)\*100

## Revenue and financial result

### Revenue

Revenue from sales of the Company products based on the work results for 9M 2017 amounted to RUB 48,004 mln., as compared to the similar period of 2016 the growth amounted to RUB 6,038 mln or 14.4 %.

- **Revenue from services rendering for electricity transmission**

Revenue growth from services rendering for electricity transmission for 9M 2017 as compared to the similar period of 2016 is preconditioned by the tariff rates increase in 2017 as compared to 2016 and the consumers' inclusion into the volume of the productive supply on the former activity zone of St.P. Electric Grids.

- **Revenue from services rendering for technological connection**

Revenue growth from services rendering for technological connection for 9M 2017 as compared to 2016 is preconditioned by the liabilities fulfillment towards the applicants, including the works on which are performed by PJSC Lenenergo the end of 2016, and the liabilities closing under the contract and issue of the technological connection certificates are made on basis of the applicant readiness within 9M 2017.

- **Revenue from other activities**

Revenue from other activities has increased due to entering into contracts for the operating-service maintenance of the electric grid property of St.P. Electric Grids and JSC Poikovsk Electric Grids.

### Prime cost

Prime cost of the rendered services based on the results of 9M 2017 increased by RUB 2,622 mln, or 7.4 % as compared to 9M 2016.

RUB mln, unless otherwise stated

Indicator	9M 2017	9M 2016	Change
Material costs, including purchased power for losses compensation	7,010	6,124	14.5%
Production works and services	15,243	16,290	-6.4%
Labor compensation fund with due regard to insurance premiums	4,565	3,732	22.3%
Depreciation	7,869	7,384	6.6%
Other expenses	3,431	1,966	74.5%
<b>Totally</b>	<b>38,119</b>	<b>35,496</b>	<b>7.4%</b>

Prime cost increase is preconditioned by the costs growth for labor payment with due regard to insurance premiums due to carrying put actions for the electric grid assets consolidation of SDE (subsidiary and dependent entities) on the base of PJSC Lenenergo - and transfer of the production personnel from St.P. Electric Grids and JSC Poikovsk Electric Grids to PJSC Lenenergo, as well as by the expenses growth expenses not controllable by the Company: lease of the electric grid assets of St.P. Electric Grids and JSC Poikovsk Electric Grids, depreciation and property tax.

### Gross profit

Gross profit of PJSC Lenenergo for 9M 2017 amounted to RUB 9,885 mln, which is higher by RUB 3,415 mln or 52.8% than the indicator of the similar period of the previous year - due to the revenue growth in the bigger volume than the prime cost growth.

## Net profit

Net profit of the Company based on the results of 9M 2017 amounted to RUB 6,418 mln. As compared to the similar period of 2016, the financial result has improved by RUB 2,046 mln or 46.8%. The financial result improvement is related mainly with the Company revenue growth.

## EBITDA

EBITDA for 9M 2017 amounted to RUB 17,454 mln and has grown by RUB 2,357 mln or 15.6% as compared to the similar period of 2016. Growth of the Company sales profit (without regard to depreciation) has influenced primarily on the increase of EBITDA indicator.

### EBITDA calculation, RUB mln.

<b>EBITDA</b>	<b>17,454</b>
Depreciation of fixed assets and intangibles assets	7,869
Interest payable	1,233
Balance of provision for impairment of debt financial investments	123
Profit tax	2,056
Net profit	6,418

EBITDA margin for 9M 2017 amounted to 36.36%, what is higher by 0.39 p.p. than the value for the similar period of 2016. The indicator dynamics is preconditioned by the higher growth tempos of EBITDA as compared to the Company revenue increase.

## Credit portfolio and debt position

### Credits and loans

Company debt as at 30.09.2017 amounted to RUB 31,655 mln, what is lower by RUB 649 mln or 2.0% than the indicator value as at the year beginning, including on the principle debt sum – by RUB 534 mln or 1.7%, on interest – by RUB 115 mln or 56.4%.

Indebtedness decrease on the principle debt sum as compared to the year beginning is preconditioned by the lesser need of the Company in the borrowed funds and early repayment of the current indebtedness as a result of the positive cash flow on the operating activity for the period January-September 2017.

Indebtedness on the interest has decreased due to the interest rate decrease on the exchange-traded bonds of series BO-05 based on the results of an offers passing on 23.01.2017 and on 19.07.2017, as well as the work carried out within the period January-September 2017 for the credit portfolio optimization and costs minimization for the debt servicing in form the credits refinancing with the higher interest rate by the credits with the lesser rate.

### Net debt

Net debt decrease of PJSC Lenenergo to the level of 2016 amounted to RUB 835 mln, in terms of the debt decrease by RUB 649 mln, due to the positive net cash flow and growth of the cash balance.

### Net debt/EBITDA

As at 30.09.2017 as compared to the year beginning, the ratio Net debt/EBITDA (for 12M) has decreased by 0.14 points due to the growth of EBITDA indicator of the Company in terms of decrease of the net debt amount.

## Investments

Investment program fulfillment	9M 2017	9M 2016	Change
Development, RUB mln. without VAT	12,148	6,612	184%
Fixed assets introduction, RUB mln	12,026	4,205	286%
Capacity introduction, MVA	1,273	176	723%
Capacity introduction, km	934	459	203%

**The volume of development** for 9M 2017 amounted to RUB 12,148 mln., what is higher by 84% than the indicator for the similar period of 2016 (RUB 6,612 mln.).

The development growth is preconditioned by:

- fulfillment of the actions for the works completion at the facilities of Leningrad region, which construction was started in 2016;
- actions implementation to ensure technological connection of the applicants, including the underground facilities.
- works performance for 0.4-10 kV distribution grid within the framework of preparation to the Confederations Cup and World Cup 2018;
- inclusion of the events into the investment program of PJSC Lenenergo from the investment program of St.P. Electric Grids, within the framework of the consolidation program of the electric grid assets of city of Saint Petersburg.

The volume of fixed assets introduction for 9M 2017 has amounted to RUB 12,026 mln, what is higher more than twice than the indicator for the similar period of 2016 (RUB 4,205 mln.), it is preconditioned by:

- introduction into the fixed assets of the facilities for the technological connection of consumers, the works on which were completed in 2016 (no on basis of the primary documents documenting).
- works performance at 0.4-10 kV distribution grid within the framework of preparation to the Confederations Cup and World Cup 2018.

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### For reference:

PJSC LENENERGO is the largest distribution grid company (an operator of 0.4-110 kV grids) that services the territory of Saint Petersburg and the Leningrad Region; it forms a part of group PJSC Rosseti.

Financial statements of PJSC Lenenergo and materials for shareholders and investors are available on the Company website at [http://www.lenenergo.ru/shareholders/open\\_info/](http://www.lenenergo.ru/shareholders/open_info/)

### Liability limitation

These materials can contain statements relating to the future events and expectations which represent prospect appraisals. The information users shall not rely fully on the given appraisals and outlooks because they are one of many variants of the events progression and the actual results of the Company activities in the future may differ from the projected results for many reasons.