



MOEX: LSNG/LSNGP

Credit rating:

Moody's Ba2 (stable outlook)

Affirmed in April 2016

Press Release

27.07.2017

Lenenergo released its financial statements for 1H 2017 prepared in accordance with RAS.

Revenue of PJSC Lenenergo for 1H 2017 increased by 16% as compared to the similar period of the last year and amounted to RUB 32,460 mln. EBITDA for the reporting period amounted to RUB 12,001 mln (+17%). Net profit for 1H 2017 amounted to RUB 4,624 mln (+51%).

RUB mln, unless otherwise stated

| Indicator | 1H 2017 | 1H 2016 | Change |
|---|-----------------------------|-----------------------------|---------------|
| Operating indicators | | | |
| Productive supply of electricity, mln kWh | 14,989 | 14,516 | 3.3% |
| Electricity losses, % | 12.03 | 11.84 | 0.19 p.p. |
| Connected capacity, Mega Watts | 326 | 218 | 49.6% |
| Financial results | | | |
| Revenue from sales, including: | 32,460 | 27,900 | 16.3% |
| - From electricity transmission services | 28,723 | 26,317 | 9.1% |
| - From technological connection services | 3,372 | 1,424 | 136.8% |
| - From other activities | 366 | 158 | 130.8% |
| Prime cost | 25,161 | 24,009 | 4.8% |
| Gross profit (loss) | 7,299 | 3,891 | 87.6% |
| Net profit (loss) | 4,624 | 3,069 | 50.7% |
| <i>Net profit margin, %</i> | 14.25 | 11.00 | 3.25 p.p. |
| EBITDA | 12,001 | 10,251 | 17.1% |
| <i>EBITDA margin, %</i> | 36.97 | 36.74 | 0.23 p.p. |
| | As at 30.06.2017 | As at 31.12.2016 | Change |
| Balance sheet indicators | | | |
| Assets | 191,994 | 188,652 | 1.8% |
| Equity | 123,800 | 121,066 | 2.3% |
| <i>Return on equity (ROE), %</i> | 3.74 | 6.25 | -2.51 p.p. |
| Liabilities | 68,194 | 67,586 | 0.9% |
| Credit portfolio and debt position | | | |
| Loans and credits | 32,407 | 32,304 | 0.3% |
| Net debt | 20,914 | 24,302 | -13.9% |
| <i>Net debt/EBITDA for 12M</i> | 0.89 | 1.12 | - |

Notice:

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 credits and loans net of money and short-term financial investments.

ROE is calculated as (Net profit/Equity)*100

Revenue and financial result

Revenue

Revenue from sales of the Company products based on the work results for 1HY 2017 amounted to RUB 32,460 mln, as compared to the similar period of 2016 the growth amounted to RUB 4,561 mln or 16.3%.

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

Revenue growth for 1HY 2017 by 9.1% 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 for 1HY 2017 by 136.8% as compared to the similar period of 2016 is preconditioned by the liabilities fulfillment towards the applicants, including the works on which are performed by PJSC Lenenergo at 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 in 1HY 2017.

- **Revenue from other activities:**

Revenue growth for 1HY 2017 by 130.8% as compared to the similar period of 2016 is preconditioned by 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 results of 1HY 2017 has increased by RUB 1,152 mln or by 4.8% as compared to 1HY 2016.

RUB mln, unless otherwise specified

| Indicator | 1HY2017 | 1HY2016 | Change |
|---|---------------|---------------|-------------|
| Material costs, including purchased power for losses compensation | 4,836 | 4,531 | 6.7% |
| Production works and services | 10,081 | 10,733 | -6.1% |
| Labor compensation fund with due regard to insurance premiums | 3,056 | 2,510 | 21.7% |
| Depreciation | 5,187 | 4,899 | 5.9% |
| Other expenses | 2,001 | 1,335 | 49.9% |
| Totally | 25,161 | 24,009 | 4.8% |

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 1HY 2017 amounted to RUB 7,299 mln, what is higher by 87.6% than the indicator of the similar period of the previous year.

Net profit

Net profit based on the results of 1HY 2017 has amounted to RUB 4,624 mln. As compared to the similar period of 2016, the financial result has improved by RUB 1,556 mln or by 50.7%, what is related first and foremost with the Company revenue growth.

EBITDA

EBITDA for 6M 2017 amounted to RUB 12,001 mln and increased by RUB 1,750 mln, or 17.1% as compared to the similar period of 2016. The growth of the Company sales profit (wo regard to depreciation) has influenced primarily the increase of EBITDA indicator.

EBITDA indicator calculation, RUB mln.

| | |
|---|---------------|
| EBITDA | 12,001 |
| Depreciation of fixed assets and intangibles assets | 5,187 |
| Interest payable | 858 |
| Balance of provision for impairment of debt financial investments | 81 |
| Profit tax | 1,413 |
| Net profit | 4,624 |

EBITDA margin for 1HY 2017 amounted to 36.97%, what is by 0.23 p.p. higher than the indicator 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

The Company's debt as at 30.06.2017 amounted to RUB 32,407 mln., what is higher by RUB 103 mln. (0.3%) than the indicator value as at the year beginning due to the indebtedness increase by RUB 166 mln on the principle debt sum in terms of the Interest payable decrease by RUB 63 mln.

Interest payable decrease is related with the interest rate decrease on the exchange-traded bonds of series BO-05 based on the results of an offer passing on 23.01.2017, as well as with the work performed in 1HY 2017 for the credit portfolio optimization and costs minimization for the debt servicing in form the credits refinancing aimed at decreasing interest rates.

Net debt

Decrease of the Company's net debt as at 30.06.2017 to the level of the year beginning amounted to RUB 3,387 mln. (in terms of the Company debt increase by RUB 103 mln.) due to the positive net cash flow and growth of the cash balance and short-term financial investments as at 30.06.2017 as compared to the year beginning.

Net debt/EBITDA

As at 30.06.2017 as compared to the year beginning, Net debt/EBITDA (for 12M) dropped by 0.23 points due to the growth of EBITDA in terms of Net debt reduction.

Investments

| Investment program fulfillment | 1HY2017 | 1HY2016 | Change |
|------------------------------------|---------|---------|--------|
| Development, RUB mln. without VAT | 6,318 | 3,721 | 69.8% |
| Fixed assets introduction, RUB mln | 7,623 | 1,826 | 317.5% |
| Capacity introduction, MVA | 732 | 107 | 584.1% |
| Capacity introduction, km | 259 | 253 | 2.4% |

The volume of **development** for 6M 2017 amounted to RUB 6,318 mln, that is 69% higher than the indicator for the similar period of 2016 (RUB 3,721 mln).

The development growth is preconditioned by:

- fulfillment of the actions for the works completion at the facilities of the Leningrad Region, which construction was launched in 2016;
- acceleration of the construction tempos of SS No. 13a, including the overhangs, to ensure the technological connection of the underground facilities.

The volume of **fixed assets introduction** for 6M 2017 amounted to RUB 7,623 mln, which is higher by more than 4 times than the indicator for the similar period of 2016 (RUB 1,826 mln) preconditioned by the facilities introduction into the fixed assets for the technological connection of consumers, works under which are completed in 2016 (on basis of the primary documents documenting for the facilities introduction in 1HY 2017).

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 information for shareholders and investors are available on the Company website at 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.