



MICEX-RTS: LSNB/LSNGP

Credit rating:

Moody's Ba2 (stable outlook)

Confirmed in January, 2013

Press release

JSC Lenenergo published financial statements for 6 months 2013 under RAS

Indicator	Unit	6 months 2012	6 months 2013	Change 6M 2013/ 6M 2012 in %	For reference BP 2013 (on 31.12.13) *
Operational indicators					
Productive supply of electric power **	mln kWh	15,176	14,119	- 7.0 %	30,230
Electric power losses	%	11.05	10.97	0.08 p.p.	10.21
Connected capacity	MW	181	94	- 47.9 %	621
Revenues and financial result					
Sales revenues, including:	RUB mln	17,240	15,516	- 10.0 %	42,669
- from electricity transmission services	RUB mln	14,141	14,159	0.1 %	34,271
- from grid connection services	RUB mln	3,017	1,282	- 57.5 %	8,239
- from other industrial activity	RUB mln	82	76	- 7.7 %	159
Prime cost	RUB mln	16,060	15,964	- 0.6 %	38,659
Gross profit (loss)	RUB mln	1,179	- 447	- 137.9 %	4,010
Profit (loss) before taxation	RUB mln	566	- 964	- 270.2 %	1,979
Net profit (loss)	RUB mln	297	- 1,135	- 482.1 %	801
EBITDA ***	RUB mln	4,459	3,933	- 11.8 %	13,085
EBITDA margin	%	25.86	25.35 %	- 0.51 p.p.	30.67
Credit portfolio and debt position					
Loans and credits ****	RUB mln	24,692	32,580	31.9 %	33,809
Average rate on involved credits	%	7.92	8.33	0.41 p.p.	10.57
Net debt	RUB mln	18,486	24,046	30.1 %	32,074
Net debt/EBITDA in 4 quarters	-	2.23	2.56	-	2.45
Investment program					
Investment program (development)	RUB mln	5,210	5,788	11 %	18,499

*Forecasted indicators for 2013 are given according to the Business plan for 2013, approved by the BD Minutes # 29 of 30.04.2013.

** The actual volume of productive supply in 1H 2013 is specified without a challenged part under the contract of rendering of services in electric power transmission between JSC Lenenergo and JSC RKS-Energo in a zone of networks of JSC LOESK.

*** The indicator is calculated according to the technique applied at formation of the Business plan for 2013:

EBITDA = Net profit + Profit tax + Depreciation + (Interest payable - Interest receivable).

**** The sum of debt on credits and loans (the Company's debt taking into account interest (the sum of lines 1410 and 1510 of the balance sheet) is reflected.

Formation of revenues and financial result

Sales revenues following the results of 6 months 2013 made RUB 15,516 mln and relative the similar period of last year decrease in revenues totaled RUB 1,723mln, or 10 %.

Decrease in revenues occurred at the expense of a core type of activity - rendering of grid connection services. Decrease in revenues from rendering of grid connection service in comparison with the similar period of last year made RUB 1,735 mln (-57.5 %) and is associated with prevalence of a share of large contracts and contracts with a property component in the revenues structure for 1H 2012. Revenues from electric power transmission thus slightly increased – by RUB 18 mln, or 0.1 %.

Cost of rendered services following the results of 6 months 2013 totaled RUB 15,964 mln, a decrease relating to the similar period of previous year made RUB 97 mln (-0.6 %).

Gross loss of JSC Lenenergo following the results of 6 months 2013 made - 447 RUB mln. Deterioration of the indicator relating to the similar period of previous year made RUB 1,626 mln, or-137.9 % (gross profit of RUB 1,179 mln was received for 6 months 2012).

Net loss of the Company following the results of 6 months 2013 totaled - 1,135 RUB mln. Deterioration of financial result relating to the similar period of 2012 made RUB 1,432 mln (net profit of RUB 297 mln was received in 1H 2012). The main influence was rendered by a decrease in revenues from rendering of grid connection services, and also a growth of depreciation charges caused by a gain of fixed assets at the expense of commissioning of facilities at implementation of the investment program, and also the revaluation of fixed assets made on 31.12.2012.

Initially at formation of the Business plan for 2013 in the plan of 9 months the loss caused by feature activity on grid connection was put. The main part of contracts on grid connection of applicants to electric networks is closed in the end of the year owing to what the most part of revenues on grid connection is planned for Q4.

Formation of EBITDA

EBITDA characterizing a cash flow generated by the Company before payment of taxes and interest, following the results of 6 months 2013 made RUB 3,933 mln and relative the similar previous reporting period decreased by RUB 526 mln, or -11.8 %.

RUB mln				
Indicators	Formula	6 months 2012	6 months 2013	Change 6M 2013/ 6M 2012 in %
Revenues	1	17,240	15,516	- 10.0 %
Prime cost net of depreciation	2	12,964	11,857	- 8.5 %
Gross profit + depreciation	3= 1-2	4,276	3,659	- 14.4 %
Balance of other income and expenses (net of interest payable and receivable)	4	183	274	49.6 %
EBITDA* including:	5= 3 + 4 = 6 + 7-8 + 9 + 10	4,459	3,933	- 11.8 %
FA and IA amortization	6	3,096	4,106	32.6 %
Accrued interest	7	888	1,044	17.6 %
Interest receivable	8	92	254	175.7 %
Profit tax	9	269	171	- 36.4 %
Net profit	10= 3-6 + 4-7 + 8-9	297	- 1,135	- 482.1 %

* Calculation of EBITDA is calculated by the technique of the Business plan of the Company for 2013.

Decrease in EBITDA on 30.06.2013 relating to its value for 6 months 2012 occurred mainly due to a higher rate of decrease in revenues in comparison with a rate of decrease in prime cost net of depreciation.

The balance of other income and expenses net of interest payable and receivable thus increased – generally due to a growth of income of the revealed non-metered and non-contractual electricity consumption, and also the sum of fines and penalties receivable, and also other income (including from compensatory contracts).

Decrease in EBITDA was accompanied by reduction of the following components: net profit, profit tax, and balance of accrued interest and interest receivable.

The sum of accrued depreciation thus increased. Growth of accrued depreciation is caused by a gain of fixed assets at the expense of commissioning of facilities during implementation of the investment program of the Company, and also the revaluation of fixed assets made on 31.12.2012.

The increase in interest payable is generally associated with that for the reporting period charge of interest was made for a large sum of a principal debt.

The growth of interest receivable is connected with existence of short-term financial investments in the Company.

EBITDA margin (EBITDA share in revenues) concerning 1H 2012 decreased by 0.5 percentage points and made 25.35 % (as a result of more intensive decrease in EBITDA value concerning the rates of decrease in revenues).

Credit portfolio and debt position

Debt on loans and credits taking into account interest (the Company's debt: the sum of lines 1410 and 1510 of the balance sheet) increased by RUB 7,888 mln (31.9 %). The credits and loans were involved for financing of operating and investment activities of the Company, including on financing of works on renovation of cable lines in St. Petersburg and construction of a distributive grid.

The average rate on credits in 6 months 2013 made 8.33 % that is higher than its value for the similar period of previous year on 0.41 percentage points. Rate increase for using credit resources is associated with the worsened situation in the financial market, including with a growth of cost of newly involved credit resources. Thus on 17 April 2013 the Company placed exchange bonds registered in July, 2012 in the volume of RUB 3,000 mln with an interest rate on the coupon of 8.25 % per annum.

The gain of Net debt was less than a growth of debt on loans and credits at the expense of growth of the most liquid assets for the period end (the sums of short-term financial investments and cash funds; on 30.06.2012 short-term investments were absent).

A more essential gain of Net debt on 30.06.2013 relative 30.06.2012 in comparison with EBITDA in 4 quarters led to deterioration of the ratio Net debt/EBITDA.

Investment activity

The volume of capital investments in 6 months 2013 made RUB 5,788 mln that is by RUB 578 mln, or for 11 % above the indicator of the similar period of 2012 (RUB 5,210 mln).

Execution of the investment program	6 months 2012	6 months 2013	Change 6M 2013/6M 2012 in %
Development, RUB mln w/o VAT	5,210	5,788	11 %
Input of fixed assets, RUB mln	3,670	3,693	1 %
Input of capacity, MVA	306	236	- 23 %
Input of capacity, km	559	620	11 %

For reference:

JSC Lenenergo is the largest distribution grid company (the operator of networks 0.4-110 kV), serving the territory of St. Petersburg and the Leningrad Region.

Accounting reporting and information materials of JSC Lenenergo are available for shareholders and investors on the Company website at: http://www.lenenergo.ru/shareholders/open_info/