



MOEX: LSNQ/LSNGP

Credit rating:

Moody's Ba2 (stable outlook)

Confirmed in April 2016

Press Release

02.05.2017

Lenenergo released its financial statements for Q1 2017 prepared in accordance with RAS.

For Q1 2017 the revenue of PJSC Lenenergo grew by 14% as compared to the similar period of the last year and amounted to RUB 16,874 mln. EBITDA for the reporting period amounted to RUB 4,997 mln (+8%). Net profit for amounted to RUB 1,476 mln (+36%).

RUB mln, unless otherwise stated

Indicator	Q1 2017	Q1 2016	Change
Operating indicators			
Productive electricity supply, mln kWh	7,838	7,921	-1.0%
Electricity losses, %	14.12	14.27	-0.15 p.p.
Connected capacity, MW	166	66	151.8%
Financial results			
Revenue from sales, including:	16,874	14,854	13.6%
- From electricity transmission services	15,217	14,445	5.3%
- From technological connection services	1,458	336	334.4%
- From other activities	198	73	170.4%
Prime cost	13,368	12,864	3.9%
Gross profit (loss)	3,506	1,990	76.2%
Net profit (loss)	1,476	1,086	35.9%
<i>Net profit margin, %</i>	8.75	7.31	1.44 p.p.
EBITDA	4,997	4,634	7.8%
<i>EBITDA margin, %</i>	29.61	31.19	-1.58 p.p.
	As at 31.03.2017	As at 31.12.2016	Change
Balance sheet indicators			
Assets	186,876	188,652	-0.9%
Equity	122,542	121,066	1.2%
<i>Return on equity (ROE), %</i>	1.20	6.25	-5.04 p.p.
Liabilities	64,334	67,586	-4.8%
Credit portfolio and debt position			
Loans and credits	31,126	32,304	-3.6%
Net debt	22,775	24,302	-6.3%
<i>Net debt/EBITDA for 12M</i>	1.03	1.12	-

For reference:

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 based on the work results for Q1 2017 amounted to RUB 16,874 mln., as compared to the similar period of 2016 the growth amounted to RUB 2,019 mln., or 13.6%.

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

Revenue increase from the services rendering for electricity transmission for Q1 2017 as compared to the similar period of 2016 by 5.3% is preconditioned by the tariff rates increase in 2017 as compared to 2016.

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

Revenue growth from the services rendering for technological connection for Q1 2017 as compared to 2016 by 334.4% is preconditioned by the liabilities fulfillment towards the applicants, including the works under which are performed by PJSC Lenenergo at the end of 2016, and liabilities closing under the contract and issue of the technological connections certificates are implemented on basis of the applicant readiness in Q1 2017.

- **Revenue from other activities**

Revenue from other activities by 170.4% has increased due to entering into contracts for the operating-service maintenance of the property of JSC St.P. Electric Grids and JSC Petrodvorets Electric Grid and the revenue accounting in Q1 2017.

Prime cost

Prime cost of the rendered services based on the results of Q1 2017 has increased by RUB 504 mln or by 3.9% as compared to Q1 2016.

RUB mln, unless otherwise stated

Indicator	Q1 2017	Q1 2016	Change
Material costs, including purchased power for losses compensation	2,969	3,022	-1.8%
Production works and services	5,614	5,605	0.2%
Labor compensation fund with due regard to insurance premiums	1,537	1,208	27.2%
Depreciation	2,578	2,447	5.3%
Other expenses	694	582	19.1%
Totally	13,391	12,864	4.1%

Prime cost increase is preconditioned by the costs growth for labor payment with due regard to insurance premiums in connection with the increase of the Company staffing level of the production personnel and carrying out actions for the electric grid assets consolidation of SDE (subsidiary and dependent entities) on the base of PJSC Lenenergo (transfer of the production personnel from SDE), expenses not controllable by the Company - depreciation and property tax.

Gross profit

Gross profit of PJSC Lenenergo for Q1 2017 amounted to RUB 3,506 mln, what is higher than the indicator of the similar period of the previous year by RUB 1,516 mln - due to the revenue growth in the bigger volume than the prime cost growth.

Net profit

Net profit of the Company based on the totals of Q1 2017 amounted to RUB 1,476 mln. As compared to the similar period of 2016, the financial result has improved by RUB 390 mln or 35.9%.

The financial result improvement is related primarily with the revenue growth from the technological connection services.

EBITDA

EBITDA indicator for Q1 2017 amounted to RUB 4,997 mln and has grown by RUB 363 mln, 7.8% as compared to the similar period of 2016. Growth the Company sales profit (without regard to depreciation) has influenced primarily on EBITDA indicator increase as compared to the similar period of 2016.

EBITDA indicator calculation, RUB mln.

EBITDA	4,997
Depreciation of fixed assets and intangibles assets	2,578
Interest payable	437
Balance of provision for impairment of debt financial investments	40
Profit tax	545
Net profit	1,476

EBITDA margin for Q1 2017 amounted to 29.61%, what is insignificantly (by 1.58 percentage points) lower than the indicator value for the similar period of 2016. The indicator dynamics is preconditioned by the higher growth tempos of the Company revenue as compared to EBITDA increase.

Credit portfolio and debt position

Credits and loans

Indebtedness decrease on loans and credits as at 31.03.2017 as compared to the year beginning amounted to RUB 1,178 mln (3.6%) - due to long-term repayment of credits with high interest rates to optimize the credit portfolio.

Net debt

Net debt decrease to the level of 2016 amounted to RUB 1,527 mln due to the positive net cash flow and cash balance growth and short-term financial investments as at 31.03.2017 as compared to 31.12.2016.

Ration Net debt/EBITDA

As at 31.03.2017 in relation to 31.12.2016, the ratio Net debt/EBITDA (for 12M) decreased by 0.09 points due to the debt load decrease and amount growth of EBITDA indicator.

Investments

Investment program fulfillment	Q1 2017	Q1 2016	Change
Development, RUB mln without VAT	2,079	1,483	40%
Fixed assets introduction, RUB mln	1,443	313	361%
Capacity introduction, MVA	57	23	151%
Capacity introduction, km	123	94	30%

Volume of the capital investments for Q1 2017 amounted to RUB 2,079 mln, what is by 40 % higher than the indicator for the similar period of 2016 (RUB 1,483 mln).

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;

- acceleration of the construction tempos of SS No. 13a, including the overhangs, to ensure the technological connection of the underground facilities.

Volume of the introduction for Q1 2017 amounted to RUB 1,443 mln, what is by 361 % higher than the indicator for the similar period of 2016 (RUB 313 mln), what is preconditioned by introduction into the fixed assets of the facilities of 04-10 kW distribution grid for technological connection of consumers, works under which are completed in 2016 (on basis of the primary documents documenting for the facilities introduction in Q1 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 Rosseti.

Financial statements of PJSC Lenenergo and information for shareholders and investors are available on the Company's 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.