



MOEX:  
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Moody's  
Ba1 (outlook stable)  
Confirmed in December 2017

ACRA  
AA+ (outlook stable)  
Assigned in April 2018

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PJSC Lenenergo (belongs to Russian Grids Group) released its financial statements for the three months of 2018 prepared in accordance with IFRS.

Revenue of PJSC Lenenergo in Q1 2018 increased by 9% Q-o-Q to RUB 19,452 mln. EBITDA for the reporting period increased by 17% and amounted to RUB 6,848 mln. Net profit for Q1 2018 totaled RUB 2,527 mln (Q1 2017: RUB 2,374 mln).

Indicator	In RUB mln, unless otherwise specified		
	3 months 2018	3 months 2017	Change
<b>Financial results</b>			
<b>Sales revenue, including:</b>	<b>19,452</b>	<b>17,853</b>	<b>9.0%</b>
- From electricity transmission services	18,137	15,736	15.3%
- From technological connection services	1,038	1,750	(40.7%)
- From other activities	277	367	(24.5%)
<b>Operating expenses</b>	<b>(16,048)</b>	<b>(15,499)</b>	<b>3.5%</b>
Net other income/expenses	164	266	(38.4%)
<b>Operating profit</b>	<b>3,568</b>	<b>2,620</b>	<b>36.2%</b>
<b>Net profit</b>	<b>2,527</b>	<b>2,374</b>	<b>6.4%</b>
<i>Net profit margin, %</i>	12.99%	13.30%	(0.31 p.p.)
<b>EBITDA</b>	<b>6,848</b>	<b>5,849</b>	<b>17.1%</b>
<i>EBITDA margin, %</i>	35.20%	32.76%	2.44 p.p.
	<b>31.03.2018</b>	<b>31.12.2017</b>	<b>Change</b>
<b>Indicators of the statement of financial position</b>			
Assets	228,072	231,632	(1.5%)
Equity	153,109	150,593	1.7%
<i>ROE, %</i>	5.56%	5.46%	0.1 p.p.
Liabilities	74,963	81,039	(7.5%)
<b>Loan portfolio and debt position</b>			
Loans and credits	30,882	36,925	(16.4%)
Net debt	26,148	33,502	(22.0%)
Net debt/EBITDA (for 4 quarters)	0.99	1.32	-

**Notes:**

EBITDA is calculated as follows: profit before tax plus depreciation of fixed assets and intangible assets plus financial expenses minus financial income

Net debt is calculated as follows: long-term and short-term credits and loans minus cash and cash equivalents minus short-term investments

ROE is calculated as follows: (Net profit (for four quarters)/Equity)\*100

## Financial result

### Group's revenue

According to results of Q1 2018, revenue of the Company from the sale of products amounted to RUB 19,452 mln; the growth amounted to 8.96% as compared to the same period of 2017.

- The growth of revenue from the provision of electricity transmission services for Q1 2018 as compared to Q1 2017 is caused by the increase of tariff rates in 2018.
- Decrease of revenue from provision of technological connection services for Q1 2018 as compared to the same period of 2017 is caused by the fact that in Q1 2017 the works were completed, and the certificates of technological connection were issued upon readiness of power receivers of the applicants under obligations fulfilled on the part of PJSC Lenenergo in 4Q 2016, within the program of fulfillment of accrued obligations. At the same time, in Q1 2018 the obligations under current contracts were fulfilled by scheduled dates of their fulfillment.
- The decrease of revenue from other activities for Q1 2018 as compared to Q1 2017 by 24.5% is caused by the fact that from 01.04.2017 the changes were made in the list of facilities serviced under contracts for operational maintenance of electric grid property entered into with JSC SPb EN and JSC PPG due to coming into lease contracts.

### Group's operating expenses

Group's operating expenses for the reporting period amounted to RUB 16,048 mln what is higher by 3.5% than for Q1 2017.

	3 months 2018	3 months 2017	Change
<b>Total operating expenses</b>	<b>16,048</b>	<b>15,499</b>	<b>3.5%</b>
Electricity transmission services	4,885	4,476	9.1%
Electricity for technological loss compensation	3,520	3,062	15.0%
Depreciation of fixed assets and intangible assets	3,280	3,229	1.6%
Expenses for employee benefits	1,925	1,866	3.2%
Impairment of receivables (trade receivables)	904	872	3.7%
Repair and maintenance services	244	284	(14.1%)
Purchased electricity and heat for own needs	177	125	41.6%
Other material expenses	148	113	31.0%
Other works and services of production nature	120	152	(21.1%)
Taxes and levies, other than income tax	110	471	(76.7%)
Lease	101	96	5.2%
Security	68	64	6.3%
Reserves	63	70	(10.0%)
Expenses for software and technical support	58	42	38.1%
Consulting, legal and auditing services	48	32	50.0%
Other services	36	40	(10.0%)
Communication services	28	17	64.7%
Insurance	20	30	(33.3%)
Impairment of receivables (advances issued)	10	0	
Transport services	4	4	0.0%
Recovery of provision for impairment of inventories	(24)	(5)	380.0%
Other expenses	323	459	(29.6%)

#### Comments on dynamics of essential expenses items:

- **Electricity transmission services**  
The increase in expenses by 9.1% is caused by the growth of average tariff for electricity transmission in Q1 2018.
- **Electricity for technological loss compensation**  
The increase in expenses by 15.0% is caused by the growth of average tariff for loss compensation in Q1 2018.
- **Repair and maintenance services**  
Reduction of expenses by 14.1% is caused by the increase of the share of repair using own resources and reduction of the volume of services of third-party contractors in Q1 2018.
- **Purchased electricity and heat for own needs**  
The growth of expenses by 41.6% is caused by the increase in consumption as well as by extension of average tariffs in Q1 2018.

## Group's operating profit

**Group's operating profit** in Q1 2018 amounted to RUB 3,568 mln what is higher by 36.2% than for Q1 2017.

## Group's net profit

According to results of Q1 2018, **net profit** of the Group amounted to RUB 2,527 mln (+ 6.4% compared to Q1 2017). Favourable dynamics of financial result for Q1 2018 is caused by increment of revenue from electricity transportation by 15.3%.

## EBITDA

**EBITDA** for Q1 2018 amounted to RUB 6,848 mln what is higher by 17.1% than the same indicator for 2017 (RUB 5,849 mln).

Calculation of EBITDA, RUB mln

<b>EBITDA</b>	<b>6,848</b>
Profit before tax	3,029
Depreciation of fixed assets and intangible assets	3,280
Financial income	(141)
Financial expenses	680

**EBITDA margin** for Q1 2018 increased by 2.44 per cent points and amounted to 35.20%.

## Credit portfolio and debt position

**Credit portfolio** in the form of short-term and long-term credits and loans of the Company as at the end of the reporting period amounted to RUB 30,882 mln, what is lower by 16.4% than the same indicator in 2017.

Repayment of previous credits caused the reduction of principal debt compared to the beginning of the year.

Interest debt reduced using payment of coupon yield on exchange-traded bonds series BO-05 as well as due to work for optimisation of credit portfolio and minimisation of debt expenses in the form of refunding of credits with higher interest rate by credit with a lower interest rate in Q1 2018.

According to results of Q1 2018, **net debt** amounted to RUB 26,148 mln, what is lower by 22.0% than the debt according to the results of Q1 2017. Reduction of net debt is caused by the decrease in the credit portfolio as well as by cash flow from investment activities.

Ratio **Net debt/EBITDA (for four quarters)** amounted to 0.99 compared to 1.32 as at the end of 2017.

## Investments

The volume of capital investments in Q1 2018 amounted to RUB 1,725 mln what is lower by 39.6% than this indicator for Q1 2017 (RUB 2,857 mln).

**The volume of commissioning** for Q1 2018 amounted to RUB 911 mln, what is lower by 194.1% than this indicator for the same period of 2017 (RUB 1,768 mln).

## For reference:

PJSC Lenenergo is the largest distribution grid company (the operator of 0.4-110 kV networks) on the territory of St. Petersburg and the Leningrad Region. PJSC Lenenergo belongs to Russian Grids Group.

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

## Disclaimer

These materials may contain statements about future events and expectations constituting forecasts. Users of the information shall not entirely rely on the given estimations and projections as they are one among many scenarios, and actual performance results of the Company in future may differ from the forecasted results for many reasons.