

Eesti Energia Unaudited Financial Results for Q2 2011

29 July 2011

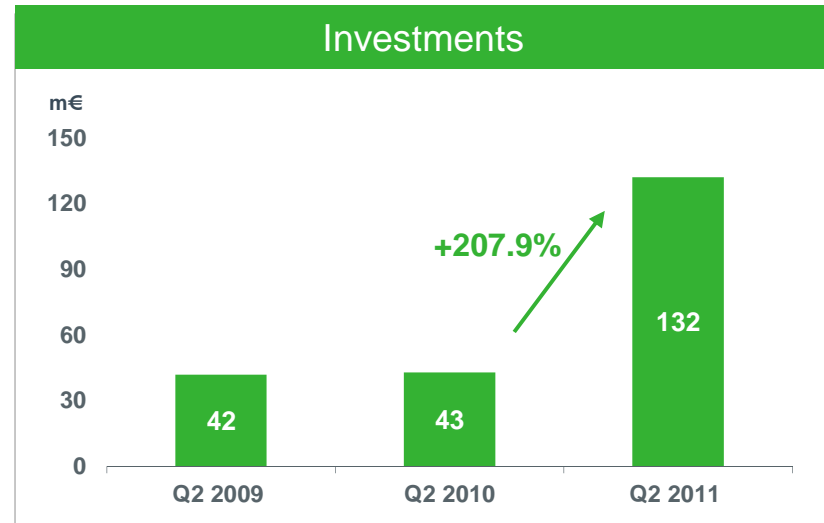
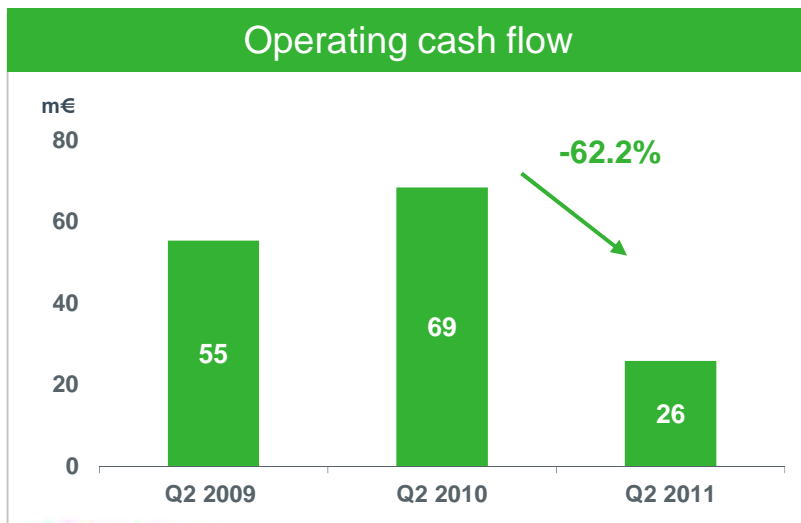
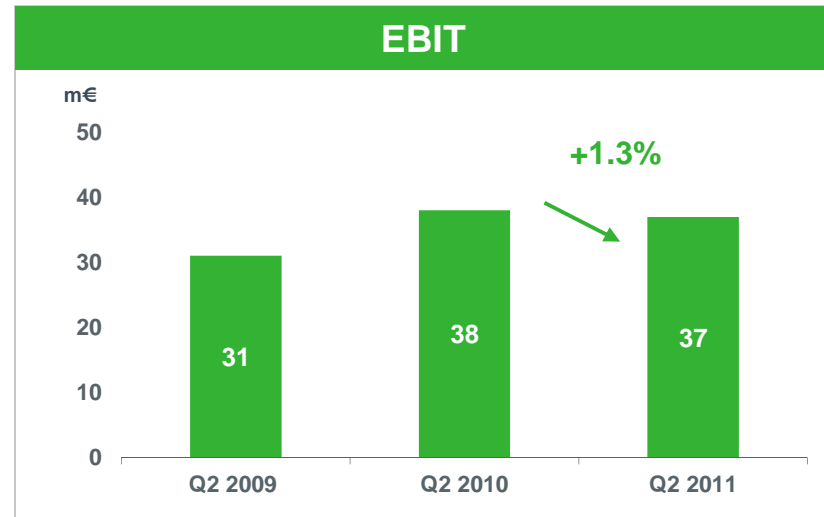
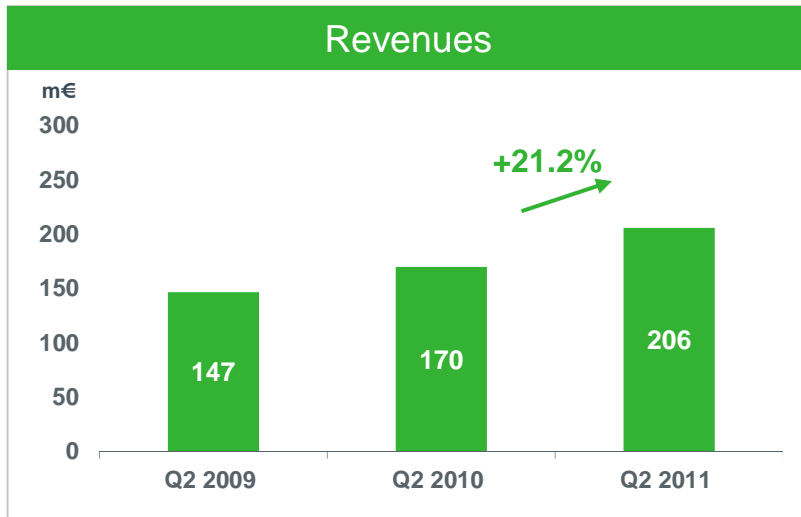


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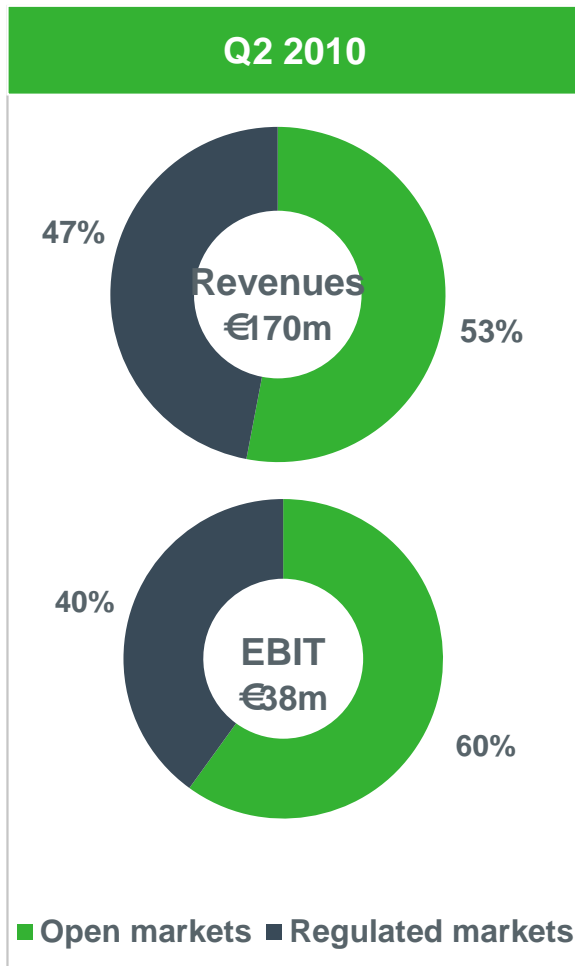
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Continued Revenue Growth

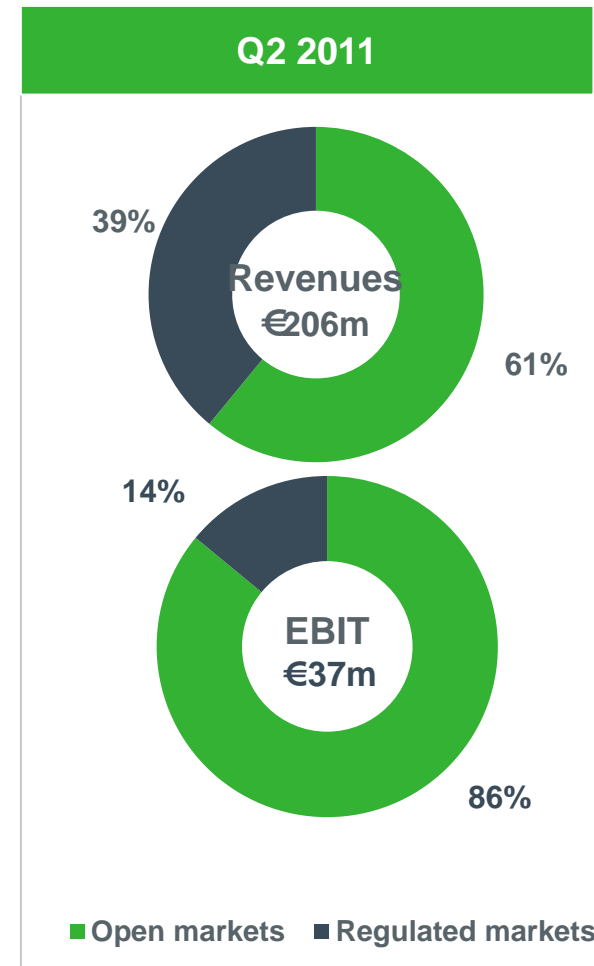


Approximately 90% of EBIT from Open Markets



Revenue share from open markets continues to grow

Profitability of regulated business declining



* Open market – electricity, shale oil, telecommunication, metal products, other services

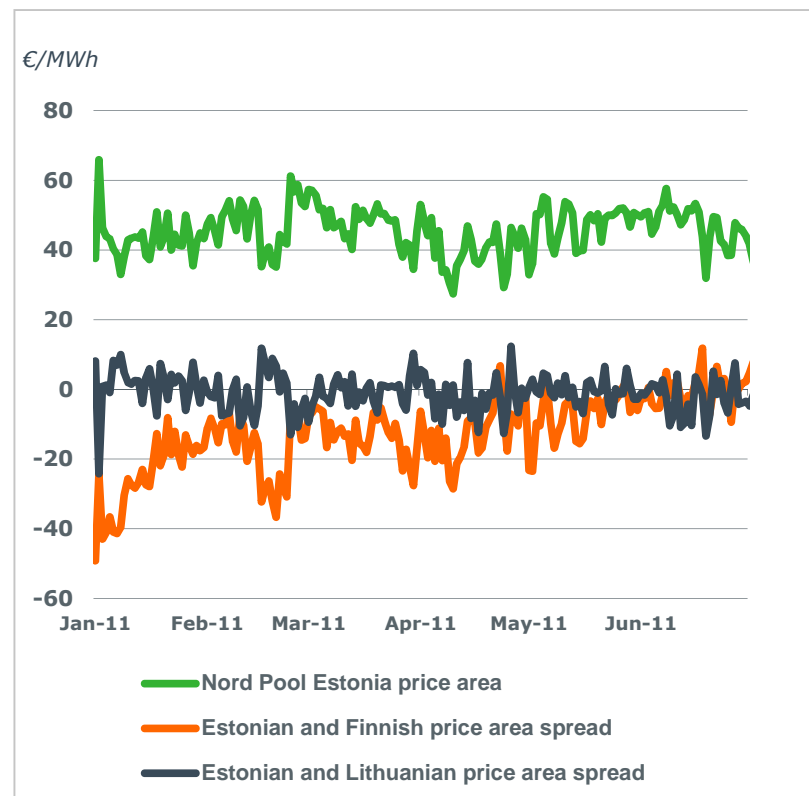
* Regulated market – network services, electricity, oil shale



Estonian and Finnish Prices Equal ca 40% of Hours

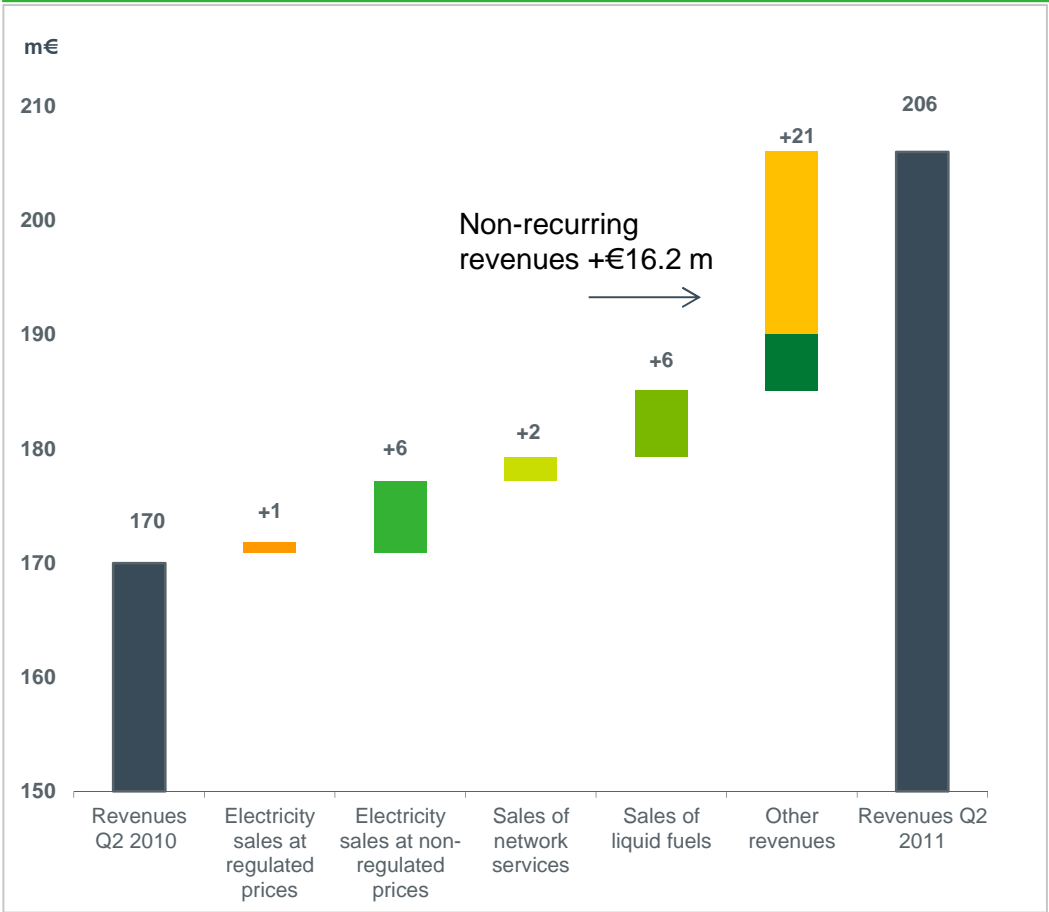
Prices in Estonian price area, spread with Finnish and Lithuanian price area

- The average quarterly price in the Nord Pool Estonian price area was 45.1 €/MWh (+24.1%), in the Finnish price area 51.8 €/MWh (+24.7%) and on BaltPool 46.7 €/MWh (+12.3%)
- Nord Pool Estonia prices 1.5 times higher than on regulated market
- The hourly prices in the Estonian and Finnish price areas were equal 38.5% of the time during Q2
- High levels of hydroreserves impacted Finnish price area

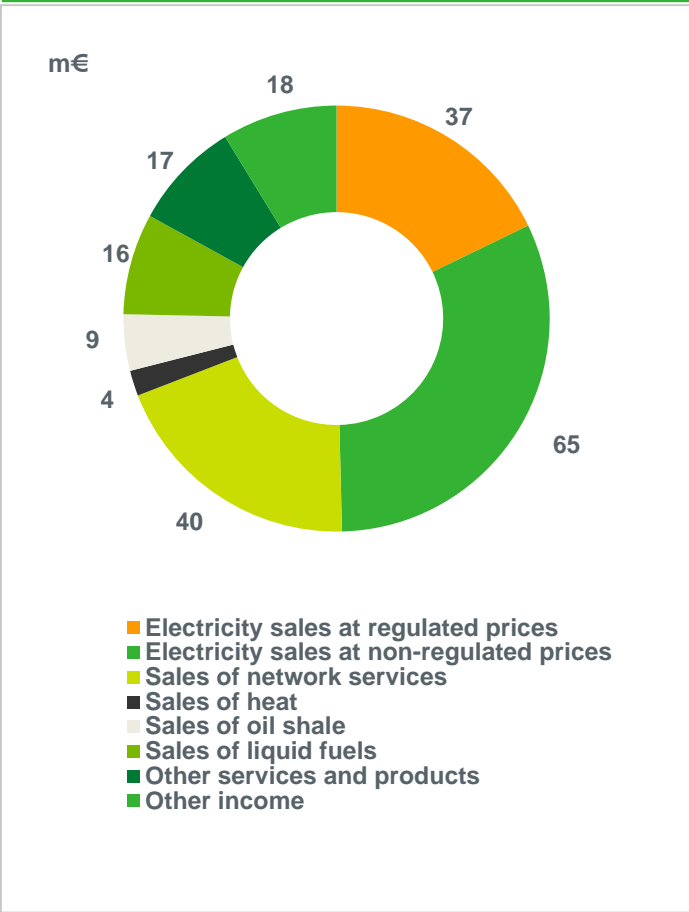


Revenue Increase from Non-Recurring Transactions

Change of Group Revenues by Products

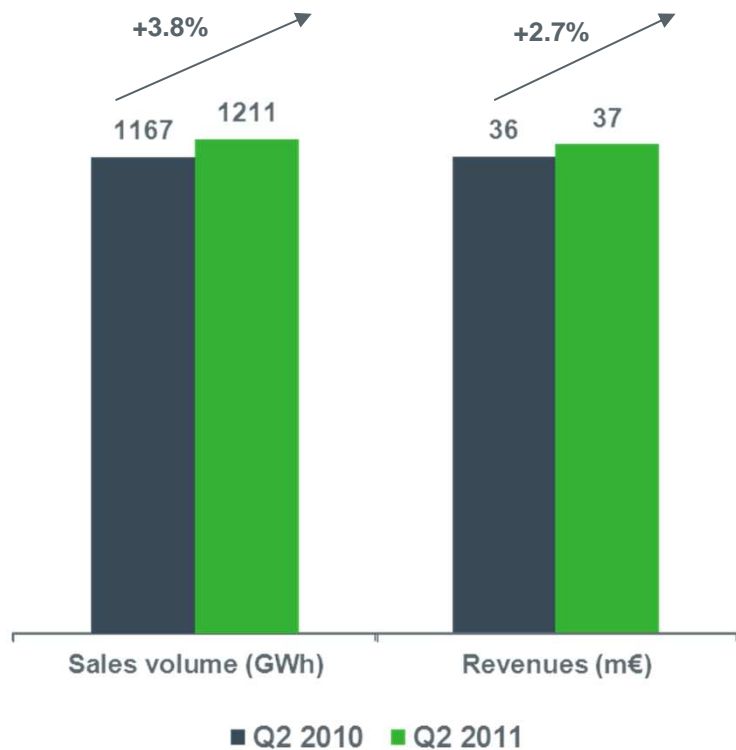


Breakdown of Revenues Q2 2011



Stable Electricity Sales at Regulated Prices

Group Electricity Sales at Regulated Prices



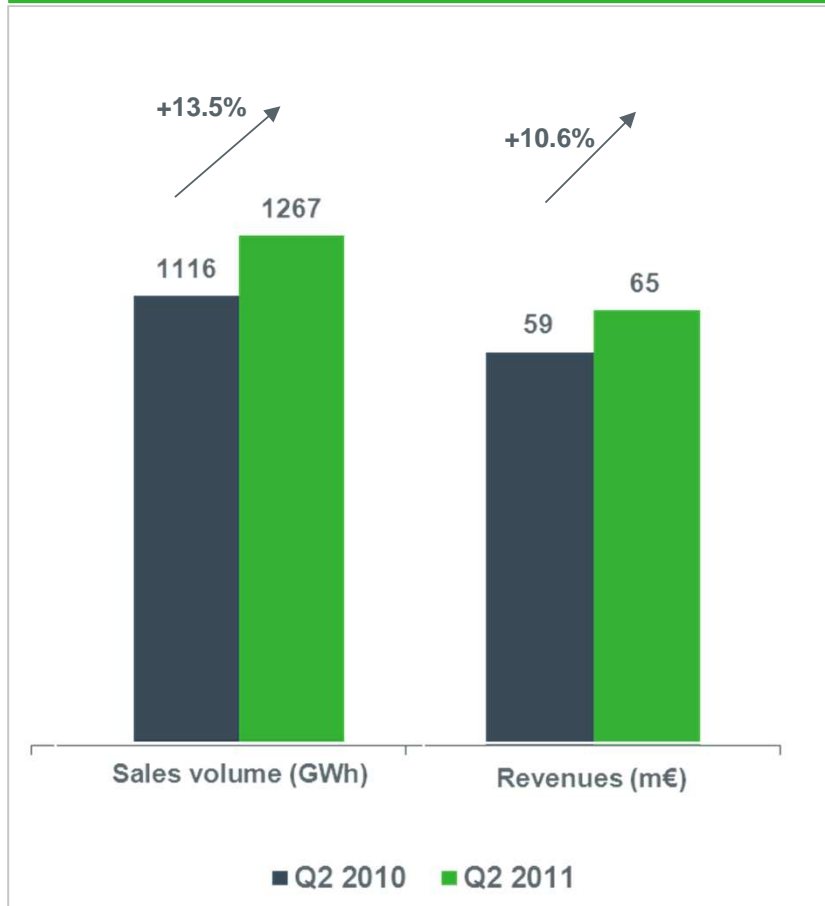
Comments

- Sales volume increase mostly from sales to private customers (+6.1%, +23 GWh)
- Average sales price in the regulated market 30.4 €/MWh (-1.0% compared to Q2 2010)



75% Market Share in Estonia

Group Electricity Sales at Non-Regulated Prices



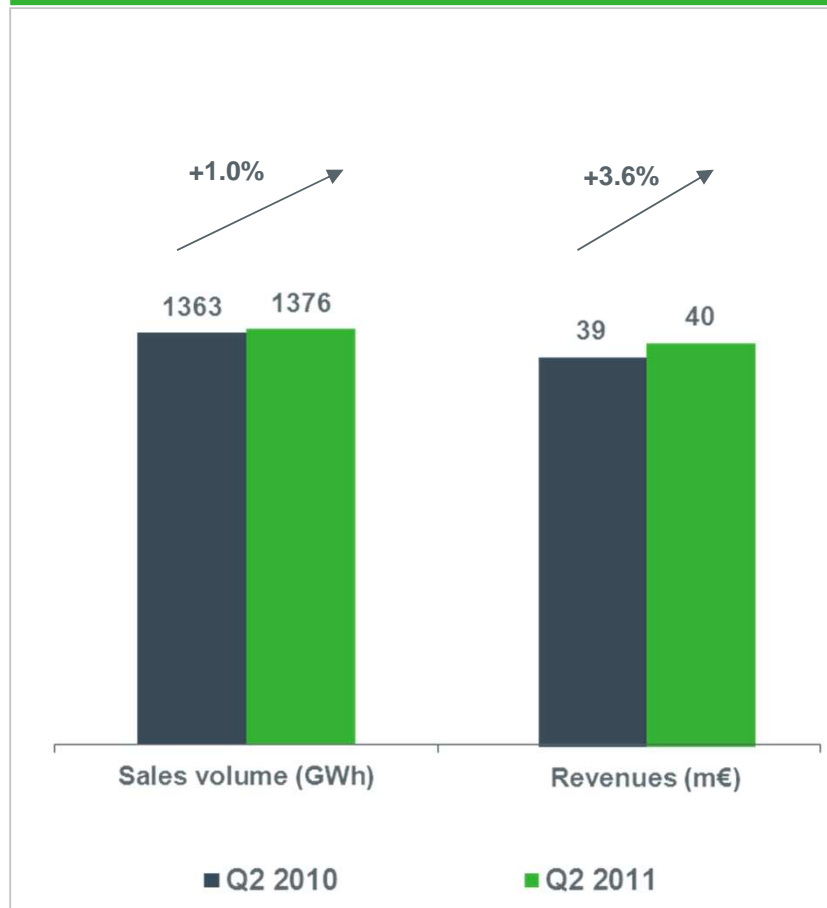
Comments

- Retail sales 473 GWh (+11 GWh), sales on exchanges and to wholesale buyers 794 GWh (+141 GWh)
- Average open market shares in Q2: 75% in Estonia, 14% in Latvia and 7% in Lithuania
- Average sales price on the open market excluding renewable energy subsidies was 47.2 €/MWh (4.2%)
- Change in regulation decreased renewable energy subsidies 36% to 5.5 mln euros
- In Q2 2011 electricity sales hedged against price risk amounted to 980 GWh (+555 GWh y-o-y)



Sale of Network Services Stable

Sales of Network Services



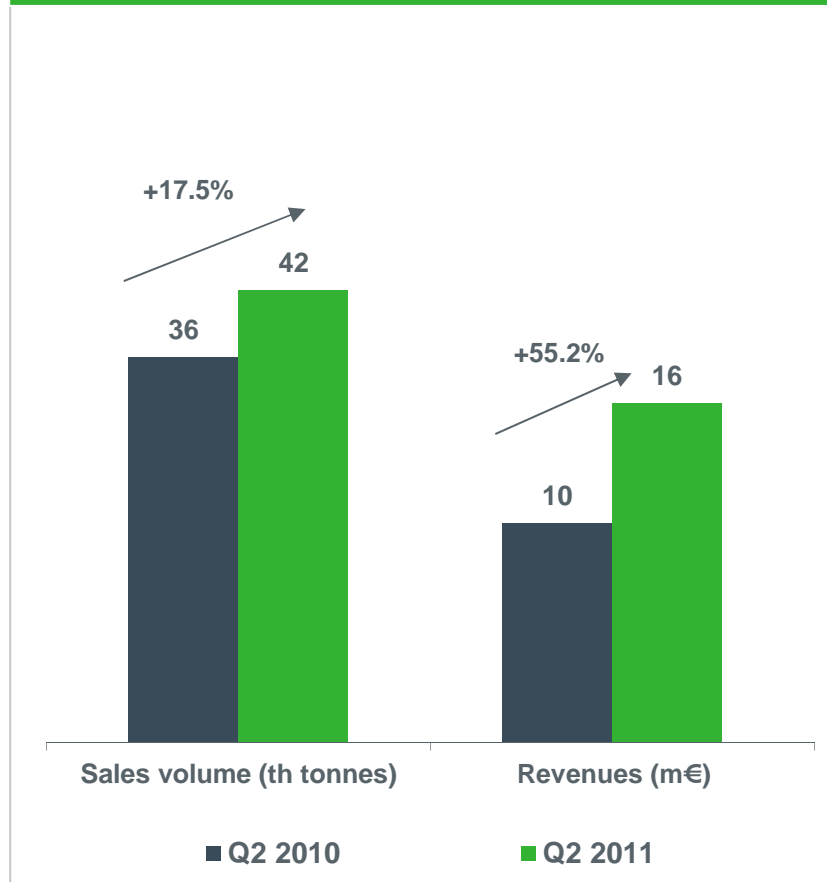
Comments

- Average network fees 29.2 €/MWh (2.6%):
 - Change in network fees on 1 July 2010 due to an increase in Elering's transmission fees (+18.9%)
 - New average network fees of 33.0 €/MWh from 1 August 2011
- Network losses were at 4.3% (-0.2 percentage points)



Strong Oil Prices Boosting Revenues

Sales of Liquid Fuels

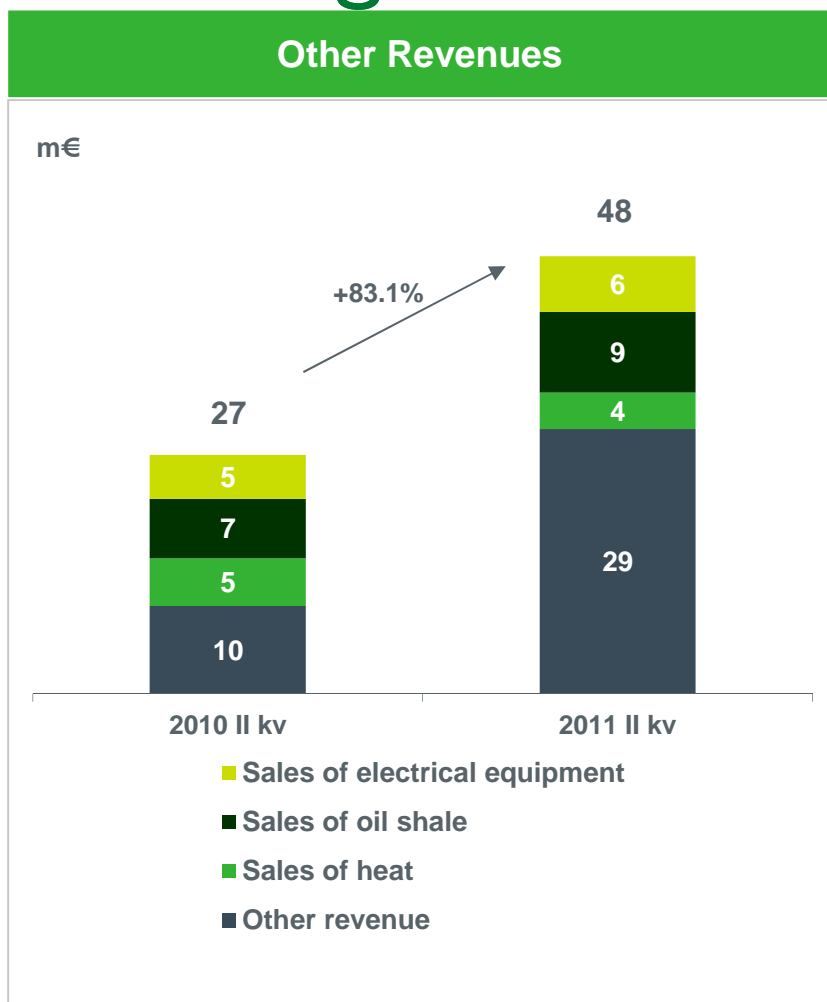


Comments

- Increased production volumes and better reliability of production equipment increased sales volumes
- Average sales price was 375 €/t (+32.1%) due to higher fuel oil prices on the world market
 - Excluding price hedges average price was 423 €/t
 - Average price of heavy fuel oil, the reference product, was 461 €/t
- In Q2 2011 the sales hedged against price risk amounted to 15 thousand tonnes with an average price of 333 €/t



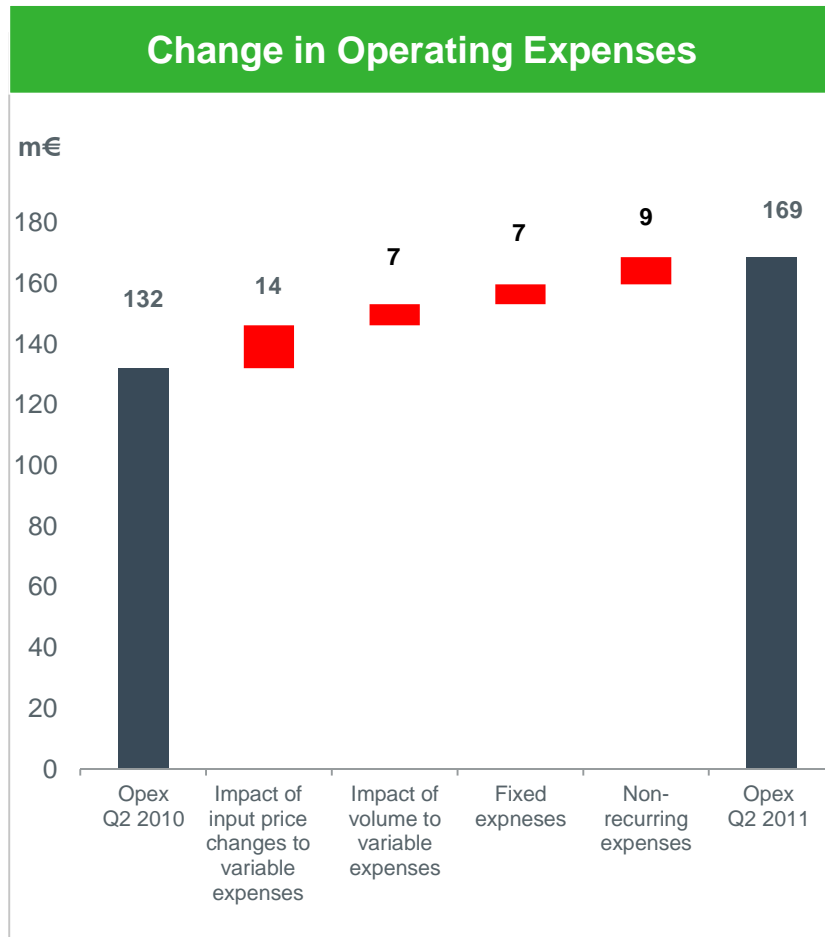
Other Revenues Increased by Non-recurring Revenues



- Comments**
- Increase mainly by non-recurring revenue from the sale of 11% share in Jordanian development project (+€16.2m)
 - Sales of technological equipment increased due to the construction of new shale oil plant (+€1.3m)
 - Oil shale sales increased (+€2m, sales volume +9.0%) due to higher production volumes



Higher Prices Increase Variable Expenses

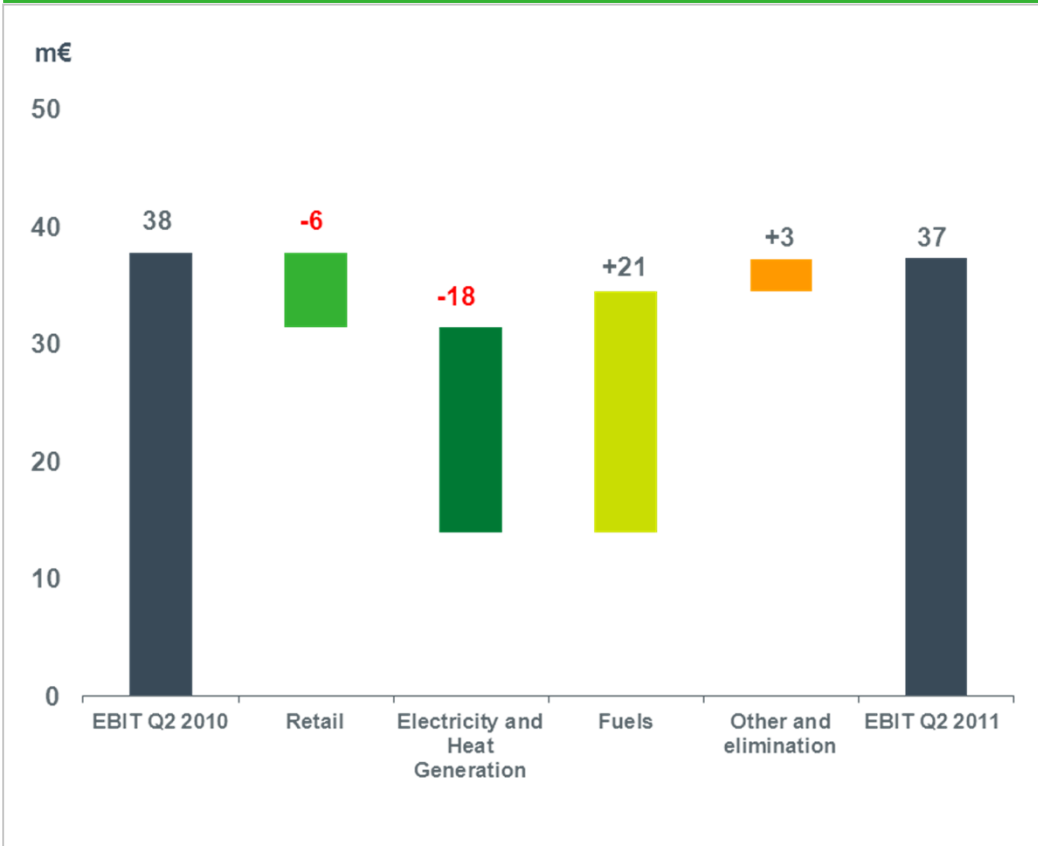


- Comments**
- Variable expenses increased due to price increases by €14 million:
 - Higher transmission fees (€1.9m)
 - Higher taxes in mining and generation (€1.8m)
 - Higher explosives prices in mining and generation (€1.5m)
 - Higher fuel costs (€1.5m)
 - Fixed expenses increased mainly due to larger repair costs
 - Non-recurring expenses include environmental provisions

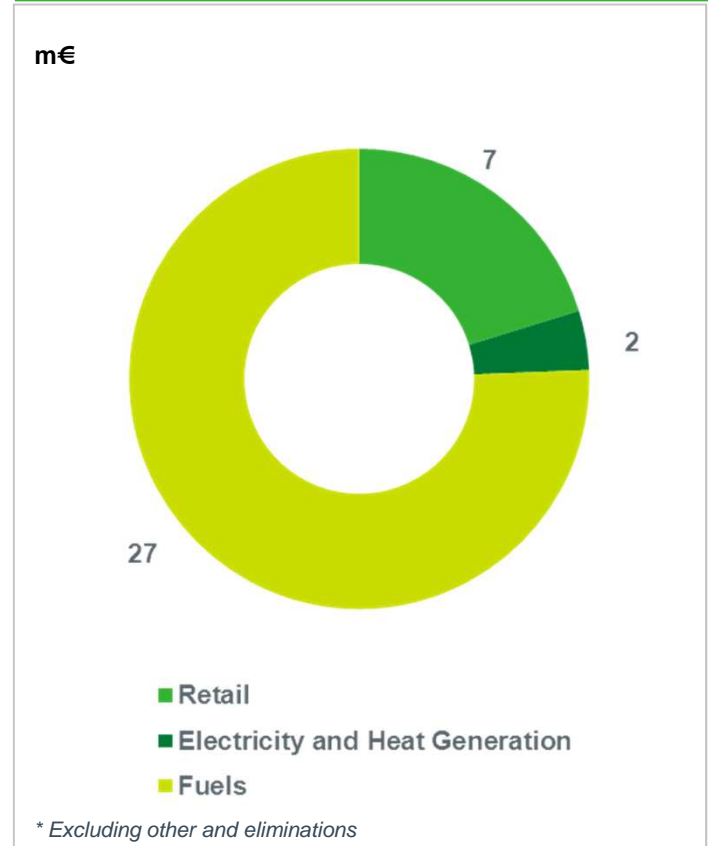


EBIT Growth From Fuels Division

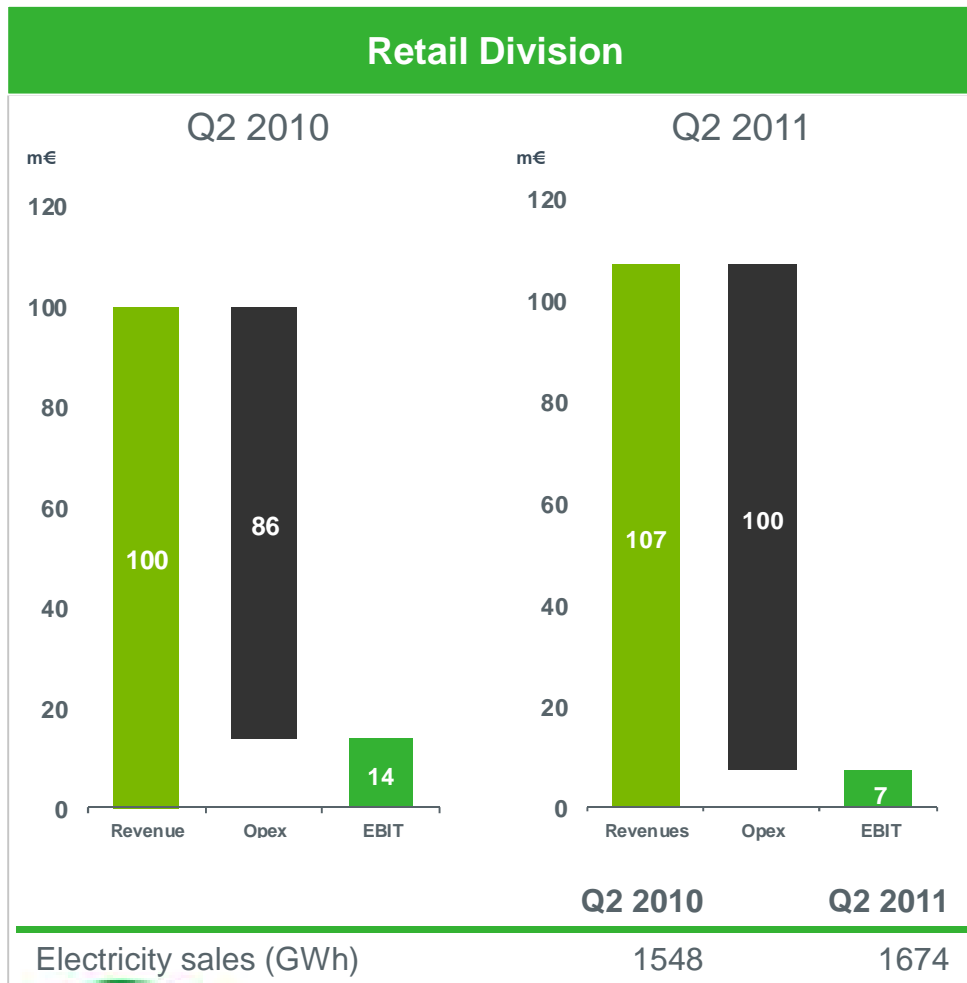
EBIT Change Breakdown by Divisions



EBIT Divisional Breakdown Q2 2011 *



Retail Profitability Hampered by Lower Margins

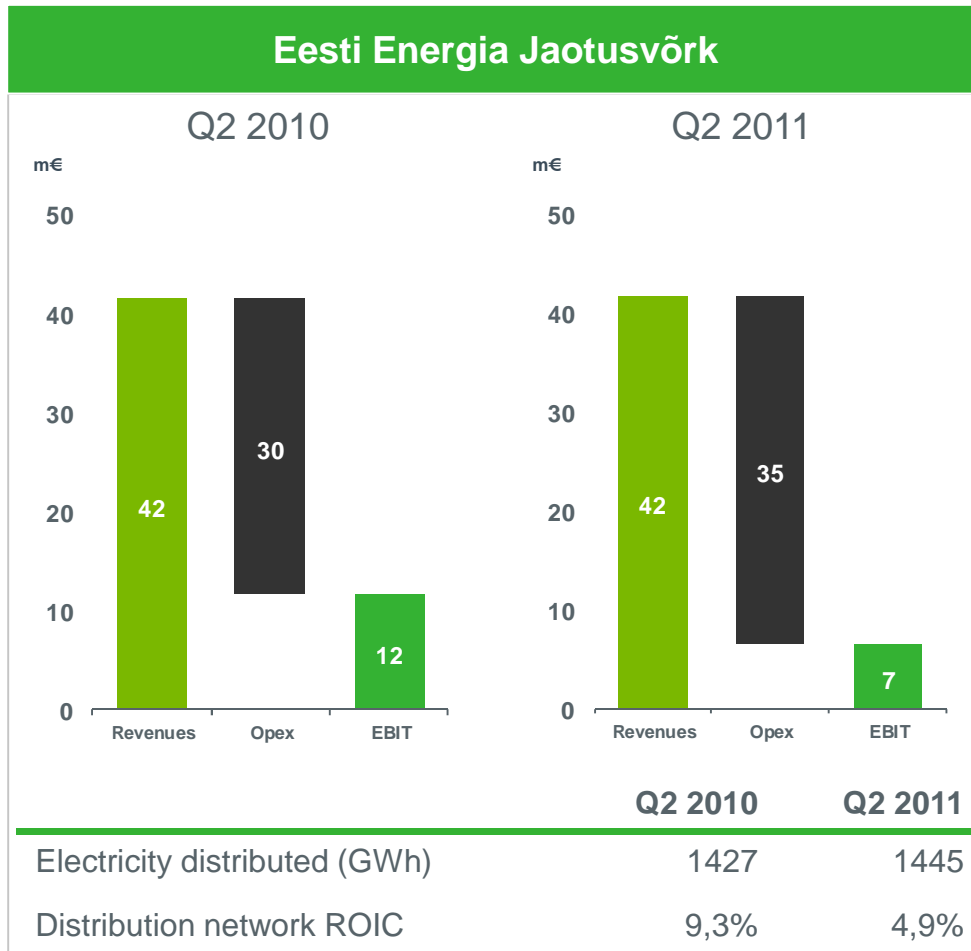


Impact on Retail division (excl. Jaotusvõrk) profitability:

- ✘ -0.9 million euros from lower sales margins
- ✘ -0.9 million euros from implementation of new IT systems



Profitability of Distribution Grid below Permitted Return

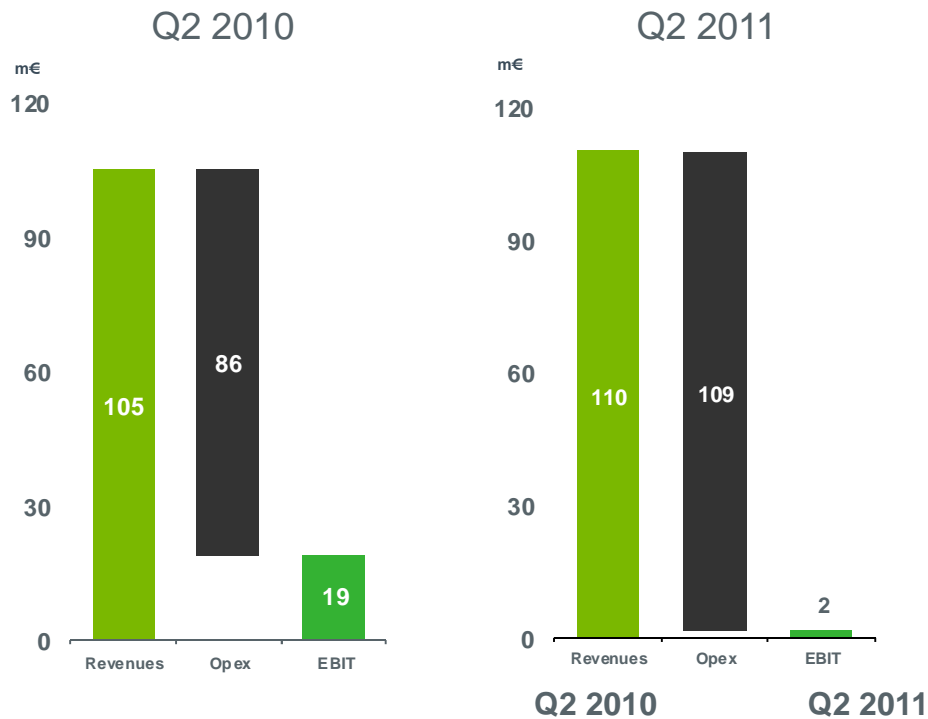


- Impact on Distribution Network's Profitability:**
- ✓ +0.3 million euros from higher sales of network services
 - ✗ -2.0 million euros due to rise in transmission fees
 - ✗ -1.6 million euros due to changes in amortization of connection fees
 - ✗ -1.0 million euros due to increase in depreciation
 - ✗ -0.7 million euros due to an increase in maintenance costs



Provisions and Maintenance Costs Reduce Generation's Profits

Electricity and Heat Generation Division



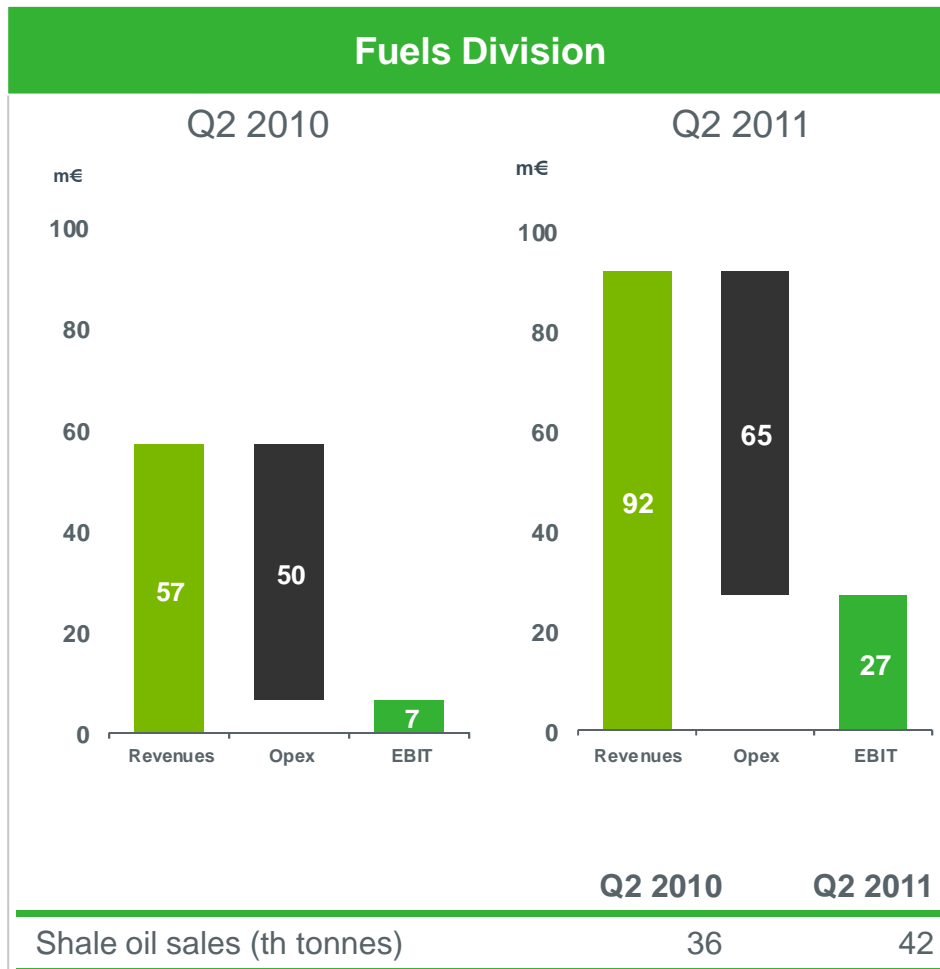
	Q2 2010	Q2 2011
Electricity sales (GWh)	2398	2527
Electricity generation (GWh)	2250	2316
Electricity purchase (GWh)	151	213

Impact on Generations Profitability:

- ✓ +1.7 million euros due to lower depreciation
- ✗ -8.7 million euros due to environmental provisions
- ✗ -4.8 million euros due to increased maintenance costs
- ✗ -3.3 million euros due to decrease in renewable energy subsidies
- ✗ -1.5 million euros due to decrease in electricity sales margin



Fuels Division Boosted by Non-Recurring Revenues

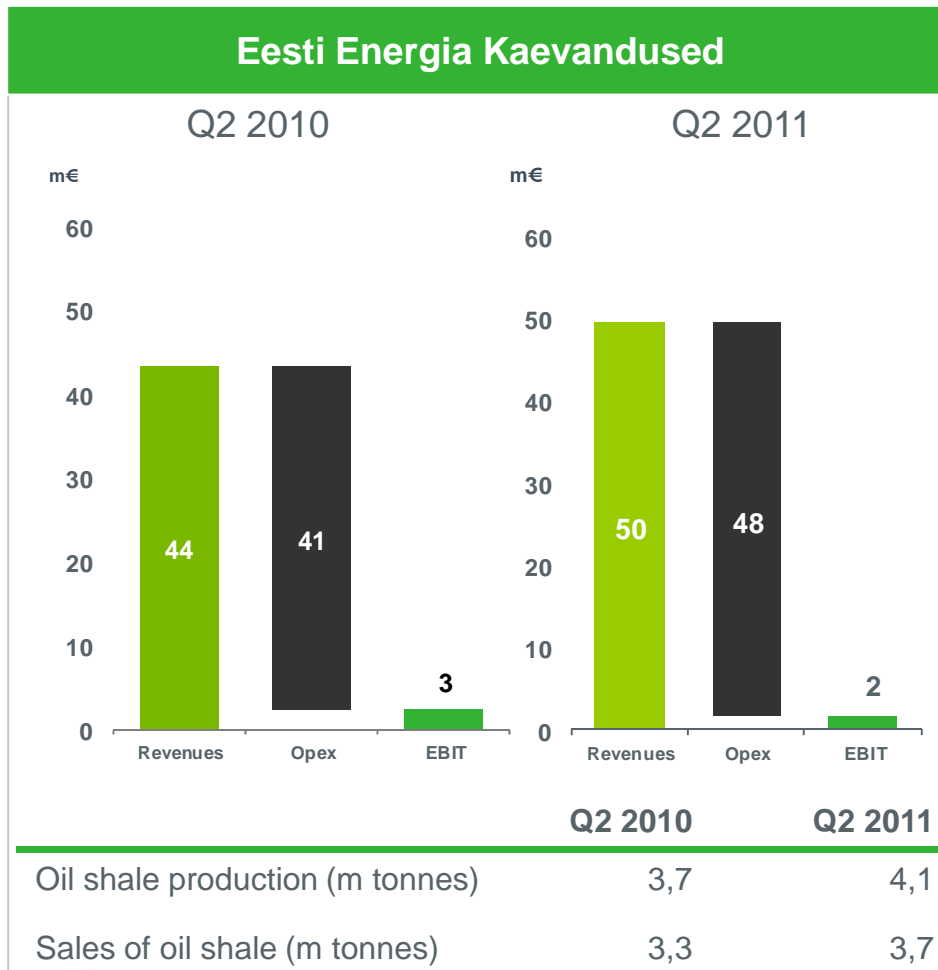


Impact on Fuels (excl Mining) division:

- ✓ +16.2 million euros due to sale of 11% shareholding in Jordanian development project
- ✓ +5.6 million euros due to increased oil sales volume and price
- ✗ -0.8 million euros due to increase in depreciation
- ✗ -0.4 million euros due to increase in fixed expenses



Higher Input Prices Weigh on Mining Subsidiary

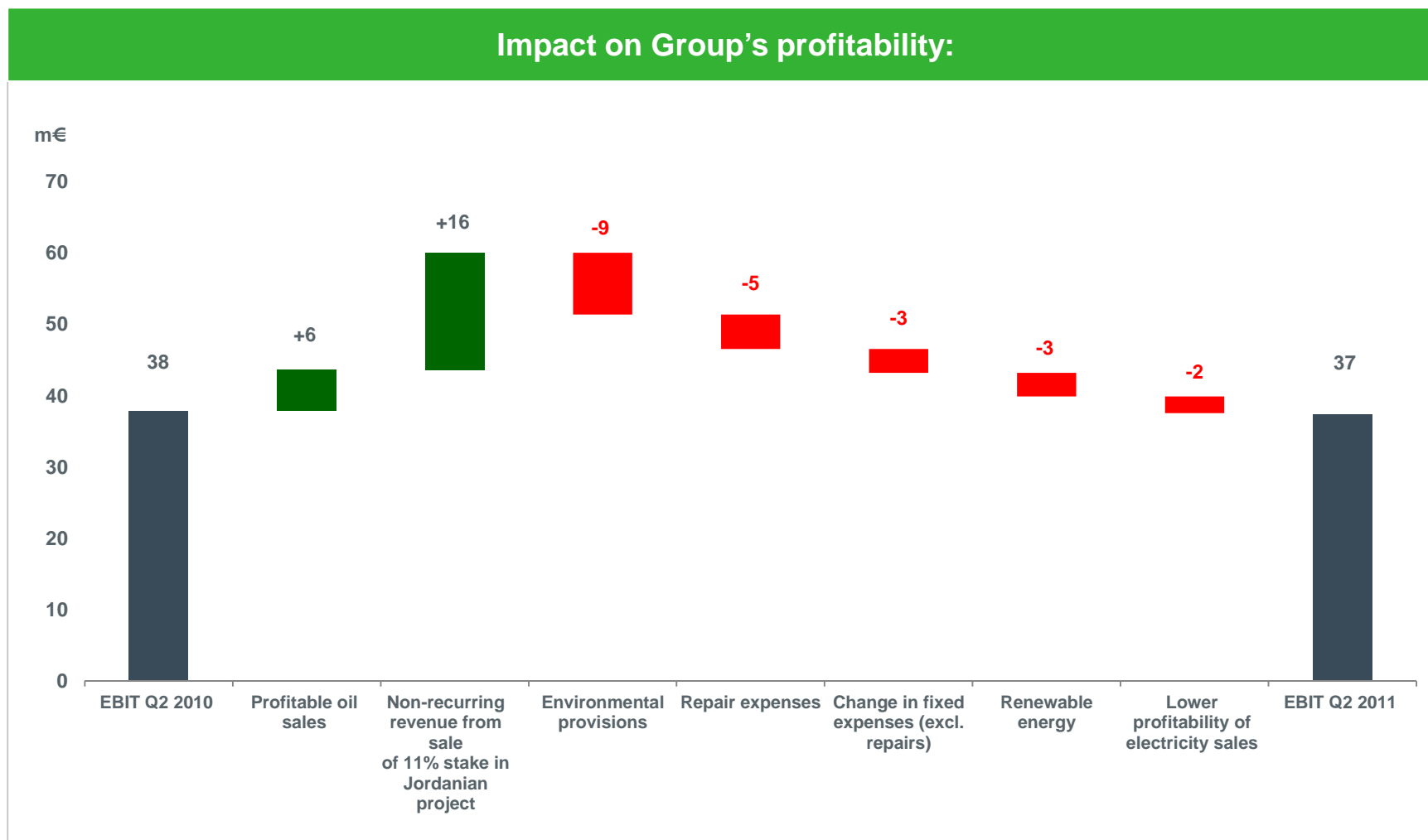


Impact on Mining profitability:

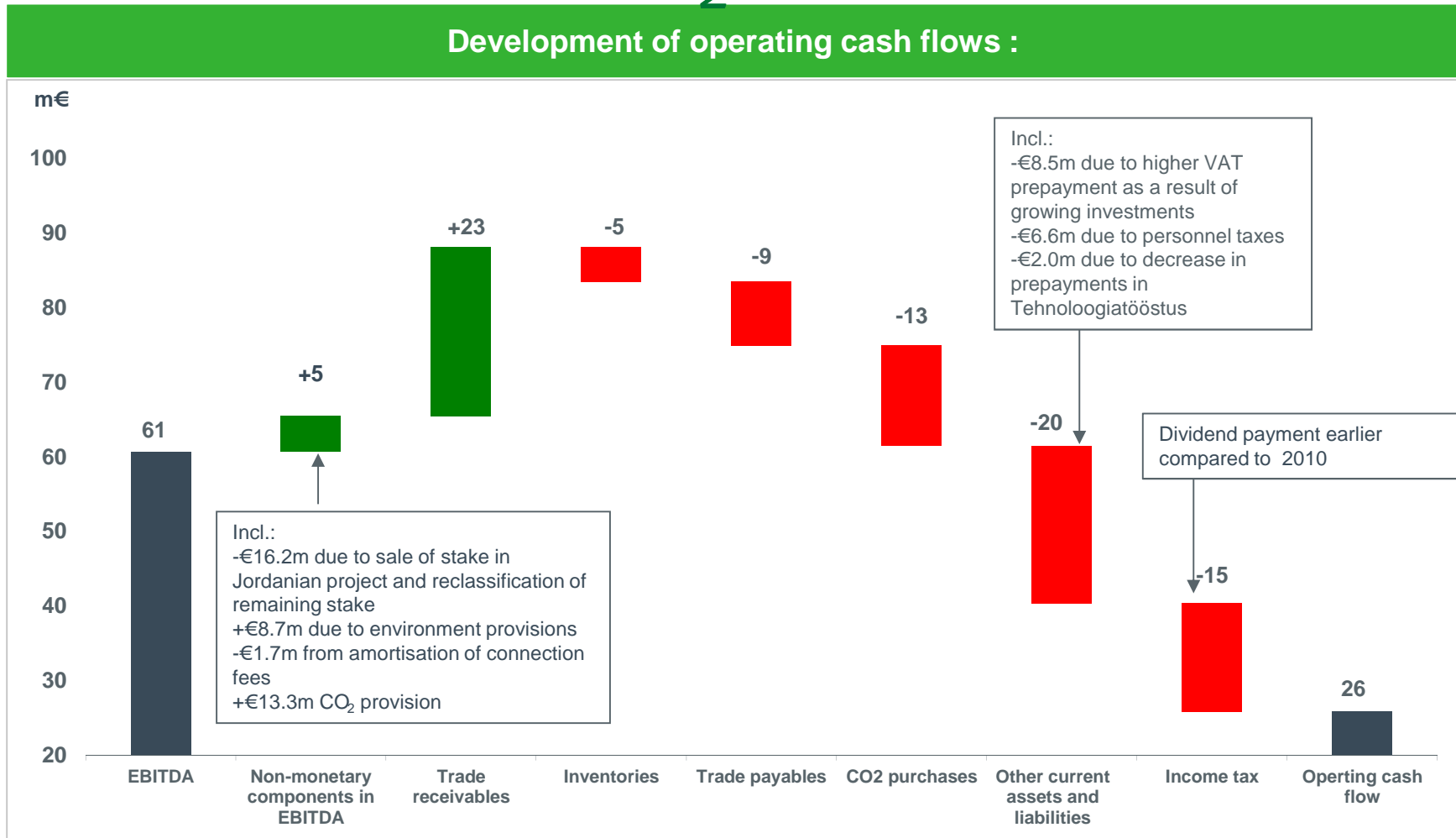
- ✓ +3.7 million euros due to increased sales volume
- ✗ -2.9 million euros due to higher input purchase prices and tax rates
- ✗ -2.3 million euros due to increase in labor costs



Group EBIT Affected by Non-recurring Revenues

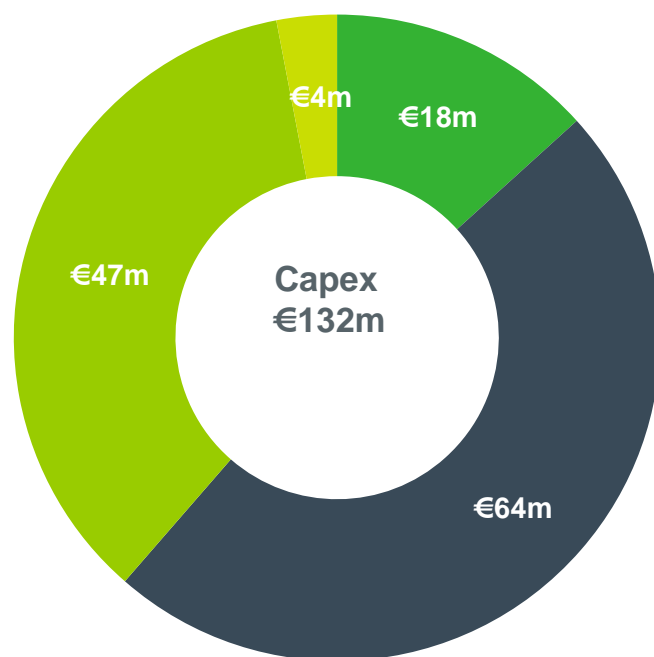


Operating Cash Flows Impacted by Income Tax and CO₂ Purchases



Implementation of Capex Programme Continues

Capex divisional breakdown Q2 2011



- Retail
- Electricity and Heat Generation
- Fuels
- Other

Major projects

- New Enefit-280 shale oil plant 37 million Euros
- New CFB power plant 29 million Euros
- Distribution networks 17 million Euros
- Iru waste-to-energy plant 12 million Euros
- Narva wind park 11 million Euros
- Oil shale mining equipment 6 million Euros
- Desulphurisation equipment in Narva power plant 4 million Euros

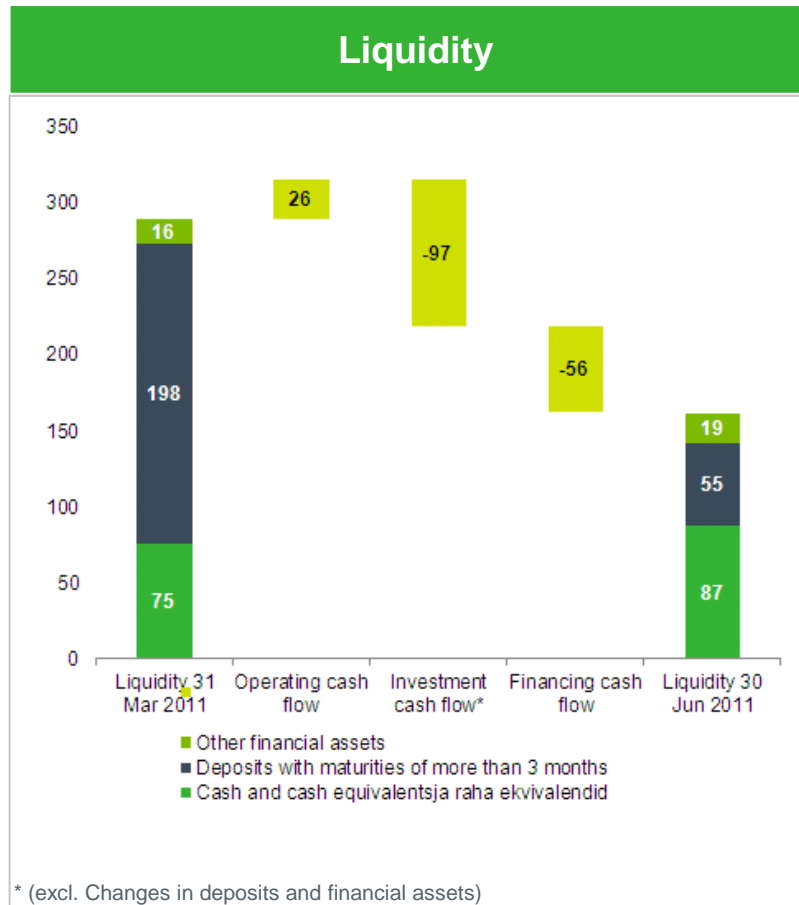


Update on Capex Programme

Investment Project	Capex up to 30 June 2011	Expected Future Capex	Project Deadline
Distribution networks 2008-2011	218 million euros	6 million euros	2011
New Enefit-280 oil plant	96 million euros	111 million euros	2012
Development of oil shale industry infrastructure	4 million euros	20 million euros	2012
Desulphurisation equipment in NPP	77 million euros	27 million euros	2012
Narva wind park	17 million euros	42 million euros	2012
Paldiski wind park	6 million euros	27 million euros	2012
Iru waste-to-energy plant	28 million euros	77 million euros	2013
Distribution networks 2011-2014	-	300 million euros	2014
CFB power plant in Narva	30 million euros	610 million euros	2015
Predevelopment of liquid fuels industry in USA	29 million euros	48 million euros	Development up to 2016
Predevelopment of liquid fuels and electricity industry in Jordan	3 million euros	23 million euros	Development up to 2016



Focus on Financing due to Large Capex Programme



- Comments**
- Liquid assets decreased to 162 million euros
 - EIB credit line of 136 million euros dispursed from July 2011
 - Consulting with regional and international banks ongoing regarding additional credit lines in the amount of ca 300 million euros
 - Preparations for raising long-term capital
 - Talks with EIB for signing additional loan agreement
 - Talks with sole shareholder for raising additional equity in 2012



Summary

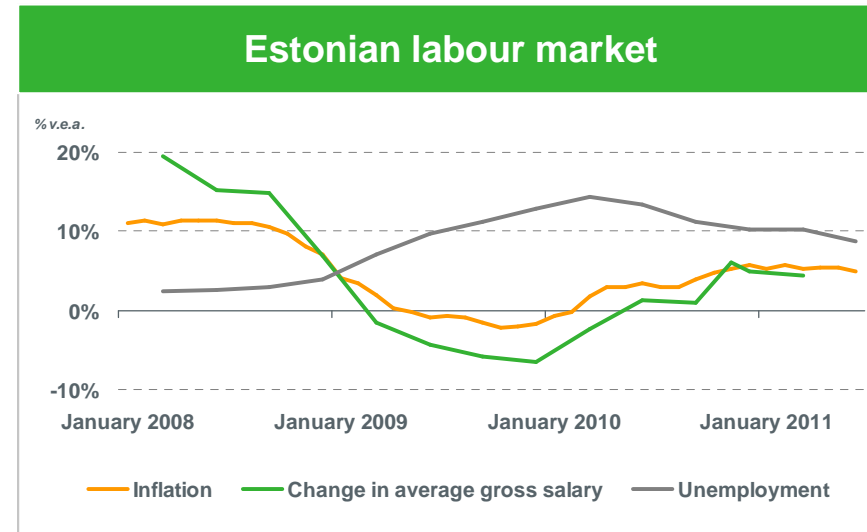
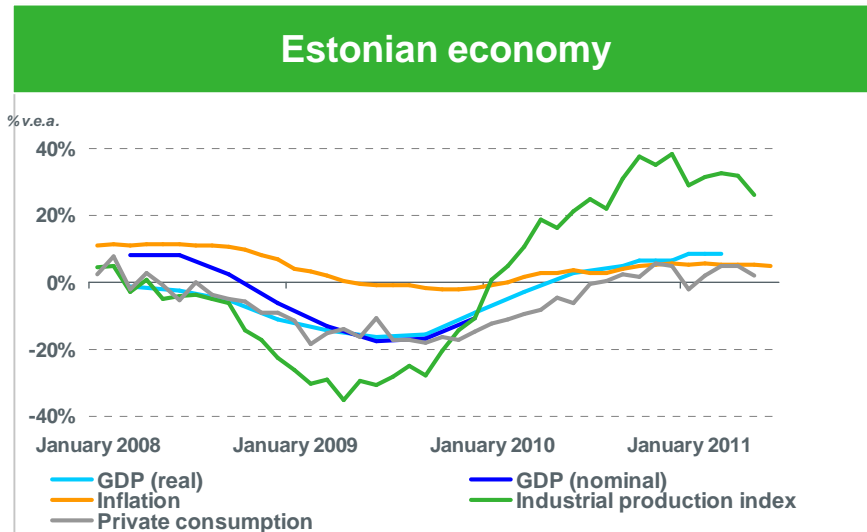
- ✓ Revenues continue to grow, operating profit remains stable:
 - Revenues 206 million euros, + 21.2%
 - EBITDA 61 million euros, +0.1%
 - EBIT 37 million euros, -1.3%
- ✓ Profitability impacted mostly by:
 - Sale of 11% stake in Jordanian development project and revaluation of remaining stake, +16.2 million euros
 - Environmental provisions, -8.7 million euros
 - Repair expenses of power stations, -4.8 million euros
- ✓ Continuous implementation of investment plan, investments growing more than two times
- ✓ Ongoing talks for raising additional capital



APPENDICES



Economic growth driven by exports



- GDP growth in the second quarter continued to be positive
- Growth driven by exports- compared to May 2010 exports have grown by 57.4%

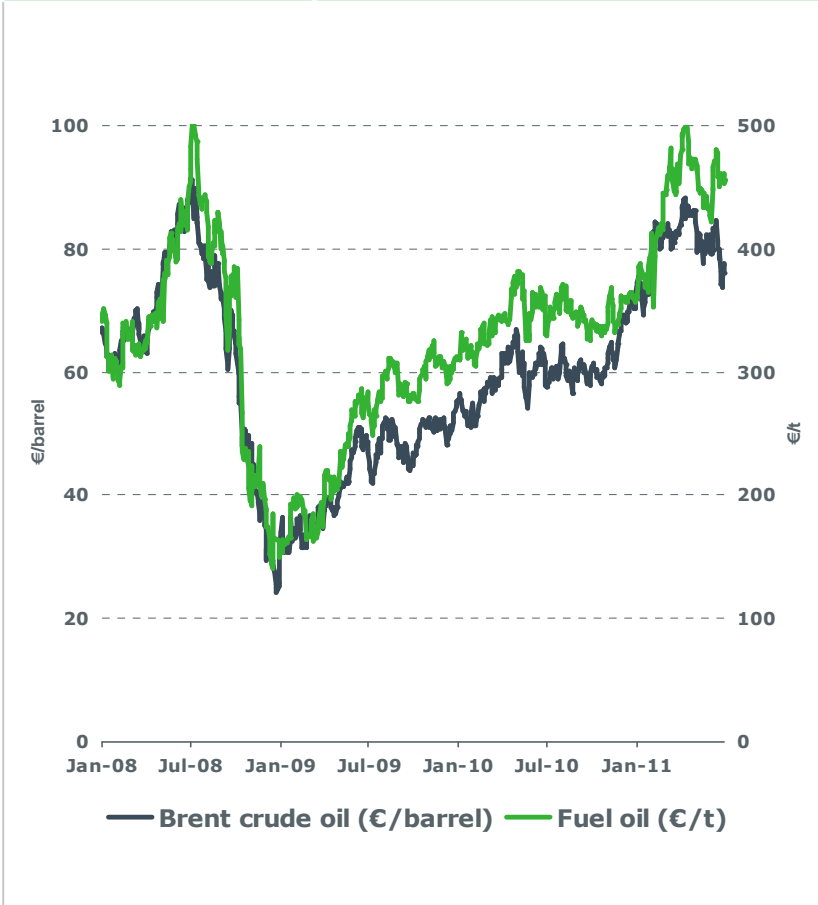
- Unemployment in Estonia 8.8%, down 4.5 percentage points compared to Q2 last year
- Average gross salaries growing

Source: Statistics Estonia, Estonian Unemployment Insurance Fund



Crude Oil Price Trends

Fuel price movement
January 2008 – June 2011

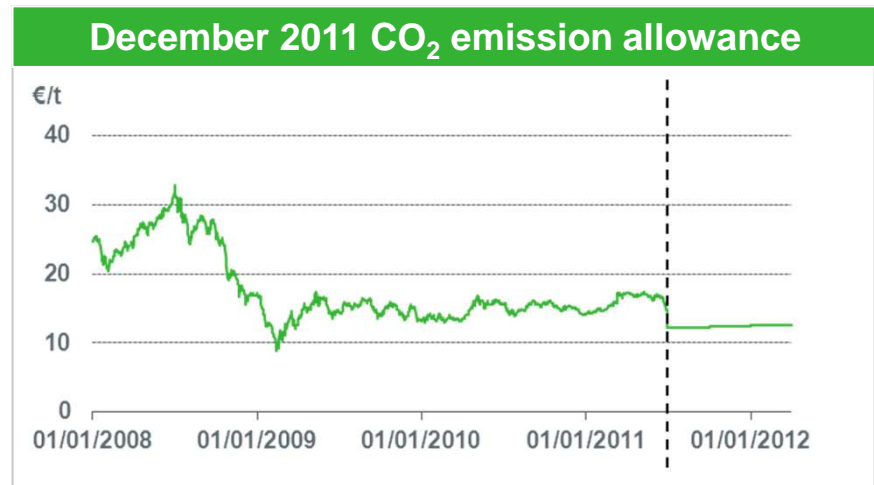
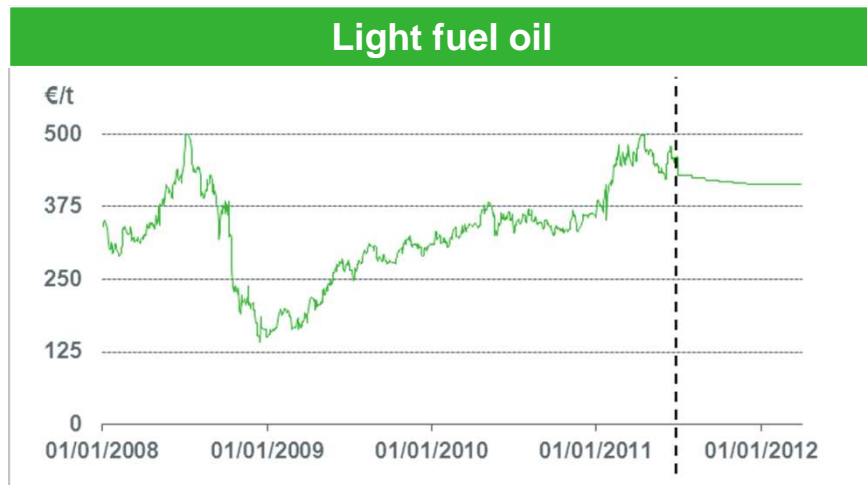
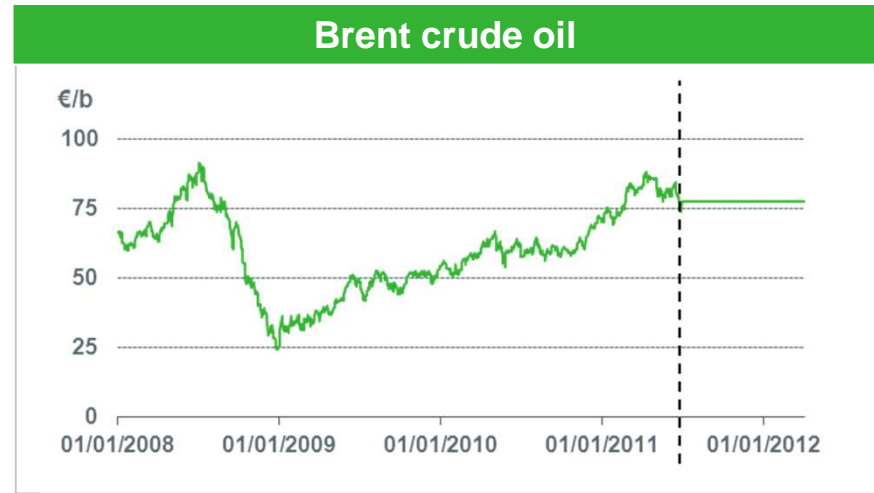
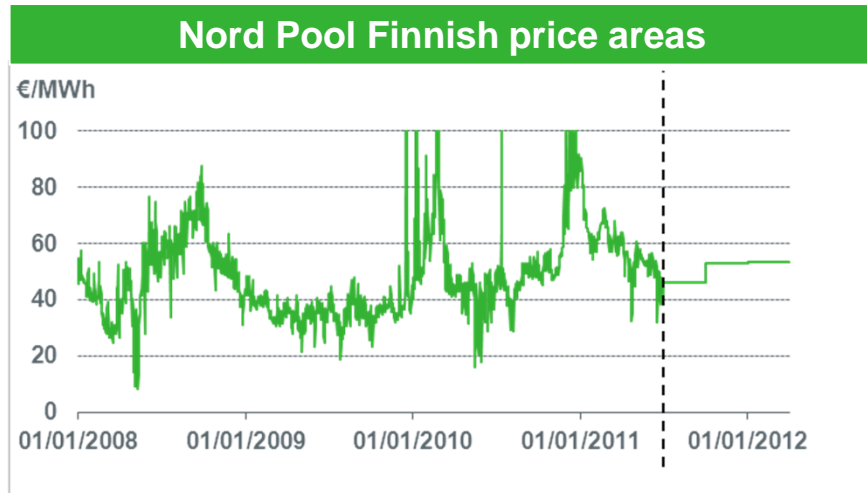


Comments

- Average Brent crude oil market price in Q2 2011 was 82.0 €/barrel (117.9 \$/barrel), up 33.1% (50.8%) y-o-y. Six month average was 79.6 €/barrel (111.7 \$/barrel), up 36.0% (43.7%).
- Weaker Euro, lower consumption, 60 million barrels of crude oil put on the market from IEA reserves and IMF's reduced GDP forecast for developed countries reduced the crude oil market price in June and July 2011.
- Average fuel oil price in Q2 2011 was 461.8 €/t (664 \$/t).



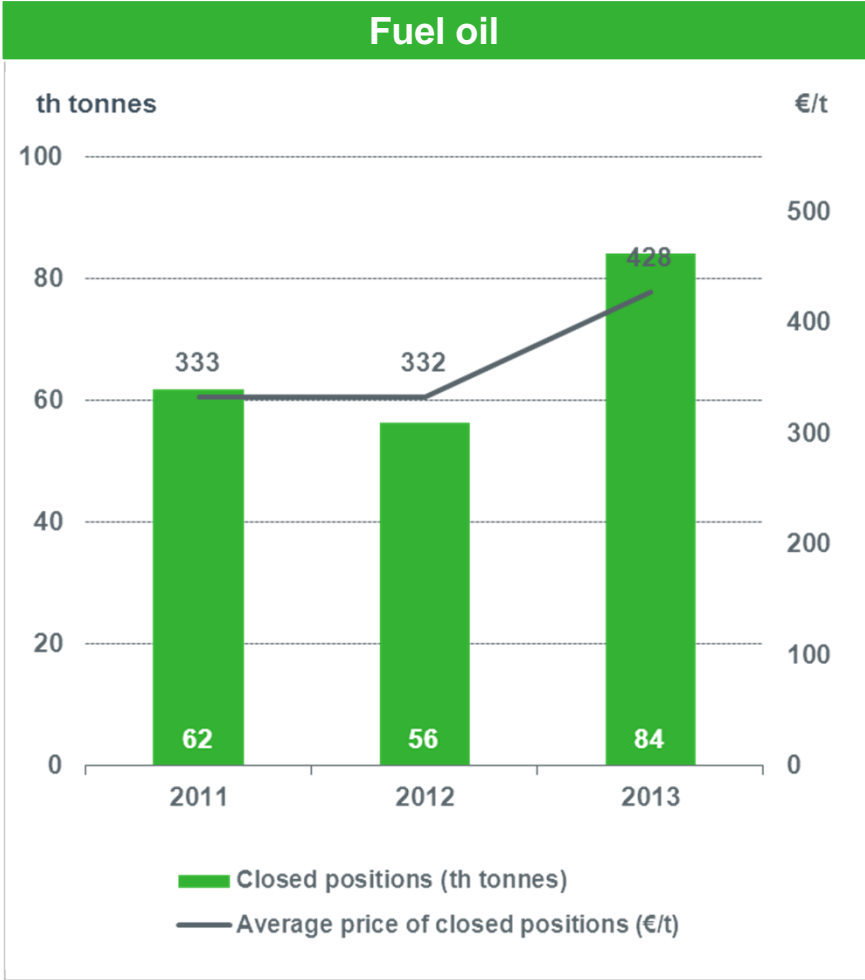
Markets *



* Forward contracts as of 30 June 2011



Closed positions



Profit and Loss Statement

million euros	Q2		Change	6 months		Change
	2011	2010	%	2011	2010	%
Revenues	206.0	170.0	21.2%	443.0	401.1	10.4%
Expenses	168.7	132.1	27.6%	361.4	302.9	19.3%
EBITDA	60.7	60.6	0.2%	127.3	145.5	-12.5%
Depreciation	23.3	22.8	2.2%	45.8	47.3	-3.2%
EBIT	37.3	37.8	-1.3%	81.5	98.2	-17.0%
Net financial income /(-expenses)	-1.6	-1.1	45.5%	-3.4	-2.5	36.0%
Income tax on dividends	14.6	22.1	-33.9%	14.6	22.2	-34.2%
Income from discontinued operations					27.4	-100.0%
Net profit	21.2	14.6	45.2%	63.6	101.5	-37.3%

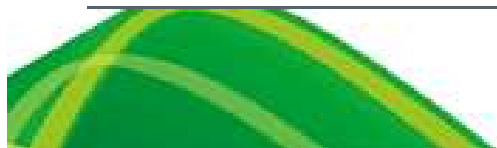


Balance Sheet

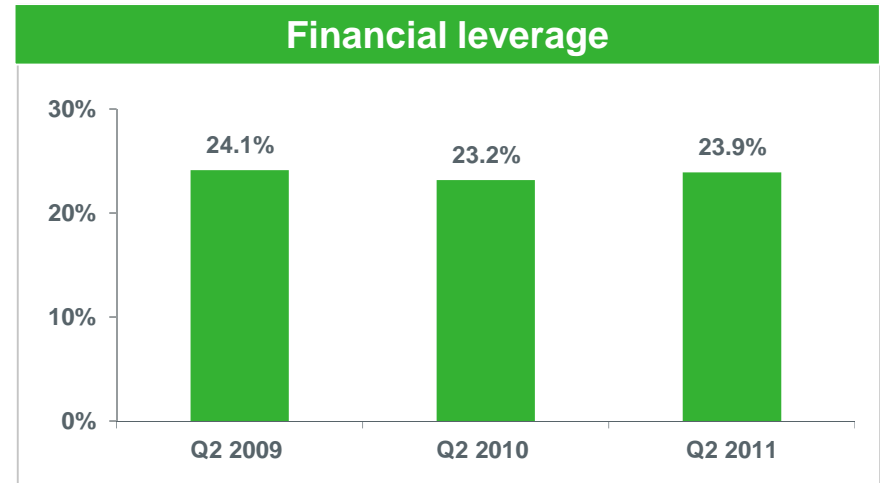
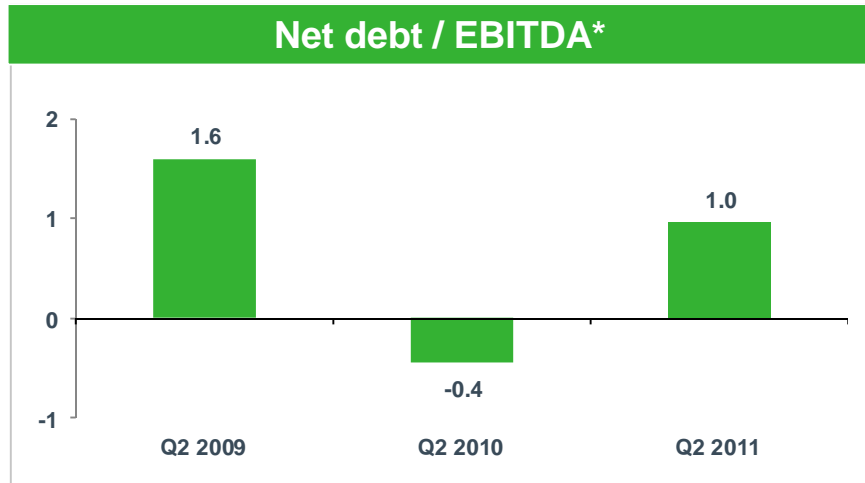
million euros	30 June 2011	30 June 2010	Change million euros
Total current assets incl.	296.4	604.3	-307.9
Cash and cash equivalents	87.3	197.8	-110.5
Deposits with maturity of more than 3 months	55.0	274.8	-219.8
Trade receivables	99.8	92.0	7.8
Inventories	34.7	37.2	-2.5
Other	19.6	14.6	24.6
Total non-current assets	1525.8	1256.3	269.5
Total assets	1822.2	1860.6	-38.4
Total payables, incl.	684.3	660.1	24.2
Trade payables	125.5	121.0	4.4
Other	134.3	127.6	6.7
Borrowings	357.4	362.3	-4.9
Current liabilities	26.8	3.6	23.2
Long-term liabilities	330.6	358.7	-28.1
Provisions	67.1	49.1	36.7
Equity	1137.9	1191.6	-4.5
Total liabilities and equity	1822.2	1860.6	-38.4

Cash flows

million euros	Q2		Change	6 months		Change
	2011	2010	%	2011	2010	%
Net cash from operating activities	25.9	68.5	-62.2%	130.8	157.9	-17.2%
Purchase of fixed assets	117.3	47.0	149.6%	189.2	85.6	121.0%
Net change in deposits with maturities greater than 3 months	143.0	106.1	34.8%	126.4	269.7	-53.1%
Received long-term bank loans	1.3	0.4	225.0%	1.5	1.0	50.0%
Repayment of bank loans	1.1	1.1	0.0%	1.9	1.7	11.8%
Dividend payment	56.1	-	100.0%	56.1	-	100.0%
Other adjustments	17.3	-1.3	-1430.8%	21.7	-0.5	-4440.0%
Cash flows from discontinued operations	-	-	-	-	360.2	-100.0%
Net cash flows	13.0	125.7	-89.7%	33.2	161.6	-73.6%

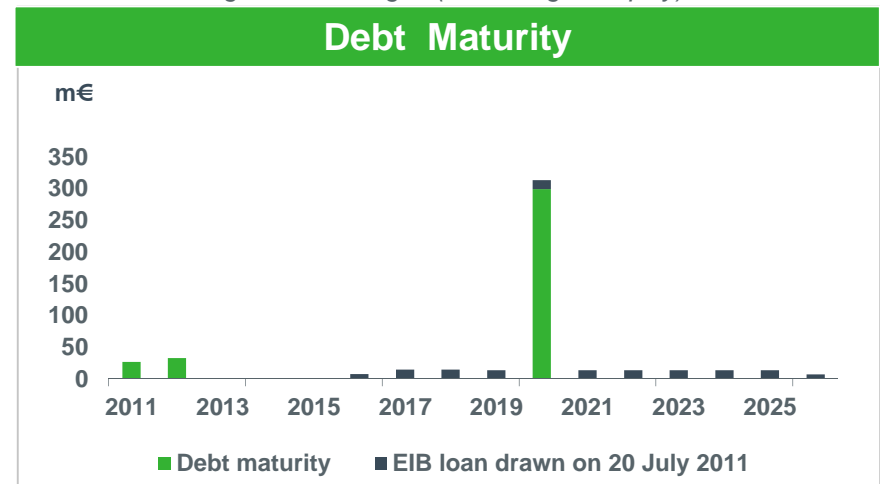
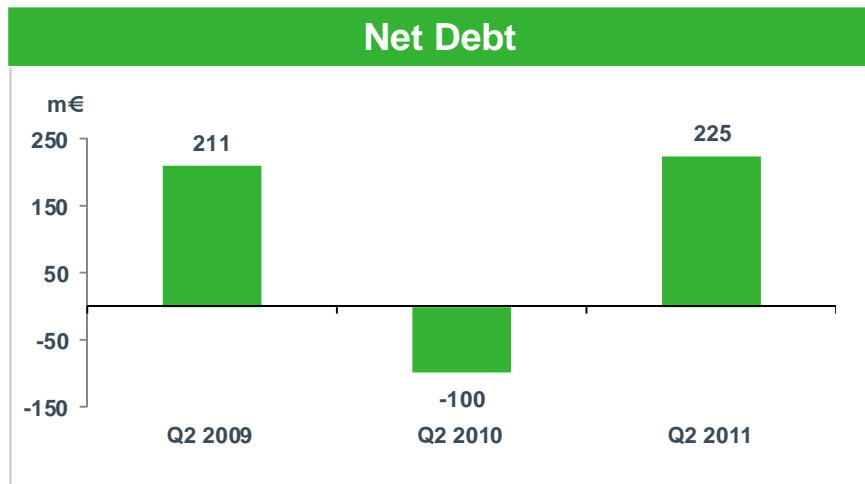


Sound Financial Position



* EBITDA for running 12 months

Financial leverage = borrowings / (borrowings + equity)



Net debt = borrowings – cash and cash equivalents (incl. deposits with maturities more than 3-months)

