

# Eesti Energia Unaudited Financial Results for Q3 2011

28 October 2011

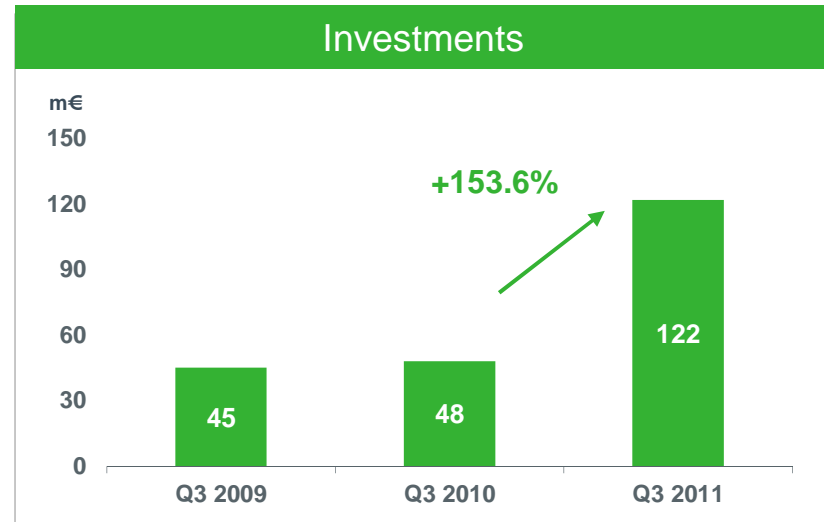
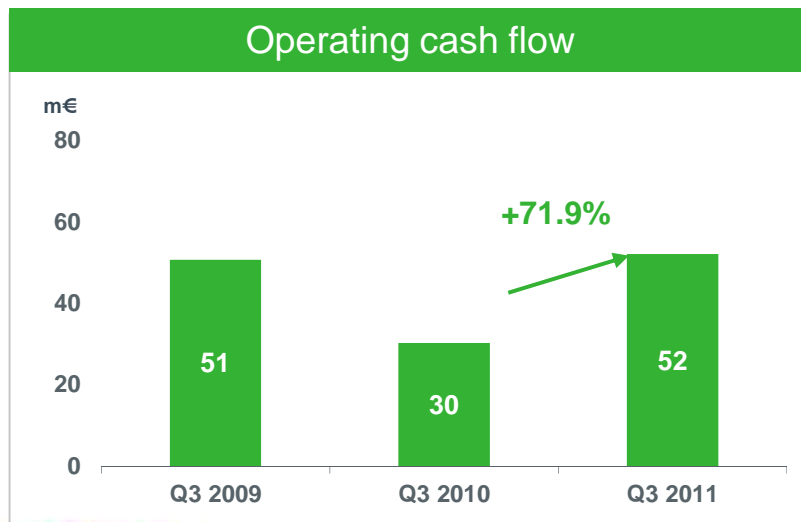
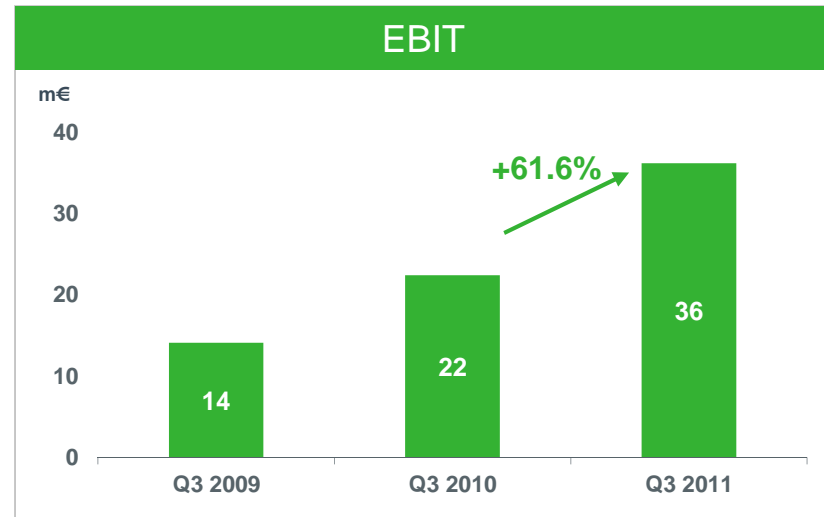
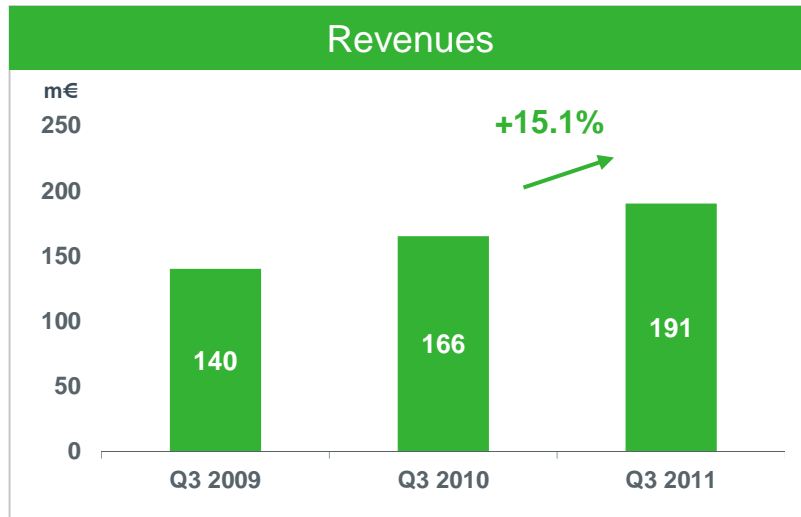


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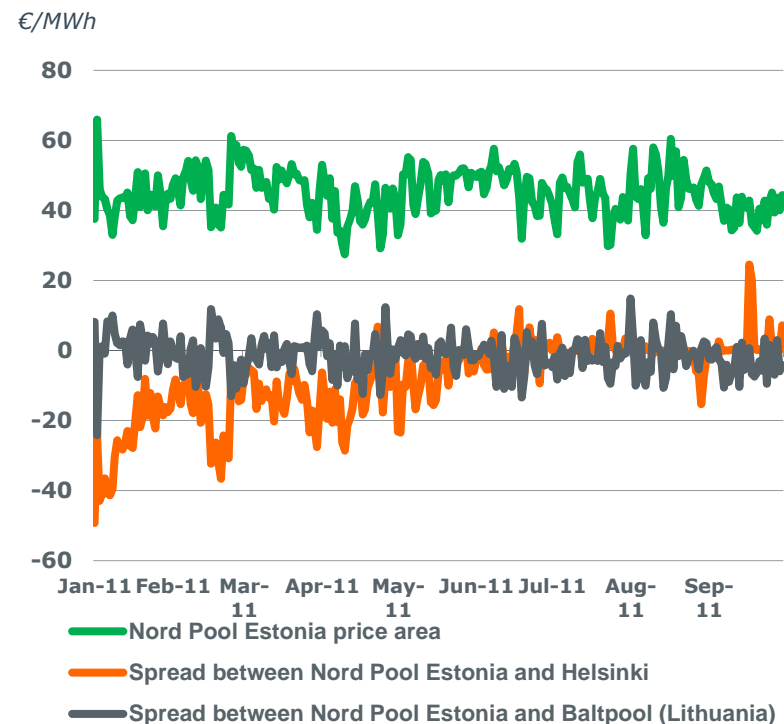
# Strong Quarterly Results



# Estonian and Finnish Prices Equal over 80% of Hours In Q3 2011

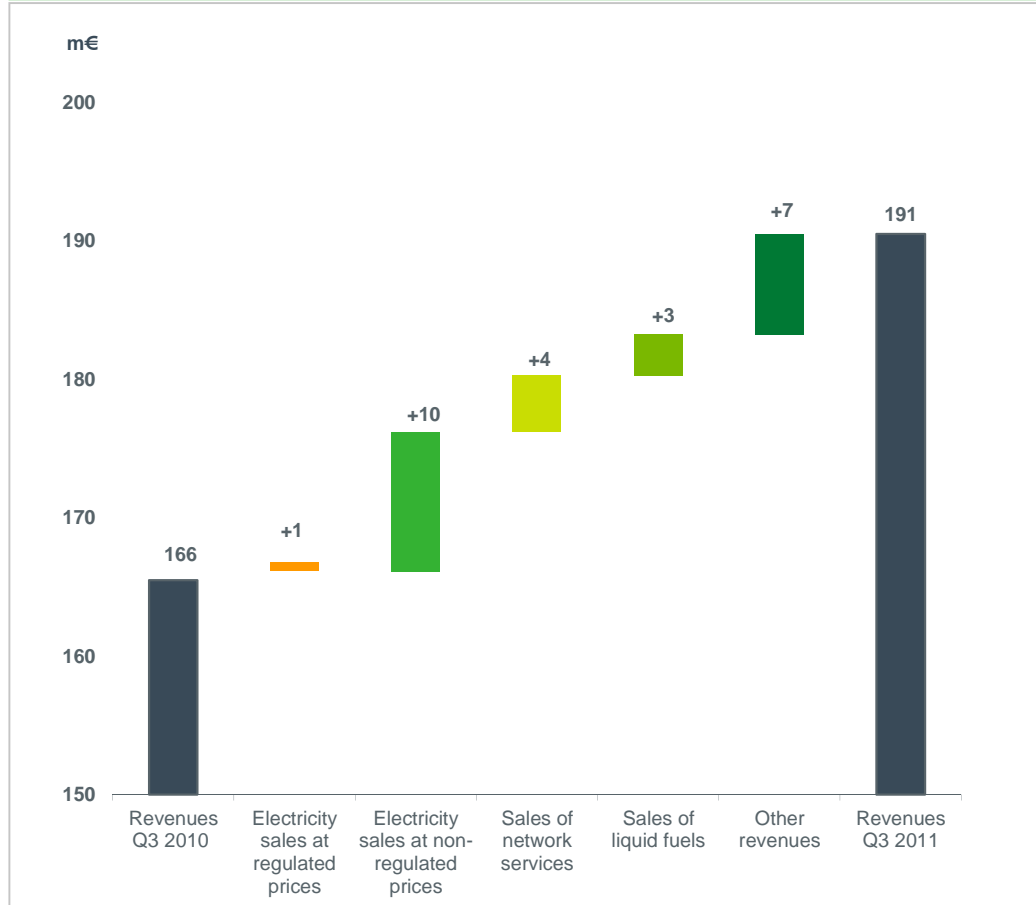
- The average price in the Nord Pool Estonian price area was 43.8 €/MWh (-15.3%), in the Finnish price area 43.4 €/MWh (-9.1%) and on BaltPool 45.9 €/MWh (-16.0%)
- The hourly prices in the Estonian and Finnish price areas were equal 82.9% of the time during Q3

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

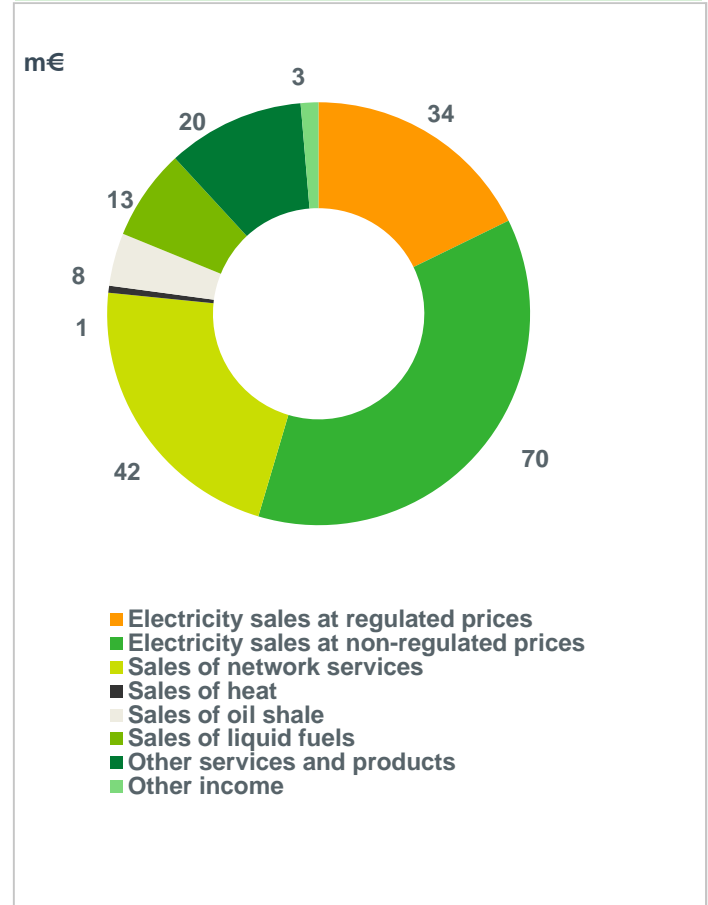


# Balanced Revenue Growth from Main Products

## Change of Group Revenues by Products

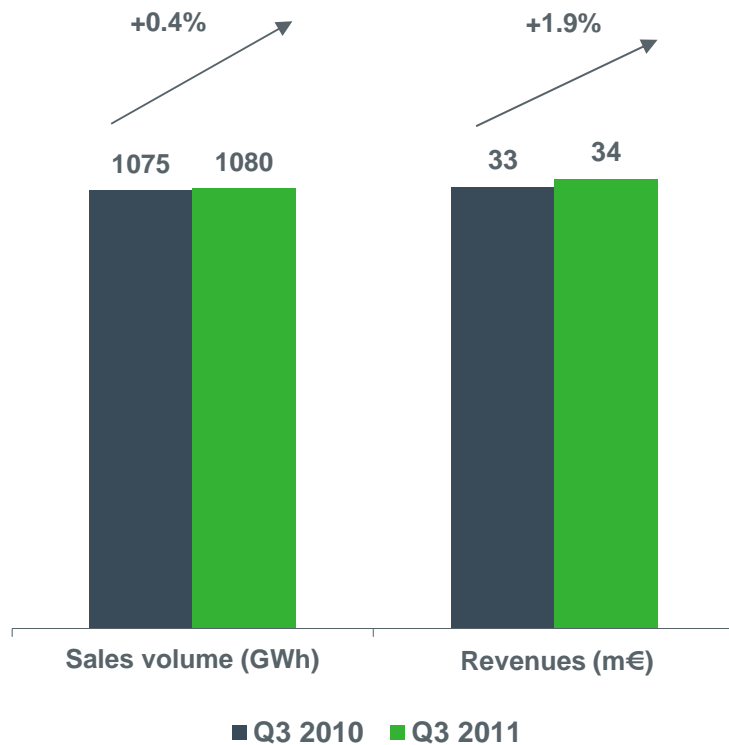


## Breakdown of Revenues Q3 2011



# Stable Electricity Sales at Regulated Prices

## Group Electricity Sales at Regulated Prices

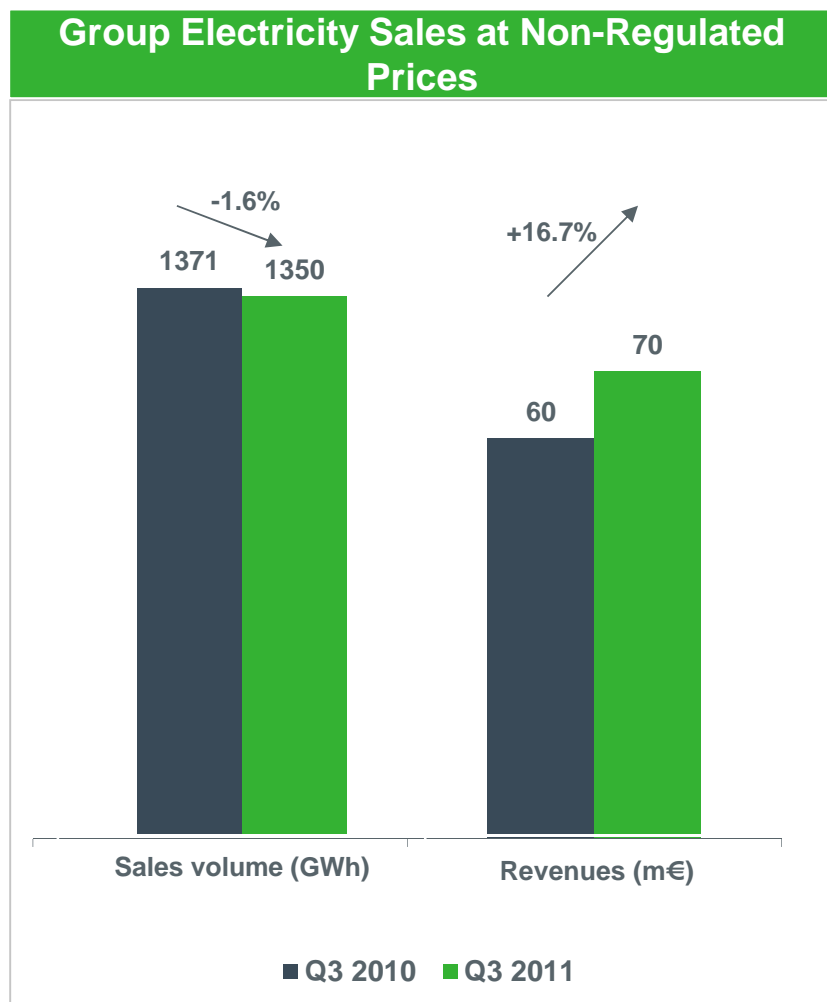


## Comments

- Average sales price in the regulated market 31.3 €/MWh (+1.5% compared to Q3 2010)
- Upgraded electricity price packages from June 2011



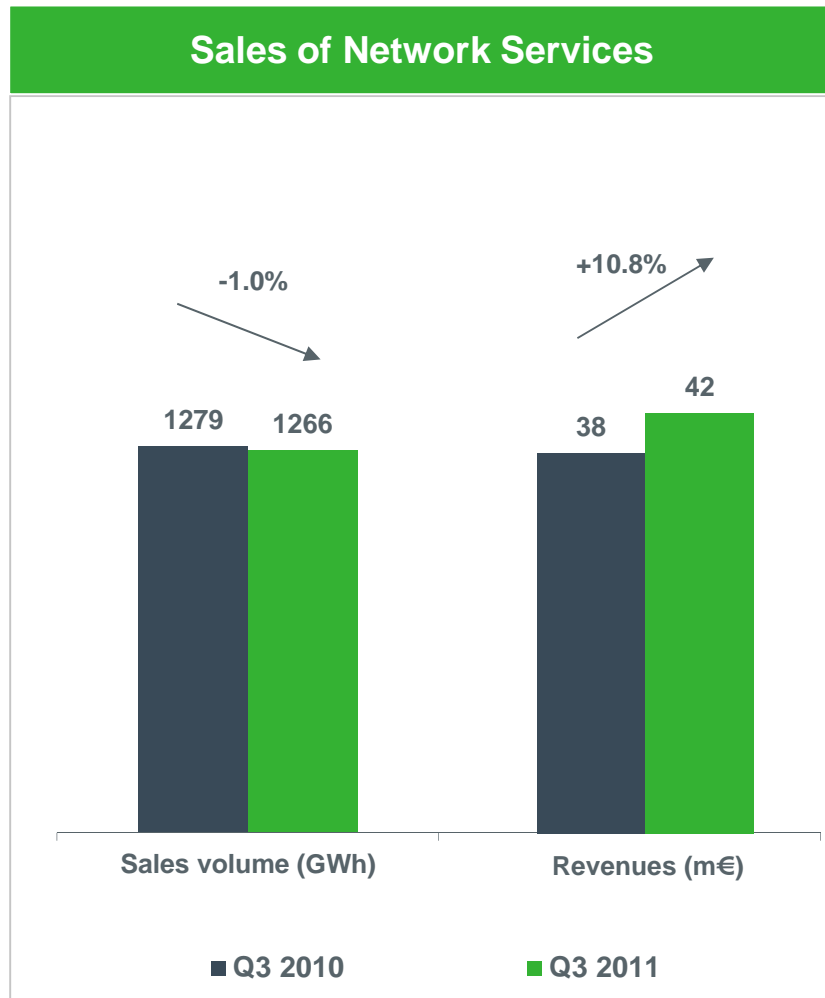
# Market Share in Baltic Open Market 25%



- Comments**
- Retail sales 508 GWh (-45 GWh), sales on exchanges and to wholesale buyers 842 GWh (+23 GWh)
  - Average open market shares in Q3: 71% in Estonia, 18% in Latvia and 8% in Lithuania
  - Average sales price on the open market excluding renewable energy subsidies was 48.7 €/MWh (+12,6%)
  - Renewable energy subsidies increased to 4.4 million euros (+549%) due to increased production
  - Electricity sales hedged against price risk amounted to 974 GWh (-138 GWh y-o-y)



# Increase in Revenues due to Higher Network Fees



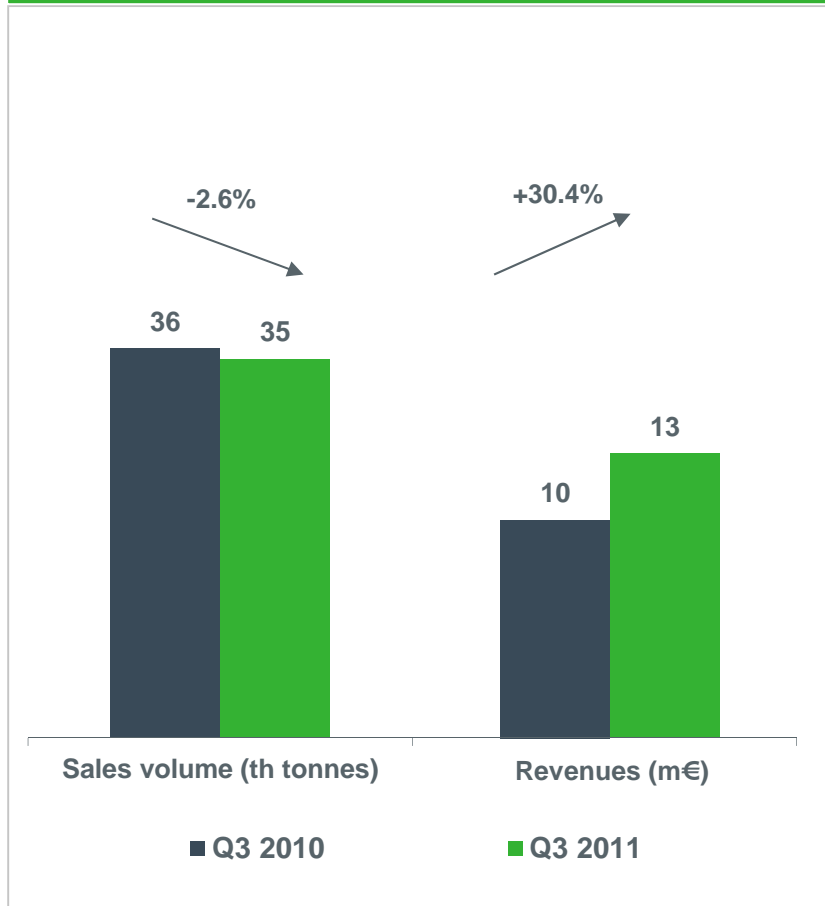
- ### Comments
- Average network tariff of 32.3 €/MWh (10.8%)
    - New network tariff of 33.0 €/MWh from 1 August 2011
  - Impact of temperature on sale of network services -14 GWh
  - Network losses were at 6.4% in Q3 11 (+1.2 percentage points)





# Strong Oil Prices Boosting Revenues

## Sales of Liquid Fuels

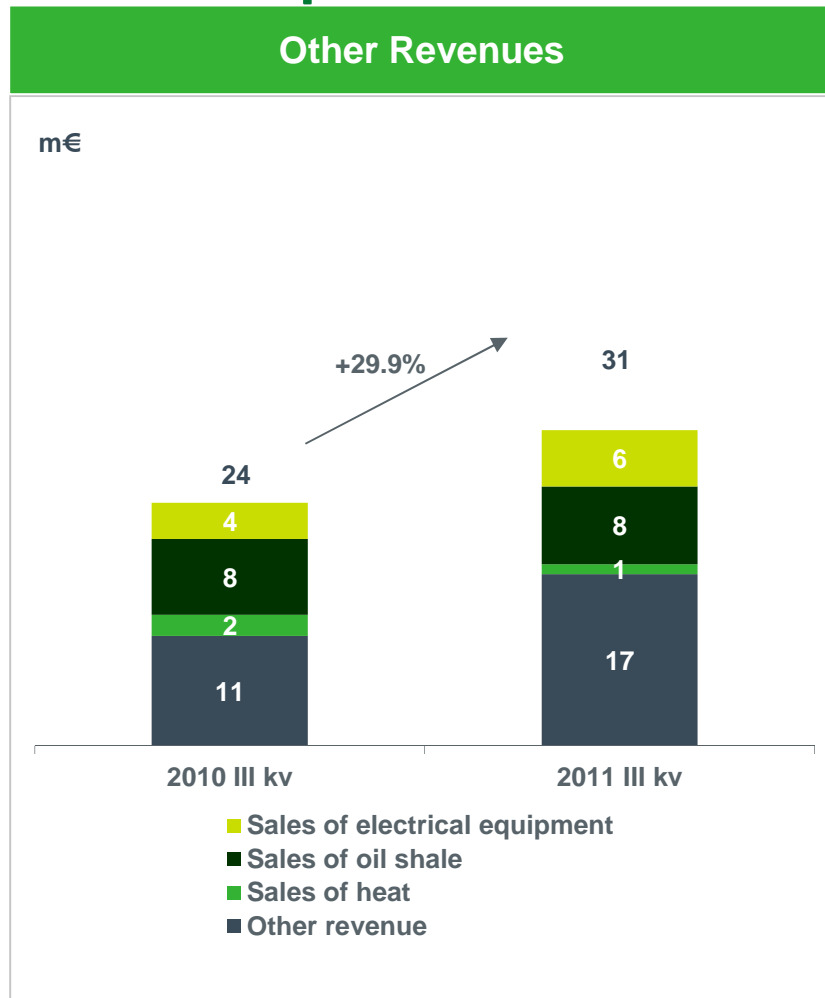


## Comments

- Average sales price was 375 €/t (+32.6%) due to higher fuel oil prices on the world market
  - Excluding price hedges average price was 432 €/t (+46.4%)
  - Average price of heavy fuel oil, the reference product, was 468 €/t
- Sales hedged against price risk in Q3 11 amounted to 15 thousand tonnes with an average price of 333 €/t



# Other Revenues Increased by Development of Estonian Oil Industry



- Comments**
- Increase in other revenues was supported by the development of Estonian oil industry incl.:
    - Increase in the revenues from sale of electrical equipment (+2 million euros)
    - Increase in sale of repair and construction services (+4 million euros)



# Higher Sales Level Behind Increased Expenses

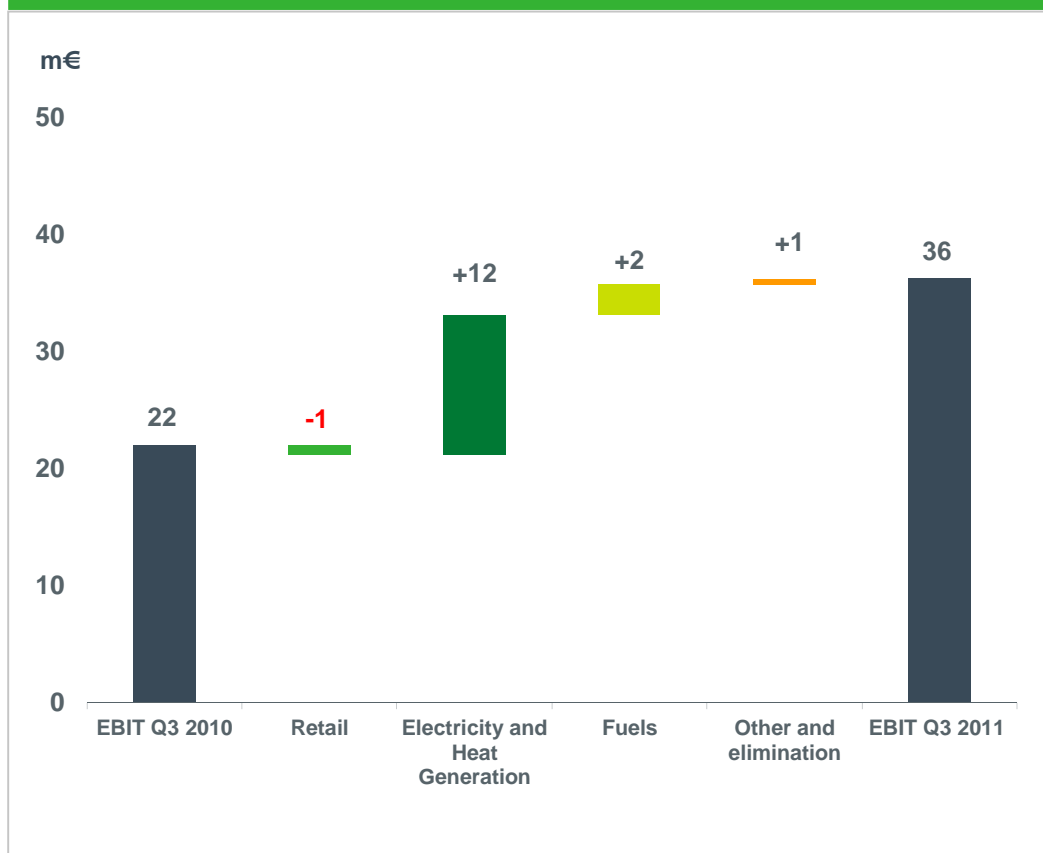


- Comments**
- Cheaper input prices reduced variable expenses:
    - Lower CO2 expenses in electricity generation (-4.4 million euros)
    - Higher environmental taxes in Fuels and Electricity and Heat Generation divisions (+2.8 million euros)
  - Increased sales volumes of Tehnoloogiatööstus largest impact on volume increase in variable expenses
  - Fixed expenses increased mainly due to higher personnel expenses in Fuels division

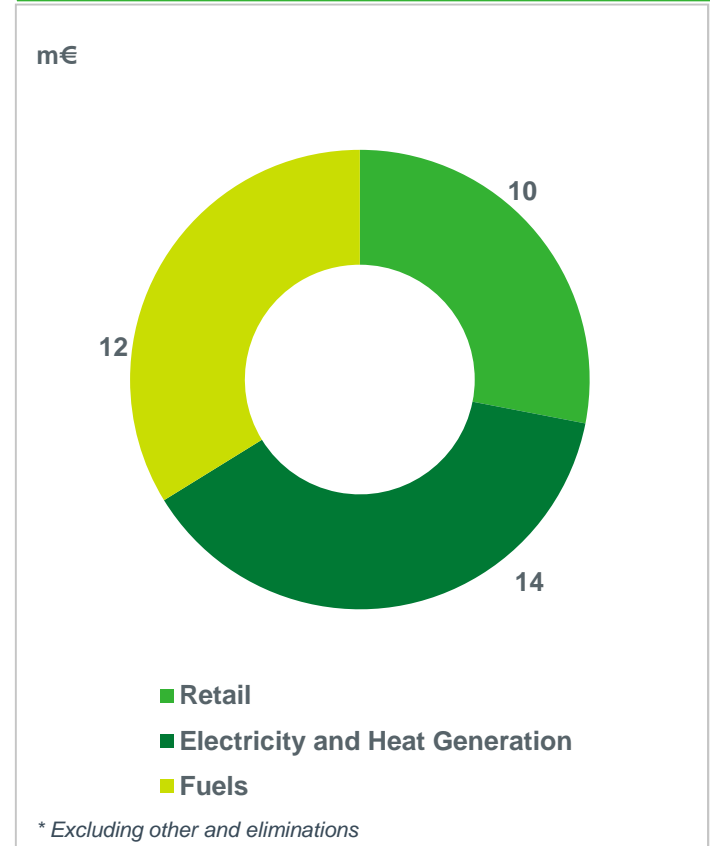


# EBIT Growth From Electricity Generation

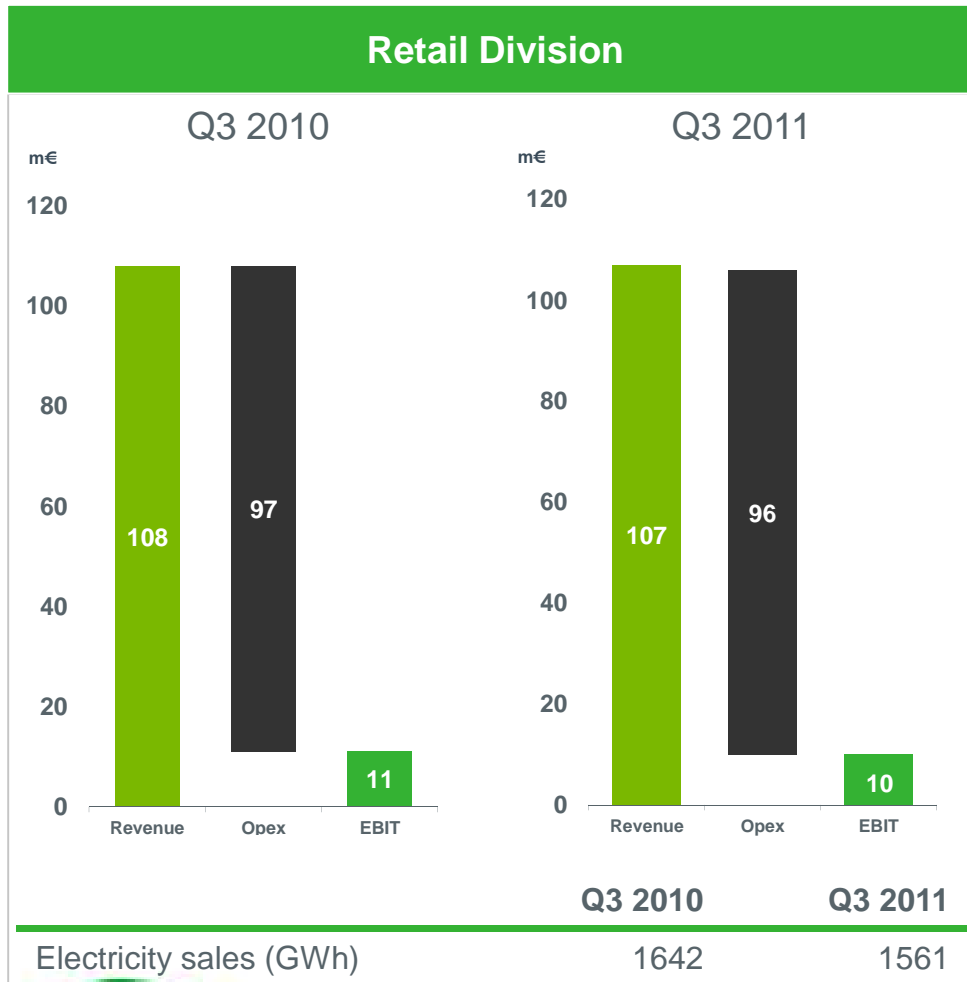
EBIT Change Breakdown by Divisions



EBIT Divisional Breakdown Q3 2011 \*



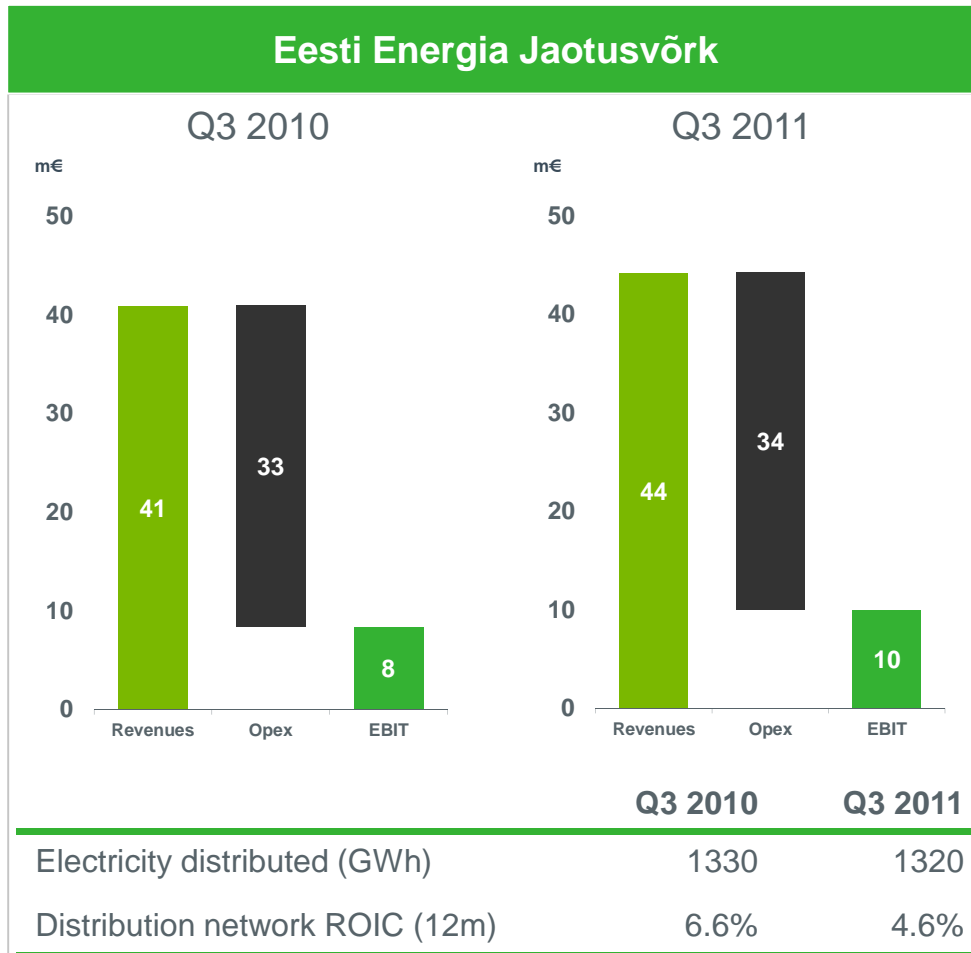
# Retail Profitability Hampered by Higher Cost Base



- Impact on Division Profitability:**
- ✓ +1.6 million euros due to higher profitability of Jaotuvõrk
  - ✗ -1.6 million euros due to higher fixed expenses
  - ✗ -0.8 million euros due to lower electricity profitability



# New Network Service Tariffs Increasing Profitability of Distribution Network

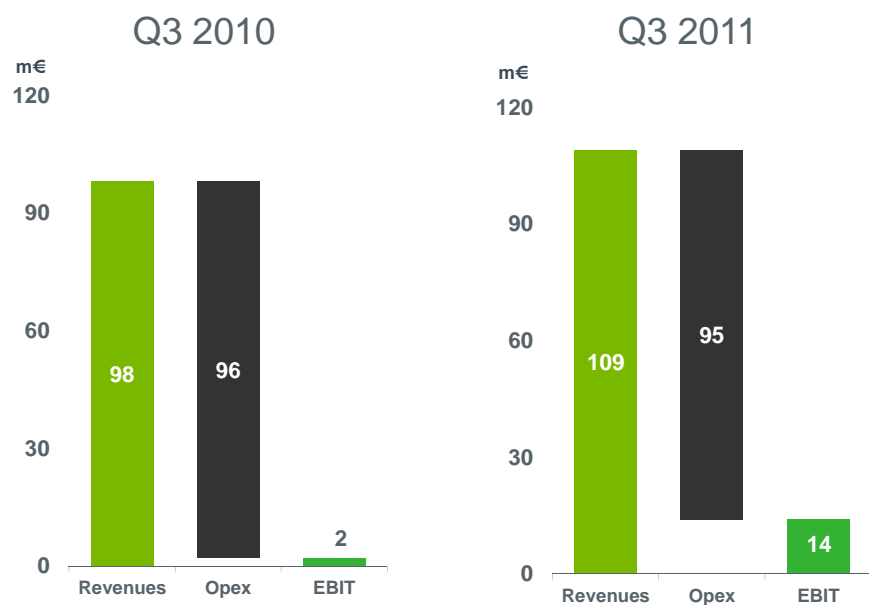


- Impact on Distribution Network's Profitability:**
- ✓ +3.5 million euros due to increase in network service margins
  - ✗ -1.2 million euros due to increase in depreciation
  - ✗ -0.8 million euros due to changes in amortization of connection fees



# Generation Profitability Boosted by Higher Electricity Prices

## Electricity and Heat Generation Division



Q3 2010                      Q3 2011

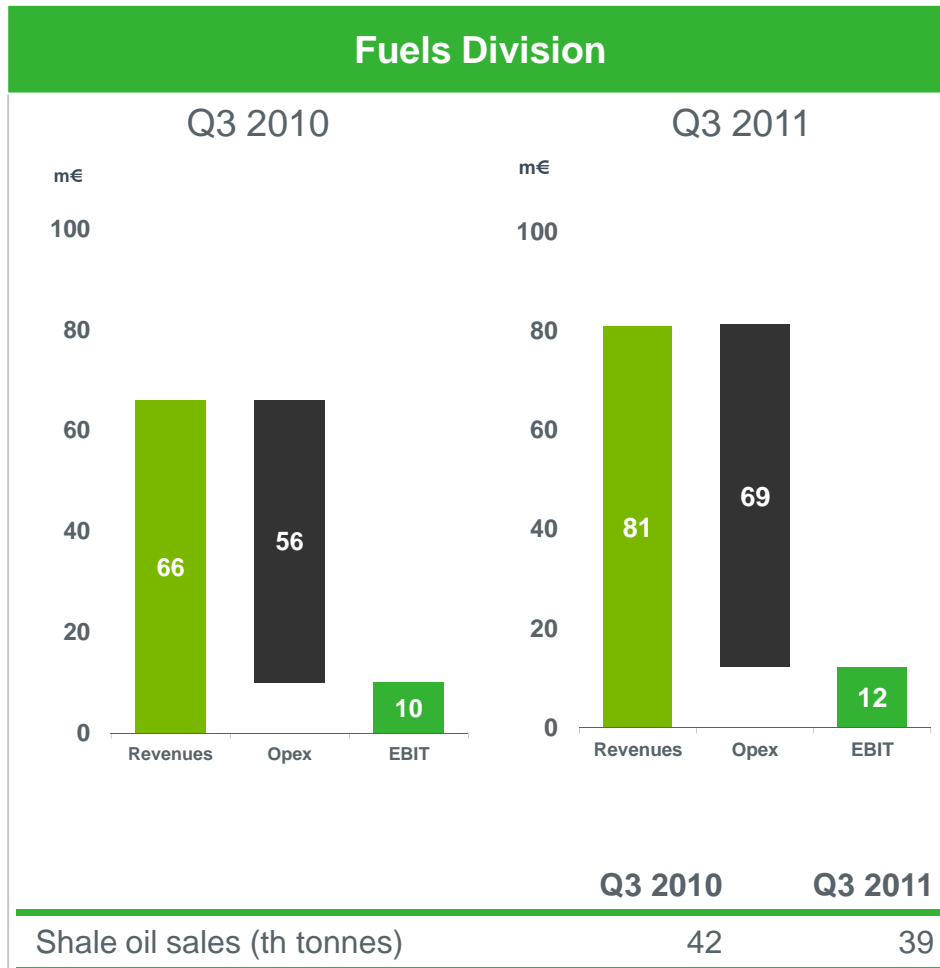
Electricity sales (GWh)	2499	2506
Electricity generation (GWh)	2331	2361
Electricity purchase (GWh)	170	146
Heat sales (GWh)	65	32

## Impact on Division Profitability:

- ✓ +8.2 million euros due to higher sales prices
- ✓ +2.1 million euros due to lower input prices
- ✓ +1.3 million euros due to increase in renewable energy subsidies
- ✓ +1.3 million euros due to higher sale of scrap metal
- ✓ +0.6 million euros due to lower losses earned from heat sales
- ✗ -2.1 million euros due to higher repair expenses



# Profitability of Fuels Division Increased by Higher Oil Prices

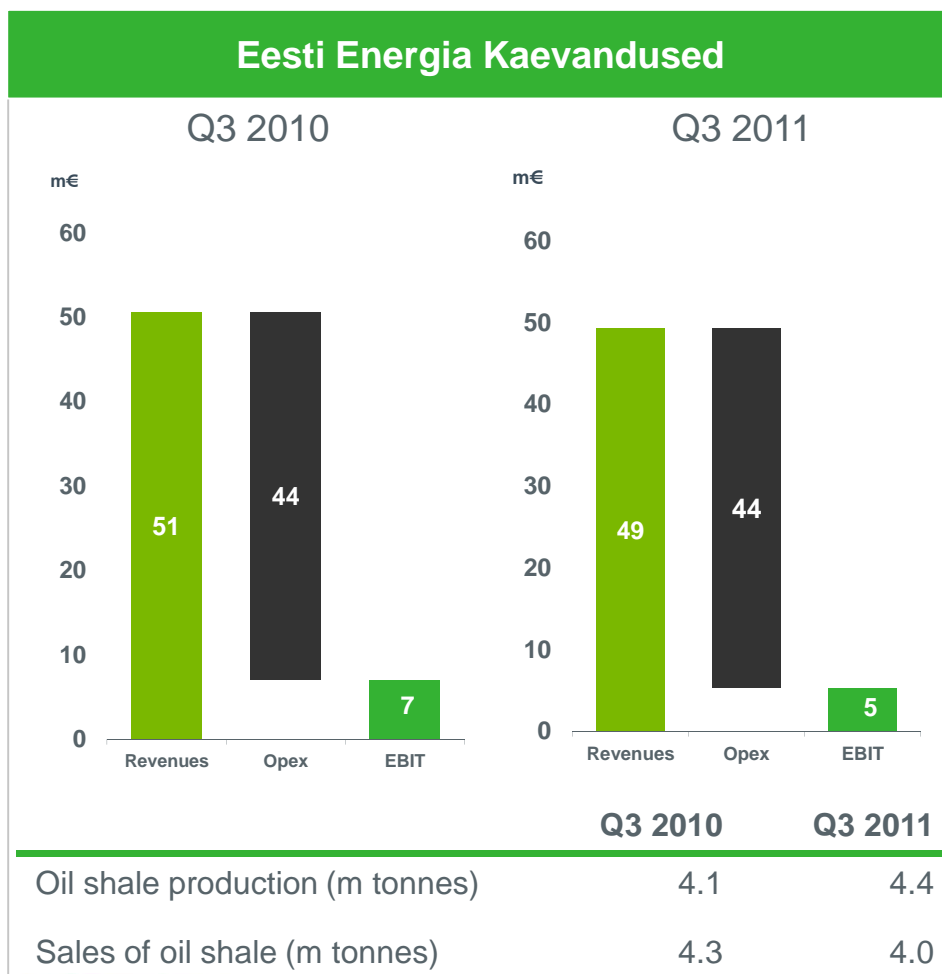


- Impact on Division Profitability:**
- ✓ +3.9 million euros due to increase in oil prices
  - ✓ +1.3 million euros due to increase in sales of Tehnoloogiatööstus
  - ✗ -1.8 million euros due to lower profitability of mining subsidiary
  - ✗ -0.9 million euros due to lower oil sales volumes





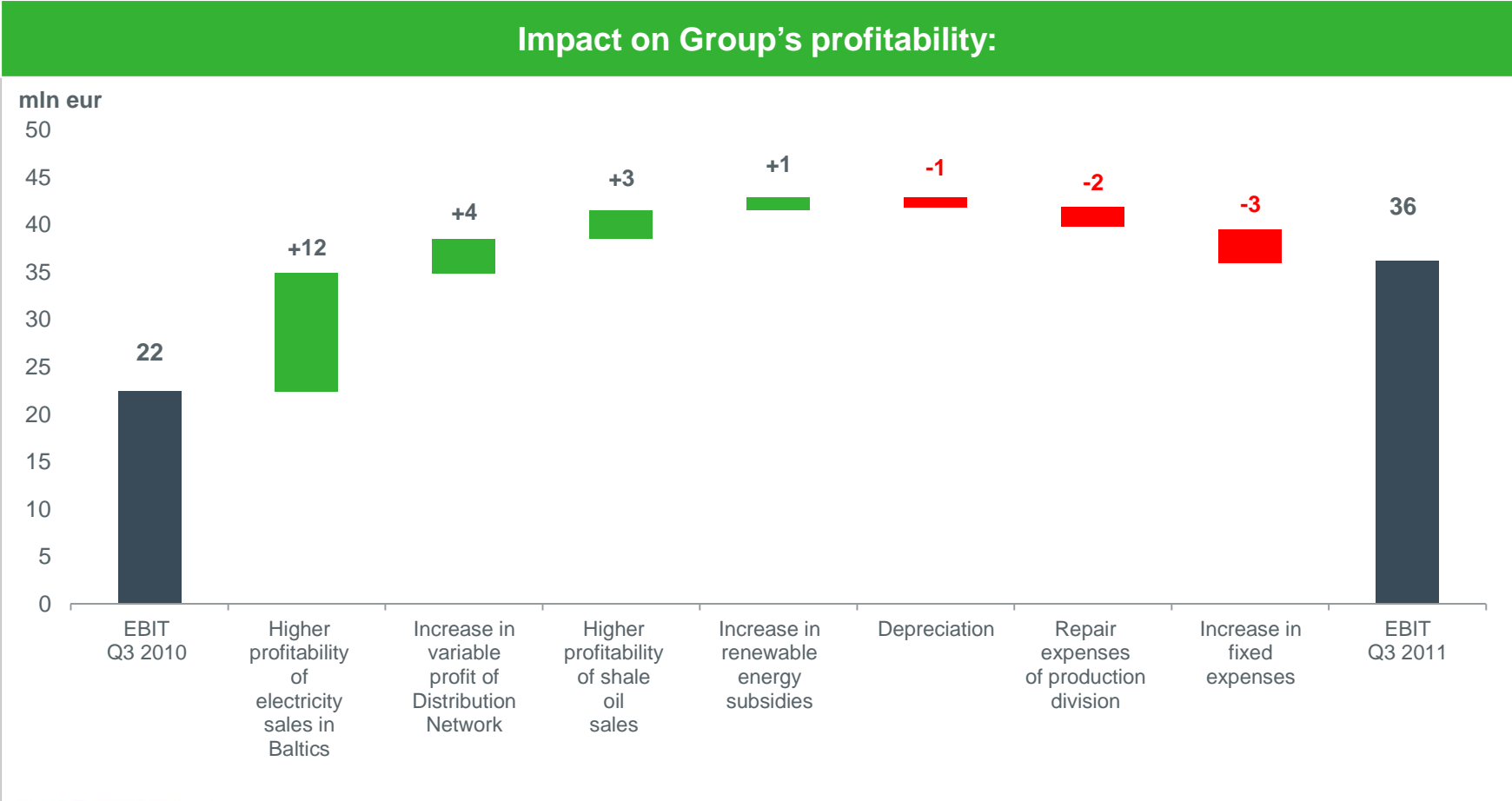
# Higher Input Prices Weigh on Mining Subsidiary



- Impact on Mining profitability:**
- ✓ +1.8 million euros due to higher production volume
  - ✓ +0.3 million euros due to higher sales price
  - ✗ -2.8 million euros due to higher input prices
  - ✗ -0.6 million euros due to increase in depreciation
  - ✗ -0.2 million euros due to increase in fixed expenses

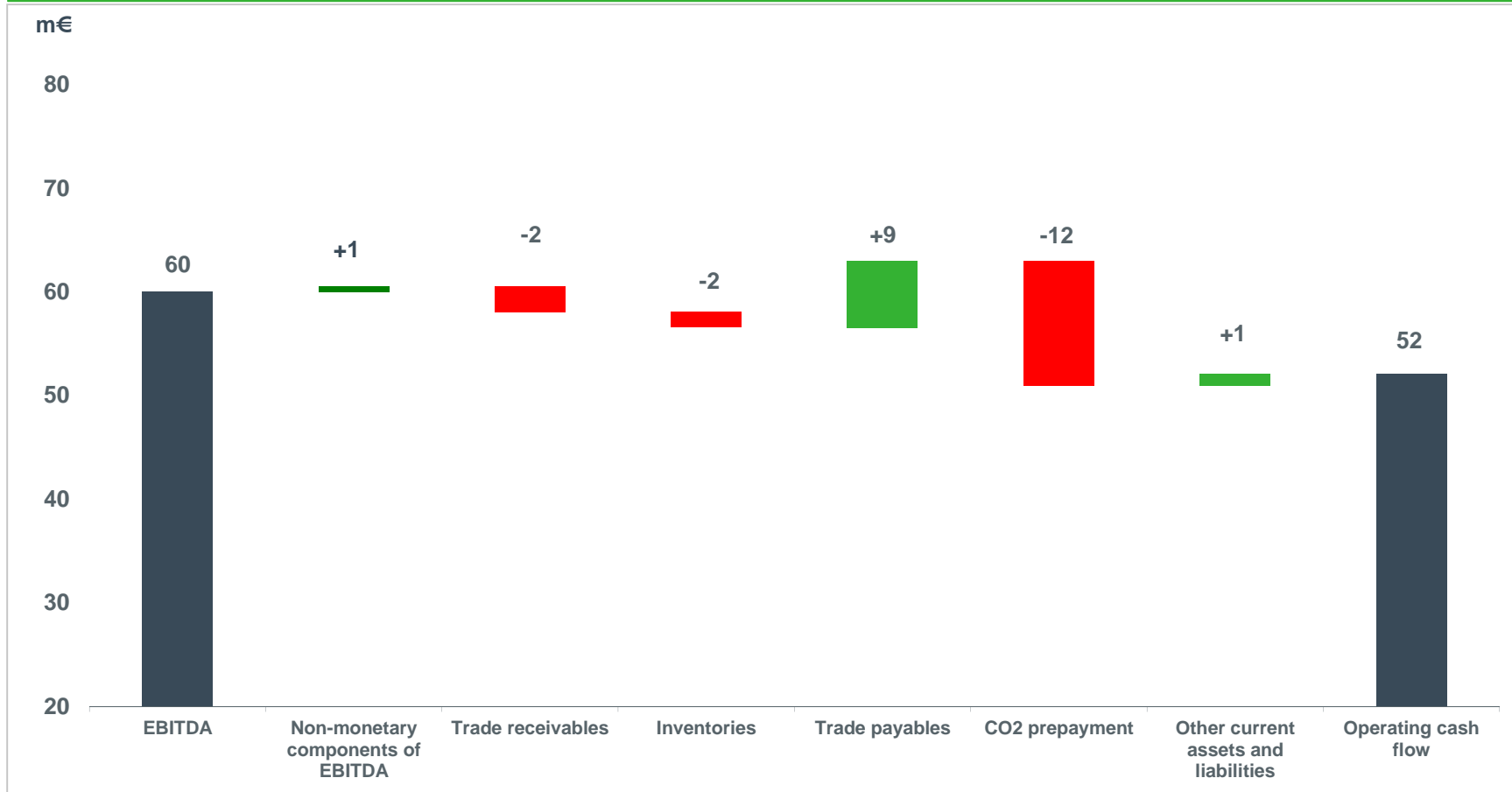


# Group EBIT Affected by Profitable Electricity Sales



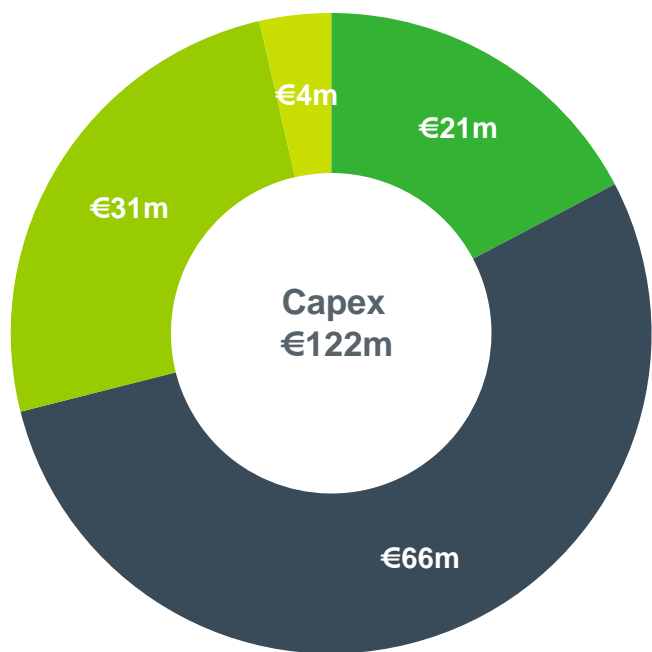
# Operating Cash Flows Impacted by CO<sub>2</sub> Prepayment

## Development of operating cash flows:



# Implementation of Capex Programme Continues

Capex divisional breakdown Q3 2011



- Retail
- Electricity and Heat Generation
- Fuels
- Other

Major projects

- Narva wind park 35 million euros
- Distribution network 20 million euros
- Enefit-280 shale oil plant 20 million euros
- New power plant in Narva 8 million euros
- Desulphurisation equipment in Narva power plant 7 million euros
- Oil shale mining equipment 6 million euros

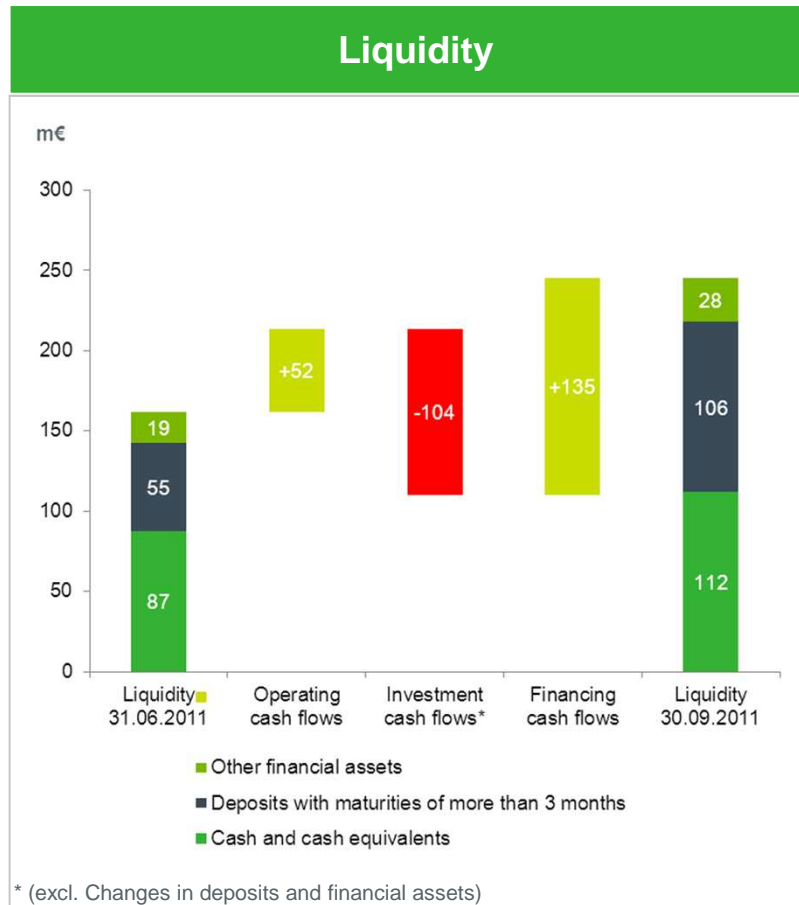


# Update on Capex Programme

Investment Project	Capex up to 30 September 2011	Expected Future Capex	Project Deadline
Enefit-280 oil plant	121 million euros	86 million euros	2012
Development of oil shale industry infrastructure	2 million euros	23 million euros	2012
Desulphurisation equipment in NPP	84 million euros	35 million euros	2012
Narva wind park	52 million euros	7 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	15 million euros	285 million euros	2014
New power plant in Narva	38 million euros	600 million euros	2015
Predevelopment of liquid fuels industry in USA	32 million euros	41 million euros	Development up to 2016
Predevelopment of liquid fuels and electricity industry in Jordan	5 million euros	23 million euros	Development up to 2016



# Credit Lines Increase Financial Flexibility

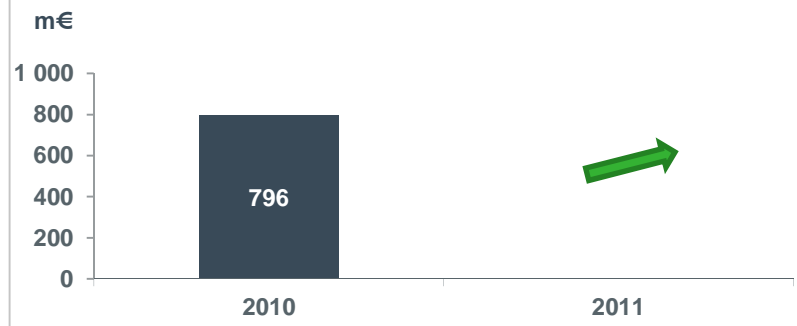


- Comments**
- Liquid assets increased to 245 million euros by 30 September 2011
  - EIB investment loan of 136 million euros drawn in July 2011
  - 500 million euros credit lines from September 2011
  - Preparations for raising long-term debt capital
  - Draft state budget includes 150 million euros of equity injection in 2012



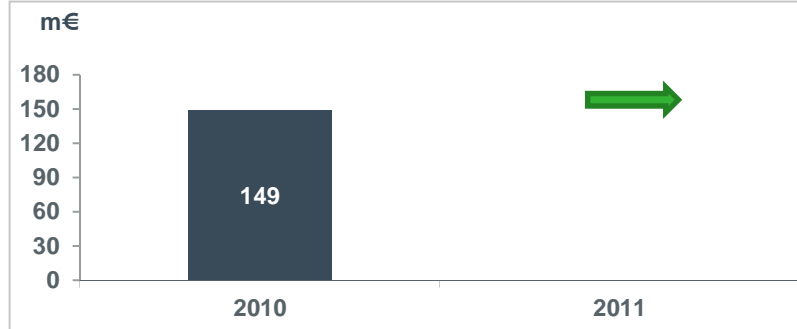
# Predicted FY11 EBIT Similar to FY10

## Revenue outlook



- ✓ Strong oil market prices
- ✓ Higher electricity prices and volumes
- ✓ New network tariffs from 1 August 2011

## EBIT outlook



- ✓ Higher shale oil margins
- ✓ Higher electricity margins
- ✗ Higher repair expenses
- ✗ Higher fixed expenses



# Summary

- ✓ Revenues and profitability growing:
  - revenues 191 million euros, + 15%
  - EBITDA 60 million euros, +33%
  - EBIT 36 million euros, +62%
- ✓ Profitability increase for main products:
  - Profitable electricity sales, +12 million euros
  - Increase in profitability of Jaotusvõrk, +4 million euros
  - Increase in profitability of shale oil, +3 million euros
- ✓ Implementation of investment plan continues, investments growing more than two times compared to Q3'10
- ✓ Liquidity covered with signed credit lines and deposits

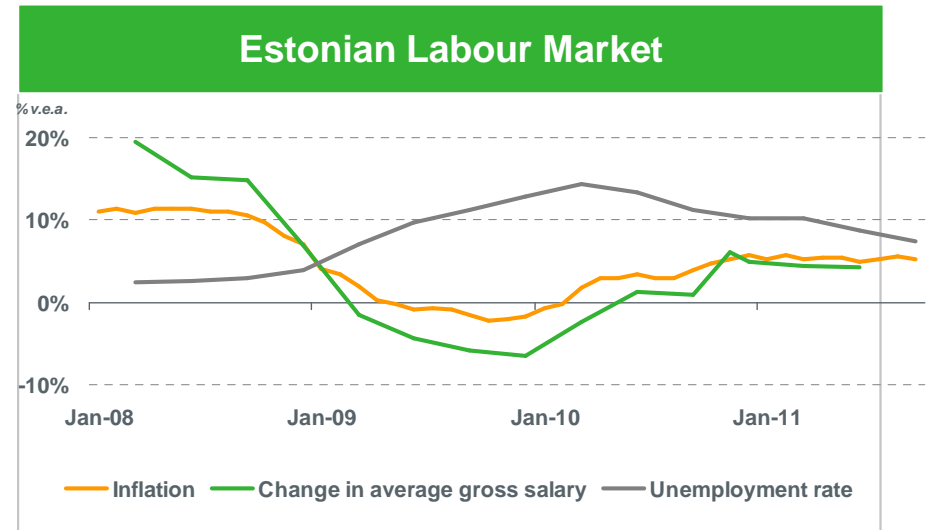
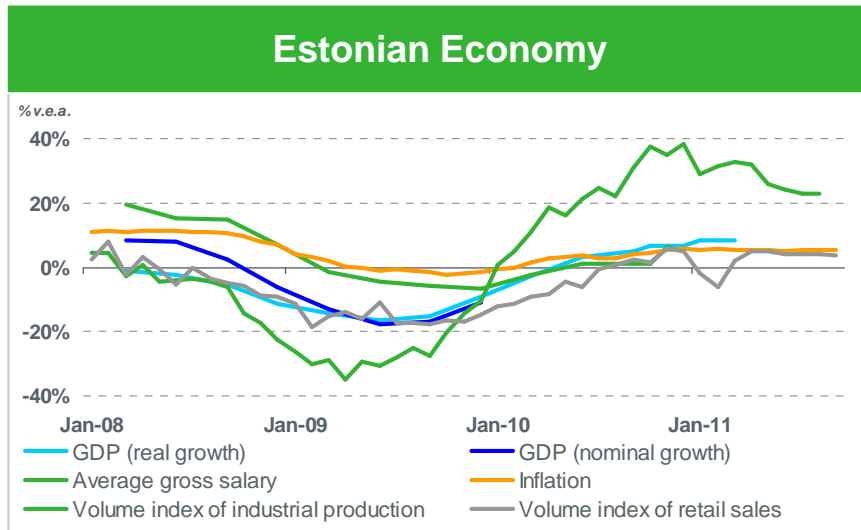




# APPENDICES



# Economy Expanding on the back of Higher Exports



- Estonia's GDP growth in Q3 continues to be supported by exports - 2011 July and August on average 41.5% higher year-on-year

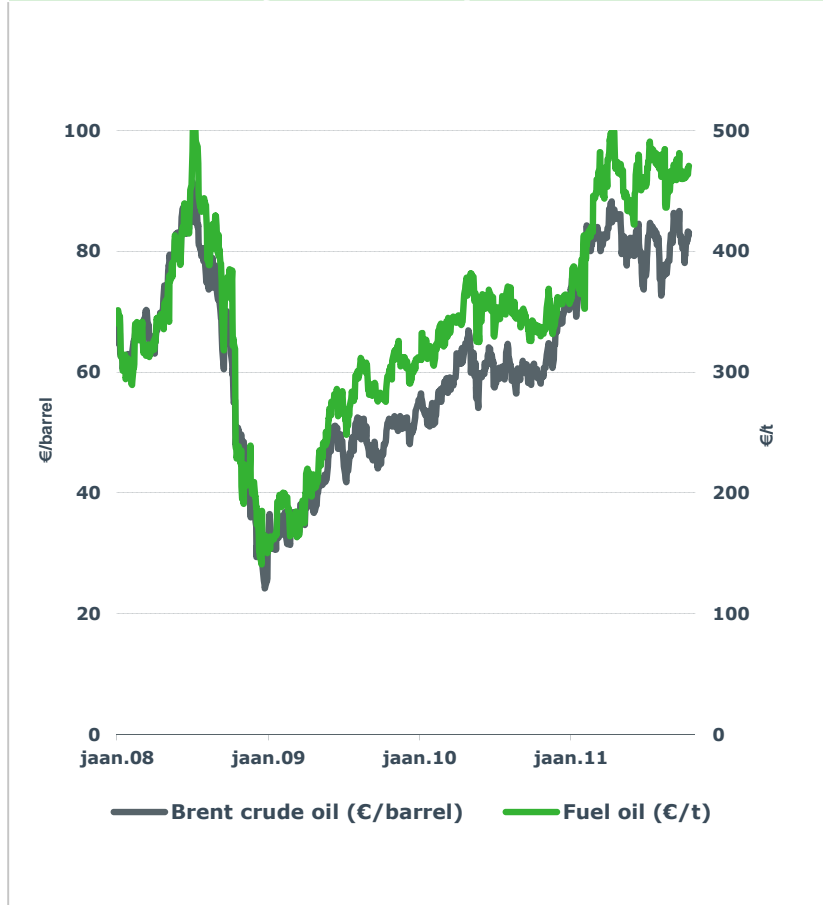
- Unemployment in Q3 11 reached 7.4%, which is 3.8 percentage points below Q3 10

Sources: Statistics Estonia, Estonian Unemployment Insurance Fund



# Oil Prices

Fuel prices in  
January 2008 – September 2011

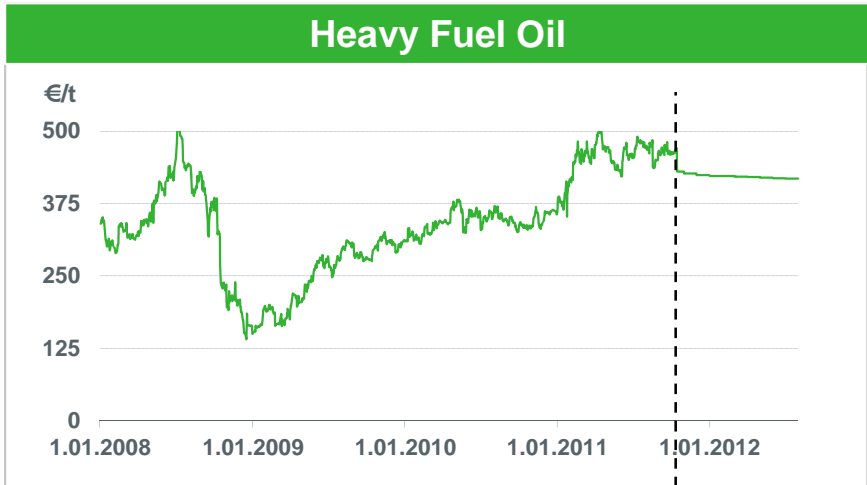
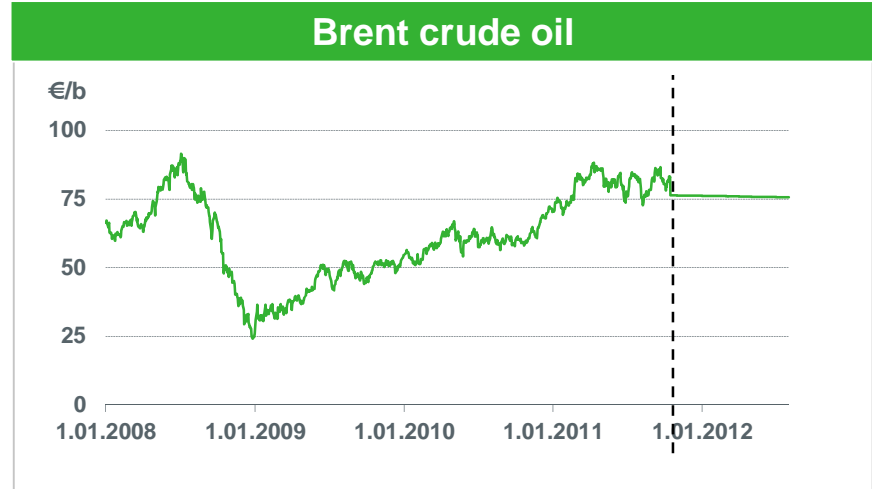
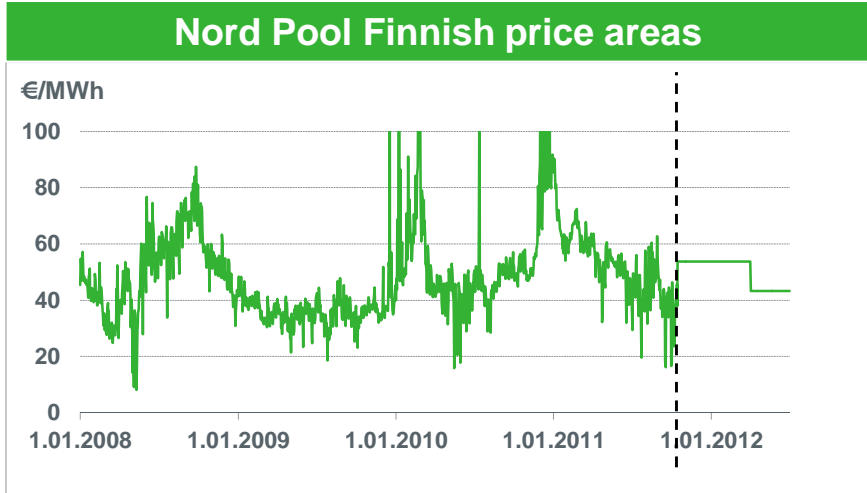


## Comments

- Average Brent crude oil market price in Q3 2011 was 81.0 €/barrel (114.4 \$/barrel), up 35.2% (47.6%) y-o-y. Nine month average was 80.1 €/barrel (112.7 \$/barrel), up 35.9% (45.6%).
- In the third quarter, significant volatility in the prices was caused by the ongoing European debt crisis. IMF reduced the growth forecast of developed countries by -0,6%. In October EIA decreased slightly the oil consumption forecasts, while increasing projected supply for 2011.
- Average fuel oil price in Q3 2011 was 468.0 €/t (660.9 \$/t).



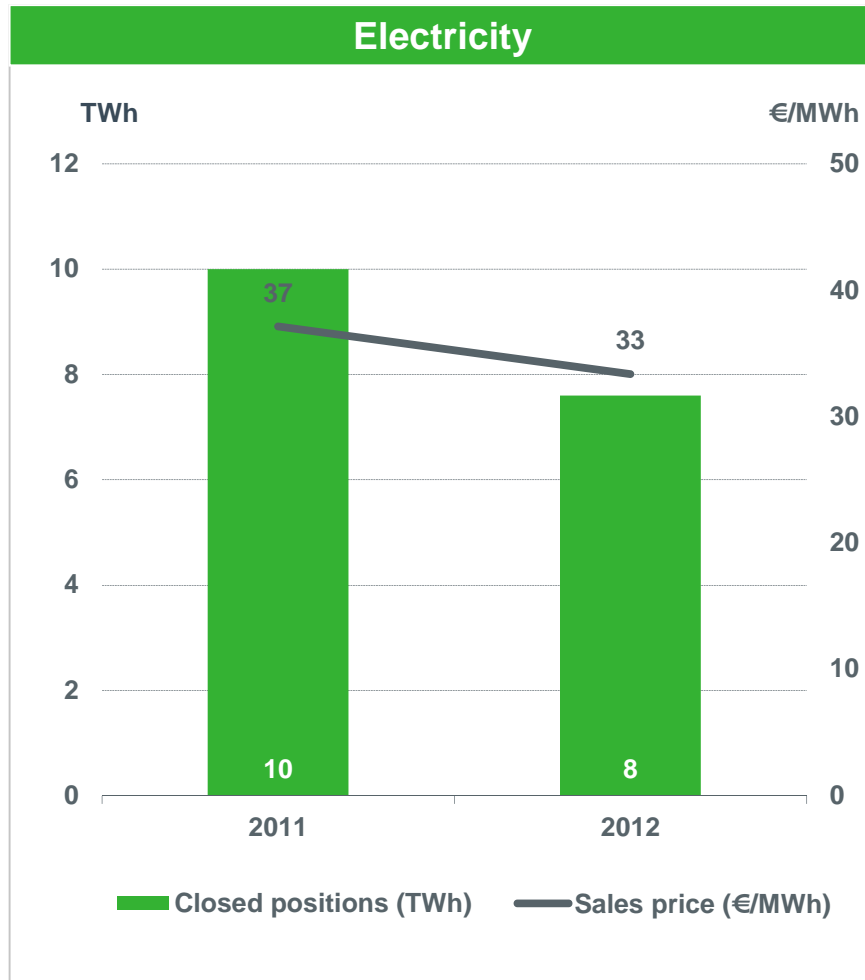
# Markets\*



\* Forward contracts as of 30 September 2011



# Closed positions



# Profit and Loss Statement

million euros	Q3		Change	9 months		Change
	2011	2010	%	2011	2010	%
<b>Revenues</b>	190.5	165.5	15.1%	633.6	566.6	11.8%
<b>Expenses</b>	154.3	143.1	7.8%	515.9	445.9	15.7%
<b>EBITDA</b>	60.0	45.2	32.7%	187.3	190.7	-1.8%
Depreciation	23.8	22.8	4.4%	69.6	70.1	-0.7%
<b>EBIT</b>	36.2	22.4	61.6%	117.6	120.6	-2.4%
Net financial income /(-expenses)	1.3	-1.4	-192.9%	-2.1	-3.9	-47.5%
Income tax on dividends	-	6.6	-100.0%	14.6	28.8	-29.3%
Income from discontinued operations					27.4	-100.0%
<b>Net profit</b>	37.7	14.4	161.8%	101.3	115.9	-12.6%



# Balance Sheet

million euros	30 Sept 2011	30 Sept 2010	Change million euros
Total current assets, incl.:	394.1	475.1	-81.5
Cash and cash equivalents	111.7	45.5	66.2
Deposits with maturities greater than 3 months	106.0	296.1	-190.1
Trade and other receivables	1080	94.1	13.9
Inventories	36,3	35.0	1.3
Other	32.1	4.9	27.2
Total non-current assets	16292	1280.9	348.3
<b>Total assets</b>	<b>2023.3</b>	<b>1765.5</b>	<b>266.8</b>
Liabilities, incl:	842.1	647.9	192.4
Trade and other payables	138.6	97.6	41.0
Other	134.2	124.4	9.8
Borrowings	492.3	362.9	129.4
Current borrowings	26.8	3.7	26.8
Non-current borrowings	465.5	359.2	106.3
Provisions	77.0	63.0	14.0
Equity	1181.2	1108.6	72.6
<b>Total liabilities and equity</b>	<b>2023,3</b>	<b>1765,5</b>	<b>266,8</b>



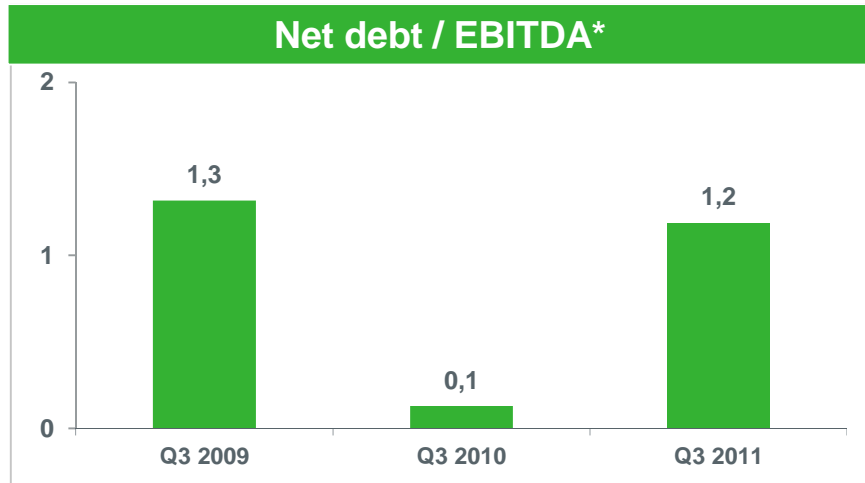
# Cash flows

million euros	Q3		Change	9 months		Change
	2011	2010	%	2011	2010	%
Cash flows from operating activities	52.1	30.3	71.9%	183.0	188.2	-4.5%
Purchase of tangible and intangible assets	110.4	50.8	117.3%	299.7	136.4	119.7%
Net change in deposits with maturities greater than 3 months	51.0	21.3	139.4%	75.4	291.0	-125.9%
Received long-term bank loans	136.0	1.3	104x	137.5	2.3	59x
Repayments of bank loans	0.7	0.7	0.0%	2.6	2.4	8.3%
Dividends paid	-	109.2	-100.0%	56.1	109.2	-48.6%
Other	-1.6	-1.9	-15.8%	19.5	2.3	
Cash flows from discontinued operations	-	-	-	-	172.6	-100.0%
<b>Net cash flows</b>	<b>24.2</b>	<b>-152.3</b>	<b>N/A</b>	<b>57.6</b>	<b>9.3</b>	<b>519.4%</b>

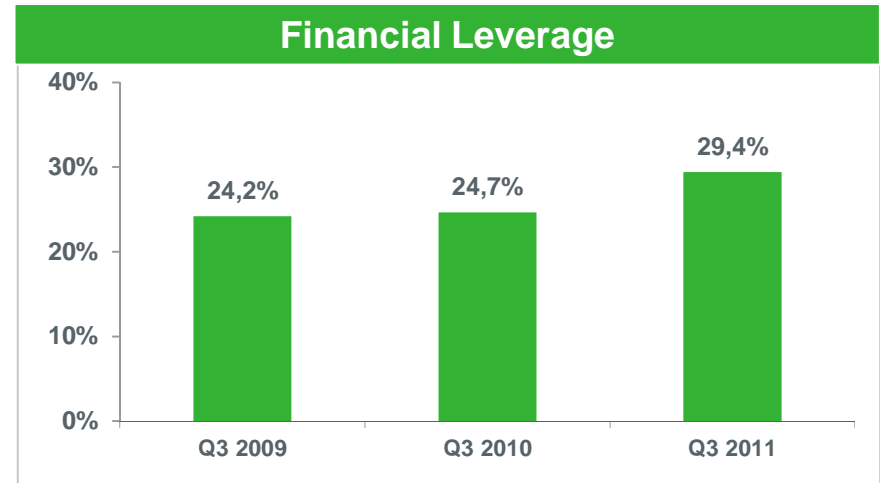




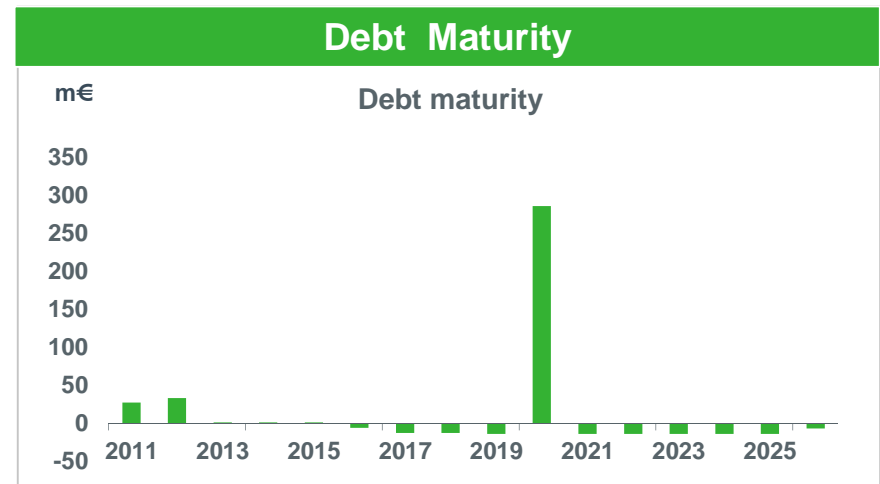
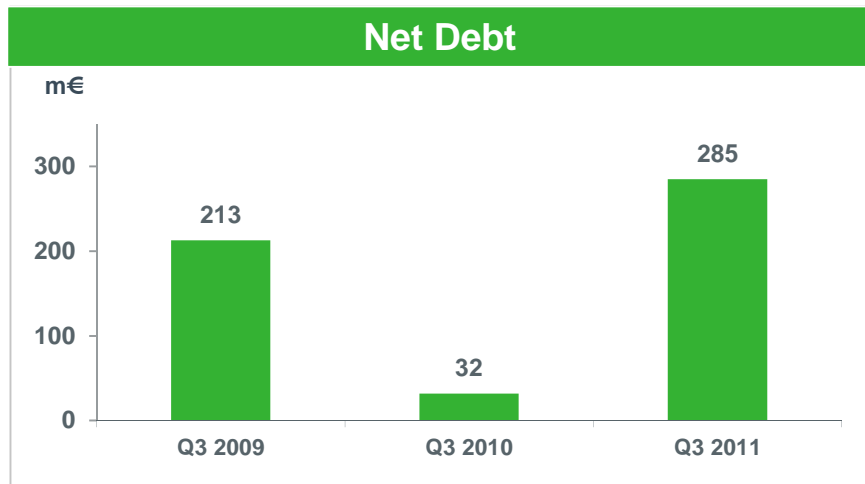
# Moderately Growing Financial Leverage



\* 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)

