Hello from Eesti Energia’s side. Welcome to our First Quarter earnings call. Now, let's start with our results. Let’s turn to page number 3. If we look at the last headline numbers then we see that revenues during the first quarter of 2011 grew about 3 percent so we able to maintain and a bit grow the revenues of Eesti Energia. The EBITDA, it is down about 22 percent to €67 million and the main reasons behind that I will explain in shortly. Despite profitability decline we see healthy growth in operating cash flow. It did increase 46 percent to €128 million and on the same time also the investment did grow to €95 million.

On the next page if we divide our revenues and profits between regulated and unregulated markets, then currently during the last quarter about half of our revenues come from unregulated markets in electricity, shale oil, telecommunication and so on and the remaining then comes from regulated electricity market. From profits about 56 percent now currently comes from open market or deregulated market.

Now on the next page a few words about the electricity market in our neighbourhood, just a few introductory comments. Last year we did sell our electricity into Nord Pool Helsinki area. We had a cable in our exclusive use, Estlink cable, and through that we sold electricity to Finland, Helsinki. Last quarter 2011 now when we have Nord Pool price area established in Estonia and we have given away our exclusive rights in Estlink and we sell all the energy in our Estonian price area. Still though, we get our rental fee for our cable, so in principle we still price of Helsinki area for most of our sale to our power exchange. But nevertheless, looking at the prices then in the Helsinki area the prices are down about 8.5 percent compared to last year so that also this influence our revenues as well.

The price in the BaltPool, the Lithuanian power exchange, were 46 percent, €46 sorry, per megawatt hour and then were up 12 percent though we did sell very little to BaltPool we mainly sell to Estonian price area. There was a big price difference between Estonian and Finnish area. During the autumn what we saw was the prices were pretty much converged. They were the same most hours between Estonia and Finland, but during the winter time Estonian prices have remained rather stable whereas prices in Finland have risen. Therefore the gap between Estonian and Finnish price area has widened significantly.

Now next slide, slide number 6. About our revenues, the main revenue growth came from deregulated electricity market and mainly came then from a turning the part of the regulated market to open market and then those customers who now basically pay more for their electricity did account for most of the revenue growth here. Network services, also, added about €2 million to our revenues and shale oil and other revenues were in decline during the last quarter. On the pie chart, on the breakdown of revenues you still see that about three-quarters of our sales still come from electricity. It’s still electricity related. It’s regulated sales, deregulated sales and network sales that is forming about three-thirds of our sales revenues.

Now when we dig deeper into the various revenue lines then – on page 7 there is a slide about regulated revenues and regulated revenues are down, 23 percent. It’s basically because the market opening from 1st April last year in Estonia. The price in regulated market is up a bit about 1 percent, but basically remaining on the same level that it was a year ago.

The more is to tell about the open market on slide 8. There basically we see a significant increase in sales, it’s about 92 percent and also we saw 57 percent increase in our revenues. Most or biggest part of the sales went to wholesale buyers and power exchanges and about 500GWh was retail sales in Estonia, Latvia and Lithuania. The average market shares in those retail markets are the following; 70 percent in Estonia, it is less than it was last year, 11 percent in Latvia and about 7 percent in Lithuania. The average sales price did decreased significantly, 18 percent compared to last year first quarter. There are two main reasons one being the prices in the market were lower than they were a year ago, we showed a few slides back and second important aspect is that our electricity position in open market was much more closed this year than it was last year. This year from our sales of about 1.4TWh from that 1.1TWh was actually already closed, so we did not get so much price peak into our revenues, but in contrary last year we were very little hedged and therefore the price hikes that we experienced during the last year we mainly got them into our revenue line.

About network services we see a decrease in sales volume about 2 percent, which means that consumption is down in Estonia about 2 percent. It’s mainly because of the warmer weather during last winter. The economic growth actually is still driving the consumption and sales upwards, but the effect of warmer or milder winter is more significant and therefore the sale is down about 2 percent. The average tariffs are up about 6 percent and that is mainly because of the increase in transmission tariffs, it did not decrease our margins in distribution network. Network losses are the same as they were a year ago, 7.7 percent in first quarter, during first quarter 2011.

Now on page 10 about oil sales. In oil sales it’s definitely good news that our oil production figures are up again, we produce 6 percent more oil than we did a year ago. Despite that we saw oil sales dropping 24 percent, that is mainly a temporary effect and mainly a logistics question how we ship the oil from our factory and from our tank yard. The average sales price was €374 per ton and it’s up 35 percent because of the higher fuel prices in the world market as our oil price is directly linked to the heavy fuel oil price in Rotterdam.
Eesti Energia “Release of FY 2011 Q1 financial results” Conference Call

About hedges, we were hedged about 15,000 tons at average price of €333 per ton actually, so we were hedged a small portion of our sales. Non-recurring items were in decline – page 9, sorry page 11 – and there we see another main reason for our profit numbers to decrease and these experience during the last year. These were mainly different types of LDs that we got from our disputes with our contract parties and the effect was €9 million. Sales of technological equipment were up mainly because the construction of the Estonian oil industry and also oil shale sales were up about €2 million and that was due to our general oil shale production being higher.

Now on next page on Opex. Mainly what we see is the variable costs are up, some because of the volume increases, some because of the price increases. Basically the most important bits here are perhaps CO2 emission expenses that were up about €5 million. Network expenses or the transmission costs to other operators in transmission grid in Estonia and also the Nordic energy link company; these were up 6 percent due to the price increase in transmission. Also the other direct expenses are up €6 million, but mainly what we see there is increase in the variable cost side, the fixed costs are still very much under control here.

Next slide 13, about our EBIT and the breakdown by our divisions, the biggest decline we saw in retail division that’s about €12 million, generation division experienced €8 million decline and fuel divisions were one where we actually increased the EBIT by about €3 million. If you look at where the EBIT actually came from during the last quarter then about two-thirds of it came from generation, €31 million, and €15 million (that’s one-third from it) came from fuel divisions. Retail division actually experienced a loss and because both our electricity retail sales and distribution network profits were down.

Now we’re coming to retail division profits and here did see that profits have declined from €11 million to minus €1 million. Mainly the decrease is due to high electricity purchase prices and for the most part it is basically a change in our transfer pricing or internal pricing rules. We do price the purchases differently that our retail division does in respect of our generation division so that’s actually a main reason why sales margins are also so much lower than they were. Also due to replacement of our retail IT system there was an increase in IT related costs.

Distribution grid, the results were down from €9 million to €4 million so basically what does that mean that our return in invested capital in distribution network did fall from quite a normal figure of 7 percent to 3 percent, that is definitely below any expectations. The decline here mainly, or the biggest part of it, forms the increase in transmission network tariffs since our distribution tariffs did not increase at the same time (simultaneously) then we are currently carrying the burden of higher transmission tariffs in our books. It will change from 1 August. From 1 August we will get the new distribution grid tariff. The tariff will be up 13 percent in distribution grid and that increase also will cover the increased transmission fees before that 1 August this year. The other more minor changes were because of the sales volume decreased and because the increase in the maintenance cost of the distribution network.

Now the generation experienced also a slight decrease in the profitability. EBIT fell from €39 million to €31 million. Here we can point out the positive impact of the electricity market opening. Basically the uplift of tariffs for some clients did bring in about €5 million. We got about half a million Euros additionally from increased renewable generation, but the negative effects were larger and already mentioned €9 million of non-recurring items. This did affect significantly the comparison with last year and secondly also the sales margin decreased in the generation side. And that is basically the decrease from both ends - the sales prices on the markets were a bit down, as I explained, and secondly also some variable costs for instance environmental tariffs and CO2, is up compared to last year.

Now, the fuels division had an increase from €13 to €15 million. The biggest positive effect definitely is better margins in oil production and as we did show that the oil prices are up about 37 percent so that significantly increase and does impact our profitability significantly. Secondly, about €1 million we get additionally from more profitable and sales and more sales volume in our technological equipment line of business. Decreased oil sales, decreased the EBIT about 3 percent so all-in-all oil side did experience a slight increase in profit. If we look at the mining alone then the profits were up from €7 to €8 million and that is mainly because of increase in sales volumes. Sales volumes are pretty high at the moment and that does from that our mining company benefits significantly.

Now, if we look at the EBIT change on the Group level and also eliminate all those inter-Group transactions. Then what we see that we had a positive impact from market opening, that’s about €5 million. We experienced decrease in depreciation but the other effects were negative increases in repair costs or O&M costs mainly in power plant increased our cost side about €3 million. The increase here is also more of a one-off nature in a sense that if we are currently building those FTDs in Narva power plant then during which outage time we also do the general overhauls to these generating units so that they can run after fitting those FTDs smoothly for the next few years. Therefore during this year we will experience a significantly higher maintenance costs in our power plants.

Decrease in distribution sales margin took €4 million from profit and as I explained most of it came from...
transmission tariff increase from 1st January this year. Decrease in electricity sales margin, the lower sales prices and a bit higher variable cost did decreased our profit to €8 million and the non-recurring revenue that we had last year affected our profit about €9 million.

We are now coming to CAPEX, page 20. The amount of CAPEX was €95 million of which most of it went to our fuels division - this quarter €53 million were invested in fuels division; 28 in generation and 11 in retail so it’s mainly retail and then mainly distribution network. From our investments the most significant one during this quarter was acquisition of oil shale resources and mining rights in Utah US for €29 million and second important major project was building a new oil plant in Narva in Estonia for €13 million. Distribution networks and desulphurization equipment in Narva both took about €11 million and the rest are already a smaller amount such as mining €6 million and Iru waste-to-energy plant €5 million.

On the next slide 21 we see the status of our most important investment projects. The oil plant is basically on schedule and on budget. The estimated cost is about €190 million still €60 of which is currently done. We expect to complete the construction during spring 2012 and then comes the commissioning phase and the test phase so by mid-2012 or autumn we should have this oil plant up and running reasonably well. We also developed oil shale industry infrastructure, there is additional oil shale logistics, new storages and so on that takes about €19 million, sorry about €21 million, altogether of which two are already done so far. The desulphurization equipment in Narva power plants here we built 4, we will fit 4 units with those FTD equipment. Most of the investments is already borne by us, the €68 million that has already been invested. First of those 4 units is already operational, the second one will be operational soon and 2 remaining ones are also already in construction, the last one started just recently, and these last ones will be ready by end of 2011/beginning of 2012.

Then we have Narva Wind Park, which we have just started but some foundations works have been done so far, we expect to complete the project next year. The Iru waste-to-energy plant construction is going on also smoothly, the foundation works are almost ready and we start to erect the plant during this summer. Two oil shale fired units in Narva power plants is 2 CFP units, this is one major project where we have signed already the construction contract with Alstom, but we’re still waiting for State-aid approval from Brussels to commence with that project. The project is close to €1 billion and for that we get 600MW of oil shale fired power plants.

Then there are 2 shale oil development projects in abroad; one is in US and the other is in Jordan. In US we just acquired the company who has the resource and mining rights. Here the development project will last till about 2016. It will, by our current estimates, will consume €48 million additionally and in Jordan where we have now 65 percent of the project there the remaining development cost is about €25 million. Our current plan is such that we first will commission the oil industry here in Estonia and then, just when it’s done here in Estonia, we will start the actual construction phases in those projects in US and in Jordan. Until 2016 or so we will do mainly the development work or pre-development works in those projects.

Now about cash flow, as I said, the cash flow is significantly improved since from first last year’s first quarter. Cash flow was up 46 percent and was €128 million, that’s a significant amount. Although the net profit decreased, the cash flows are very strong and there are two main reasons; one being that our collateral position decreased significantly, the collateral that is behind our various hedged products. We got €25 million from that item and secondly about €20 million came from a better collection of receivables and that did include both the retail side of our business and the wholesale side of the business in that our wholesale side would see is now as we sell mostly to the power exchange then the clearing there and the receipt of the money is much faster than it used to be.

Now, then on the cash flow side, the second slide, slide 23, shows the comparison between CAPEX and operating cash flow and also a segmental breakdown. What we see during both this year and last year our operating cash flow was stronger than CAPEX. It unfortunately is a bit temporary but during those quarters we did have that. In the retail side we had also surplus cash during first quarter last year, this year due to significant decline in profitability; this is not the case anymore. In the fuels side as well the picture has changed significantly during a year but there the main reason is perhaps the acquisition of that US project that did make up €29 million of that project. On the generation side we still see that we have a healthy surplus of cash that we can invest into new power generating projects that we do need.

Now to summarise the last quarter results, we did see a slight revenue increase; the profitability nevertheless is lower but what is important to see is that profitability is lower mainly because the last year’s results were, I would say, extraordinarily good and these include also those one-off items. Therefore the base was perhaps higher than usual. We will look at the longer trend than €44 million EBIT is still more or less on track what we should expect. And also about investment plan. We’re implementing it as we have it and there are no major changes currently to the plan or to individual projects. The CAPEX amount has increased significantly over the course of the year and we definitely see that in the next few years the CAPEX numbers will be very much elevated.

That’s it from our side, thanks for listening and if there is any question then we’re happily answering them. Thank you.
Operator: We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use only handsets while asking a question. Anyone who has a question may press star and 1 at this time. As a reminder if you’d like to ask a question, please press star and 1. There are no questions at the moment.

Speaker: Yes, if everything is clear and there is no more questions regarding our first quarter results then I thank you; all the listeners participating and hear you again during the next call. Bye.