Eesti Energia Audited Financial Results for 2012

1 March 2013

Eesti Energia

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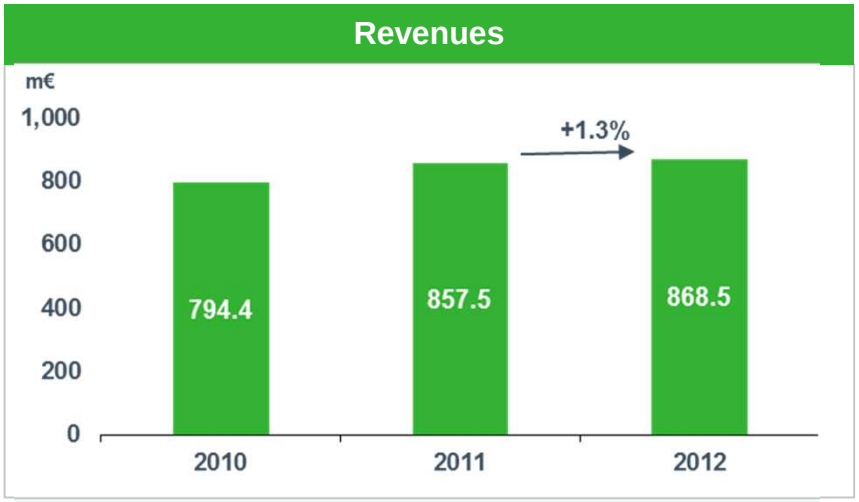
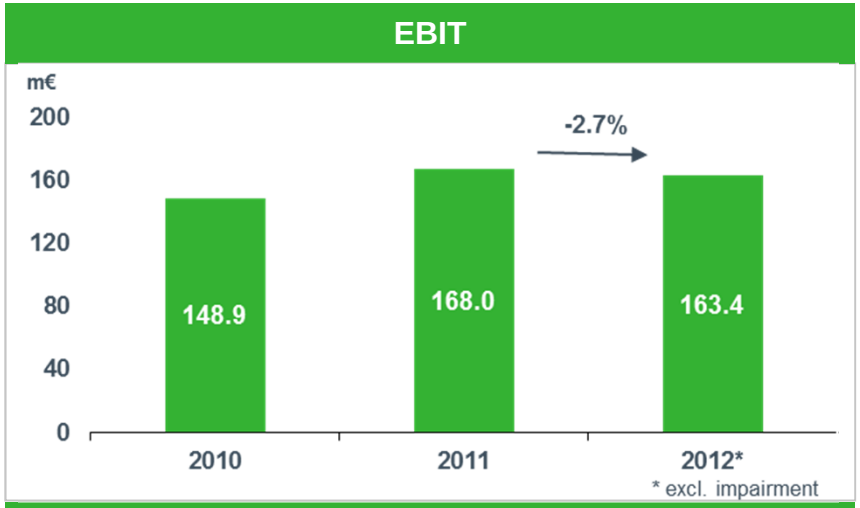
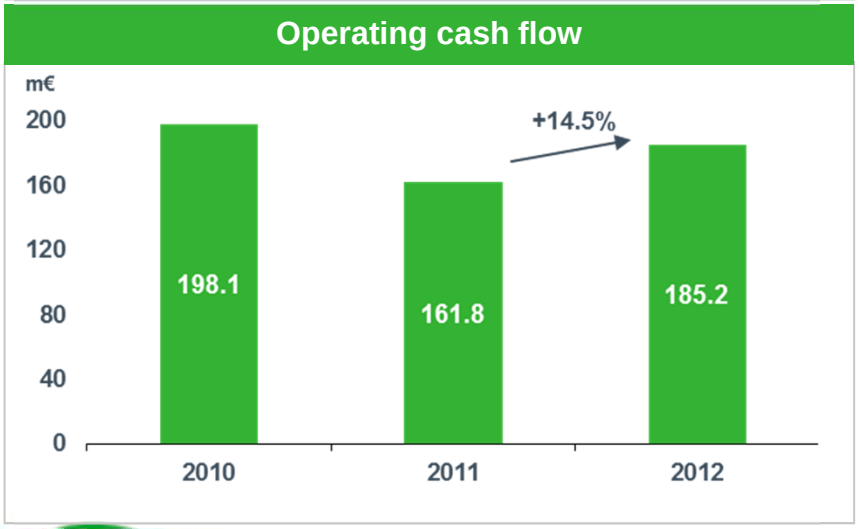
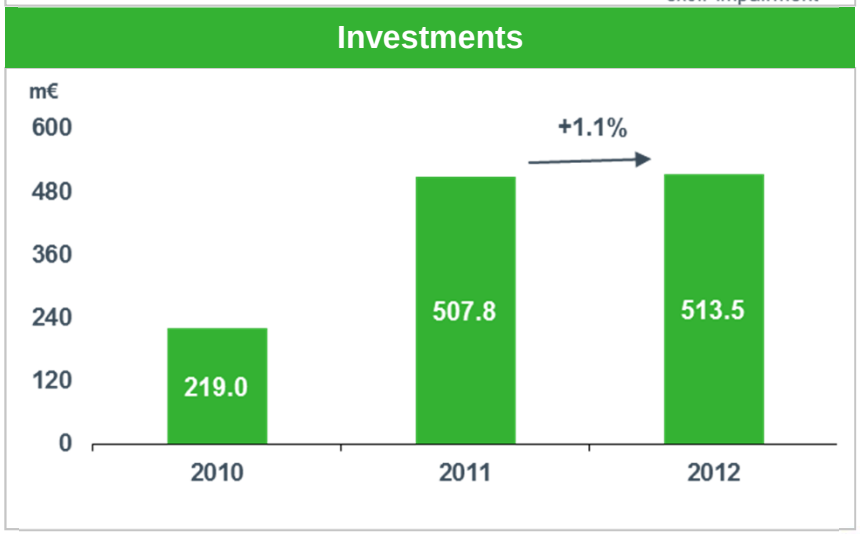
Eesti Energia

Positive Revenue and Cash Flow Performance







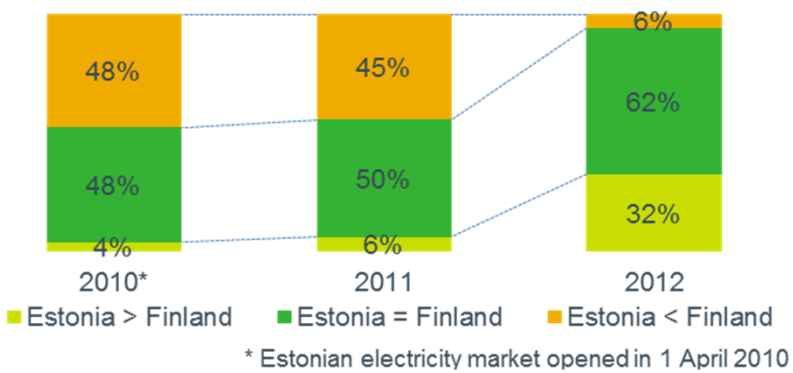


Eesti Energia

Nord Pool Estonia Price 7% Higher than in Finland

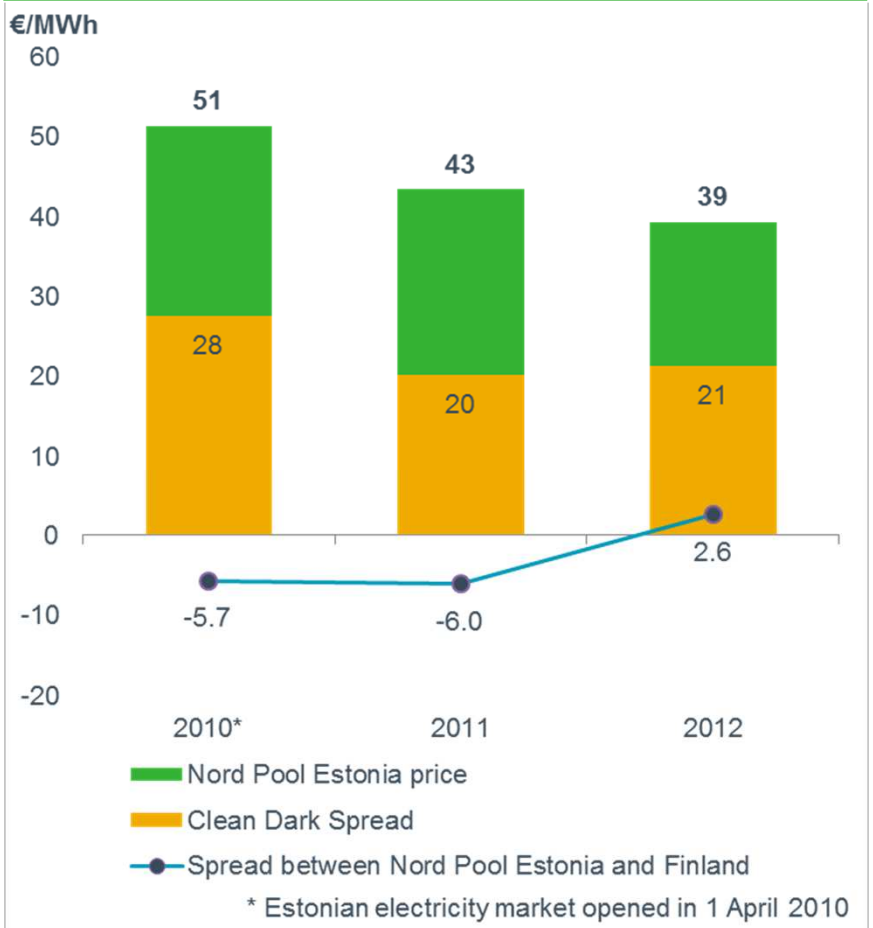
- Average price in Nord Pool Estonia price area 39.2 €/MWh (-9.6% y-o-y), in the Finnish price area 36.6 €/MWh (-25.7% y-o-y)
- Clean Dark Spread (excl. oil shale and CO_2 costs) 1.2 €/MWh higher than in 2011 due to lower CO_2 price (-44% y-o-y)
- Hourly price in Estonian price area was equal to Finnish price for 62% of hours and above the latter for 32% of hours

Spread Between NP Estonia and Finland (% of total hours)



* Estonian electricity market opened in 1 April 2010

Yearly Power Price and Spread Dynamics

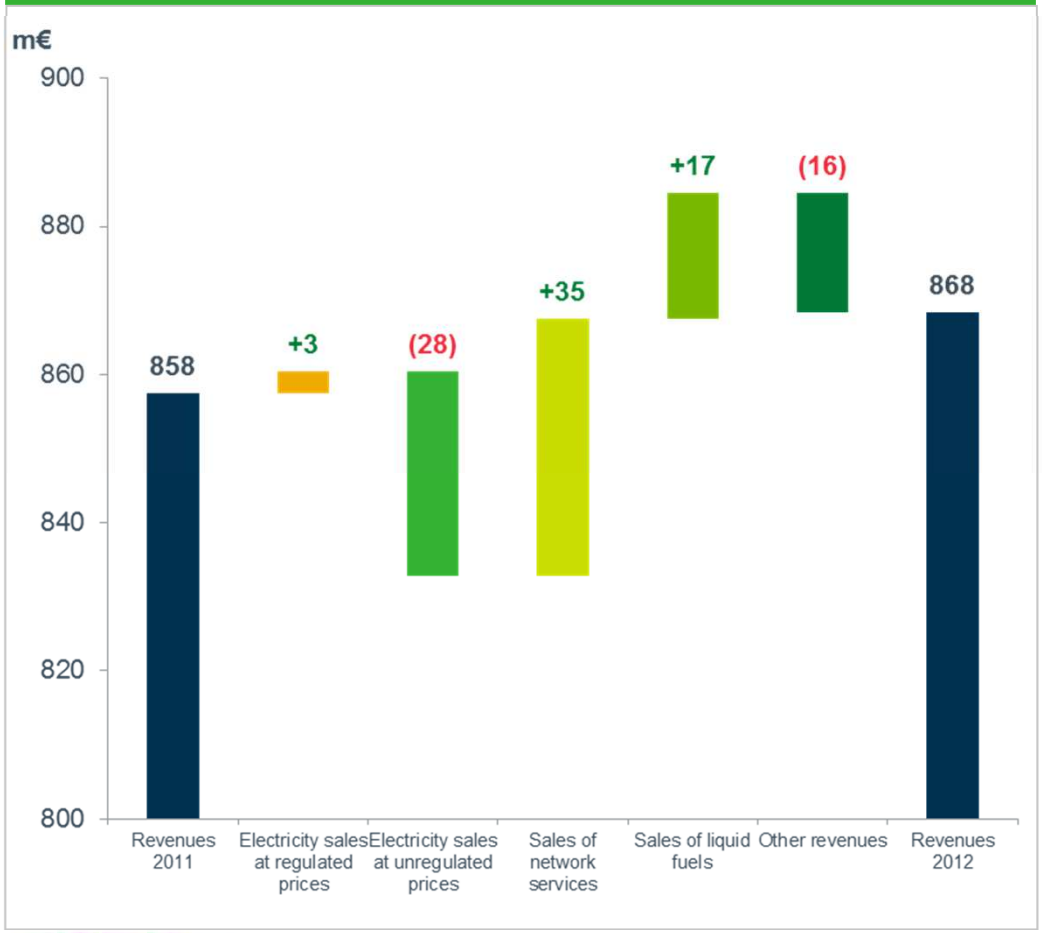


* Estonian electricity market opened in 1 April 2010

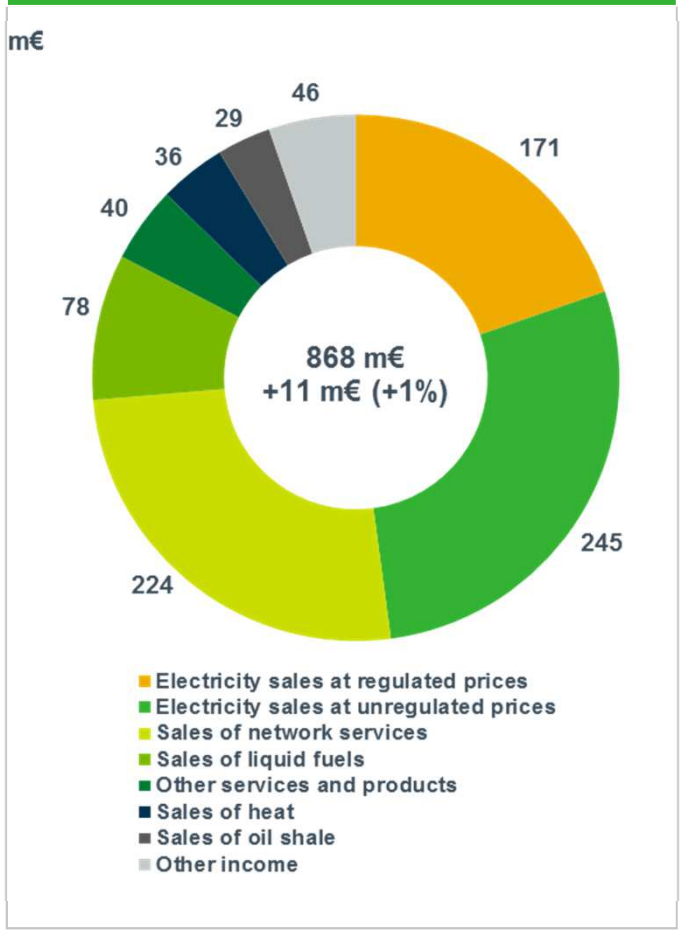
Eesti Energia

Revenue Growth from Sales of Network Services and Liquid Fuels

Change of Group Revenues by Products

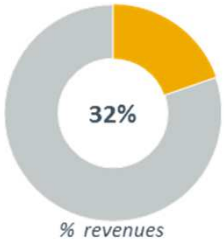


Revenue Breakdown 2012

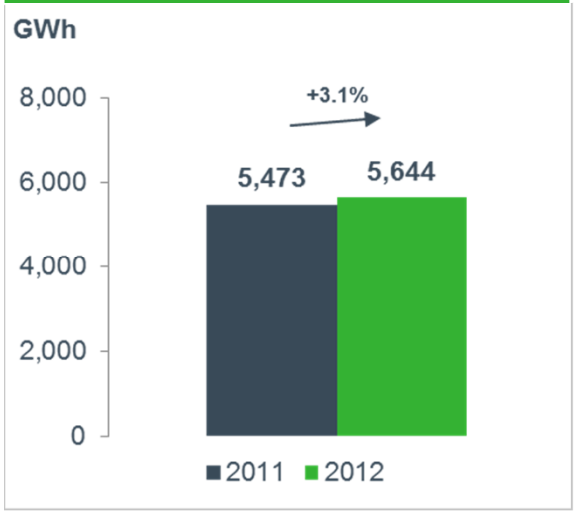


Eesti Energia

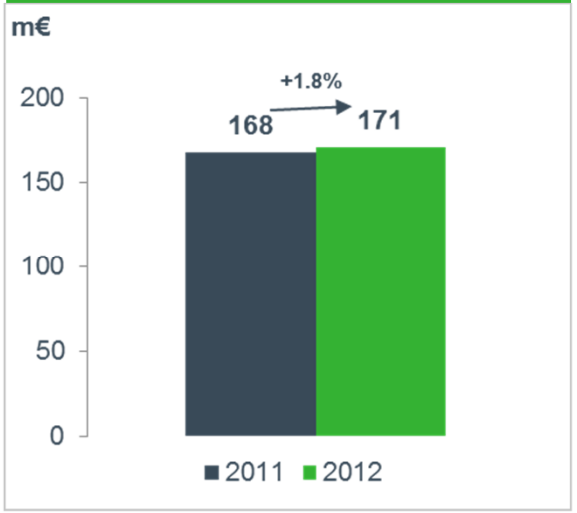
Electricity Market Opening in 2013



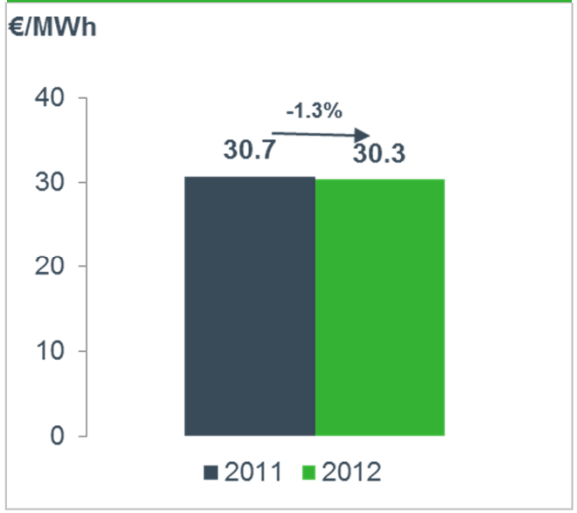
Electricity Sales Volume at Regulated Prices



Electricity Sales Revenues at Regulated Prices



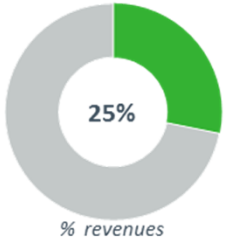
Average Electricity Sales Price in the Regulated Market



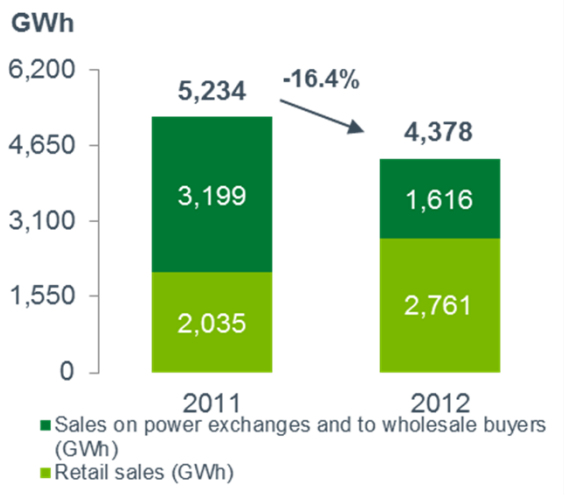
- As at the end of the financial year, Eesti Energia had concluded over 408 thousand open market electricity contracts, covering over 58% of all Estonian connection points
- Distribution Network or its designated seller is obliged to supply consumers who have not chosen electricity supplier on average monthly NordPool Estonia spot price plus reasonable sales margin

Eesti Energia

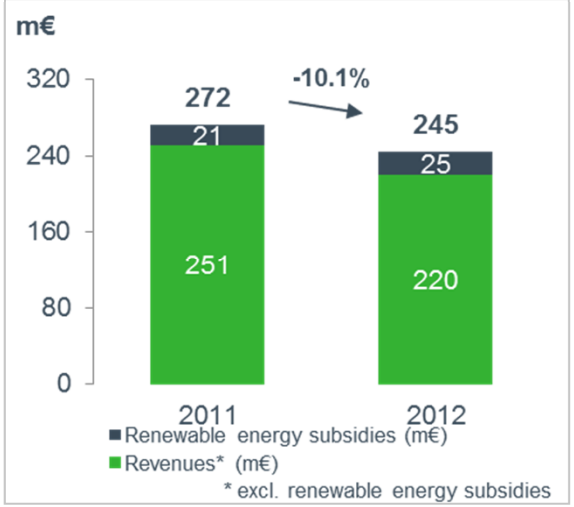
Higher Retail Sales in the Baltics



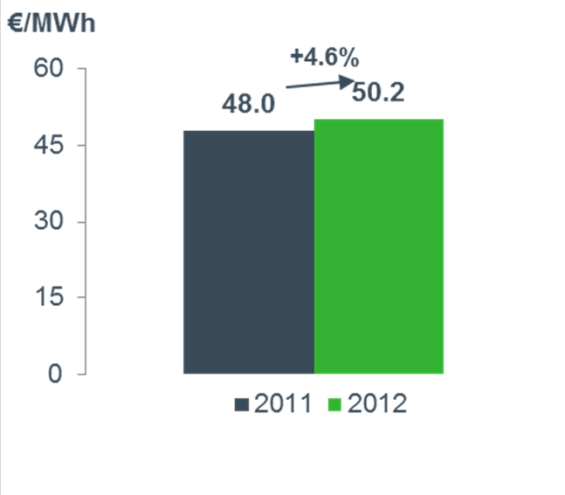
Electricity Sales Volume at Unregulated Prices



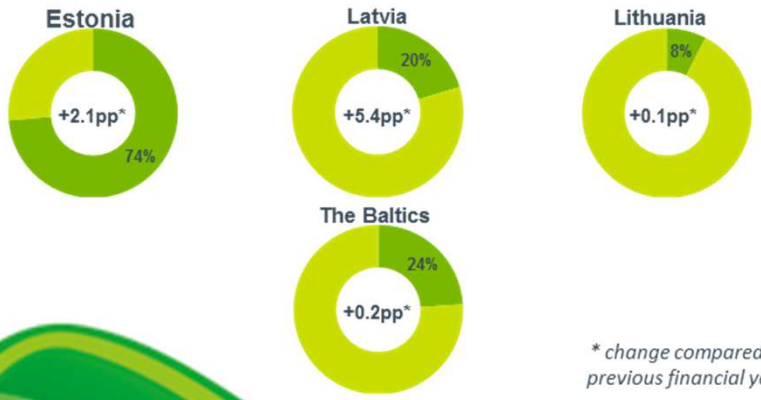
Electricity Sales Revenues* at Unregulated Prices



Average Electricity Sales Price in the Unregulated Market*



Market Share in the Baltic Countries

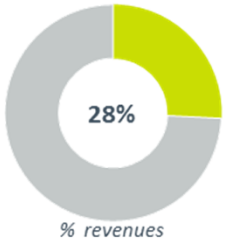


* change compared to previous financial year

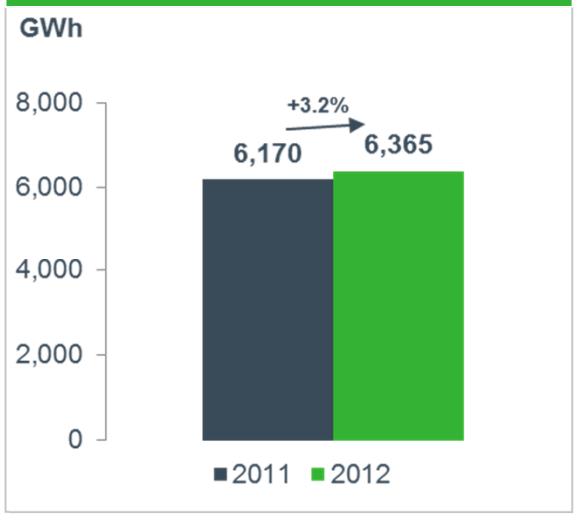
- Average sales price excl. power cable revenues and financial hedges 45.6 €/MWh (+0.01 €/MWh, +0.02% y-o-y)
  - Underwater power cable revenues €9.2m (-€6.5m, -41% y-o-y), +2.1 €/MWh
  - Financial hedges €11.0m (+€14m y-o-y), +2.5 €/MWh

Eesti Energia

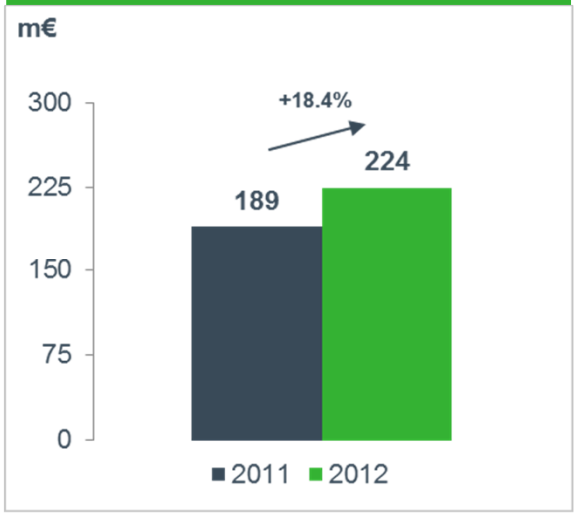
Revenue Growth from Higher Network Tariff



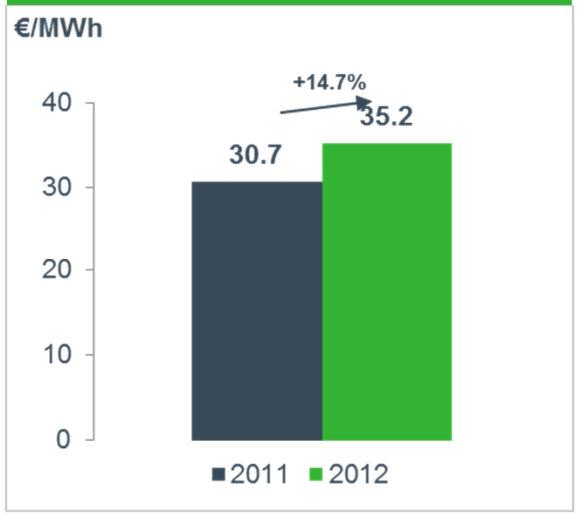
Network Services Sales Volume



Network Services Sales Revenues



Average Network Services Sales Price



- Average network losses of 2012 at 423 GWh, 6.0% (+0.2pp y-o-y)
- Network tariff increased on 1 August 2011

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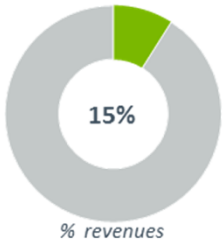
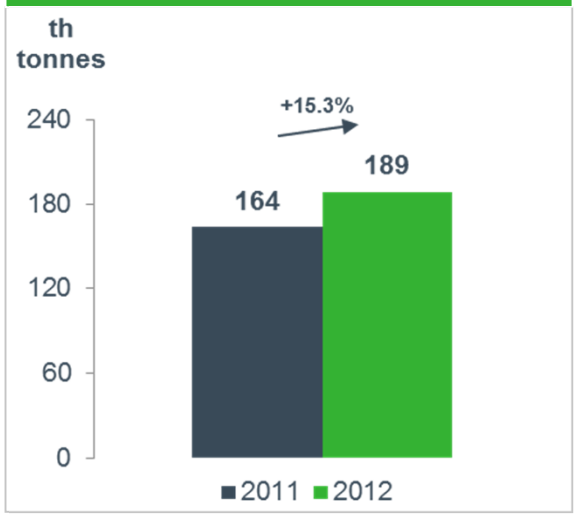
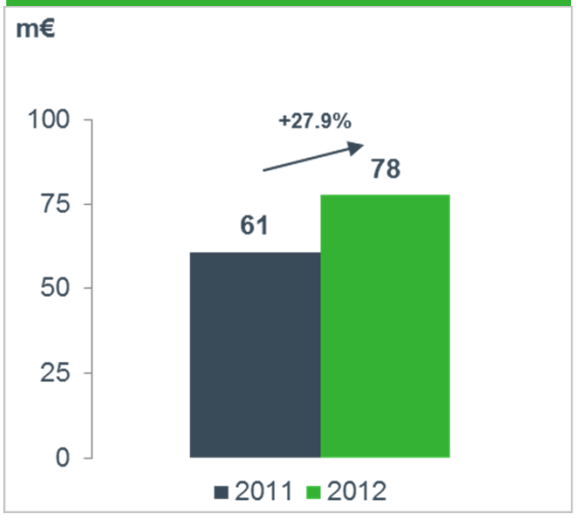
Oil Sales at All Time High



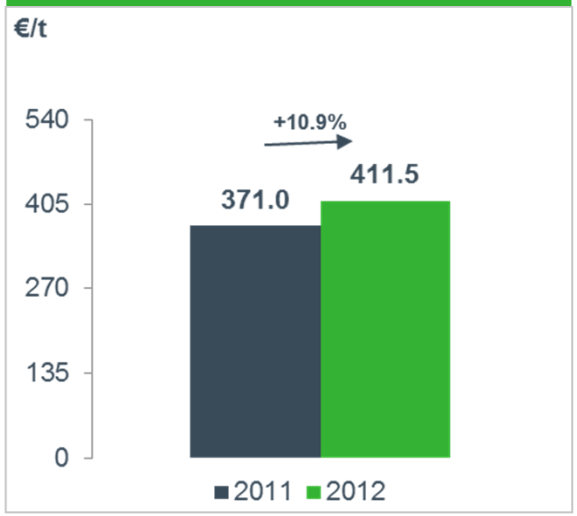
Liquid Fuels Sales Volume



Liquid Fuels Sales Revenues



Average Liquid Fuels Sales Price



- Record high liquid fuels production in 2012 (211 th tonnes) due to higher reliability (82.5%)
- Average sales price excluding price hedges 480.5 €/t (+15.1%, +62.9 €/t)
- Average price of heavy fuel oil, the reference product, 515.7 €/t
- 2013 sales hedged against price risk amounted to 126 th tonnes with an average price of 452 €/t

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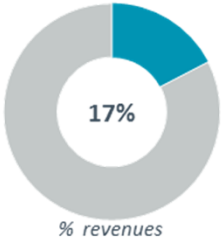
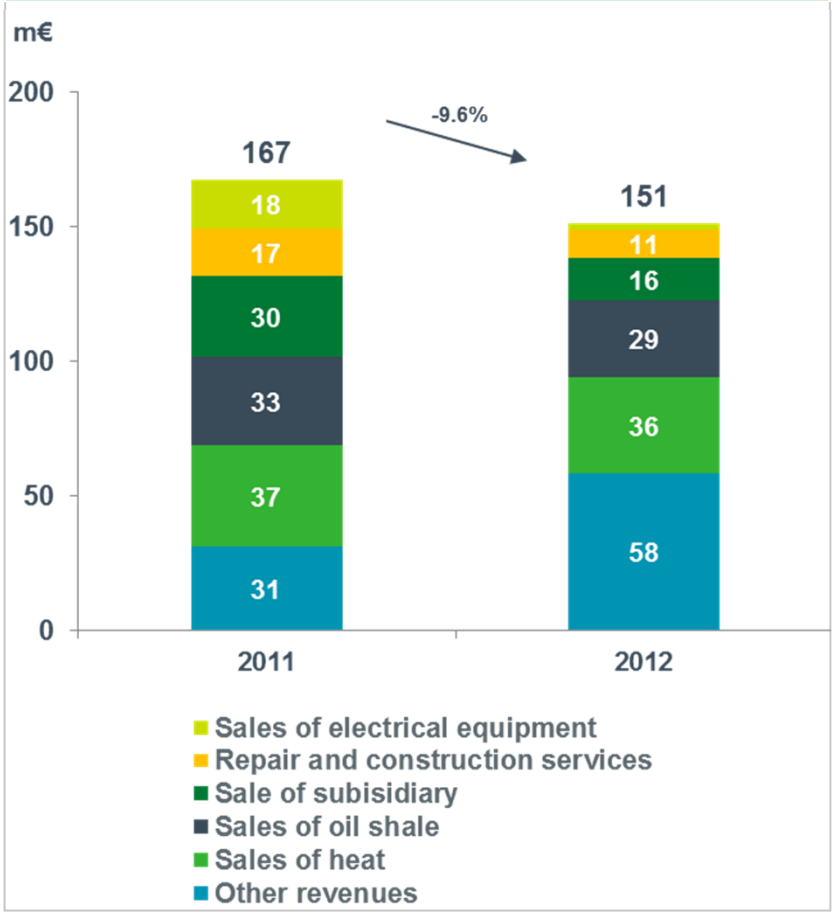
Other Revenues Mainly Impacted by the Completion of Enefit280 Oil Plant



Other Revenues



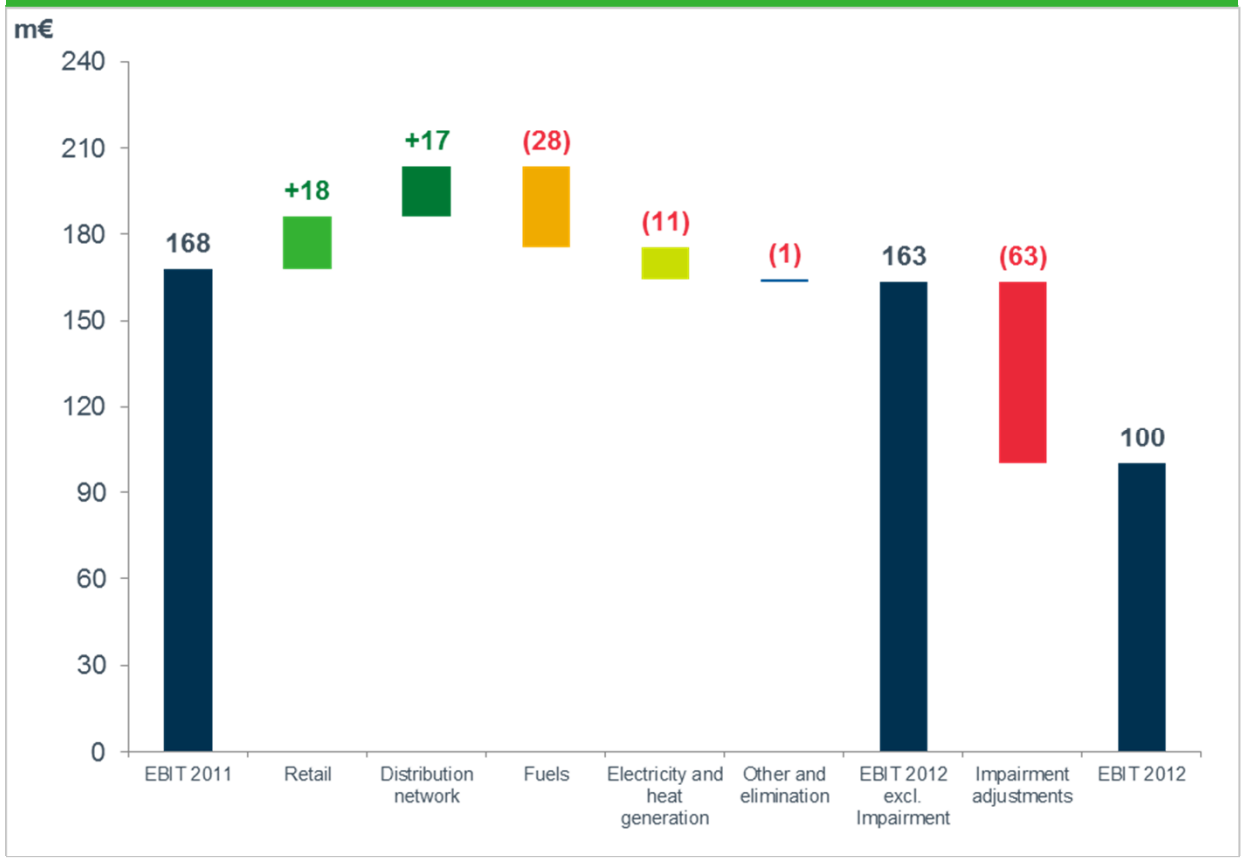
Comments

- Sales of electrical equipment and repair and construction services decreased due to the completion of Enefit280 construction works (-22.4 million euros)
- Decline in revenues from fewer subsidiary sales in 2012 and ceasing of telecommunication service provision (-14.8 million euros)
- Reduction in sales of oil shale (-4.1 million euros) due to lower mining volume
- Other revenues growth mostly due to sale of CO_2 allowances (+19.7 million euros)

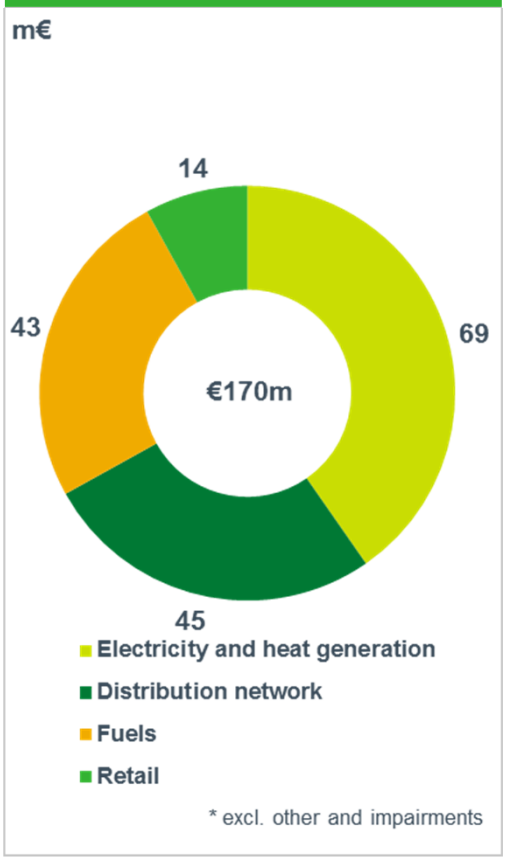
Eesti Energia

Distribution Network Supporting Group's Profitability

EBIT Change Breakdown by Divisions



EBIT Divisional breakdown 2012 *



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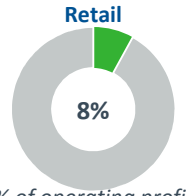
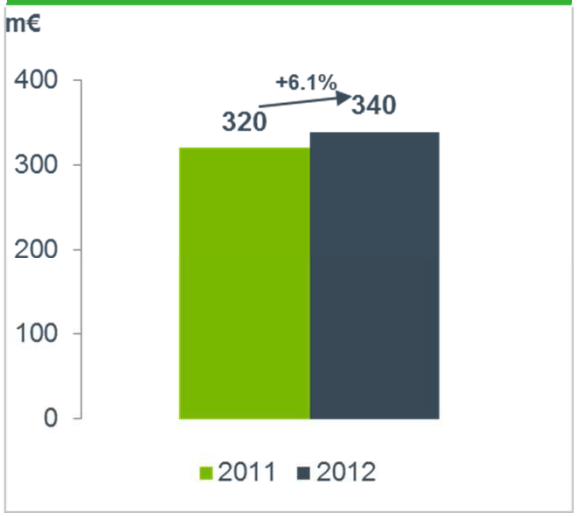
Retail Profitability – Higher Electricity Sales Margin

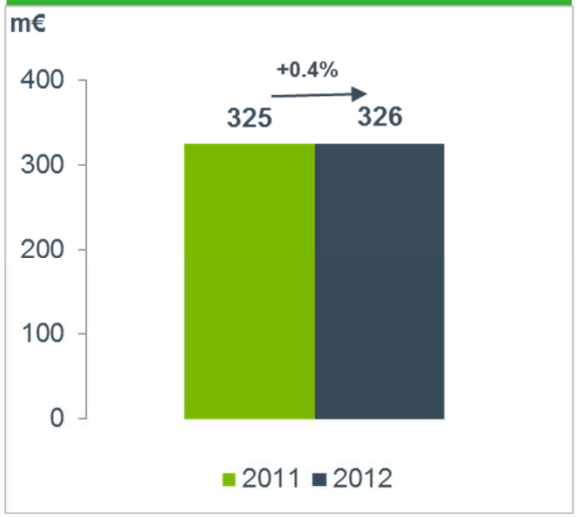


% of operating profit (excl. impairment)

Retail Division's Revenues



Retail Division's Opex



Retail Division's EBIT

Retail Division	2011	2012
Electricity Sales (GWh)	7,778	8,238
Sales in unregulated market (GWh)	2,362	2,621
Sales in regulated market (GWh)	5,416	5,617

- ✓ +12.1 million euros due to increase in electricity sales margin
- ✓ +9.3 million euros revenue from the sale of telecommunication subsidiary
- ✓ +1.4 million euros due to increase in electricity sales volume
- ✗ –5.1 million euros due to higher fixed costs

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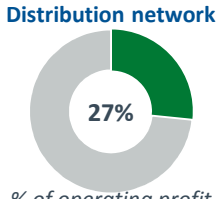
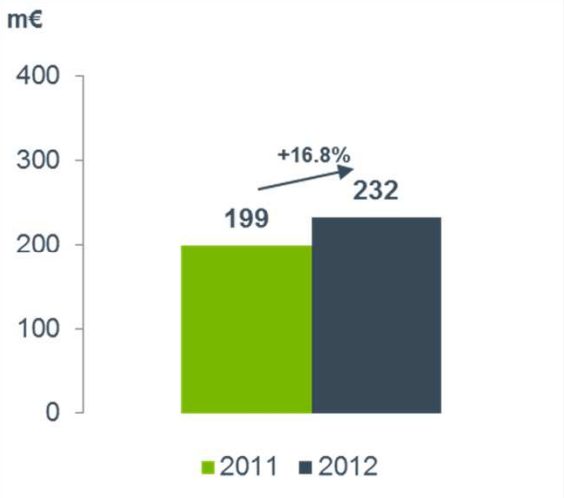
Distribution Network's Return on RAB 7.8%

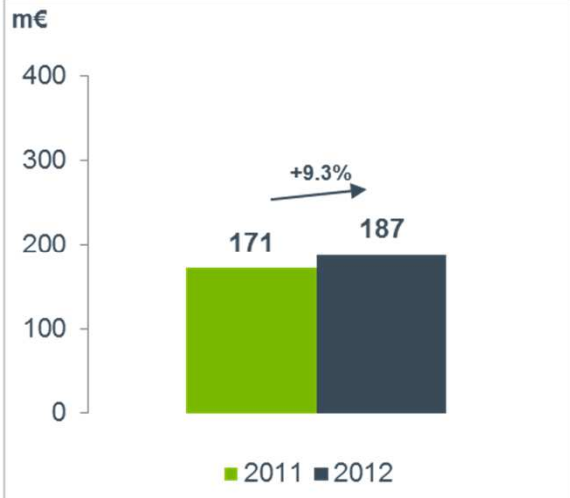


% of operating profit (excl. impairment)

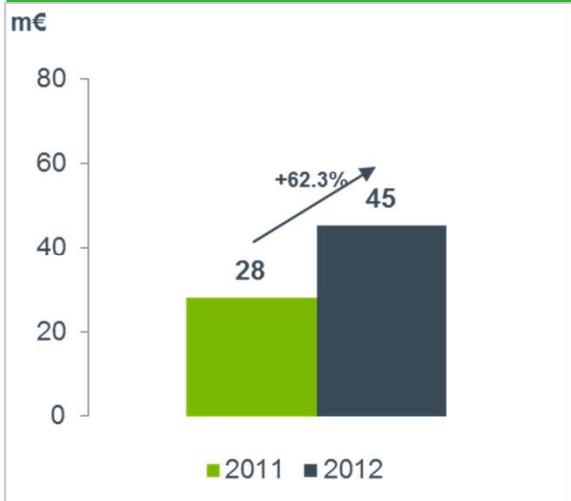
Distribution Network's Revenues



Distribution Network's Opex



Distribution Network's EBIT

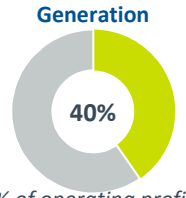


Distribution Network	2011	2012
Electricity distributed (GWh)	6,419	6,604
Return on RAB	5.1%	7.8%

- ✓ +20.6 million euros due to higher network services sales margin
- ✓ +3.6 million euros due to increase in network service sales volume
- ✗ –3.2 million euros due to higher depreciation
- ✗ -2.1 million euros due to higher fixed costs
- ✗ -1.4 million euros due to higher repair expenses

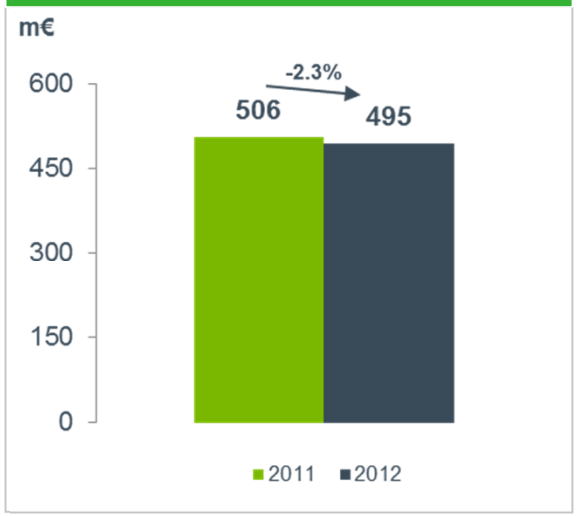
Eesti Energia

Lower Margins Reducing Generation Profitability

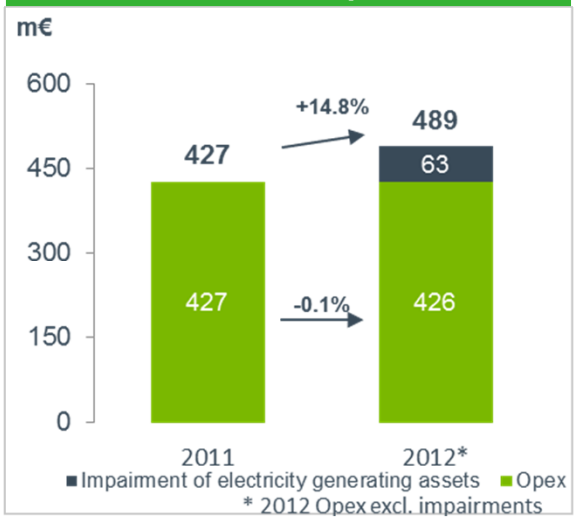


% of operating profit (excl. impairment)

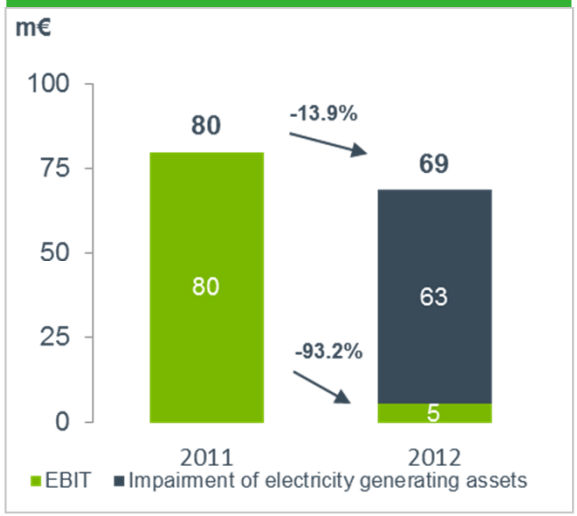
Electricity and Heat Generation Division's Revenues



Electricity and Heat Generation Division's Opex*



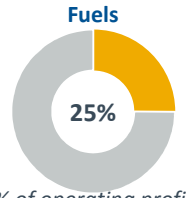
Electricity and Heat Generation Division's EBIT



Generation Division	2011	2012
Electricity sales (GWh)	11,138	10,635
Electricity generation (GWh)	10,428	9,377
Electricity purchase (GWh)	722	1,272
Heat sales (GWh)	1,177	1,031

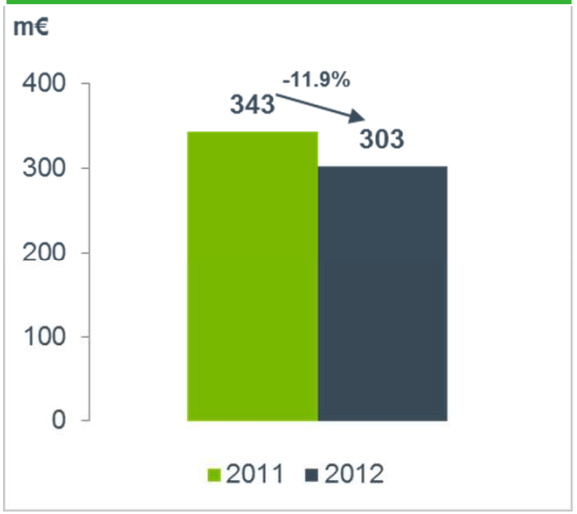
- ✓ +18.3 million euros due to lower discounts of CO_2 emission allowances
- ✓ +9.3 million euros due to lower repair expenses
- ✓ +7.1 million euros due to lower environment protection provisions
- ✗ -63.3 million euros due to impairment of generating assets
- ✗ -27,9 million euros due to lower electricity sales margin
- ✗ -12.5 million euros due to higher depreciation
- ✗ -7.5 million euros due to lower electricity sales volume

Lower non-recurring Revenues in Fuels Division

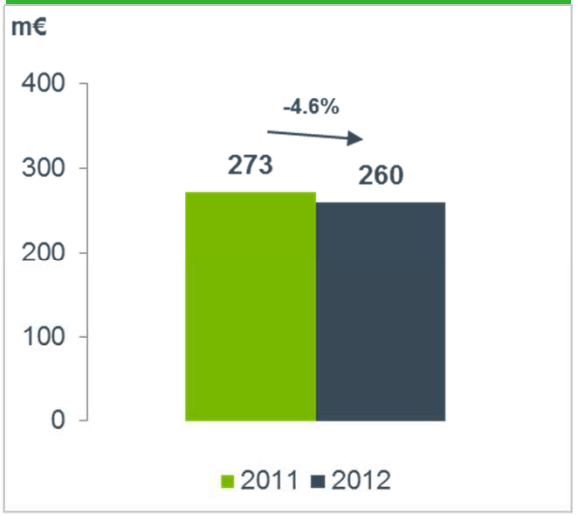


% of operating profit (excl. impairment)

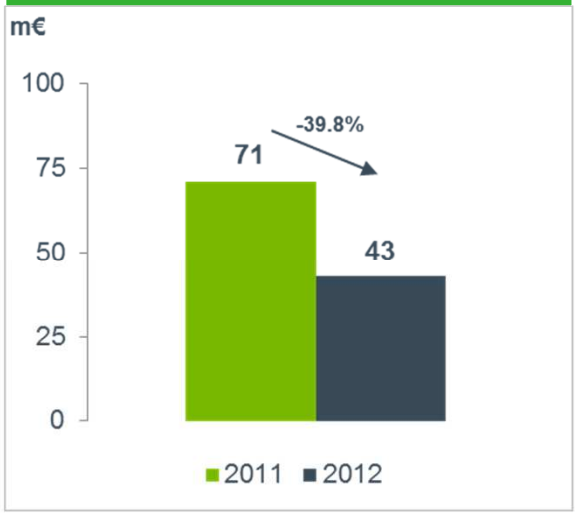
Fuels Divison's Revenues



Fuels Division's Opex



Fuels Division's EBIT



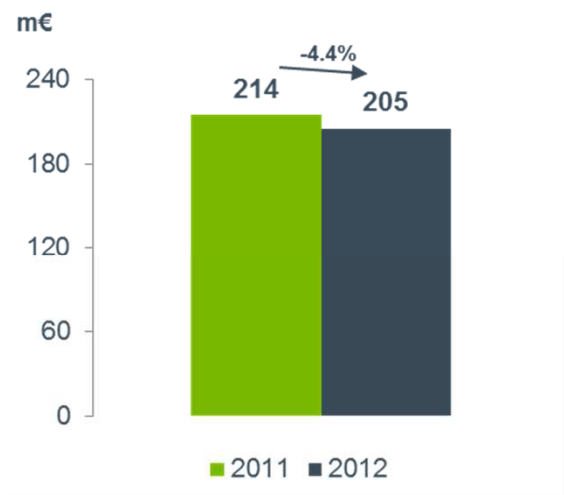
Fuels Division	2011	2012
Shale oil sales (th tonnes)	178	203

- ✓ +7.9 million euros due to higher liquid fuels sales volume
- ✓ +5.2 million euros due to higher liquid fuels sales margin
- ✗ -16.2 million euros due to decrease of non-recurring revenues
- ✗ -15.1 million euros due to lower profitability of oil shale mining
- ✗ -5.0 million euros due to lower profitability of Technology Industry subsidiary
- ✗ -4.1 million euros due to higher depreciation

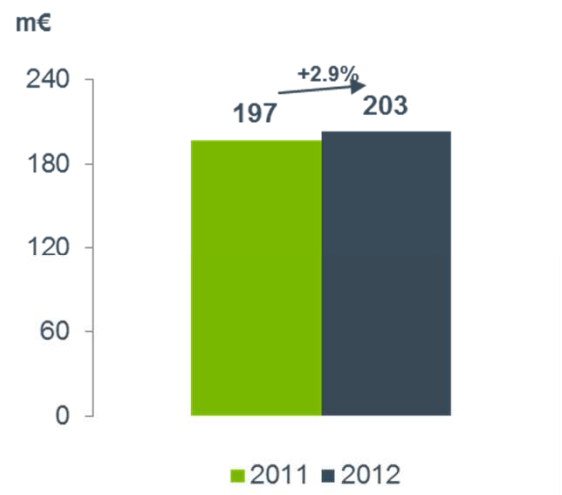
Eesti Energia

Lower Sales Volume Weighs on Mining Subsidiary's EBIT

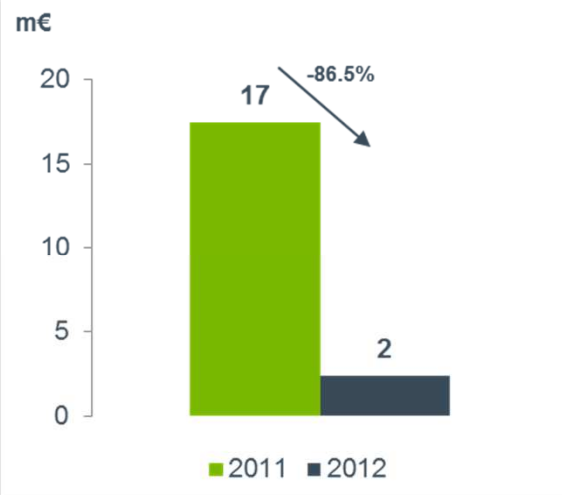
Mining Subsidiary's Revenues



Mining Subsidiary's Opex



Mining Subsidiary's EBIT



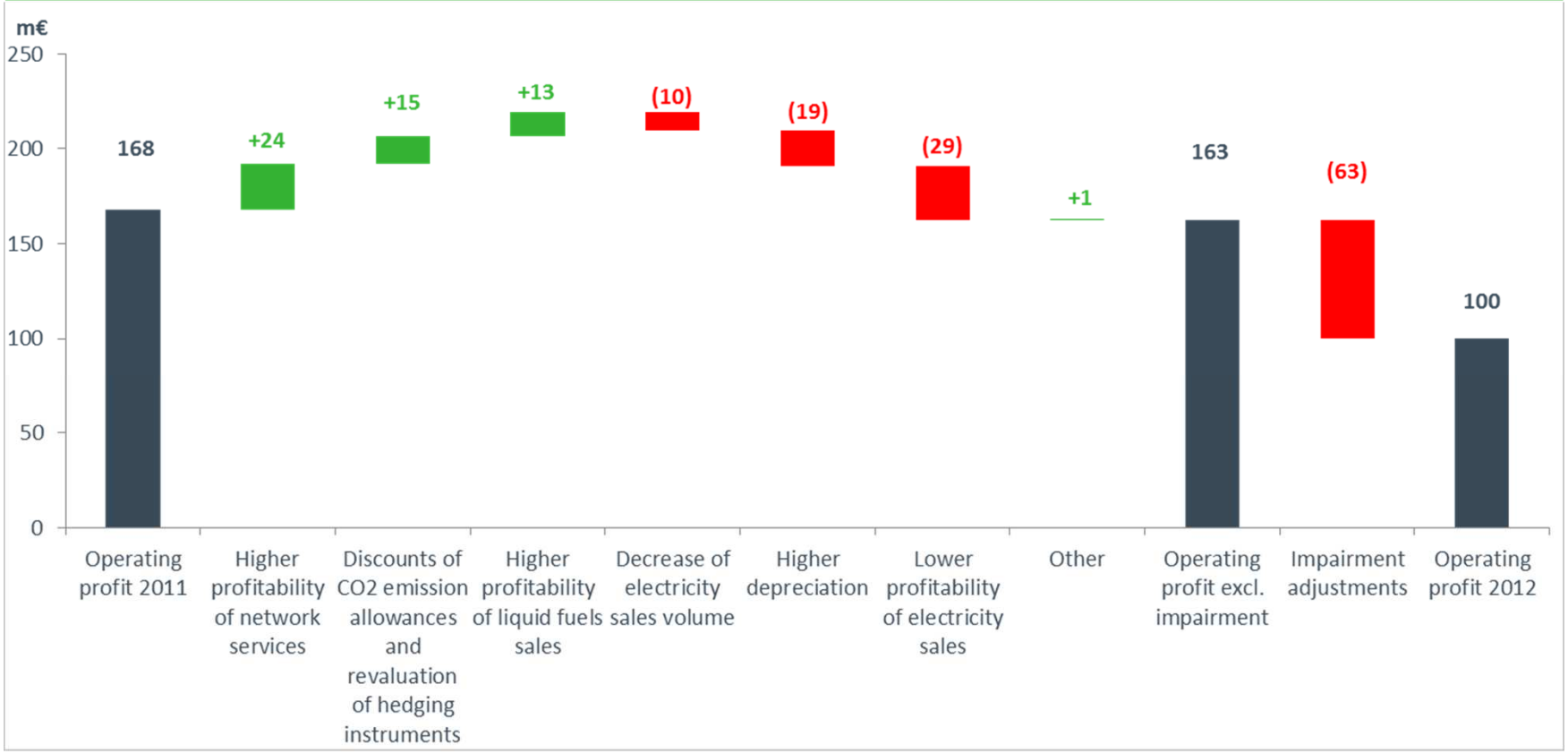
Mining Subsidiary	2011	2012
Sales of oil shale (million tonnes)	18.0	16.2
External sales of oil shale (million tonnes)	2.1	1.4

- –10.2 million euros due to lower sales volume
- –3.8 million euros due to lower sales margin

Eesti Energia

Group's Profitability Improved by Distribution Network and Oil Sales

Impact on Group's Profitability



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€185m Cash Flow from Operations in 2012

EBITDA to Operating Cash Flows Development

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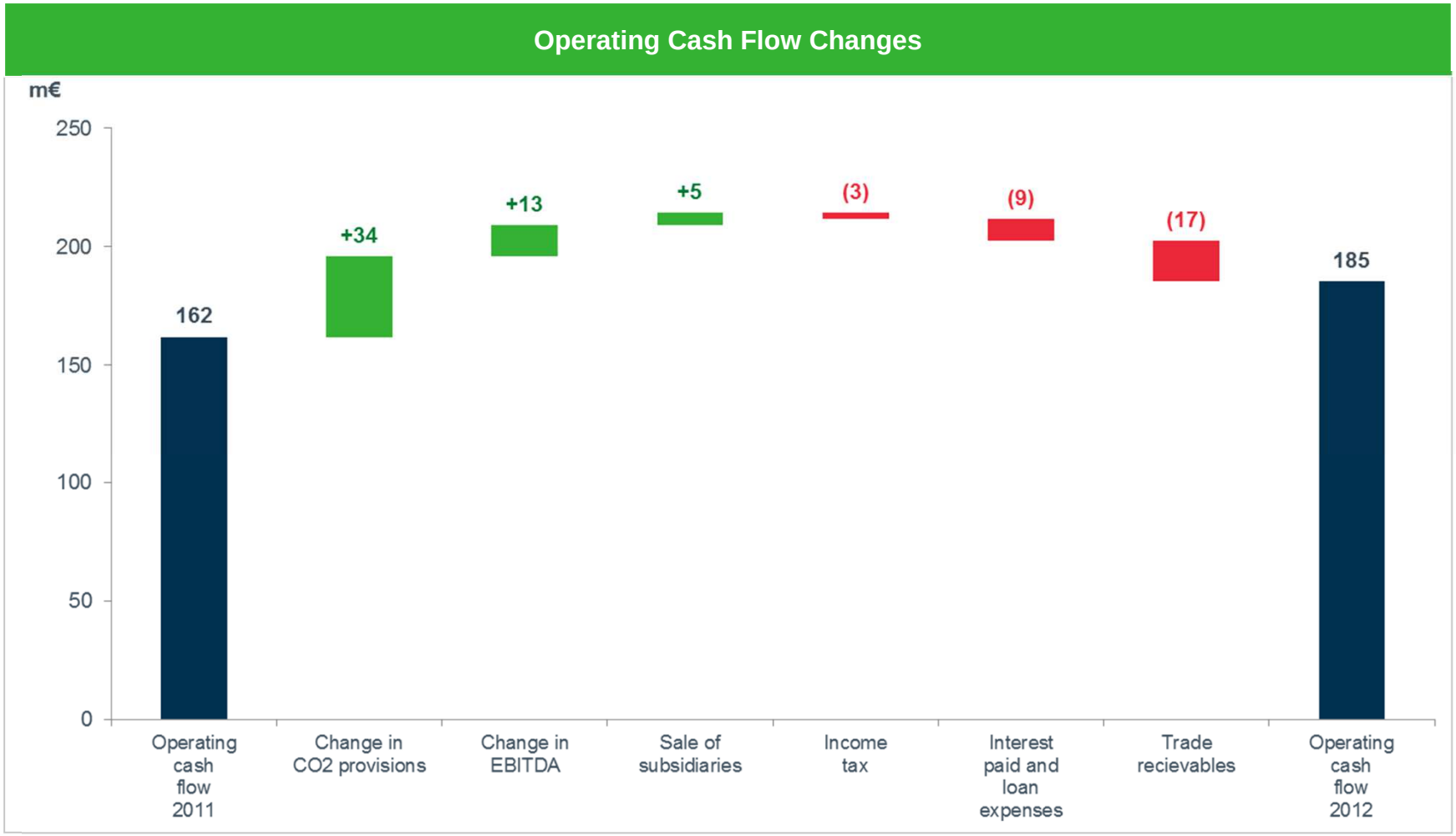
Cash From Operations 14% Higher y-o-y



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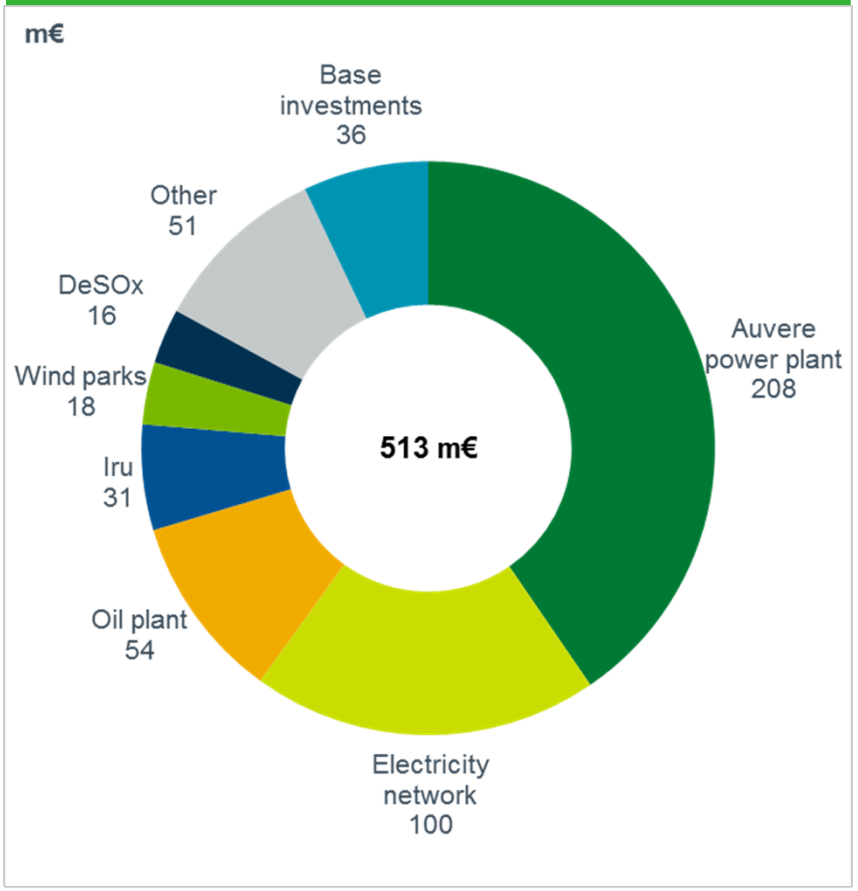
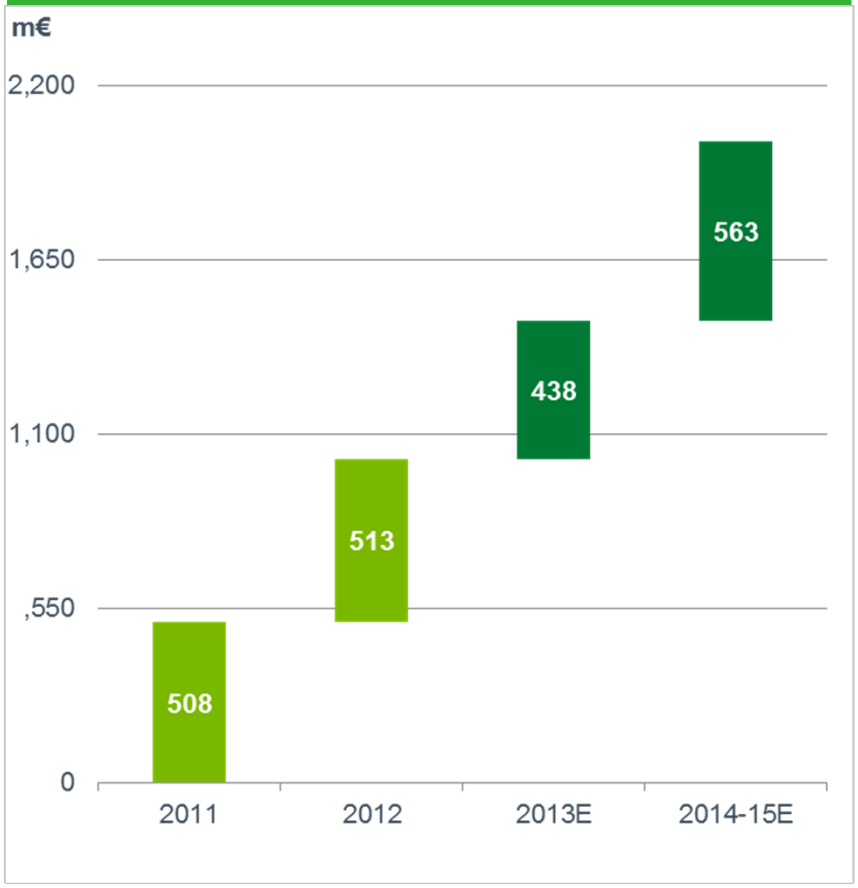
Capital Expenditure Peaked in 2012

Capex Breakdown in 2012



Confirmed Investments



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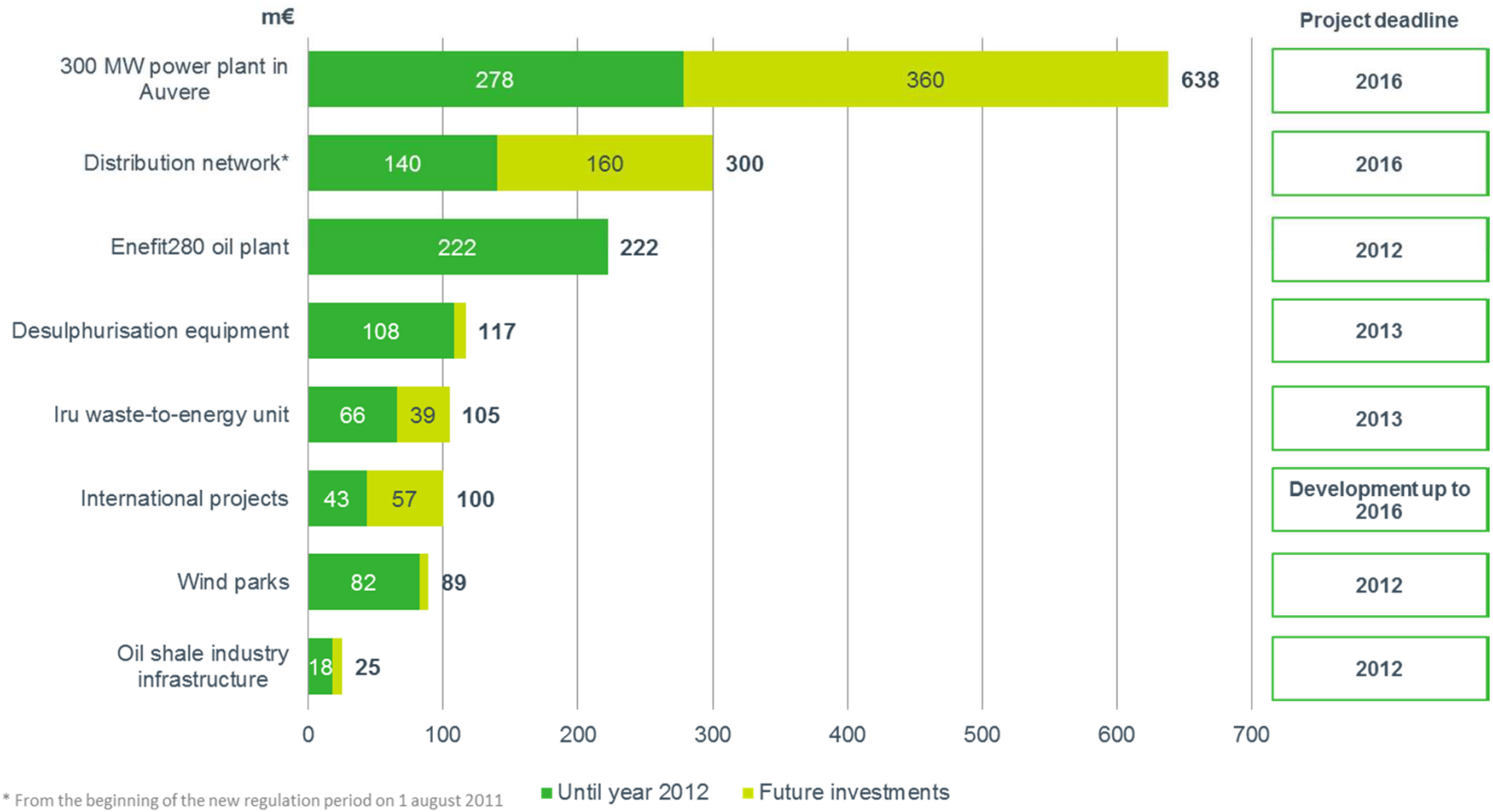
Several Projects Close to Completion



* From the beginning of the new regulation period on 1 august 2011

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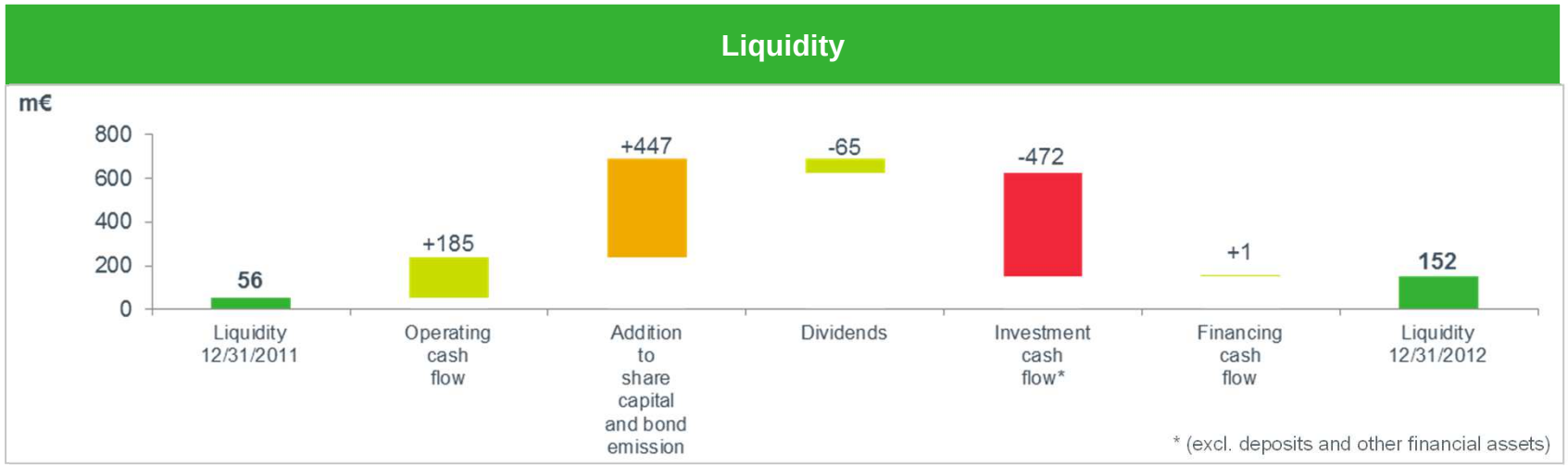
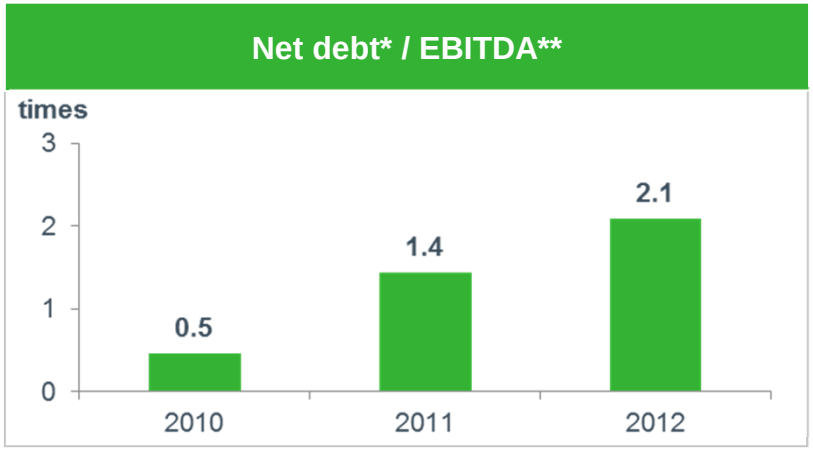
Group's Liquidity Development in 2012



- 647 million euros of liquidity and unused loans available as of 31 December 2012
- Issue of 300 million euro notes in April 2012
- 150 million euros of added share capital on 10 July 2012



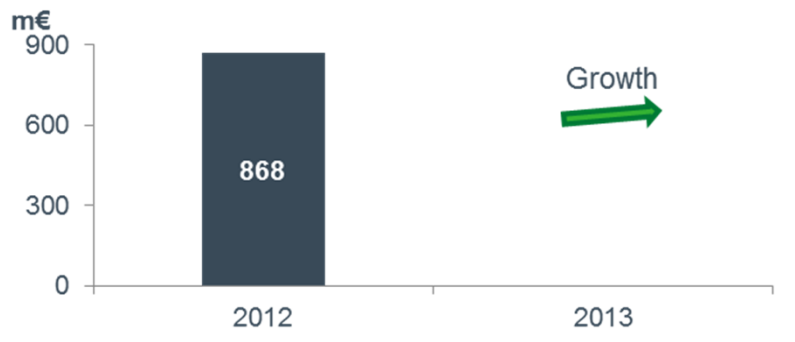
**Net debt = debt obligations less cash and cash equivalents, units in money market funds, investments into fixed income bonds*

*** EBITDA – rolling 12 months*

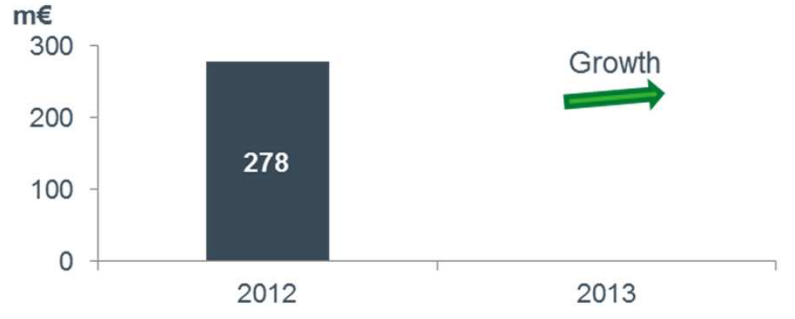
Eesti Energia

Outlook for FY2013

Revenue Outlook



EBITDA Outlook



Comment

- Revenue outlook changes:
  - ✓ Added production capacities (wind parks, Enefit280 oil plant and Iru WtE plant)
  - ✓ Opening of Estonian electricity market
- EBITDA outlook changes:
  - ✓ Increased production of liquid fuels
  - ✗ Addition of full CO_2 expense

Eesti Energia

Summary

- ✓ 2012 revenues 868 million euros, +1% y-o-y
- ✓ EBITDA growth (+5%) including:
  - Higher network services sales margin
  - Higher profitability of oil sales
- ✓ Capital base enhanced by 150 million euros of equity and 300 million euros of new eurobond issue
- ✓ 2012 investments of €513m expected to reduce in 2013 as projects complete
- ✓ Record high production (211 th tonnes) of liquid fuels
- ✓ 2013 expected to bring higher revenues and EBITDA, with the extent depending on Enefit280 results in 2013

APPENDICES

Markets *

Nord Pool Finland and Estonia Electricity Prices

CO_2 Emission Allowance

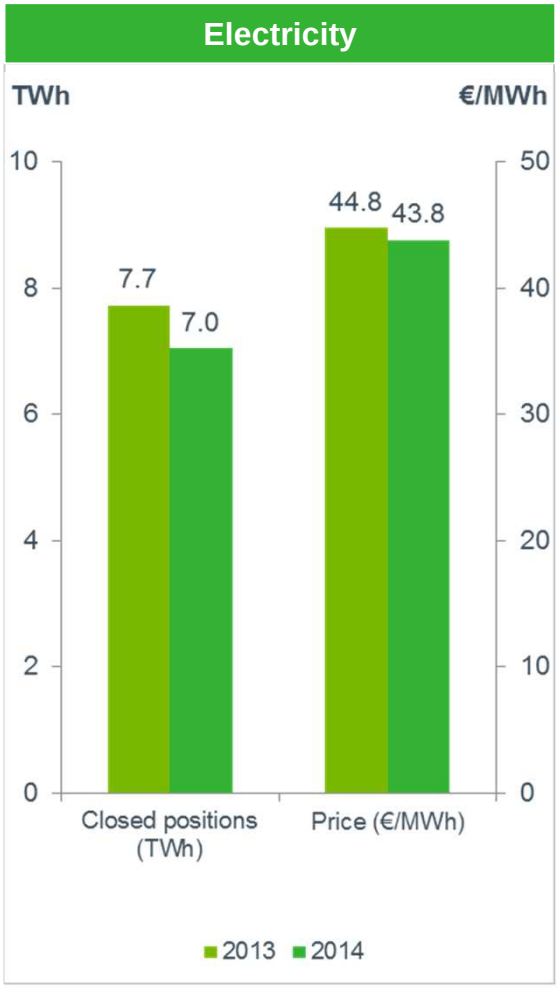
Brent Crude Oil

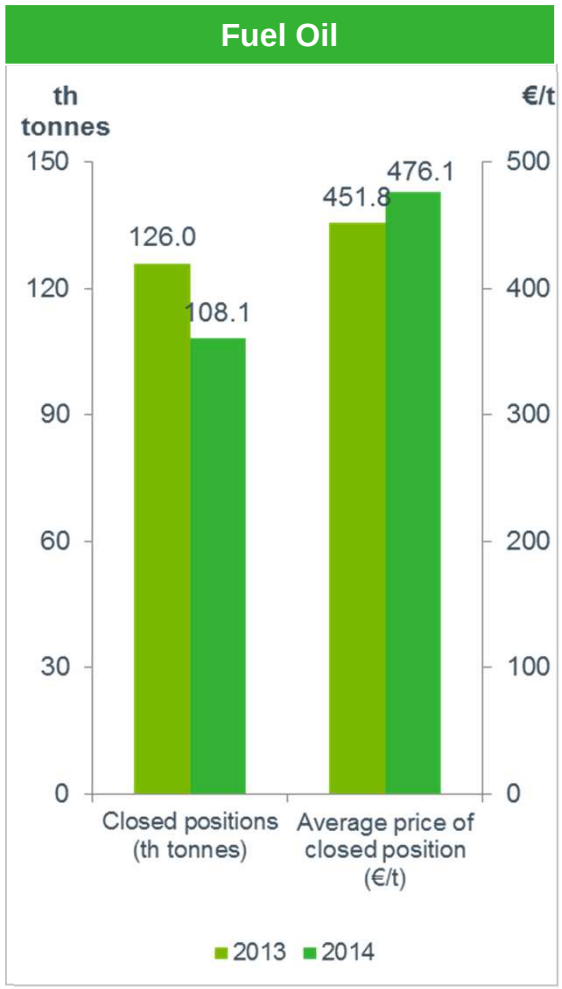
Fuel Oil 1% NWE

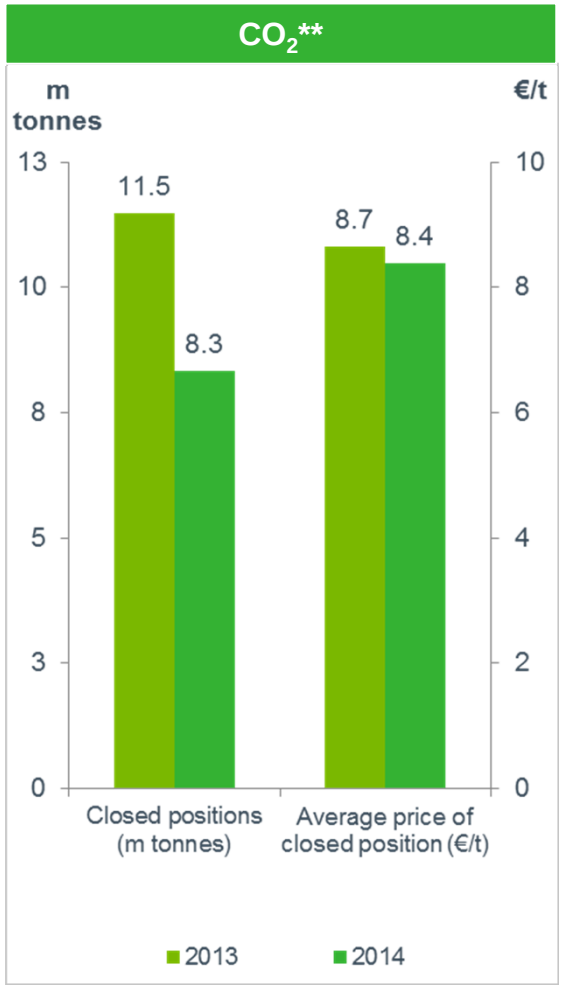
** Forward curves as of 28 December 2012*

Eesti Energia

Closed positions as of 31 Dec 2012*







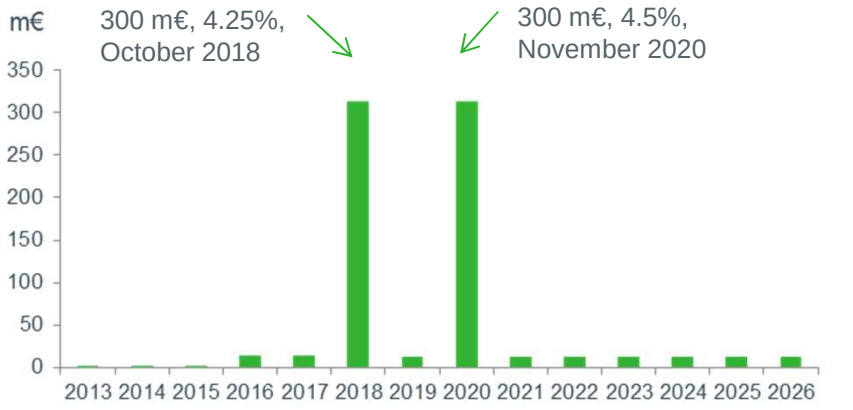
*Closed positions include forward contracts and exclude options

**CO_2 necessary for generation is covered with free CO_2 allowances in addition to closed positions

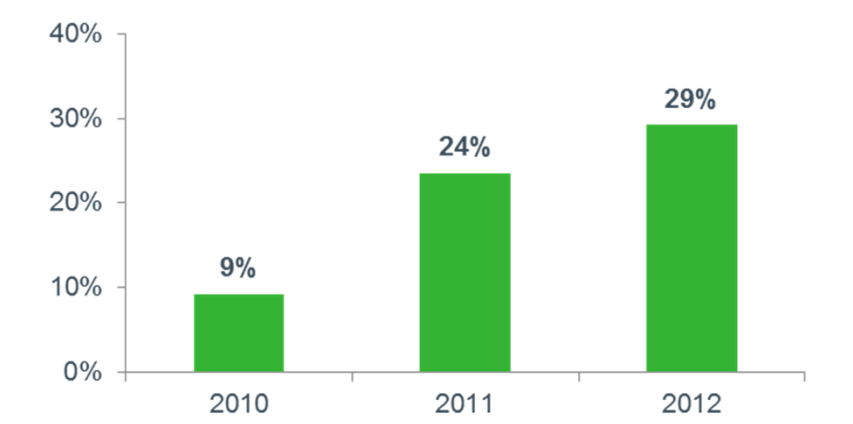
Eesti Energia

Sufficient Financial Headroom

Debt Maturity



Financial Leverage *



** Financial leverage = net debt / (net debt+ equity)*

Comments

- Credit ratings:
  - Baa1 (Moody's), negative outlook**
  - BBB+ (S&P), stable outlook
- Total debts 732.8 million euros as of 31 December 2012
- Long-term maturity profile with bond maturities in 2018 and 2020
- Sufficient liquidity buffer available

*** Outlook change from stable to negative in January 2013*

Eesti Energia

Profit and Loss Statement

million euros	2012	2011	Change
Revenues	868.5	857.5	1.3%
Expenses (excl. depreciation)	590.0	592.4	-0.4%
EBITDA	278.4	265.1	5.0%
Depreciation (excl. impairment)	115.0	95.6	20.3%
Impairment of power generation assets	63.3	1.5	42.2x
EBIT	100.1	168.0	-40.4%
Net financial income (-expenses)	-5.2	-3.2	61.0%
Income tax	17.8	14.7	21.6%
Net profit	76.9	149.2	-48.5%

Balance Sheet

million euros	31 December 2012	31 December 2011	Change y-o-y million euros
Total current assets incl.	395.5	253.5	142.0
Cash and cash equivalents	60.1	40.9	19.2
Deposits with maturity of more than 3 months	90.0	0.0	90.0
Trade receivables	112.2	102.2	10.0
Inventories	48.3	38.0	10.3
Other	84.9	72.4	12.5
Total non-current assets	2,101.9	1,779.8	322.1
Total assets	2,497.4	2,033.3	464.0
Total liabilities, incl.	1,088.2	796.6	291.5
Trade payables	110.6	94.3	16.3
Other	232.0	251.7	19.7
Borrowings	732.7	436.2	296.5
Current liabilities	1.4	1.5	0.1
Long-term liabilities	731.3	434.7	296.6
Provisions	12.9	14.4	1.5
Equity	1,409.2	1,236.7	172.5
Total liabilities and equity	2,497.4	2,033.3	464.0

Cash flows

million euros	2012	2011	Change
Net cash from operating activities	185.2	161.8	14.5%
Purchase of fixed assets	-499.4	-417.4	19.6%
Net change in deposits with maturities greater than 3 months	-90.0	181.4	-149.6%
Contribution to the share capital	150.0		
Recieved bank loans	27.6	138.1	-80.0%
Repayment of bank loans	-26.5	-59.1	-55.2%
Proceeds from bonds issued	297.0		
Dividend payment	-65.2	-56.1	16.3%
Other adjustments	40.5	38.0	6.7%
Net cash flows	19.2	-13.3	-244.8%