

# Eesti Energia Group financial results Q2 2010/11 financial year

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# Q2 2010/11 financial year highlights

- **Revenues 165.5 million euros**
  - increase\* 18.0% (+25.3 million euros)
- **EBITDA 45.2 million euros**
  - increase\* 23.3% (+8.6 million euros)
- **Operating profit margin was 13.6% (+3.5 percentage points\*)**
- **Investments 47.6 million euros**
  - Increase\* 5.0% (+2.2 million euros)

*\* - compared to the same period last year*

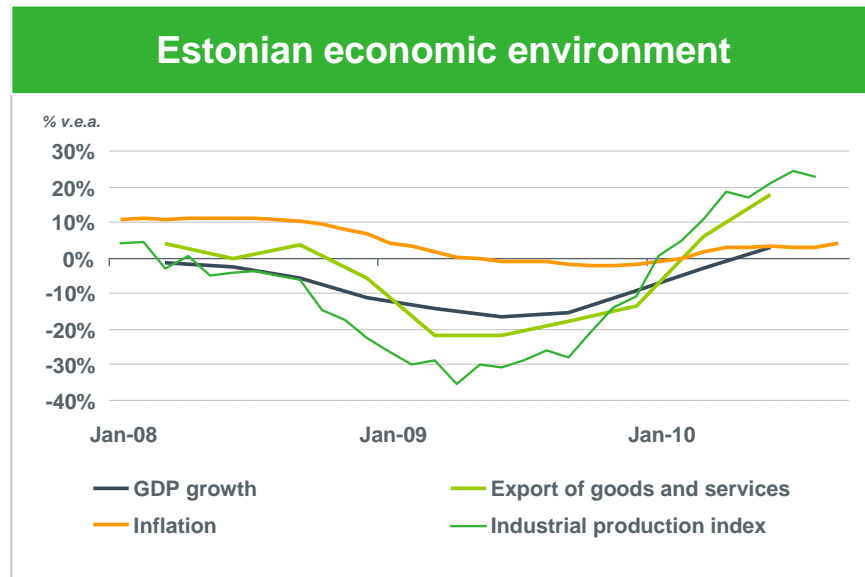


# BUSINESS ENVIRONMENT



# Export driving Estonian economic recovery

- Industrial production volume has been growing approximately 20% a month since April (compared to 2009)
- Increase in export of goods and services has been the main source for economic growth – 18% in the Q2 2010
- Inflation increased to 4% in September
- 2010 nine-month total energy consumption in Estonia has increased 4%.

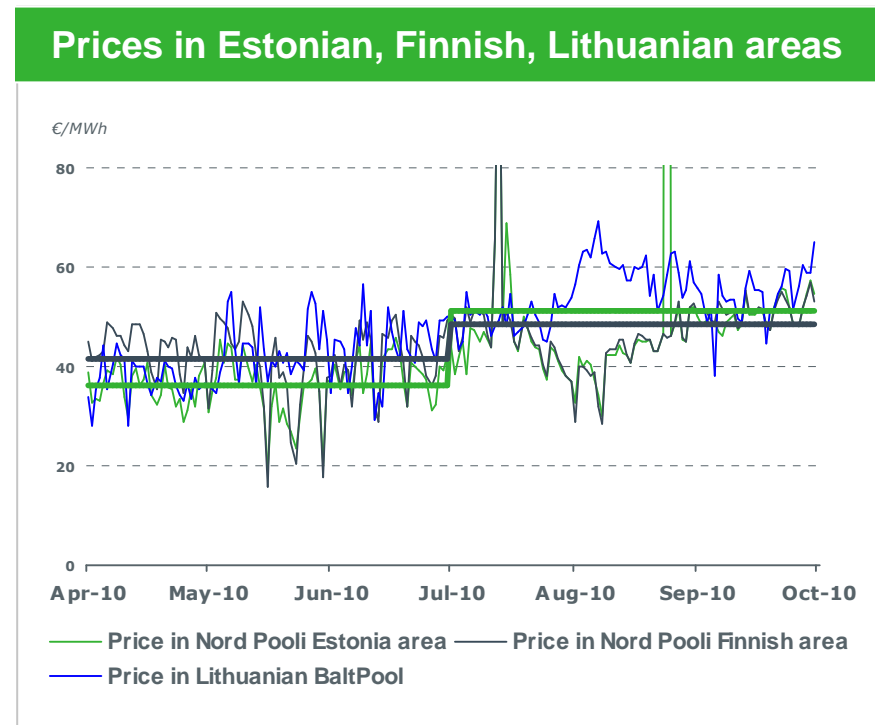


Source: Statistical Office of Estonia



# Power exchange prices remain around 50 €/MWh

- Q2 average price in Estonia price area exceeded Finland price area by 4 €/MWh
- Excluding 24th August (daily average price in Estonia 462 €/MWh) then Q2 average prices in Estonia and Finland almost the same (47.2 €/MWh vs 47.7 €/MWh)
- Price convergence increasing - hourly price equivalent in Q2 on 32% of time, in Q2 75%
- Q2 price in BaltPool area was 54.6 €/MWh or 2.9 €/MWh higher than in Estonian price area
- High prices in BaltPool continue due to constrained transmission capacities

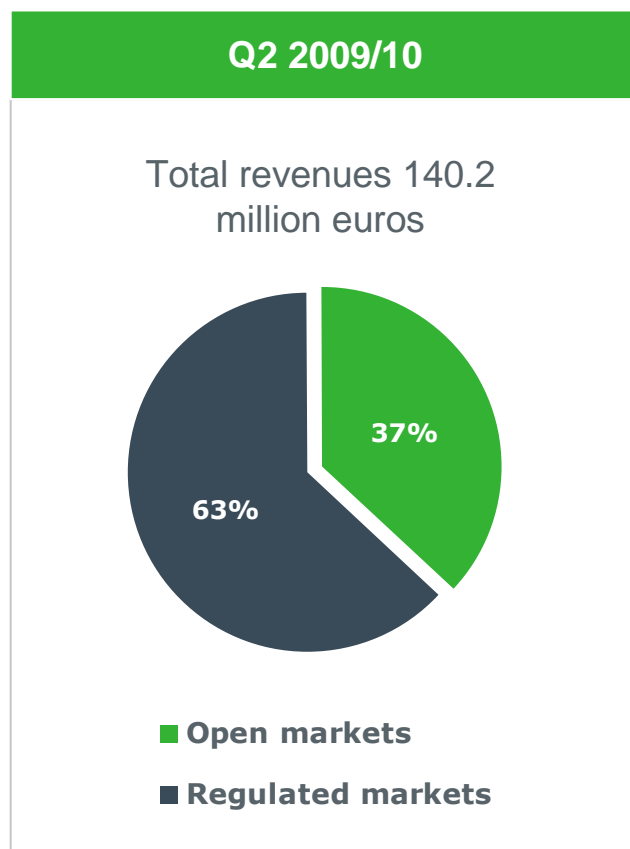


# GROUP'S FINANCIAL RESULTS



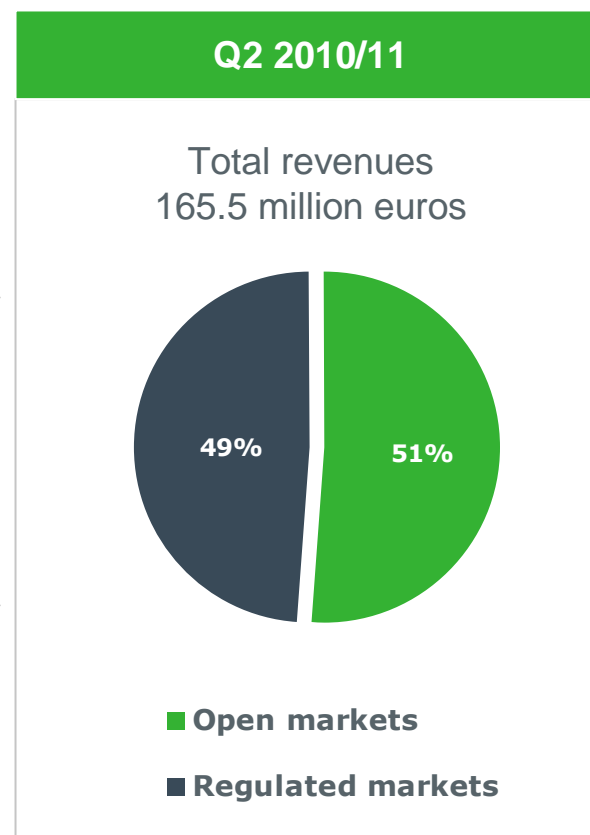


# Sales to open markets exceeding sales to regulated market



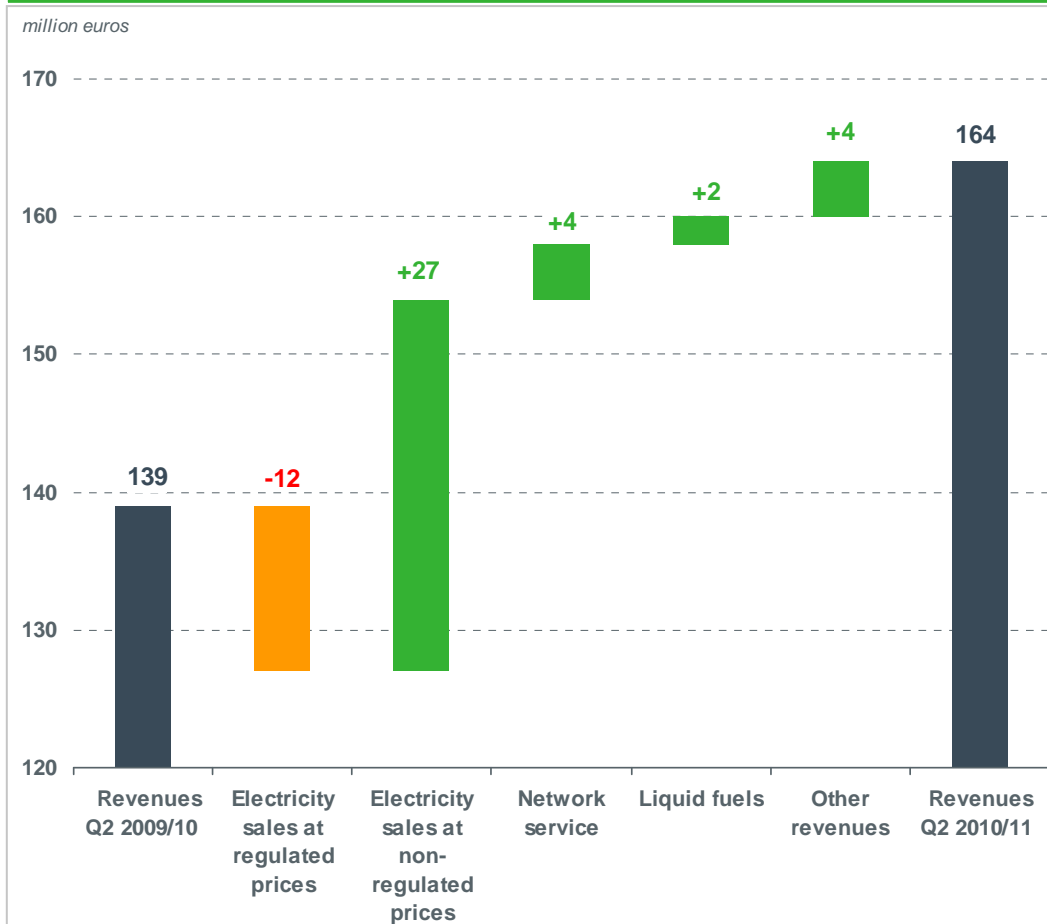
Total revenues up 18% in Q2

Sales to open markets account for more than 50% of total revenues

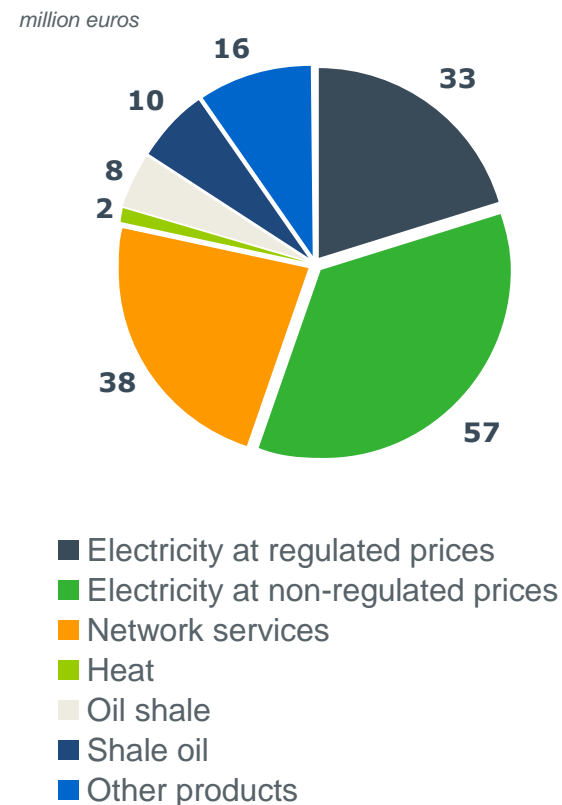


# Revenues from core products increased

Revenue growth breakdown by product

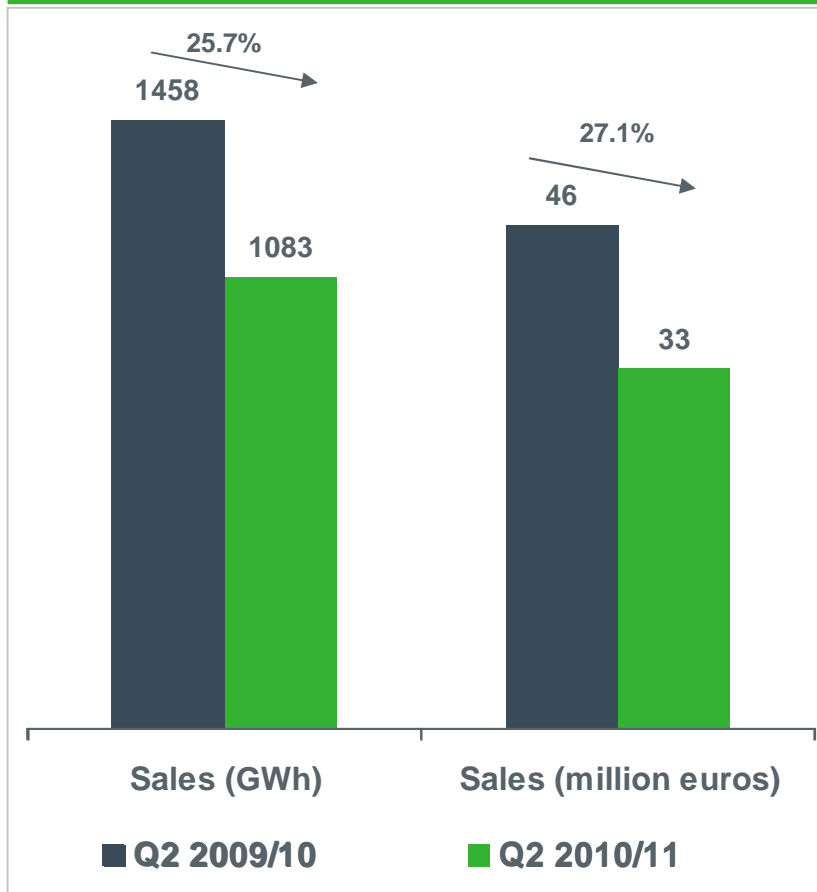


Q2 2010/11



# Regulated electricity prices reduced by market opening

Group electricity sales at regulated prices



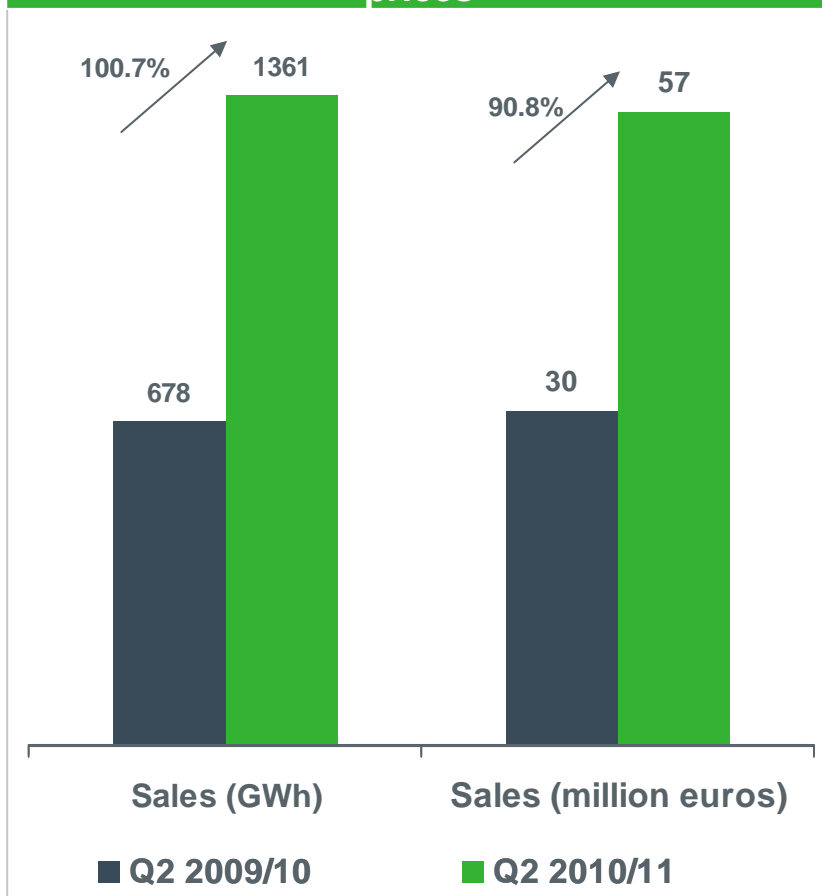
Comments

- Average sales prices slightly lower
- Large corporate customers with consumption of more than 2 GWh per year have switched to open market.
- This movement has also impacted the volumes and cost base of regulated market.



# Market share in Estonian open market around 87%

## Group electricity sales at non-regulated prices

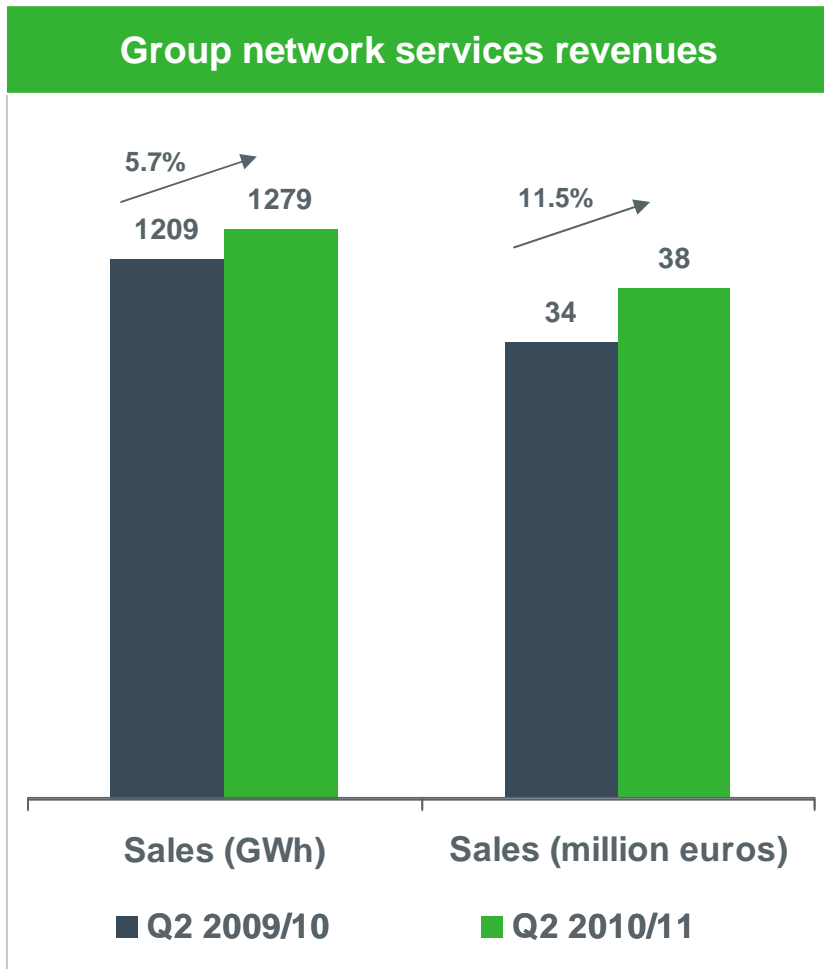


## Comments

- Sales growth has mainly originated from Estonian and Lithuanian market opening
- Sales to NordPool Estonia price area amounted to 0.4 TWh and Lithuanian power exchange BaltPool to 0.1 TWh
- Bilateral sale agreement with Lithuania (0.2 TWh)
- Total sales to retail customers amounted to 0.6TWh and wholesale market to 0.8 TWh
- Market share in Estonian open electricity market is around 87%, in Latvia and Lithuania approximately 17%



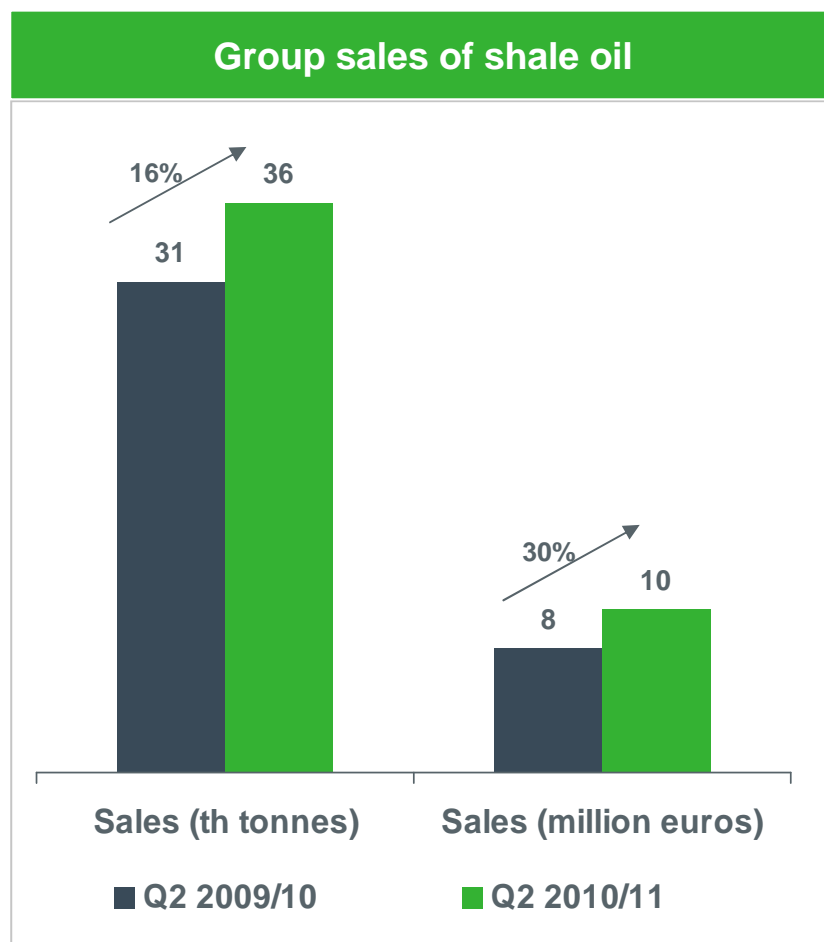
# Economic recovery behind network services revenue increase



- Comments**
- Average network fee for Q2 2010 5.3% higher year-on-year.
  - The 19% jump in transmission network fees increased network services revenues from 1 June 2010.
  - Network losses down by 1.9 percentage points to 5.2% from year ago



# Shale oil sales up 30% year-on-year

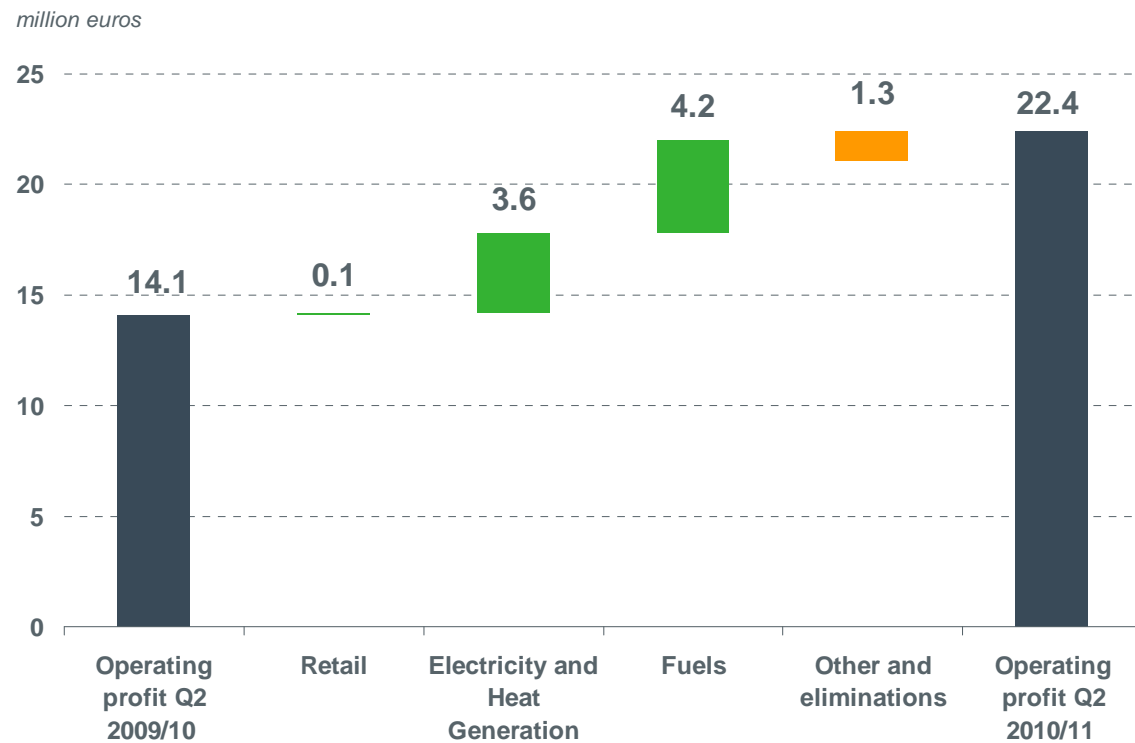


- Comments**
- Increased production volume (53% increase in Q2) behind increased shale oil sales
  - Average sales price increase of 9.2% was mostly affected by higher fuel oil world market prices
  - For Q2 forward agreements had been signed for 15 thousand tonnes of liquid fuels at 320 €/t for offsetting price risks

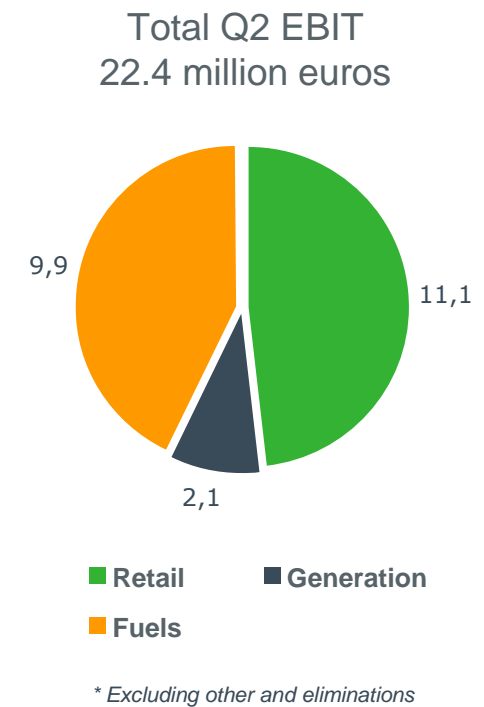


# EBIT growth mainly from Generation and Fuels divisions

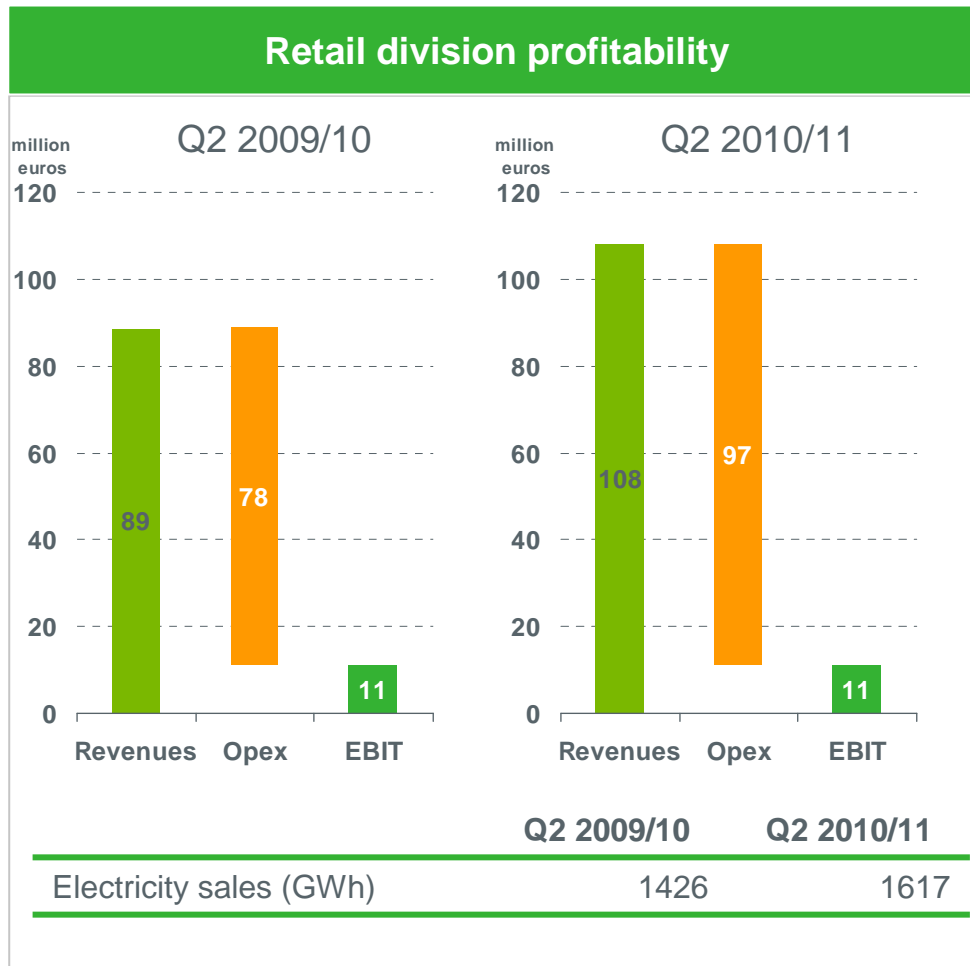
EBIT increase breakdown by divisions



EBIT divisional breakdown\*



# Retail division profitability not impacted by market opening

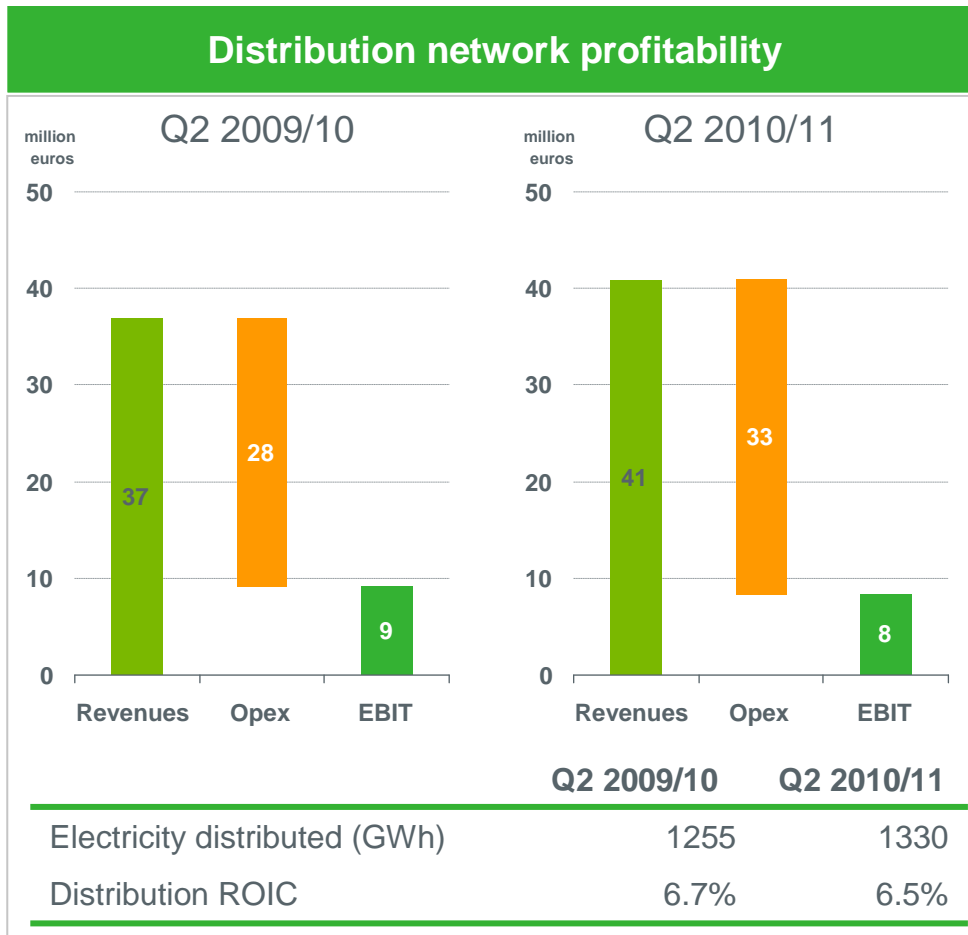


- Impact on electricity sales profitability:**
- Positive impact of price growth reduced by higher electricity purchase costs
  - Lower margins on electricity sales in Latvia





# Distribution network price increase neutral to EBIT



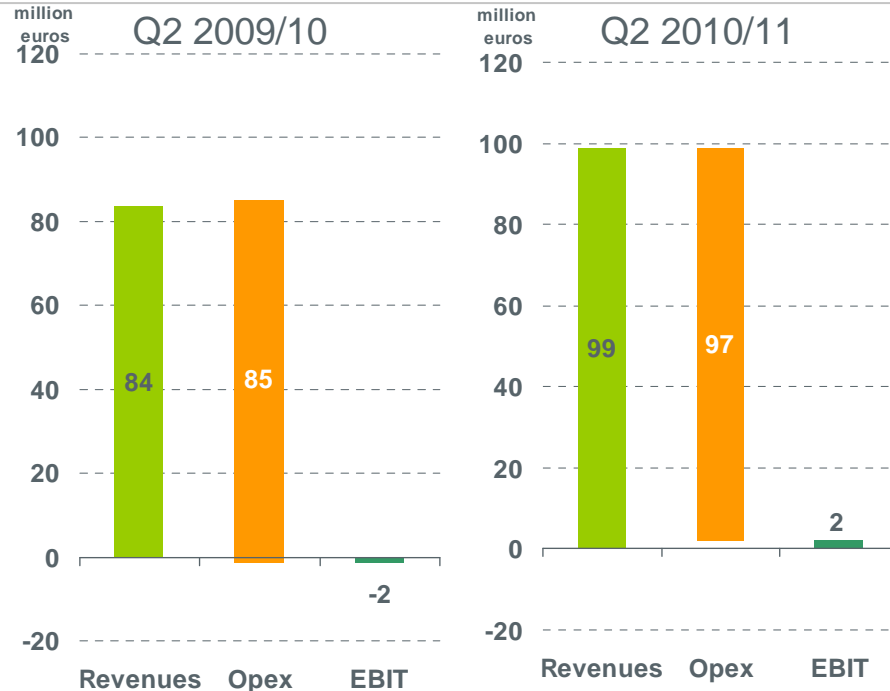
**Impact on network services profitability:**

- ✘ Storm-related extraordinary expenses 1.0 million euros
- Distribution network price increase neutral to EBIT



# Electricity market opening improves Generation division profitability

## Electricity and heat generation profitability



Q2 2009/10      Q2 2010/11

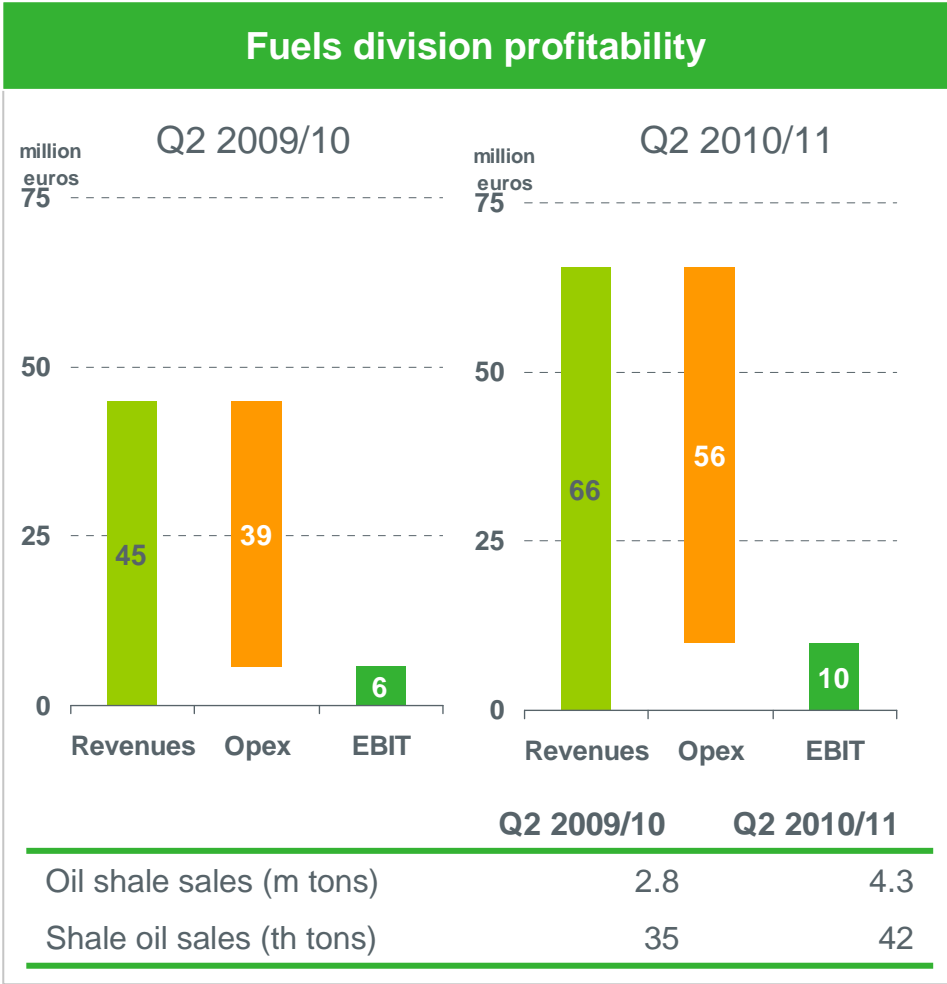
Electricity sales (GWh)	2341	2525
Electricity generation (GWh)	1488	2331
Electricity purchase (GWh)	834	197

## Impact on Generation division profitability:

- ✓ Net electricity generation grew by 0.8TWh
- ✓ Decrease of electricity purchased by 0.6 TWh
- ✓ Lower revaluation of CO<sub>2</sub> allowances in 2009/10
- ✓ Decrease in fixed costs
- ✓ Rental fee from Estlink cable



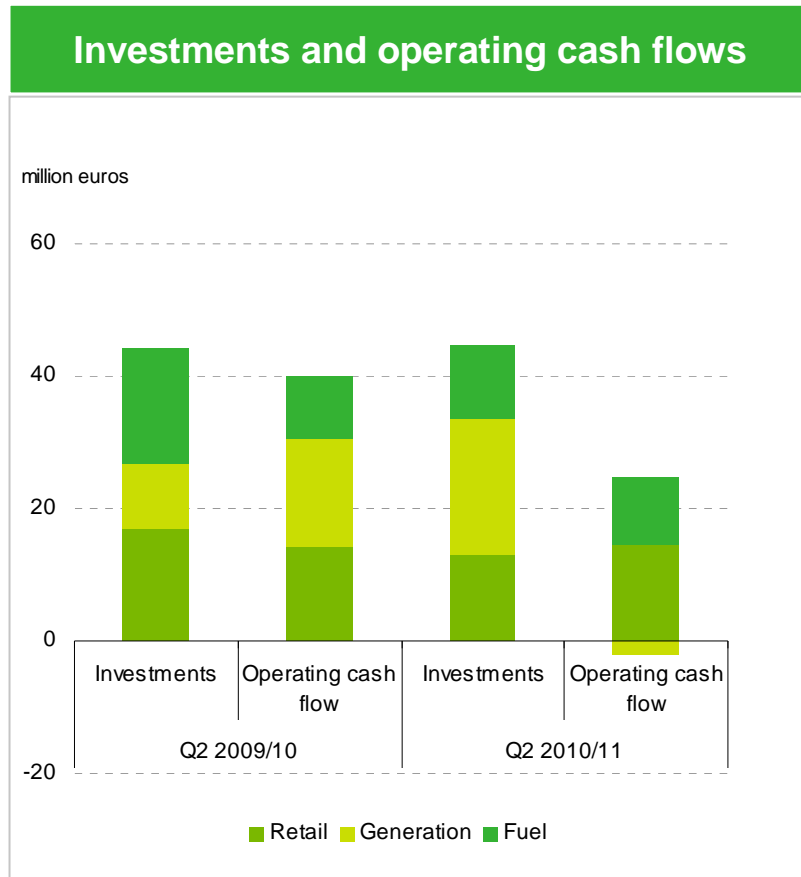
# Increased oil shale sales behind higher Fuels division profitability



- Impact on Fuels division profitability:**
- ✓ Higher shale oil sales volume
  - ✓ Higher price for shale oil sales
  - ✓ Higher oil shale sales volume



# Group cash flows impacted by dividend payout and investments

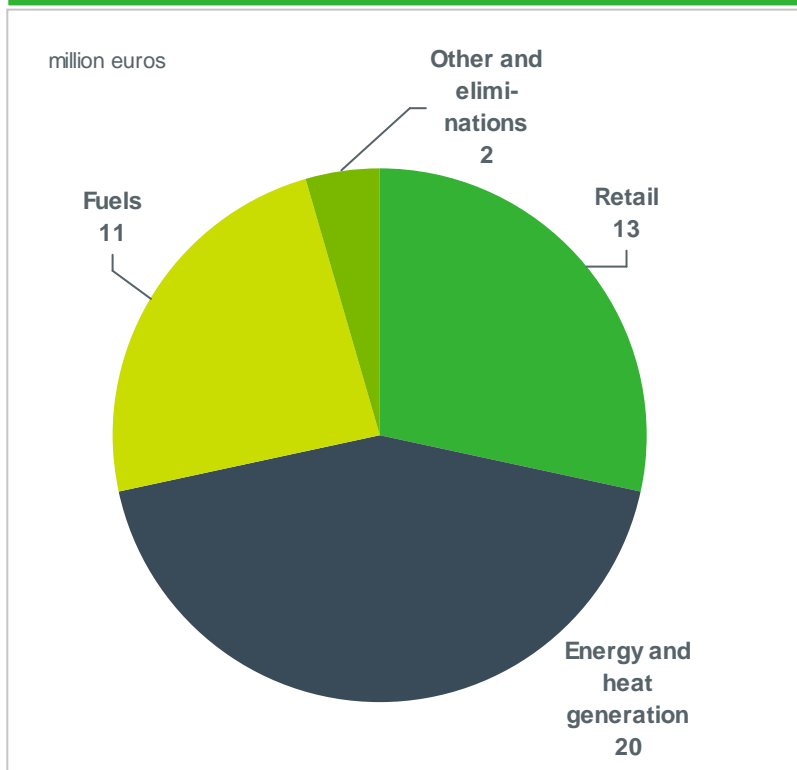


- Comments**
- Investments to fixed assets exceeded operating cash flows by 21.5 million euros in Q2
  - Operating cash flows decreased 39% in Q2 due to corporate income tax payments on dividends



# Group continues to invest in all divisions

## Q2 investments of 47.6 million euros



## Most important investments in Q2

- Distribution networks 12.5 million euros
- Desulphurisation equipment in NPP 13.3 million euros
- Enefit-280 oil plant 4.6 million euros
- Oil shale mining 4.2 million euros
- Ahtme boiler house 1.0 million euros



# Update on main investment projects

Investment project	Investments up to 30 Sept 2010*	Total investment estimated	Project deadline
Enefit 280 oil plant	33 million euros	190 million euros	2012
Desulphurisation equipment in NPP	49 million euros	110 million euros	2012
Iru waste-to-energy plant	2 million euros	100 million euros	2012
Narva wind park	-	58 million euros	2012

\* - total investments (incl. previous years)



# Summarising remarks

- Successful Q2 – revenues up 18% and EBIT increased 59%
- Sales of electricity to open markets up 101%
- Market share around 87% in Estonian open retail electricity market
- Significant increase in the sale of shale oil (30%)
- Profitability improvement on the back of generation and fuels division
- Year-on-year increase in investments 5%



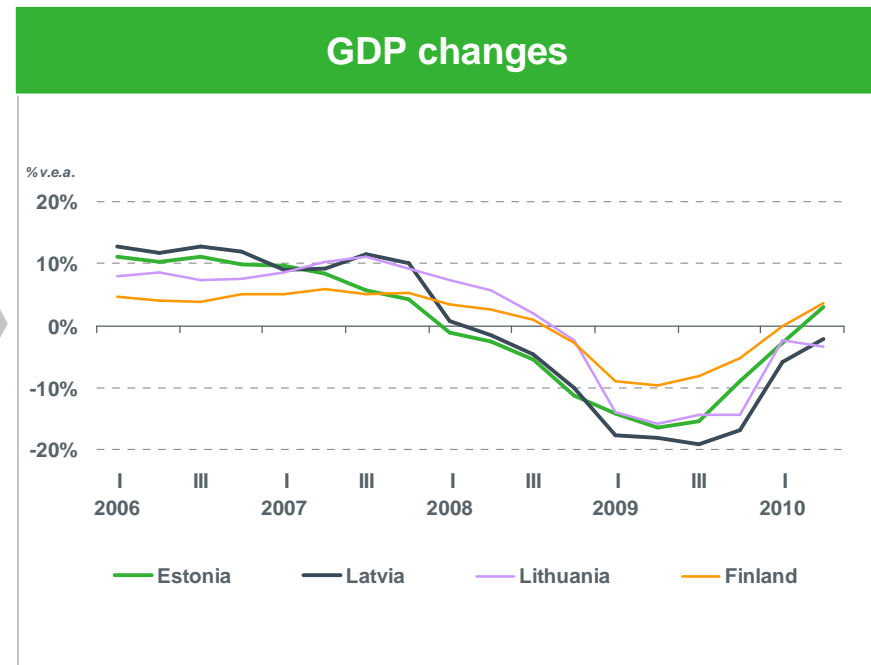
# APPENDICES





# Economic environment improving

- Baltic and Finnish economies continue improving in the II quarter of 2010
- The real GDP growth in Estonia and Finland amounted to 3% in II quarter of 2010 while in Latvia and Lithuania it was still negative
- In Lithuania GDP in II quarter declined 1.1 percentage points compared to I quarter of 2010. At the same time the GDP of Estonia, Latvia and Lithuania increased

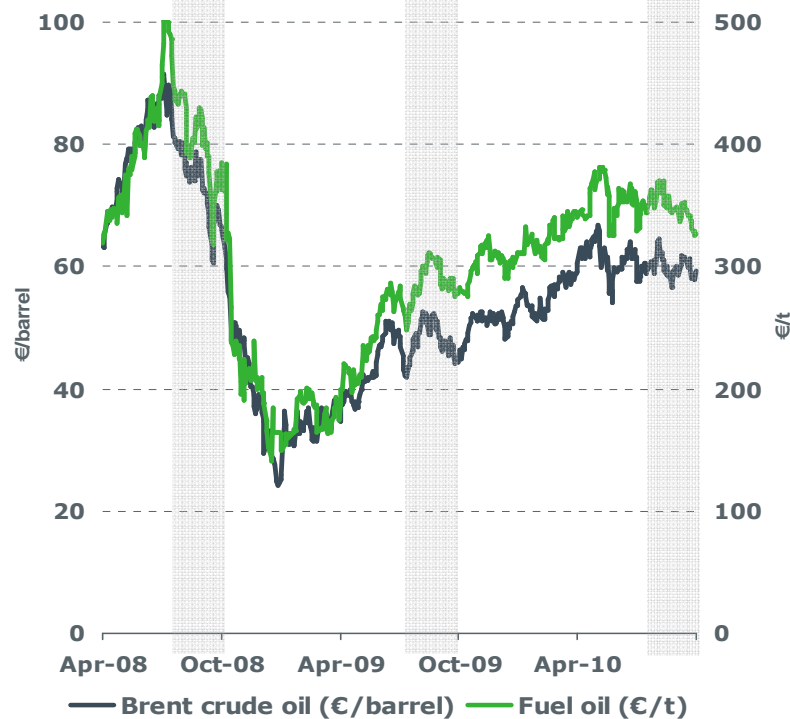


Source: Statistical Offices of Estonia, Latvia, Lithuania and Finland



# Crude oil movement in the range of 57-65 €/barrel

Fuel price movement April 2008- Sept 2010



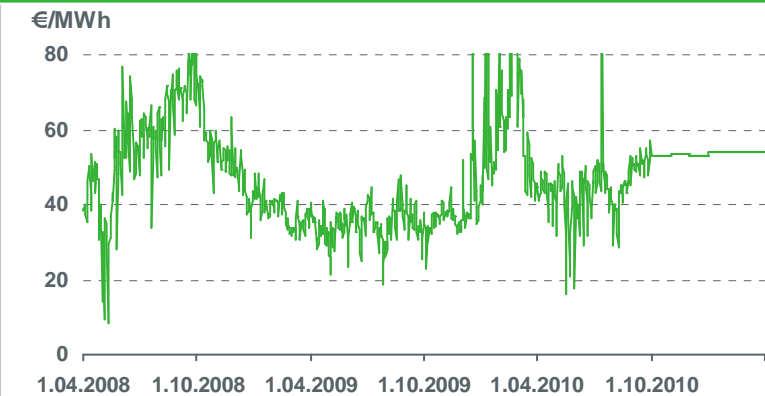
## Comments

- Average crude oil price in the IIQ 59.9 €/barrel (+25.1% compared to the previous year)
- Average fuel oil price in the II quarter 348 €/barrel (+10.1% compared to the previous year)
- Mixed macroeconomic data, the uneven pace of the global economic recovery, budget balance deficits in European countries, efforts to prevent overheating in China and speculative activity are behind fluctuations in crude oil price



# Markets Outlook

**Nord Pool Finnish price area**



**Brent crude oil**



**Light fuel oil**



**December 2010 CO<sub>2</sub> emission allowances**



\* - forward contracts as at 30 September 2010



# Closed positions



# Profit and loss statement

<i>million euros</i>	2Q		Change	6 months		Change
	2010/11	2009/10	%	2010/11	2009/10	%
<b>Revenues</b>	<b>165,5</b>	<b>140,2</b>	<b>18,1</b>	<b>335,5</b>	<b>287,0</b>	<b>16,9</b>
<b>Operating expenses</b>	<b>120,3</b>	<b>103,5</b>	<b>16,2</b>	<b>229,7</b>	<b>197,6</b>	<b>16,2</b>
Goods and work-in-progress	1,8	-2,6	-169,9	0,0	-3,6	-100,0
Raw materials	75,4	52,7	43,0	141,7	104,9	35,1
Payroll expenses	30,6	29,4	4,0	61,3	57,6	6,4
Other operating expenses	12,5	24,1	-47,9	26,7	38,7	-31,0
<b>EBITDA</b>	<b>45,2</b>	<b>36,7</b>	<b>23,4</b>	<b>105,8</b>	<b>89,4</b>	<b>18,4</b>
Depreciation	22,8	22,6	0,8	45,5	45,9	-0,9
<b>Operating profit</b>	<b>22,5</b>	<b>14,1</b>	<b>59,8</b>	<b>60,3</b>	<b>43,5</b>	<b>38,8</b>
Financial income	-1,4	-0,3	366,7	-2,6	-0,5	411,3
Income tax	6,6	9,2	-27,8	28,7	14,7	95,2
<b>Net profit</b>	<b>14,4</b>	<b>4,6</b>	<b>216,5</b>	<b>29,1</b>	<b>28,3</b>	<b>2,9</b>



# Balance Sheet

<i>million euros</i>	30 sept		Change
	2010	2009	million euros
Total current assets incl.	475,7	307,7	168,0
Cash and cash equivalents	341,5	150,8	190,7
Trade receivables	70,9	57,0	13,9
Inventories	35,0	32,9	2,2
Total non-current assets	1 279,7	1 323,5	-43,8
Discontinuing operation	-	346,6	-346,6
<b>Total assets</b>	<b>1 755,4</b>	<b>1 977,9</b>	<b>-222,5</b>
Total liabilities incl.	647,9	625,9	22,0
Trade payables	36,8	51,1	-14,3
Borrowings	362,9	363,6	-0,7
Current liabilities	3,7	10,9	-7,2
Non-current liabilities	359,2	352,7	6,5
Provisions	63,0	31,4	31,6
Equity	1 107,5	1 138,1	-30,7
Discontinuing operation	-	213,7	-213,7
<b>Total liabilities and equity</b>	<b>1 755,3</b>	<b>1 977,7</b>	<b>-222,4</b>



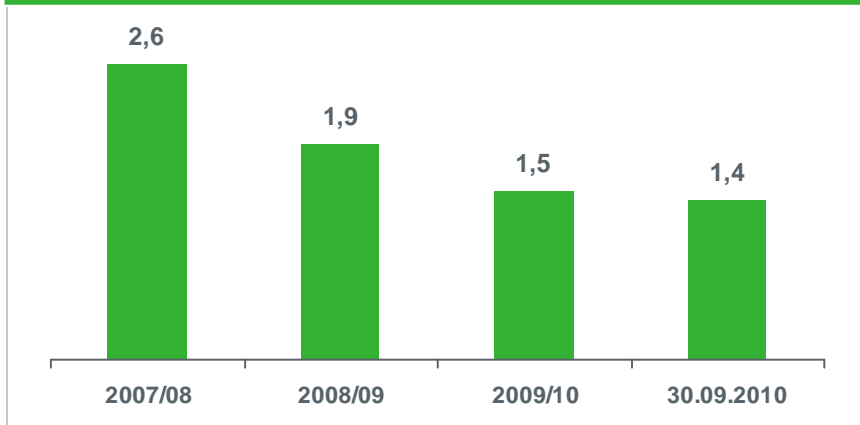
# Cash flows

<i>million euros</i>	2Q		Change	6 months		Change
	2010/11	2009/10	%	2010/11	2009/10	%
Net cash from operating activities	28,8	47,3	-39	93,0	95,2	-2,3
Purchase of fixed assets	-50,3	-39,1	28,5	-97,3	-87,1	11,7
Net change in deposits with maturities greater than 3 months	-21,3	18,4	-215,8	84,7	-52,9	-260,1
Dividends paid	-109,2	-	-	-109,2	-20,7	427,2
Received long-term bank loans	1,2	-	-	1,7	40,0	-95,8
Repayment of bank loans	-0,7	-0,7	0	-1,8	-6,1	-71,1
Other adjustments	-1,0	-21,9	-95,7	2,2	7,3	-70,6
<b>Net cash flows</b>	<b>-152,3</b>	<b>3,9</b>	<b>-4012,3</b>	<b>-26,6</b>	<b>-24,4</b>	<b>9,1</b>

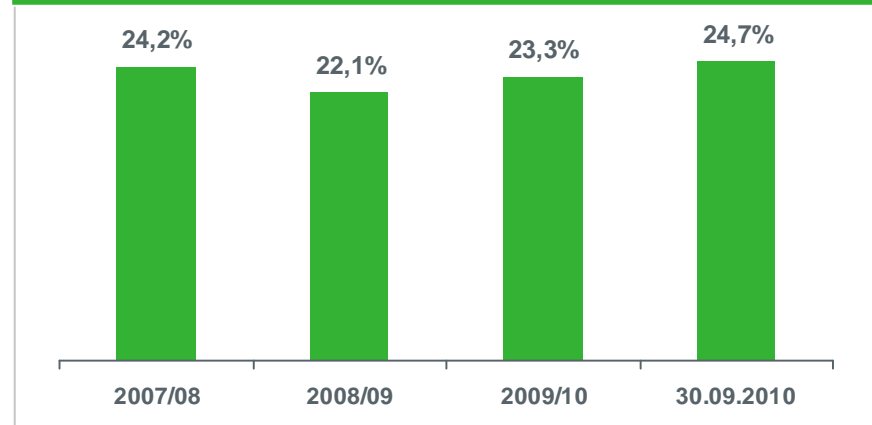


# Strong financial position

Debt / EBIT (running 12 months)



Financial leverage



Net debt (million euros)



Debt maturity

