Dear investors and partners. My name is Andri Avila, I am the Chief Financial Officer of Eesti Energia. It is my pleasure to welcome you on the earnings call to summarise our results for the first quarter of 2016. I hope you have managed to download the presentation from our website which we will now go through. After we finish with the slides, you will also have an opportunity to ask questions.

So without any longer introductions, let’s us look at slide 3, where we have provided a summary of our results for the first quarter. As you can see, our sales revenues declined by 10% and this was mainly related to low prices and falling revenues of our oil and electricity segments. For the same reasons, EBITDA also declined by 31%. As expected, our investments decreased as the largest investment projects are being completed. Eesti Energia’s capex totalled €32 million in the first quarter, down by 40%. Finally, when looking at operating cash flow, then there was a large decline compared to last year. In addition to the impact from EBITDA decline, €58 million of this is explained by the sale of CO2 allowances in 2015 which we did not have this year. So in this sense, Q1 2015 was unusually positive in terms of cash flow.

Now before we look at the financial results in more detail, let’s go through what has been happening at our key markets. On slide 4 you can see that the price of Nord Pool Estonia averaged 32 €/MWh in the first quarter, which is 2% less than in the first quarter of 2015. Eesti Energia Narva power plants have continued producing more electricity during higher priced peak hours and as a result we achieved 16% higher price in the first quarter compared to the Nord Pool average. Overall, the first quarter of this year was, on one hand, characterised by a cold January which increased prices and consumption. On the other hand, Nordic hydro resources remained at high levels which has a downward effect on prices. Also it should be mentioned that the NordBalt underwater cable between Lithuania and Sweden started working at the beginning of the year, which is expected to decrease price differences between Estonia and our southern neighbours and should therefore enable us to increase retail sales in Latvia and Lithuania.

On slide 5, we illustrate again the fact that we have increasing worked on optimising our generation profile to produce more in peak hours and less in off-peak hours. We have increased the flexibility of operations of the Narva power plants and this has enabled us to sell electricity to the power exchange above the Estonian Nord Pool average price.

On slide 6 we provide an overview of the global oil market, which also heavily influences Eesti Energia’s financial results. The quarterly average price of both Brent and fuel oil reached new lows in the first quarter. Brent was down by 37% in euro terms compared to the first quarter of 2015. The price of 1% sulphur content fuel oil, which is our reference product, averaged 126.5 €/tonne, down close to 50% compared to the same period last year. However, since the beginning of the year oil prices have recovered substantially.

Now let’s turn to slide 7, which shows how the various market movements have translated into Eesti Energia’s financial results. As already mentioned before, our sales revenues declined by 10%, mainly due to price weakness in the electricity and shale oil segment. Revenues from the distribution network had a positive impact, mainly due to higher sales volumes in January which was a cold month this year. Our EBITDA amounted to €60 million in the first quarter, down by 31% year-on-year. The drivers behind the EBITDA decline were similar as for sales revenues. Additionally, EBITDA from the “other” segment declined by around €9 million, as we had €8 million profit from sale of excess CO2 allowances in the first quarter of last year but there was no such contribution this year. Given the weakness in market prices, we have been working on optimising our costs. The resulting 10% decline in our fixed costs had a positive impact on EBITDA in the amount of €5.5 million. Let’s now look at the results of each of our main products one by one.

On slide 9 let’s look at the results of the electricity segment. Our electricity sales totalled 2 TWh in the first quarter, down 8%. The decline has come from wholesale; our retail sales increased. Wholesale volumes have declined due to weakness in Nord Pool prices and also changes in our bidding strategy since the second quarter of 2015, which has resulted in lower sales volumes but relatively higher sales price. Regarding prices, our average electricity sales price declined by 1% to 42.7 €/MWh, compared to a 2% drop for Nord Pool Estonia price which averaged 31.8 €/MWh. Hedges contributed 1 €/MWh to our sales prices, although the amount and price of hedges is now at a lower level than last year. Our sales price excluding the gain on derivatives actually increased by 2 €/MWh to 41.7 €/MWh. As a result of the weakness in prices and lower generation volumes, our electricity sales revenues declined by 10%. When talking about hedges going forward, we have about 3 TWh hedged for the remaining part of 2016 at 38.2 €/MWh and 1.7 TWh hedged for 2017 at 35.3 €/MWh. This includes financial hedges as well as fixed price contracts with our retail clients.

Slide 10 provides an overview of our presence in the Baltic retail power market. Overall, our market share across all three Baltic countries increased by 0.7% percentage points and reached 27%. In Estonia our market share is largest at 60%, although it declined in the first quarter due to the impact from the large corporates segment. In Latvia and Lithuania we managed to grow our market share, as we have been able to better manage cross border risks and have become more active again with our sales efforts in these countries.
Let’s now turn to slide 11 for an overview of EBITDA from our electricity product. EBITDA from electricity totalled €27 million, a decline of 26%. This result was driven both by lower margins as well as lower volumes. On the margins side, while our average sales revenue per MWh increased, higher variable costs (mainly from higher CO2 expense as the allocation of free CO2 allowances decreases) lead to a negative margin contribution. Also our hedge positions are more modest this year so gain from derivatives contributed €6 million less to EBITDA. On the positive side, lower fixed costs had €4 million positive effect on EBITDA.

Let’s now turn to slide 13 where we cover our second product, which is distribution. Our distribution business had a good quarter with both volume and sales revenue growing by 8-9%. This was a result of cold weather in January which had a positive effect on consumption. Also, network losses amounted to 4.3%, which is a 1 percentage point decline compared to the 1st quarter of 2015.

Moving on and turning to slide 14, we can see that the distribution network also had a good result in terms of EBITDA, which grew by around 15% and totalled €28 million. This was mainly owing to the impact of larger volumes as already discussed in the previous slide. Unplanned SAIDI was at a level of 27 minutes compared to 30.5 minutes in the previous year. Planned SAIDI was at 20 minutes and the slight growth compared to 2015 was due to a somewhat higher level of network upgrading works.

Let’s move on to the performance of our third main product, which is shale oil. It should come as no surprise that this business has been heavily affected by the decline in global oil prices. The quarterly average price of our reference product heavy fuel oil declined by 50% year-on-year. Eesti Energia’s average sales price declined less, by 42% to 206 €/tonne, as we are still benefitting from hedge positions which contributed 69 €/tonne to our sales price. We also sold 51% less oil in the first quarter compared to last year, as we decided to store some of oil rather than sell at the depressed prices that we saw at the beginning of this year. Also our oil production declined by 21.5% in the first quarter due to lower production from the older Enefit140 plant. We decided to use the time of low prices to get some maintenance works done, which had originally been planned for later part of the year. All in all, our revenue from oil sales declined by 71.5% and amounted to only €7 million. Regarding hedges going forward, we have 118 thousand tonnes hedged for the remainder of 2016 at 321 €/tonne. This includes some new short term hedges which we have used for fixing the price of some oil deliveries in Q2 2016. So all in all we sold as little as possible in the first quarter and did the maintenance works and stored the oil sales in the future.

On the next slide you can see that our EBITDA from shale oil totalled €0.5 million in the first quarter, compared to €14 million in the same period of 2015. This result relates to the developments that were discussed in the previous slide: our margins were impacted by lower prices, our sales volume was lower and so was gain from derivatives. On the bright side, change in the fixed costs had a positive effect.

On slide 18 we have summarised the results of our remaining products. Sales revenues from these products were stable while EBITDA declined by €8 million. This drop was mainly caused by the fact that in the first quarter of last year we sold some excess CO2 allowances which contributed around €8 million to EBITDA but we did not have such effect this year. On the positive side, our heat sales volume was up this year and contributed €1 million more to EBITDA.

Now that we have looked at each of our products, let’s turn to slide 19 where we explain how EBITDA translates into operating cash flow. We start the graph from EBITDA which totalled €60 million in the first quarter. Operating cash flow amounted to €33 million in the same period. The difference is explained in the graph. We had a positive effect from CO2 related items and derivative instruments. In contrast, there was a negative impact from growth of inventories, mainly shale oil inventories. Also other working capital items combined had a negative effect of €14.5 million. Some of the factors in this were change in collateral arrangements with Nasdaq which resulted in cash outflow of €7 million and also change in timing of some environmental tax payments which lead to a higher tax payment in the amount of €6 million. We also paid income tax of around €15 million in January related to dividend payment in December of 2015.

In slide 20 we continue the analysis of cash flows. When we compare operating cash flow in the first quarter of 2016 to the same period a year ago, it can be seen that there has been a drop of €130 million or 80%. Some of this is explained by decline in EBITDA. Additionally, we sold some CO2 allowances in 2015 but we did not have such positive effect this year, which explains around €58 million. Another large item is the working capital, which combines a number of factors, for example relatively less cash being freed up from client receivables this year accounted for €13 million and decline in supplier payables around €8 million. This year, we freed up less cash from client receivables in the first quarter compared to 2015, as it depends on fluctuations of sales month-by-month and also on the Nord Pool settlement schedule at the end of the year.

The column for working capital also includes the effect from collateral payments to Nasdaq and timing of tax payments which were already mentioned in the previous slide. Finally, we also paid income tax in the first quarter of this year while there was no such payment a year ago. All in all, our operating cash flow totalled €33 million in the first quarter.

Let’s now turn to our capex spending and status of the investment projects which are seen on slide 21. As has been mentioned during our previous investor calls, Eesti Energia’s large development projects are coming to completion and accordingly our total capex was down by 40% this quarter, totalling €32 million. The largest part of
the total spend, €18 million, went into the electricity network. The remainder mostly included maintenance capex into the mining subsidiary and power plants but such maintenance capex also declined as our mining volumes have declined and there has been no need for the previous level of maintenance works in the power plants.

Regarding the status of the investment projects, the new Auvere power plant is still in the final phases of testing and commissioning and is expected to be finished by the middle of this year.

On slide 22 we have provided an overview of our liquidity profile, which was very solid as at the end of March. Operating cash flow of €33 million was sufficient to fund investments and some minor debt repayments that we had so the balance of liquid assets stood at €161 million as at the end of the quarter, basically unchanged from the end of 2015. In addition to available cash and deposits, Eesti Energia has signed revolving credit facilities in the amount of €150 million and has €70 million investment loan available from the European Investment Bank. So the total liquidity buffer of the group amounted to €381 million as at the end of the first quarter.

On slide 23 we have provided information on Eesti Energia’s debt metrics and debt repayment schedule. Our debt repayment schedule is favourable with only minor repayments in 2016 and 2017. We have a larger repayment coming up in 2018 but this is also smaller now after we refinanced part of our eurobonds in September last year. Regarding financial ratios, Eesti Energia’s net debt to EBITDA metric increased to 3.3 by the end of March, mainly driven by lower EBITDA. On the ratings front, Eesti Energia was downgraded by Moody’s in April. The rating from them is now Baa3 with stable outlook. The rating from S&P is BBB with a negative outlook.

As one of the final items, let’s look at slide 24 where we provide some guidance for 2016. We currently predict that Eesti Energia’s 2016 revenues will decline less than 5% from last year’s level. For EBITDA we estimate a more than 5% decline from the previous year’s result of €266 million. Our business continues to be impacted by electricity and oil prices. The prices will have a bigger impact going forward, as our financial hedges are rolling off. Regarding capex outlook, we expect investments to decline by more than 5% from last year’s level. As for dividends, the board has proposed paying €40 million as dividends this year but this has not yet been approved by the shareholder and there might be some changes coming.

So, to summarise the presentation, we saw a decline in both revenue and EBITDA during the first quarter. The results were impacted by low prices both on electricity and oil markets. The distribution network had a great quarter. In line with what has been planned, capex declined substantially as our large investment projects near completion and maintenance capex has also decreased. Markets will be an increasingly important factor for us going forward and we keep running our assets in the most efficient manner that we can in this environment. This concludes our presentation and we are now ready to take any questions that you may have.

Operator: Ladies and gentlemen, at this time we will begin the question and answer session. Anyone who wishes to ask a question may press * followed by 1. If you wish to remove yourself from the question queue you may press * followed by 2. If you would like to ask a question please press * followed by 1 at this time.

Operator: As a reminder, that’s * followed by 1 to ask a question. Mr Avila there are no questions registered on the phone lines.

Andri Avila: So thank you and talk again in July.