Dear investors and partners, my name is Andri Avila and I am the CFO of Eesti Energia. It's my great pleasure to welcome you on this earnings call to summarise the results for the third quarter of 2015. Hopefully you have managed to download the presentation from our investor relations website and without further ado, let us now turn to the presentation.

If you move to slide number 3, here we present a snapshot of the third quarter results that we will cover in more detail further on. Eesti Energia results in the third quarter of 2015 were characterised by 13.3% lower sales revenues of €171 million and 9.3% lower EBITDA of €67.3 million. Operating cash flow was substantially lower than last year at €25.7 million, whereas the capital expenditure was 32.3% lower than in the third quarter of 2014 at €47.8 million. Before looking at the results in detail, let’s turn to the overview of the main markets affecting our sales and profitability.

If you now turn to slide number 4, here we present the overview of the power markets that influence our power generation profitability. Average price in Nord Pool Spot Estonia price area was €30.3 per megawatt hour in the third quarter of 2015, which is €11.7 per megawatt hour or 27.9% lower than in the previous year. Estonian power price was very close to Finnish, as the average spread between the price areas reduced in the recent quarter to only €0.2 per megawatt hour. Nord Pool Spot Latvian area price remained above Estonian prices; average price for the third quarter was €45 per megawatt hour.

Our clean Dark Spread available in Nord Pool Spot Estonia electricity price decreased to €1.6 per megawatt hour due to lower electricity price and higher CO2 costs. Hence, the electricity markets remain challenging with prices at very low levels.

On slide number 5 we present the intraday volatility of power prices in Nord Pool Spot Estonia price area, denoting the maximum and minimum daily prices with a grey area and the average daily price with a green line. As it can be seen, the differences between peak and off-peak hour prices are very substantial, with peak prices ranging between €50 and €60 per megawatt hour on most days. This is the reason for our recent approach, where we generate less power on off-peak hours while trying to ramp generation up on peak hours, thus achieving price levels above the Estonian Nord Pool Spot price area average.

On slide number 6 we present the dynamics in another market that drives Eesti Energia results, affecting primarily our shale oil sales and profitability. Average price of Brent crude oil remained 41.1% below last year’s level in the third quarter of 2015, trading on average at €45.3 per barrel. Similarly, the price of 1% sulphur content fuel oil which is our shale oil reference product traded at 49.7% lower than last year at €217.3 per tonne on average in the third quarter of 2015. After a rebound in the second quarter the oil price again reached similarly low levels as in January, so market remains very challenging at the moment as far as oil prices are concerned as well.

On slide 7 we present the breakdown of sales and EBITDA between our main products as well as the year-on-year change. In the third quarter of 2015, Eesti Energia sales revenues were 13.3% lower at €171 million. Main reason behind the sales decline was the electricity sales, while shale oil and distribution sales exceeded last year’s result. In terms of EBITDA, the results were negatively impacted by lower profit from electricity and other products, with group EBITDA decreasing by 9.3% to €67 million. Let me now analyse sales and profitability of each product in turn.

Slide number 9 presents the revenue dynamics of electricity sales which accounts for almost half of our revenues. As the drop in the power market prices was combined with our lower generation and sales volume, the average electricity sales price was not too much impacted, increasing by 2.7% to €49.2 per megawatt hour. Without gain on derivatives, the average sales price was broadly unchanged at €44.2 per megawatt hour. Electricity sales volume decreased substantially by 31.1% to 1.6 terawatt hours mainly due to lower sales in the wholesale market, while group retail sales reached 1.3 terawatt hours.

The latter also reduced the revenues earned from electricity sales substantially in the third quarter of 2015, with the sales revenues 28.1% lower at €81 million. In terms of future sales we have hedged 1.8 terawatts of the remaining 3 months of 2015 power sales with an average price of €40.9 per megawatt hour. As for 2016, power sales hedged against price risk amounted to 3.4 terawatt hours with an average price of €38.4 per megawatt hour.

On slide 10 we present an overview of Eesti Energia performance in the Baltic retail market. In the third quarter of 2015 our market share in Estonia reached 59%, while Latvian and Lithuanian market share was 15% and 6% respectively. Altogether, our Baltic market share was 0.2% higher compared to last year, reaching 25%.

On slide 11 we show how EBITDA from electricity product which amounts to 40% of total group EBITDA changed in the third quarter of 2015. Altogether, EBITDA from electricity decreased by 7.9% to €27.2 million mainly on the back of lower sales volume which amounts to €15.5 million negative impact.
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Margin improvement of €3 million and reduced fixed costs of €9.7 million managed to counterbalance the sales decline to an extent, with the fixed costs being primarily impacted by the fixed cost component counted as inventory as well as cost capitalisation in Auvere power plant construction. Our drive for cost saving continues, with sizeable efficiency programme in place in the mining subsidiary as well as the rest of the group to remain competitive on the current challenging market climate.

Slide number 13 presents the revenue dynamics of electricity distribution, which accounts roughly for 31% of group revenues. While distribution volume was slightly higher in the third quarter of 2015, the sales revenue also increased by 1.6% to €53.8 million as the average distribution tariff remained unchanged. We had another positive quarter on the losses side, as network losses of 4.1% in the quarter have remained in a very low level. And for the last 12 months the network losses are about 5%.

On slide 14 you can see EBITDA of electricity distribution which amounts to roughly 43% of group’s EBITDA in the quarter and electricity distribution EBITDA improved by 5.3% in the third quarter of 2015 to €28.8 million. This improvement was mainly on the back of better distribution margin, as distribution loss expenses were substantially lower by €1.1 million due to lower loss amounts and wholesale power prices and this is actually what contributed to substantially lower losses. Also, larger distribution volume improved our profit, having €0.5 million positive impact on EBITDA.

On slide 15 we show the performance of shale oil product which makes up 16% of group sales but has larger impact on profitability. Volume of shale oil produced and sold increased considerably in the third quarter of 2015, as the new Enefit280 oil plant delivered good results. In total, shale oil sales reached 77,000 tonnes in the third quarter, which is 138% higher than a year ago. On the flipside, the average price earned for the product decreased by 18.5% to €345 per tonne including the positive impact from financial hedges. All-in-all, the shale oil sales revenue almost doubled in the quarter compared to the last year to €26.7 million.

On slide 16, you can see shale oil EBITDA which increased by 50% in the third quarter of 2015 to €13.2 million, having a positive impact on the group results. While lower margin which is due to lower sales price and higher variable costs put pressure on EBITDA. It was still balanced by higher sales volume with an aggregate positive impact of €15.5 million and gains on derivative instruments which had positive impact of €11.2 million.

On slide 17 we look at the group performance from other products and services. Group sales revenues from other products reduced by 47.1% to €9 million, mainly negatively impacted by lower mining product sales revenues -€6.8 million. Group earned negative EBITDA from other products in the third quarter, with the heat and mining products EBITDA were a combined €4 million lower for the quarter, while EBITDA from Technology Industries subsidiary decreased by €2.1 million compared to the third quarter last year. Largest single item affecting profits and comparability was the sale of a subsidiary in third quarter 2014, which improved last year’s EBITDA by €3.5 million.

On slide 18 we have established how the EBITDA of €67.3 million earned in the third quarter of 2015 has translated into operating cash flow of €25.7 million for the third quarter. The main influencing factor is the payment of accrued interest as part of the Eurobond tender in September 2015, which reduced the operating cash flow by €28.7 million. From other influences one can point out the change in oil shale inventories, which has reduced the operating cash flow by €9.4 million. Regular creation of CO2 provision was balanced by non-cash gain on derivative instruments, with other items having a smaller effect.

On slide 19 we compare the operating cash flow in the recent quarter with the third quarter of 2014. EBITDA was €6.9 million lower than last year and last year’s result included also higher CO2 provisions and lower gains on derivative instruments. These three factors combined have resulted in a lower cash flow of €26.1 million compared to the third quarter of 2014. The second major factor was the earlier payment of interest mentioned on previous slide, which reduced the cash by another €23.7 million compared to last year. As this interest payment was only brought forward from regular payments in Q4, this effect will be reversed in Q4 2015. Cash tied up in higher inventory was balanced by higher liabilities, so altogether the operating cash flow was €6.9% lower in Q3 of the current year compared to last year.

On slide 20 we present the reduction of capital expenditure in the third quarter of 2015 by 32.3% to €48 million, as the investment program draws to a close. Main investments were directed to improving the distribution network amounting around €23 million, where the roll out of smart meters continued. Further €3 million were invested into new Auvere 300 megawatt power plant, which is undergoing commissioning and is expected to be finalised by the end of the year. Maintenance investments reached €6 million, related primarily to mining subsidiary and investments in oil production.

Slide 21 provides an overview of the group liquidity position as of the third quarter 2015. Operating cash flow of €25.7 million was exceeded by the investment cash flow of €34.4 million, hence the group liquidity position reduced to €189.7 million as at the end of the third quarter, which was complemented by €250 million of undrawn facilities. Group drew on the European Investment Bank loan line for €30 million in October, discussing the extension of the facility by a year for the remainder of €70 million.

Slide 22 presents group maturity profile and the key leverage ratios followed. Main event in third quarter 2015 was
the partial repurchase of group Eurobonds with maturities of 2018 and 2020 and extension of the maturity profile to 2023 with a new benchmark security issued to fund the tender offer. As the group is funded through to the end of the investment programme, there was no need to engage new debt capital as part of the transaction. Leverage edged up slightly to the level of 2.4x net debt EBITDA, while Moody’s affirmed Eesti Energia credit ratings at Baa2 in August 2015.

On slide 24 we present renewed group outlook for 2015. Given the results achieved over 9 months of 2015, we have slightly upgraded EBITDA outlook, now expecting to post a small decline as compared to previously, a decline and also we have revised the investments outlook to slight growth which was previously also projected as growth. No changes have been made to the expected decline in sales revenues.

To summarise the third quarter results were characterised by challenging power and oil markets. Our electricity sales revenue and EBITDA decline was balanced to an extent by oil revenue increase and better performance in distribution subsidiary. Group EBITDA reduction was also affected by the profits earned by the sale of the subsidiary in third quarter 2014.

On a positive note, we concluded a successful liability management exercise in September 2015, extending group maturity profile and issuing the group’s first benchmark Eurobond in the international capital markets.

This concludes the main body of the presentation; there are any additional slides in the appendix that discuss our production and sales data, commodity markets as well closed positions. If you have any questions whatsoever please do not hesitate to ask.

Operator: Ladies and gentlemen if you would like to ask a question please press * followed by 1. If you wish to remove yourself from the question queue you may press * followed by 2. Anyone who has a question may press * followed by 1 at this time. As a reminder if you would like to ask a question please press * followed by 1. Mr Avila there are no questions on the phone line.

Andri Avila So thank you and talk again in February.