Thank you. Dear investors and partners, my name is Andri Avila and I’m the chief financial officer of Eesti Energia. It’s my great pleasure to welcome you on the earnings call to summarise our results for 2015 financial year. Hopefully you have managed to download the presentation from our website, which we will now go through.

So without further introductions, let’s move to slide number three. Here we have provided a high-level overview of Eesti Energia’s group results for 2015. We will be discussing the results and the drivers behind them in more detail later on but as you can see, both Eesti Energia’s sales revenues as well as EBITDA declined last year.

Revenues amounted to €777 million, down 12% when compared to 2014, and EBITDA totalled €266 million, down 15% from 2014. When you look at operating cash flow however, then this increased by 35% to €308 million so a strong result on that front. And we have a slide which explains these diverging developments in EBITDA versus operating cash flow coming up later on.

Investments declined by 11% to €246 million, which is in line with the fact that many of our large investment projects have been completed or are in their final phases of completion.

Before we go into a detailed discussion of the actual financial results let’s look at the key markets which affect our business. Slide number four presents an overview of the Nordic and Baltic power markets and it really has been a tough year in terms of electricity prices. The average power price in Nord Pool spot Estonia area equaled €31.1 per megawatt hour in 2015, which constitutes a 17.3% decline compared to 2014.

This actually means that this is also the lowest price since opening of the markets and also lower than the last regulated price in Estonia. However we would also like to point out that in the past year we have increasingly worked on optimising the generation profile of our power stations. This has substantially improved the actual sales price achieved by Eesti Energia Narva power plants compared to Nord Pool spot Estonia average price.

The price achieved by Narva power plants, which is shown in the graph with red line, exceeded the average Estonian base load price by 5 to 17% depending on quarter. Estonian and Finnish power prices continue to move in tandem with the price difference between the two countries declining further to €1.4 per megawatt hour. In relations to the Latvian price area there still exists a bottleneck between Latvia and Estonia, with Latvian prices being higher than Estonian prices by €10.8 per megawatt hour.

Clean dark spread based on Nord Pool spot Estonia average price declined to €1.9 per megawatt hour, primarily due to lower prices but also higher cost of CO2. However, as you may know, the average price of CO2 has declined substantially in early 2016 so that has been a positive bit of news for us as our oil shale-based power plants do emit a fair amount of CO2. Lower CO2 price makes us more competitive when putting our daily price offers to the market.

As you saw in the previous slide, the power market was definitely challenging in 2015. An additional feature which has emerged in Estonia in 2015 is that there are increasingly bigger differences between peak and off-peak power prices. The daily minimums and maximums have been indicated in the graph in grey and the daily average price in green. Over the last year we have increasingly taken advantage of this so-called price peakiness feature by producing more in peak hours and less in off-peak hours.

We have put much effort into finding the best solutions to operate flexibly and ramp up and down our power stations to make sure that they produce more in higher-priced hours. Such mode of operation enables us to get the price level which is above Estonian Nord Pool area average price and yields a better financial result to Eesti Energia. So given that average power price is quite low we like that there are such peaks and off-peaks as we still have an opportunity to produce quite profitably in some higher-priced hours.

On slide number six, you see the movements of another key commodity price which drives Eesti Energia’s financial results and this is the global oil market. Certainly this has been the brightest spot for us as oil prices have really slumped over the past year. So the reference product for oil shale is 1% sulphur-content fuel oil, the price of which has decreased by 43% year on year in 2015 and averaged €236 per tonne. The crack spread between fuel oil and Brent widened by €2 per barrel to €11.3 per barrel.

The oil market has gone through a very rapid price decline over the past two years and has seen a very volatile start at the beginning of 2016. It’s unquestionably one of the key factors for Eesti Energia’s business performance, which we are closely watching.

So having summarised the market movements, let’s now look at how this has translated into Eesti Energia’s
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financial results. Please turn to slide number seven. As already mentioned before, our sales revenues declined by 12% last year and this was mainly driven by lower electricity sales.

Shale oil sales increased year on year and the distribution network was basically flat in terms of revenue growth. Our EBITDA amounted to €266 million in 2015, which is a decline of 15% from 2014. Once again, this was driven by lower electricity sales, whereas the EBITDA of both distribution as well as shale oil grew on a year on year basis.

There was a contribution to EBITDA decline also from the fourth other products and services category, which was driven by the fact that the sale of oil shale to external buyers essentially stopped in 2015. The other products also include a loss from revaluation of a loan receivable related to our Jordan oil project. I would also like to point out that we have changed our segment accounting principles starting from this report so EBITDA breakdown by product has changed compared to what you saw in our 2014 annual report as we have also restated old figures.

Let’s now look at the performance of each of the products individually. And the first product that we look at is electricity, slide number nine. It is one of our main products, making up about 40% of group’s total both in terms of revenue as well as EBITDA. What we see in this slide is that as power prices in Nord Pool spot have declined our sales volumes have also gone down.

Eesti Energia’s electricity sales totalled 7.2 terawatt hours last year, which is a 21% drop compared to 2014. As you can see in the rightmost graph, the decline has mostly come from wholesale. It is important to note that this decline in wholesale volumes is again related to the fact that we have been working on improving our average sales price compared to the market base load price and choose to produce and sell less in lower-priced hours.

As outlined in the leftmost graph, our average electricity sales price amounted to €46.6 per megawatt hour, which is only a 2% decline compared to 2014, whereas Nord Pool spot Estonia area average price declined by 17% in the same period. The dynamic in our sales price reflects the fact that we are more selective in terms of the hours when we produce and sell to the wholesale market. We prefer to generate relatively small amounts during low-priced hours. While this reduces our sales volume it gives us a better overall financial result.

In addition to such production planning activities our sales price was also helped by gains on hedge positions, which contributed €4.8 per megawatt hour to our sales price. Also as our wholesale volumes have decreased the proportion of retail sales in our total sales has increased and the relatively high retail price also has a positive effect on our average sales price.

As a combination of these volume and price developments our revenues from electricity sales declined by 21%, mostly reflecting the drop in sales quantity.

And the final thing to add is that we have also got a fairly good proportion of our production hedged for 2016, namely 4.2 terawatt hours at an average price of €37.2 per megawatt hour.

Slide ten provides an overview of Eesti Energia’s presence in the Baltic retail market. Overall in 2015 we have a 26% market share across three countries and the market share remained almost unchanged since the year before, increasing by 0.1 percentage point. The Estonian market is still by far our largest and here we managed to grow our market share to 61%, owing to a successful sales effort among the large client segment.

In Latvia and Lithuania our market share totalled 15% and 5% respectively. We aim at growing our business in these two countries but we want to move carefully and make sure that we have got cross-border risks reasonably covered.

On next slide, slide 11 we discuss the profitability of our electricity product. EBITDA from electricity declined by 19% in 2015 and amounted to €114 million. We are happy to remark that while electricity prices generally declined the margin impact to EBITDA was actually positive over the year and EBITDA earned per one megawatt hour increased. The margin was helped by higher waste gate fees and subsidies for some of our production and also by lower variable costs in Latvia and Lithuania and lower CO2 cost.

Additionally fixed costs had a positive impact on EBITDA in the amount of €30 million. The reduction in fixed cost was partly due to some technical aspects such as fixed cost component of higher inventories, which does not enter into the statement but we also have efficiency targets in terms of cost control all over our group and especially in the mining subsidiary to control the cost of our main raw material, oil shale.

As you can see, the development in margins and cost was in a positive direction. However lower sales volumes had a large negative impact on EBITDA and we also earned less from hedge positions compared to 2014 so in total EBITDA from electricity declined in 2015.

Now we turn to next section, which includes the result of our second product, electricity distribution service. Please turn to slide 13. In the past year electricity distribution contributed a bit less than one third of Eesti Energia’s revenues and around 40% of EBITDA. Overall it was a good year for our distribution business. In terms of tariff and distribution volume, these were very stable in 2015 compared to the year before. Average distribution tariff remained at €38.2 per megawatt hour, while distribution volume grew by 0.7% and totalled 6.3 terawatt hours.

Revenues from the distribution segment amounted to €242 million, growing by 0.6% compared to 2014. In terms of
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distribution losses we achieved an all-time low level of 4.8% in 2015. Losses have been declining because of more accurate metering, as well as more effective detection of illegal consumption.

Now if you turn to distribution EBITDA, represented on slide 14, we can see that the development of EBITDA has really been positive. Distribution EBITDA grew by 8% to €105 million and it made up 40% of Eesti Energia’s group total in 2015. EBITDA growth was mainly driven by lower cost of network losses. As mentioned in the previous slide, the quantity of losses has fallen but also the cost of losses has declined alongside the wholesale power prices.

Additionally a somewhat higher distribution volume had a plus €1 million impact on EBITDA. Regarding quality metrics, unplanned SAIDI, which is the average outage duration for each customer served, presented in minutes decreased compared to 2014. This metric is heavily influenced by weather conditions and what we have seen is that 56 minutes out of the annual total of 187 minutes of average interruptions was created by storm in December last year.

We are gradually working on weatherproofing our network but as it is right now a single storm can still have quite a substantial effect on outages. But all in all, a very good year for the distribution network with a solid EBITDA.

Let’s now look at the performance of our third main product, which is shale oil. As you can see on slide 16, the past year was characterised by a heavy decline in global oil prices and obviously for prices we depend on the markets. The average price of heavy fuel oil declined by 43%. Our sales price declined less, by 17% as it was supported by hedges. Gains on hedges contributed €120 per tonne to our average price. We also have some hedges in place for 2016 for 131,000 tonnes with an average price of €357 per tonne.

Turning to last year’s oil production and sales volumes, these increased owing to more stable operation of our new Enefit280 oil plant. Our total oil sales amounted to 315,000 tonnes last year, a 37% increase from 2014. As a result our revenues from oil sales grew by 22% in 2015 and reached €104 million.

If you turn to shale oil EBITDA on page 17 then despite the slump in prices we saw a 2% increase in oil EBITDA. Given the price environment that we are in, the impact from margin development was negative to EBITDA. However the hedges that we have in place mitigated the price effect to a great extent as we earned €27 million from derivatives. Additionally the operational record of Enefit280 plant improved substantially, which contributed to higher production and sales quantities and this also reversed some of the negative price impact. So all in all €41.5 million of our EBITDA was contributed by oil and this made up about 16% of Eesti Energia’s total.

On slide 18 we summarise the results of our other products and services. EBITDA from these other products declined a lot in 2015 and in the end the contribution of these other products and services to Eesti Energia’s EBITDA amounted to €5 million.

What has caused this result is the fact that sales of mining products, mainly oil shale, have essentially stopped in 2015 to an extra-group client, which reduced EBITDA from other products and services by €14 million compared to 2014. There are additional effects in play, both positive and negative, for example sale of surplus CO2 had a positive impact of €6 million. Also we have recorded here a loss from write-down of loan receivable related to our Jordan oil project in the amount of €11 million.

But all in all it must be mentioned that these other products and services make up a minor share of Eesti Energia’s total business, around 10% of revenues.

Now that we have summarised product-by-product where our revenues and EBITDA gained from, let’s turn to slide 19 where we explain how EBITDA translates into operating cash flow. You can see on the slide that whereas EBITDA amounted to €266 million in 2015, operating cash flow was much higher and totalled €308 million. CO2-related items had a positive impact in the amount of €84 million and this was mainly connected with the sale of surplus CO2 allowances which took place in first quarter of 2015.

The largest negative item in the graph is interest payments but this is to be expected as we show operating cash flow after interest charges. Growth in inventories also had a negative impact but changes in other working capital items such as reduction in clients’ receivables and increasing supplier payables yielded a positive effect on our cash flow.

So in total we arrive at €308 million operating cash flow and this constitutes a 35% growth compared to 2014. On the next slide let’s look at where this growth came from as our EBITDA was decreasing in the same period.

So on slide 20 let’s have a look what were the drivers for the growth in operating cash flow in a year by year comparison. Firstly, as discussed before, our EBITDA declined by €36.5 million. However this was more than offset by CO2-related cash movements. Broadly speaking, the CO2-related effect was driven by the fact that while in 2014 we purchased more CO2 than we needed, in 2015 we sold the surplus allowances. So this somewhat depressed 2014 cash flow but reversed the effect in 2015.

Moving on, we also had a positive effect from some derivative instruments which are not part of hedge accounting. This produced an accounting profit in 2014 but a loss in 2015 so in terms of change in operating cash flow it was a positive influence this year. We also had a positive effect from the timing of income tax payments as income tax on 2015 dividends we only paid in 2016 so on dividends for 2014 financial year, which we paid in 2015. On the other
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hand our oil shale inventories grew last year compared to 2014.

To conclude, a number of various positive and negative factors were involved but all in all we had a strong result in 2015 in terms of operating cash flow.

Let’s now move on with a discussion of our capex and investment projects and let’s turn to slide 21. What we can say is that with 2015 Eesti Energia is concluding a period of very high capex and high investments. In the future our investments will be smaller and much more made up of maintenance type of capex. There will also be some development capex but this will have to yield quicker pay-offs and step by step make our business more efficient.

Eesti Energia’s total capex amounted to €246 million in 2015, declining by 11% compared to 2014. Improving the distribution network including the smart metering project took up €93 million of the total capex. We also continued the construction of Auvere power plant with €34 million of capex.

Regarding Auvere, the plant is currently undergoing final testing with various fuel mixes and operating regimes but it provides electricity to the grid on an ongoing basis. We expect that it will be passed to full commercial use in the second quarter of 2016. Around €72 million remains to be paid in connection with the power plant.

Regarding the smart metering project for the distribution network, this is to be completed by the end of 2016. Currently already around 80% of all meters are the smart remote-reading meters.

Now turning to the liquidity profile of Eesti Energia on slide 92, you can see that the group’s liquidity position was very solid as of the end of last year. Operating cash flow in the amount of €308 million was sufficient to cover the cash needed for investments and dividends in 2015. Altogether Eesti Energia held €160 million in cash and other liquid assets at the end of the year. This was complemented by €150 million revolving credit facilities signed with SEB and Pohjola with maturity in 2020 and an undrawn €70 million investment loan with European Investment Bank.

In total the group’s available liquidity including cash, liquid assets as well as available unused loans equalled €380 million as at the end of last year.

On the next slide – slide number 23 – we have included an overview of group’s debt funding arrangements and key leverage ratios. On the funding front the key event in 2015 was refinancing a large part of 2018 and 2020 Eurobonds with a new eight-year benchmark sized bond with maturity in 2023. This has materially reduced Eesti Energia’s refinancing risks and extended the group’s debt maturity profile.

No new capital was raised as a part of the transaction. Looking at a graph of the debt maturity profile, Eesti Energia’s scheduled debt repayments in the next two years, in 2016 and 2017, are €19 million each. A somewhat larger repayment is due in 2018 in the amount of €171 million, but this is now a much more reasonable size after the bond refinancing transaction.

Eesti Energia’s leverage metrics moved somewhat higher during the year; net debt/EBITDA at 3.0 times. Eesti Energia credit ratings are at BBB stable from Standard and Poor’s and Baa2 from Moody’s and Moody’s has recently announced that they are reviewing the rating for downgrade in connection with a drop in commodity market prices.

And now as one of the final items, let’s turn to slide number 24, where we have outlined the management guidance for year 2016. We currently predict a slight decline of sales revenues from 2015 level of €777 million. The way we have defined it; a slight decline is a decline of less than 5%. For EBITDA we forecast a more than 5% decline from the 2015 level of €266 million.

The drivers behind these trends in revenue and EBITDA are continued low prices both for power and oil. Also new hedge levels will be smaller in 2016 compared to 2015. Regarding capex outlook we expect investments to decline. The board has also proposed a dividend payment of €40 million plus income tax of about €10 million for 2015 results but this number is yet to be confirmed by the shareholder.

To conclude our presentation before we turn to any questions that you may have, as mentioned already several times during our call today, Eesti Energia’s 2015 results were impacted by challenging power and oil markets. Both revenues and EBITDA declined.

Markets will be an important driver for us also looking at 2016 but we work hard and do our best to be flexible in this environment and run our assets in the best and most optimal manner we can. Maybe the final thing to add is that, as expected in such environment, our investments were decreasing in 2015 and this trend is also to be continued this year.

So this concludes the main body of the presentation. In case you have any questions then please feel free to put these forward now. Thank you.

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. Anyone who has a question may press * followed by 1 at this time.
Michiel von Saher: Yes, hello, thank you for the call. I’ve got a couple of questions. One is on your capex levels going forward. I understand that 16 will be down but you’ll still spend probably quite a bit on the new power plant. What maintenance levels or what capex plans should we expect for 17 if you just reduce it to ongoing maintenance and not to new projects? That’s question one.

Question two is the new power plants; you expect a decline in EBITDA in 16 but I would expect the new power plant to actually generate some EBITDA. I wonder if for full year you could give me your expectations of EBITDA contribution from the new power plant.

Then the last question is the Jordania project; you announced a couple of months ago that you got bank financing for that but I wonder if you still need to put new equity financing in that project and if that project goes ahead. Thank you.

Andri Avila: Yes, thank you for the questions. The first one was about our capex levels for coming years and yes, this is true, that we still have some investments related to our Auvere power plant but they are not substantial any more but still, yes, there’s some investments to be made.

But if we look forward, 2017, 18, without any new potential projects we would like to keep our total investment level somewhere in line with our depreciation, hopefully even at somewhat lower level. And still a large part of our ongoing maintenance investments are coming from the distribution network side. The distribution network is probably going to be about 50 to 60% of our ongoing maintenance capex for the coming years.

But as far as more specific numbers, I’m not in a position to reveal more but this is kind of the guidelines, what we are following ourselves in terms of projecting capex.

Michiel von Saher: Okay, thank you.

Andri Avila: As far as electricity EBITDA, yes, this is true that the new Auvere power plant, if you talk about efficiency then it’s the highest. The efficiency of Auvere power plant is around 40% compared to 30 to 33% of our existing older power plants, which means that its variable costs of producing electricity will be lower and probably will access the market more than our older power plants. But still looking at the hedges what we are having right now and the forward prices, we still see that the EBITDA from electricity generation will be declining for this year.

And the Jordan project; in short, yes, we still need to come up with equity but it has also been said that currently we have 65% ownership in the SPV which is going to develop the power plant in Jordan but we are selling down at financial close to 10% and with funds from selling down we will also finance investments, the equity part which is required in order to remain at 10%. So it’s not kind of new money which goes into the project.

Michiel von Saher: So you think if you recycle the proceeds from selling them down into the new equity…

Andri Avila: Yes, correct.

Michiel von Saher: Okay, great, thank you very much.

Operator: Ladies and gentlemen, as a reminder, if you’d like to ask a question please press * followed by 1. There are no further questions at this time. I would like to hand back to Mr Avila for any closing comments.

Andri Avila: Yes, thank you for participating in the call and the tough times are ahead but I think we are ready for them and we’ll talk again on Q1 results at the end of April.