Eesti Energia Unaudited Financial Results for Q1 2012

27 April 2012

Eesti Energia

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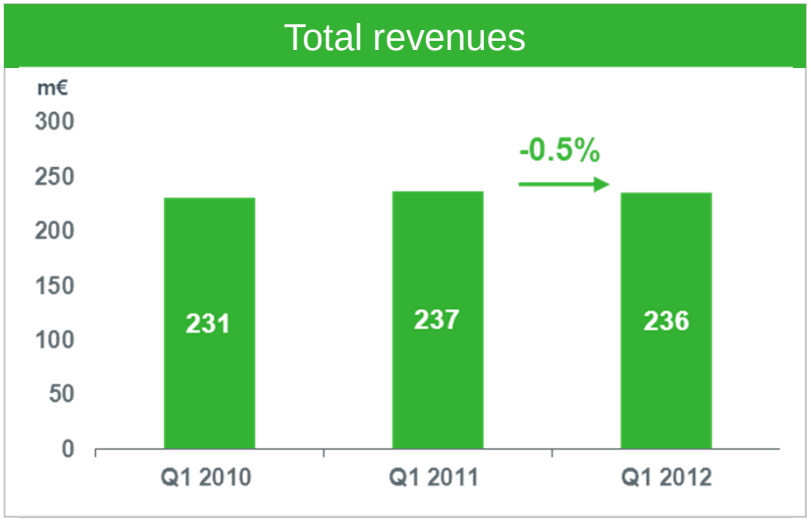
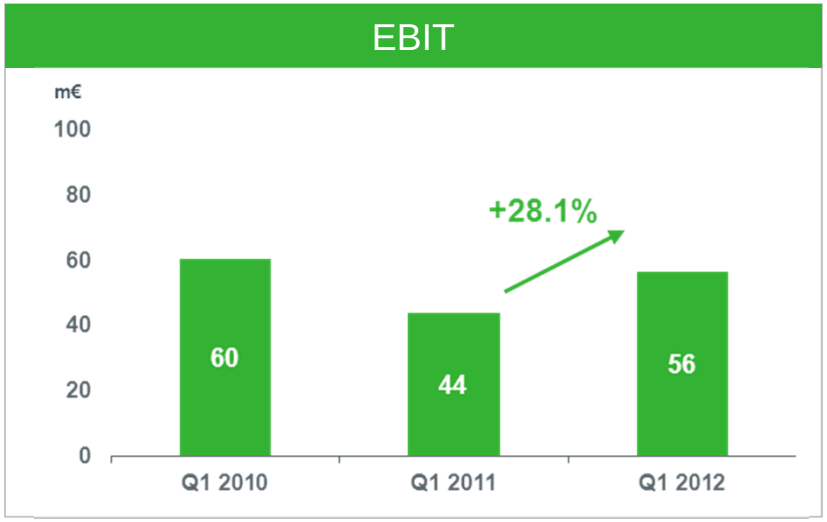
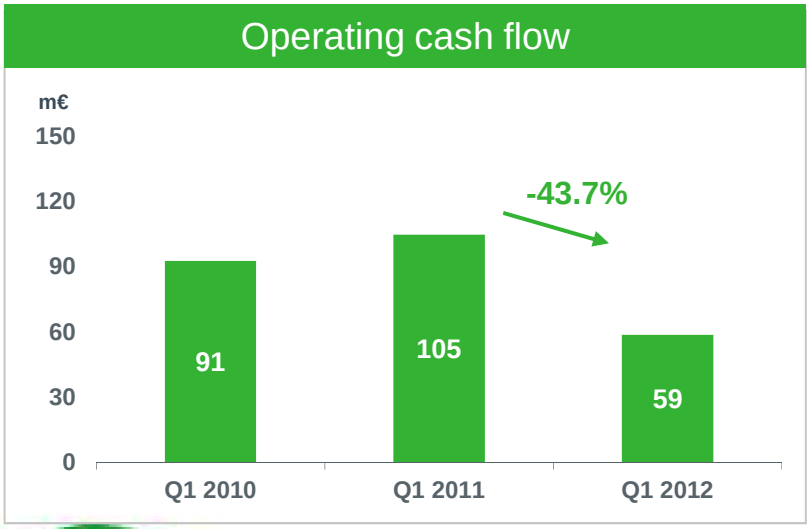
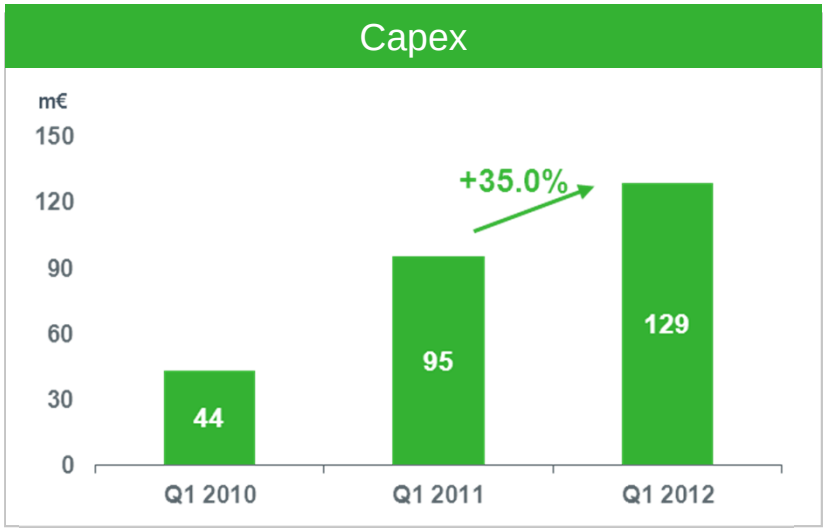
Stable Revenues with Higher EBIT









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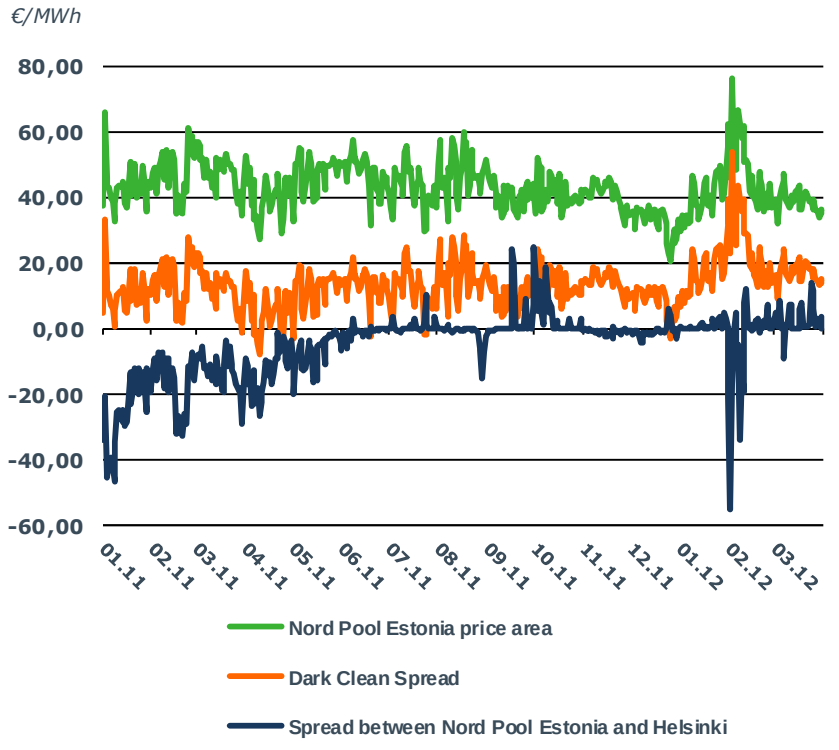
Dark Clean Spread Still Considerable

- The average price in the Nord Pool Estonian price area was 42.4 €/MWh (-8,3%) and in the Finnish price area 42.5 €/MWh (-34.4%)
- The hourly prices in the Estonian and Finnish price areas were equal 67.8% of the time in Q1 2012
- Despite the decline in the power prices, dark clean spread (excl. oil shale and CO2 costs) was higher than last year (19.7 €/MWh, +56.5% y-o-y)

Power prices and spreads in Estonian and Finnish price areas



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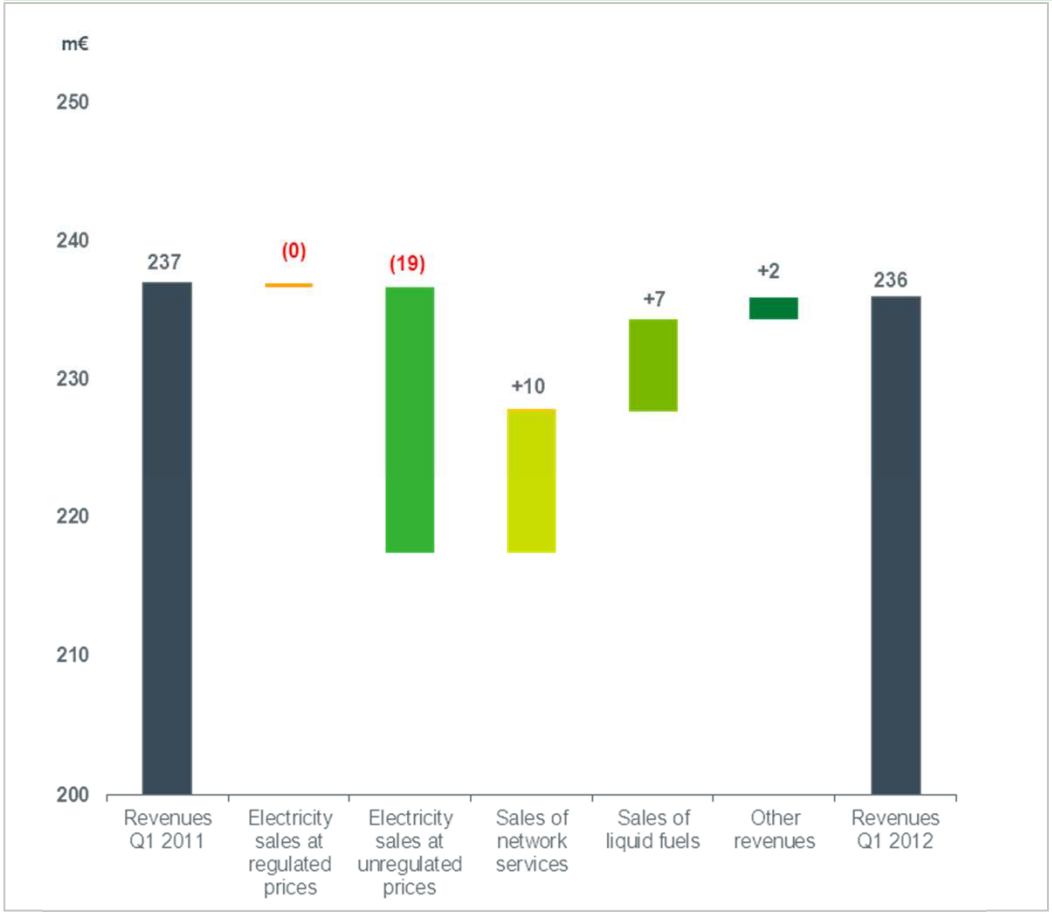
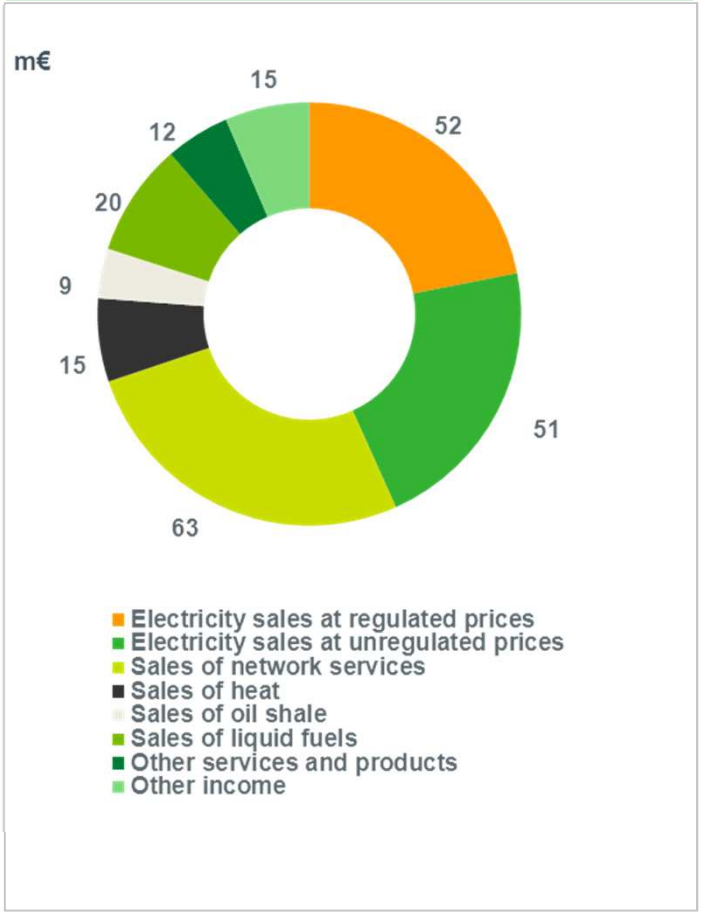
Group Revenues Impacted by Lower Electricity Sale

Change of Group Revenues by Products



Breakdown of Revenues Q1 2012



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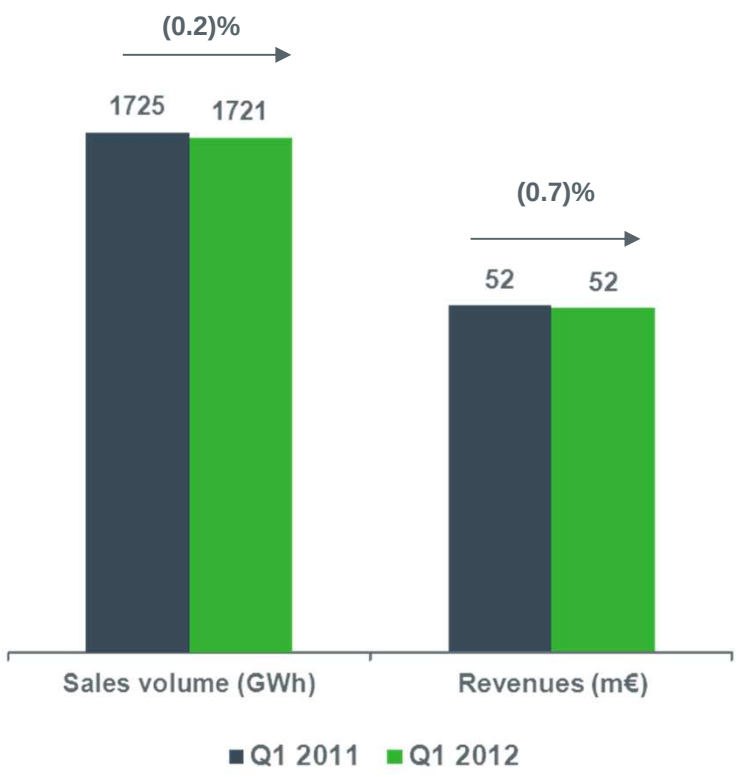
Estonian Electricity Market to Fully Open in 2013

Group Electricity Sales at Regulated Prices



Comments

- Average sales price in the regulated market 30.0 €/MWh (-0.5% y-o-y)

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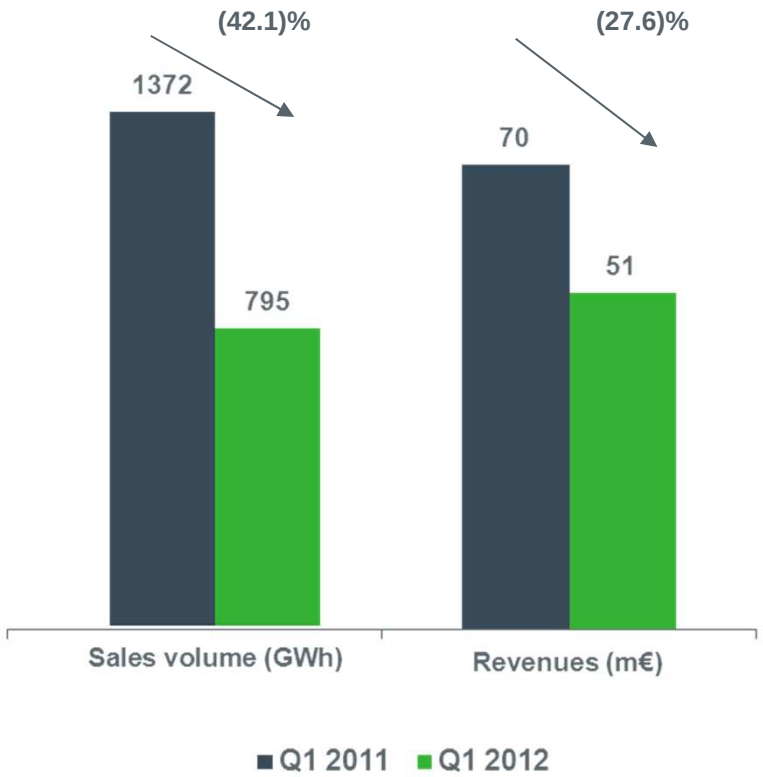
Market Share in Baltic Unregulated Market 21%

Group Electricity Sales at Unregulated Prices



Comments

- Retail sales 582 GWh (+73 GWh), sales on exchanges and to wholesale buyers 213 GWh (-650 GWh due to low price levels and netting Lithuanian sales and purchases)
- Average unregulated market shares in Q1 2012: 72% in Estonia, ca 14% in Latvia and 6% in Lithuania
- Average sales price on the unregulated market excluding renewable energy subsidies was 52.0 €/MWh (+7.4% y-o-y)
- Renewable energy subsidies increased to 9.1 million euros (+182.2% y-o-y) due to increased production

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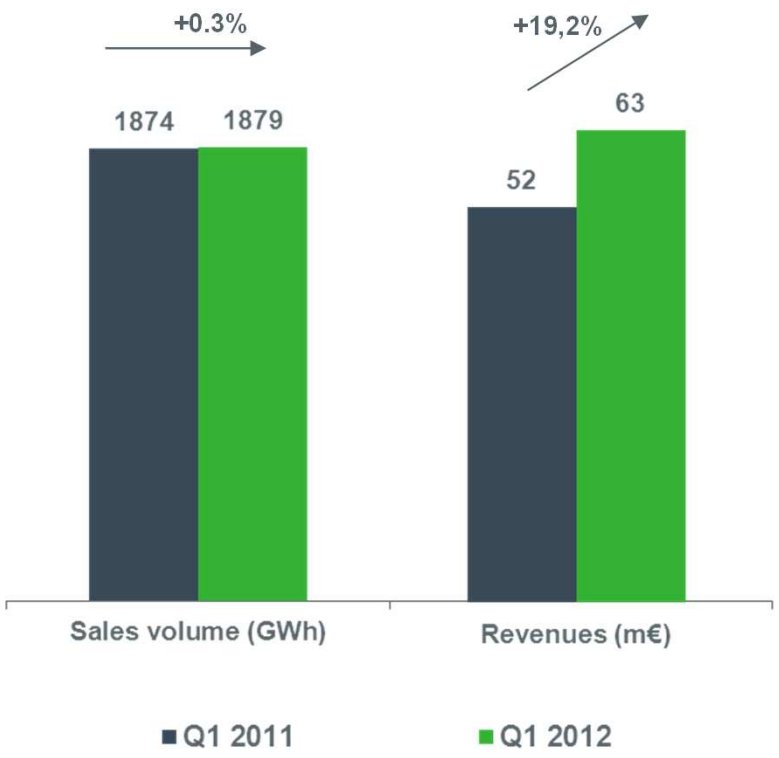
Regulated Network Services Benefited by Tariff Increase

Sales of Network Services



Comments

- Average network tariif of 33.3 €/MWh (+18.9%). New network tariff of 33.9 €/MWh from 1 January 2012 due to increase in TSO Elering fees.
- Network losses were at 7.9% in Q1 2012 (+0.1 percentage points). 12-month network losses still low at 5.9%

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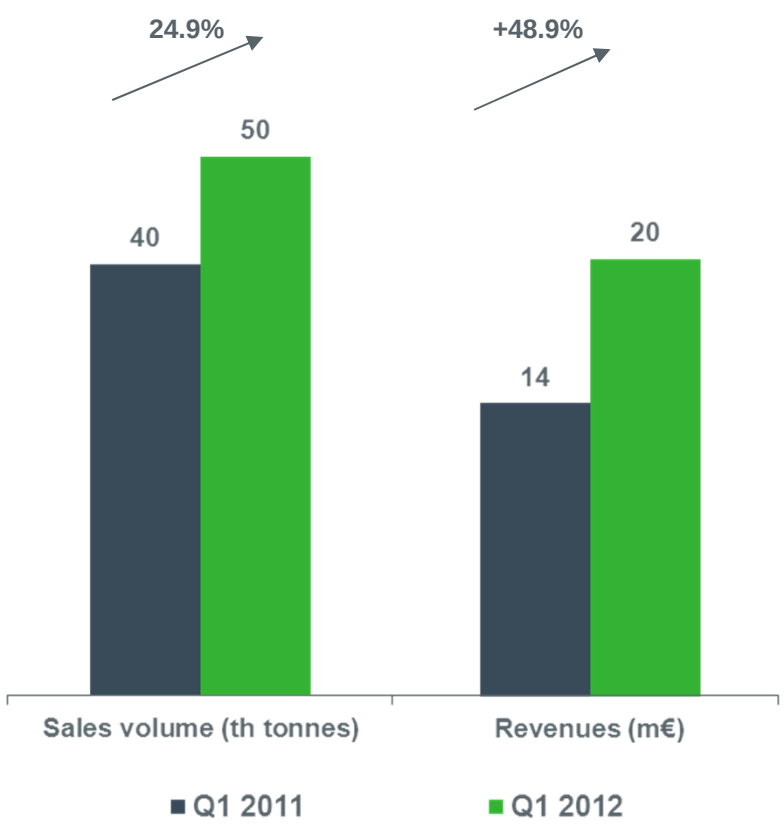
Oil Revenues ca 50% Higher

Sales of Liquid Fuels



Comments

- Higher sales due to increased production and sale of stock
- Average sales price was 406 €/t (+19.2%) due to higher fuel oil prices on the world market
  - Excluding price hedges average price was 500 €/t (+33.6%)
  - Average price of heavy fuel oil, the reference product, was 540 €/t
- Sales hedged against price risk for 2012 amount to 99.3 thousand tonnes as at the end of March with an average price of 439 €/t

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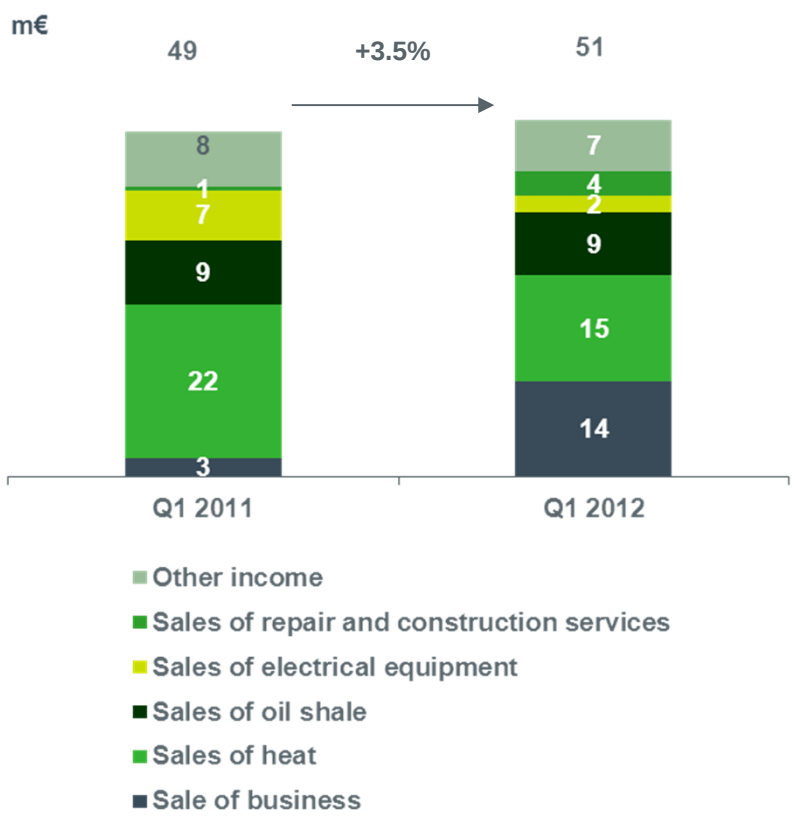
Sale of Telecommunication Business Impacting Other Revenues

Other Revenues



Comments

- Revenue from sale of business (13.6 million euros) represents sale of telecommunication business Televõrgu AS to Tele 2 in February 2012
- Decline in sales of heat (-6.8 million euros) impacted by sale of Kohtla-Järve Soojus in March 2011 and lower sales volume by Iru CHP plant
- Increase in sales of repair and construction services (+3 million euros) from development of Estonian oil industry

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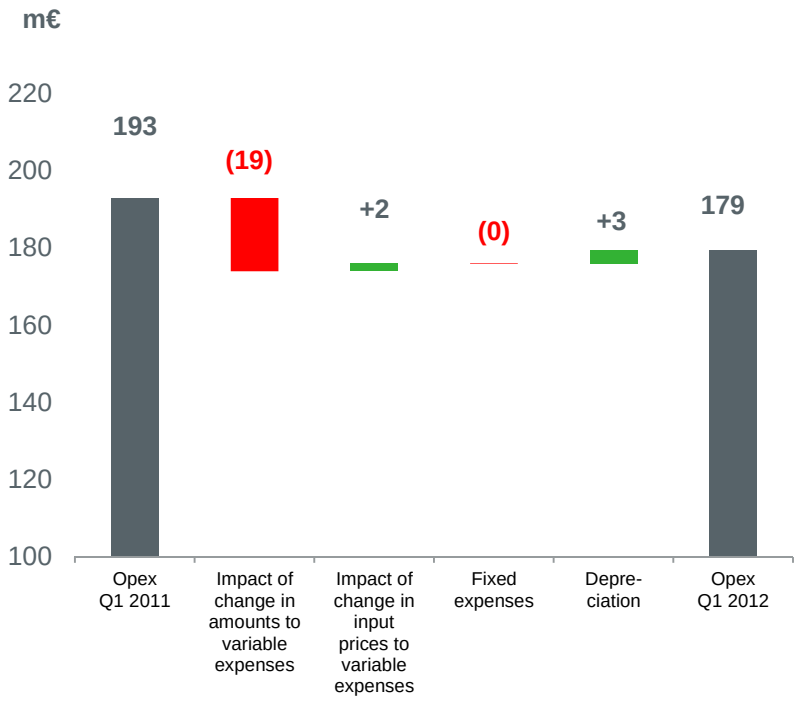
Lower electricity generation reduced Opex

Change in Operating Expenses



Comments

- 29% decrease in electricity generation reduced operating expenses by 19 million euros
- Input prices (total impact +2 m€) mainly impacted by:
  - Free allowance and lower price of CO2 (-11 m€)
  - Increase in fuel prices (+5 m€)
  - Higher network fees related to TSO Elering (+2 m€)

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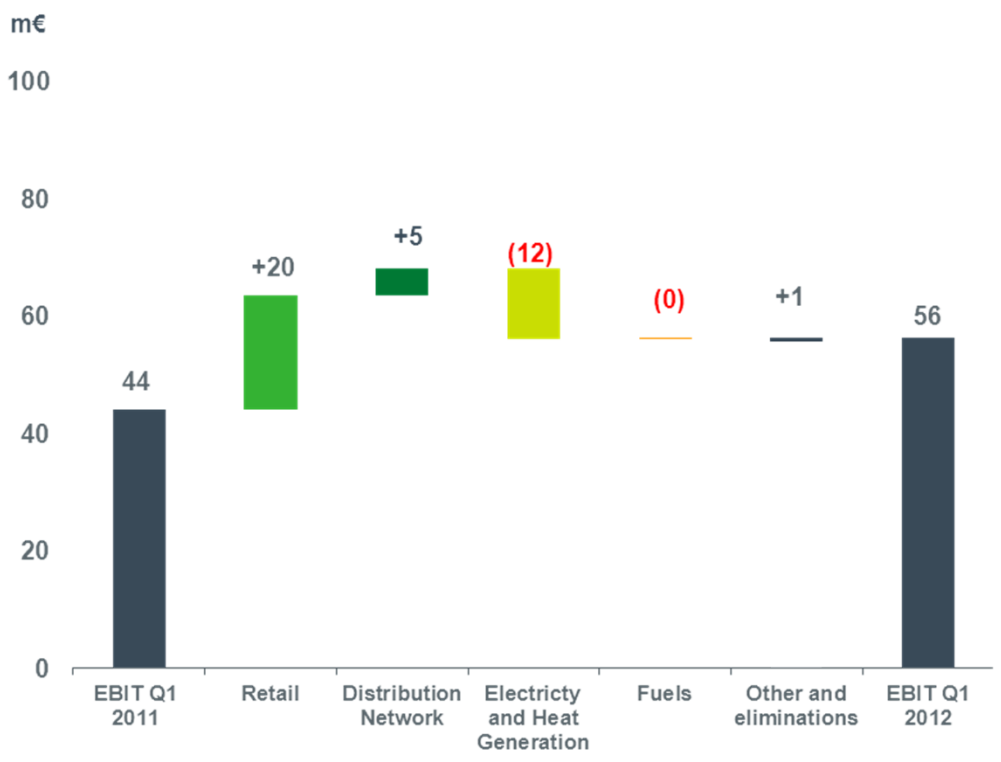
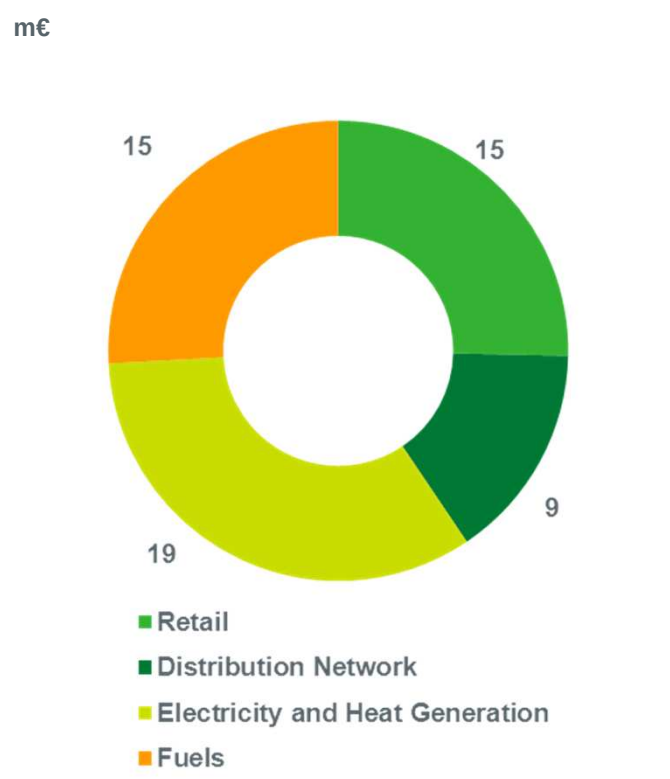
Retail Division and Distribution Network Balance the Decline in Generation EBIT

EBIT Change Breakdown by Divisions



EBIT Divisional Breakdown Q1 2012*



** Excluding other and eliminations*

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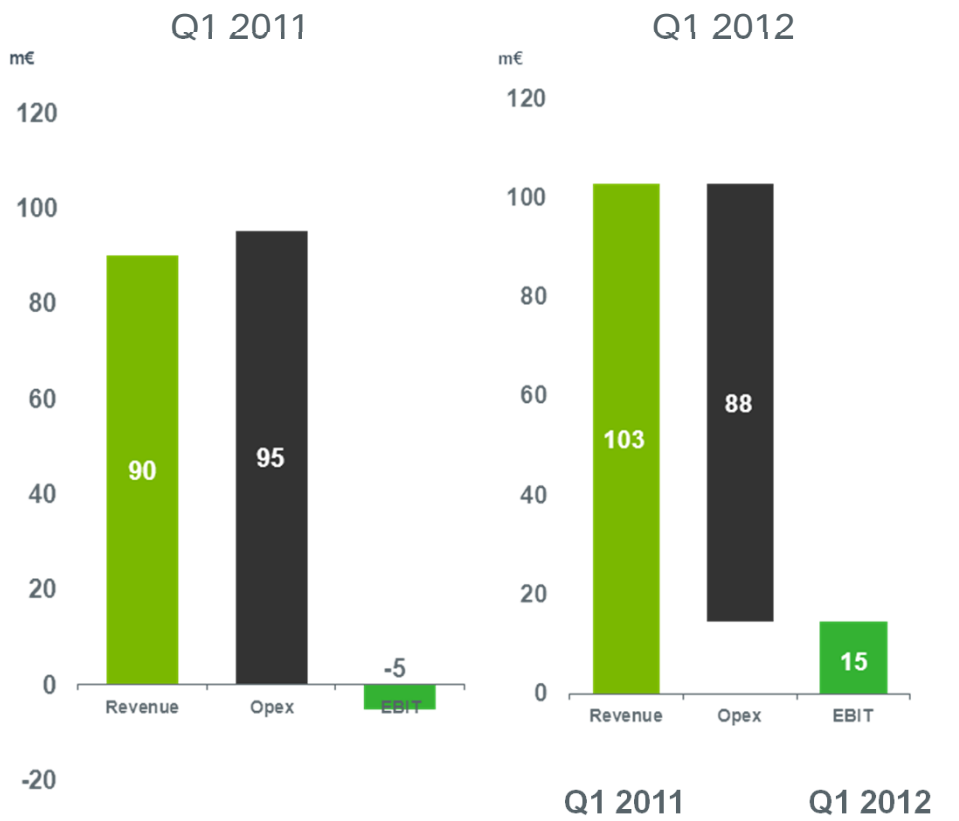
Retail Profitability Boosted by Sale of Telecommunication Subsidiary

Retail Division



	Q1 2011	Q1 2012
Electricity sales (GWh)	2,349	2,334

Impact on Division Profitability:

- ✓ +13.6 million euros due to sale of telecommunication business
- ✓ +7.1 million euros due to higher electricity sales margins

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Improving Distribution Network ROIC

Distribution Network

	Q1 2011	Q1 2012
Electricity distributed (GWh)	1,936	1,947
Distribution network ROIC (12m)	5.4%	6.2%

Impact on Distribution Network's Profitability:

- ✓ +7.6 million euros due to increase in network service tariffs
- ✘ -0.9 million euros due to increase in repair expenses
- ✘ -0.8 million euro due to increase in fixed expenses
- ✘ -0.8 million euros due to change in amortisation of connection fees
- ✘ -0.6 million euros due to increase in depreciation

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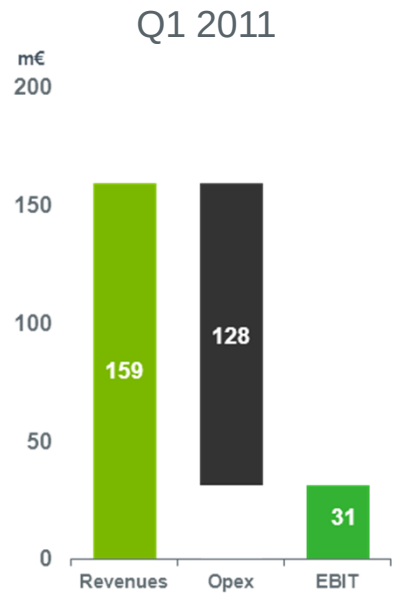
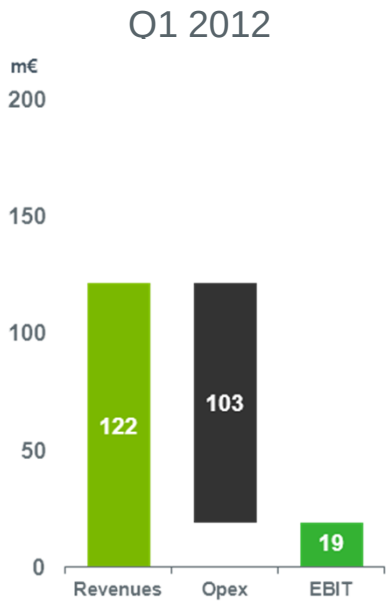
Lower Electricity Sales Weighs on Generation Division EBIT

Electricity and Heat Generation Division





	Q1 2011	Q1 2012
Electricity sales (GWh)	3,281	2,667
Electricity generation (GWh)	3,061	2,435
Electricity purchase (GWh)	221	237
Heat sales (GWh)	675	444

Impact on Division Profitability:

- ✓ +4.5 million euros due to lower repair expenses
- ✘ -9.6 million euros due to lower electricity sales volume
- ✘ -2.5 million euros due to decrease in volume of heat sales
- ✘ -2.1 million euros due to decrease in depreciation
- ✘ -1.2 million euros due to decrease in electricity sales margin

Higher Sales Volumes in Continued Strong Oil Price Environment

Fuels Division

	Q1 2011	Q1 2012
Shale oil sales (th tonnes)	42	54

Impact on Division Profitability:

- ✓ +3.6 million euros due to increase in oil sales volumes
- ✓ +3.0 million euros due to increase in oil prices
- ✗ -5.6 million euros due to lower profitability of Mining subsidiary

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Lower Sales Volume Reduces Mining Subsidiary Earnings

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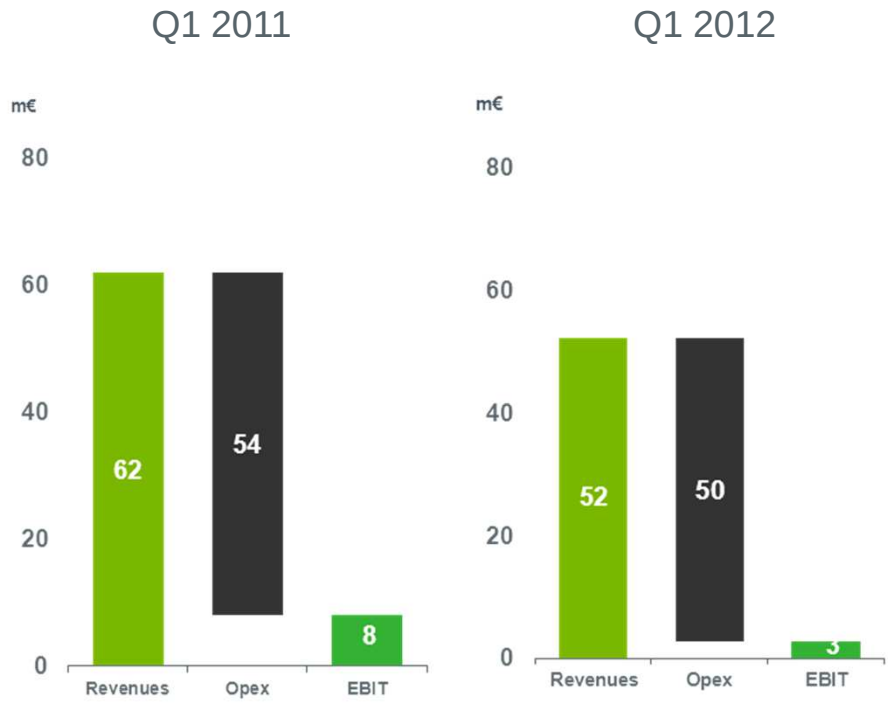

	Q1 2011	Q1 2012
Sales of oil shale (m tonnes)	4.8	3.7

Impact on Mining subsidiary profitability:

- ✓ +2.7 million euros due to higher sales margin
- ✗ -4.9 million euros due to decrease in sales volume
- ✗ -2.7 million euro due to higher fixed costs
- ✗ -0.7 million euros due to higher depreciation

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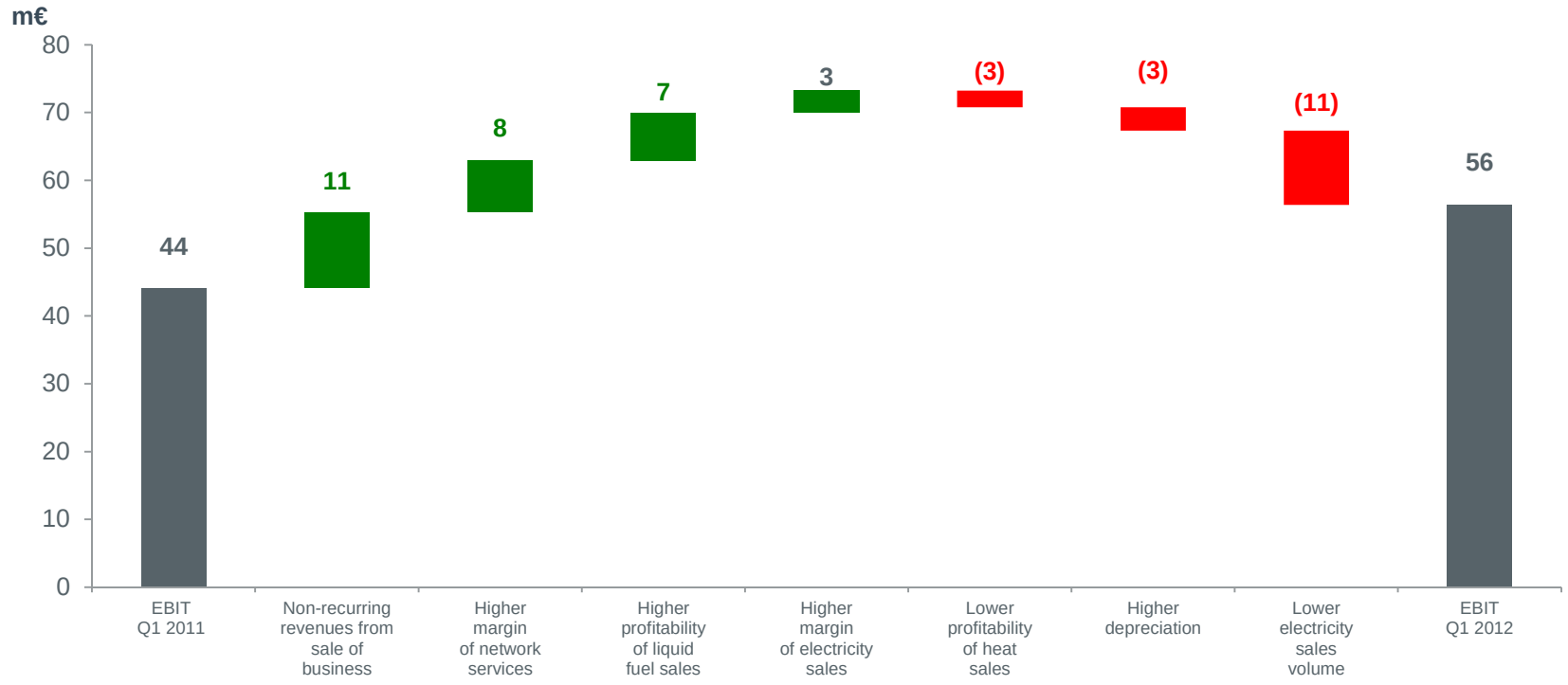
Growing EBIT Despite Substantially Lower Electricity Sales

Impact on Group's profitability:



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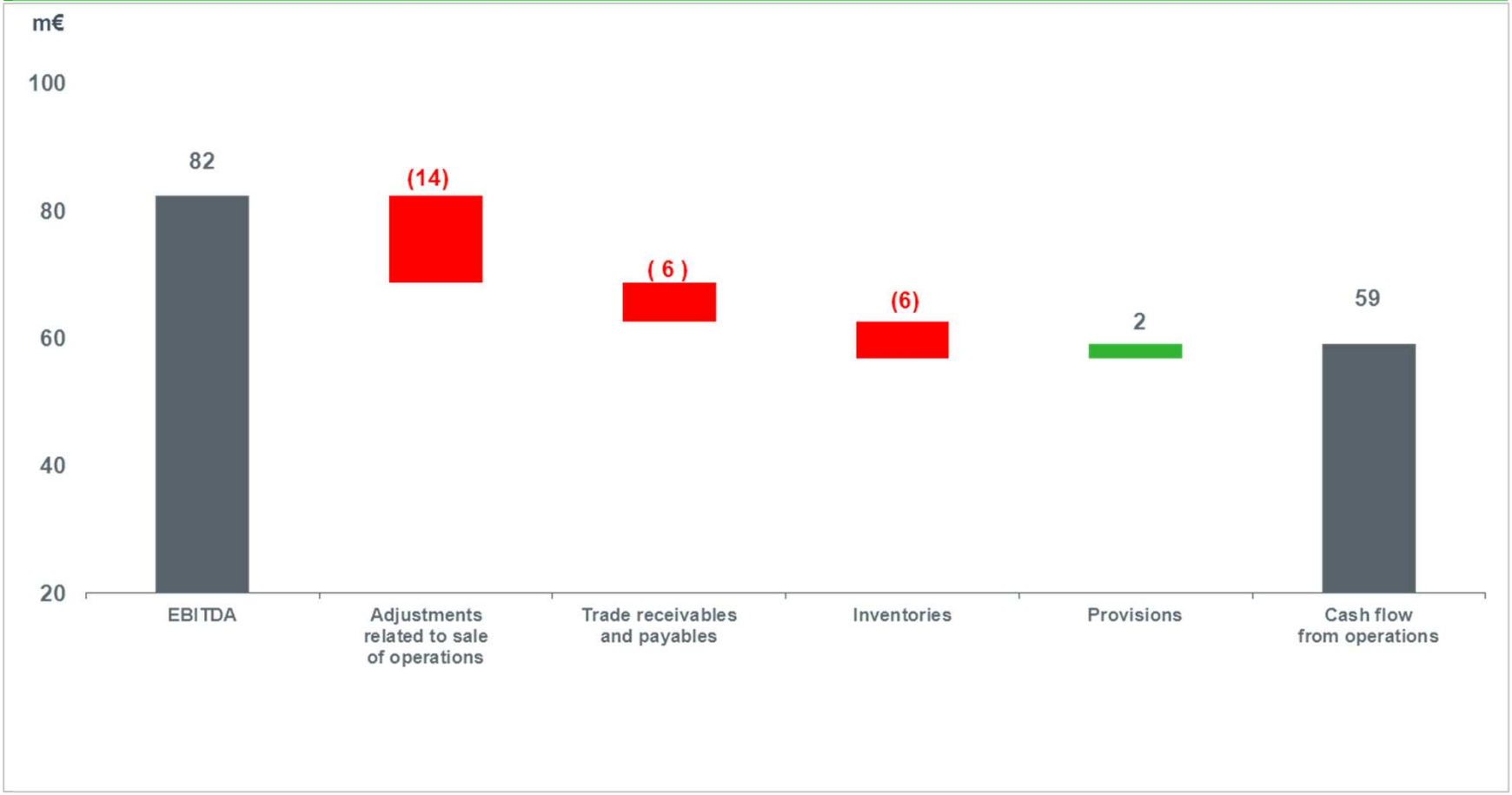
Cash Flows Reduced by Working Capital Investment

EBITDA to operating cash flows development:



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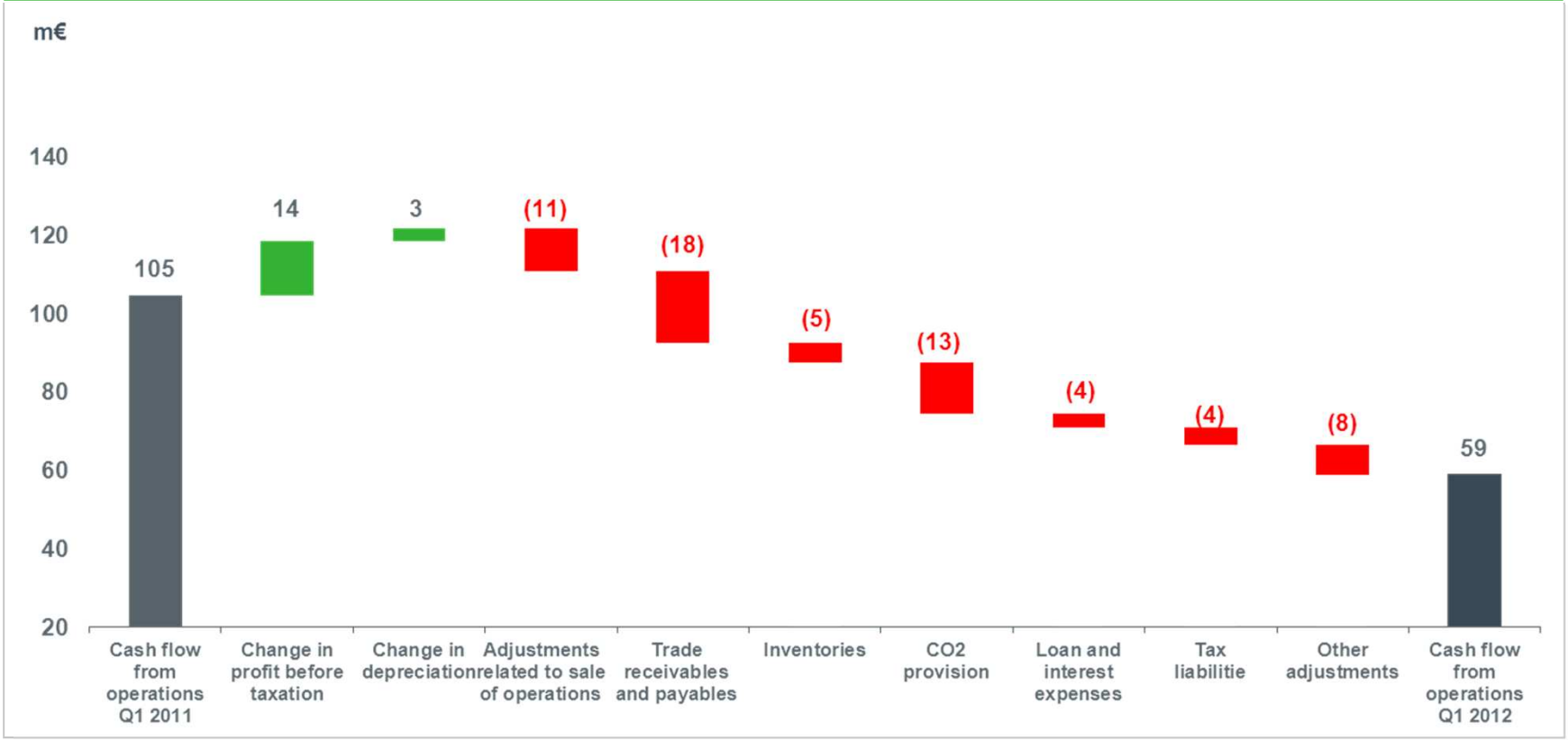
Operating Cash Flows Below 2011 in part due to Larger Customer Receivables

Operating cash flow changes:



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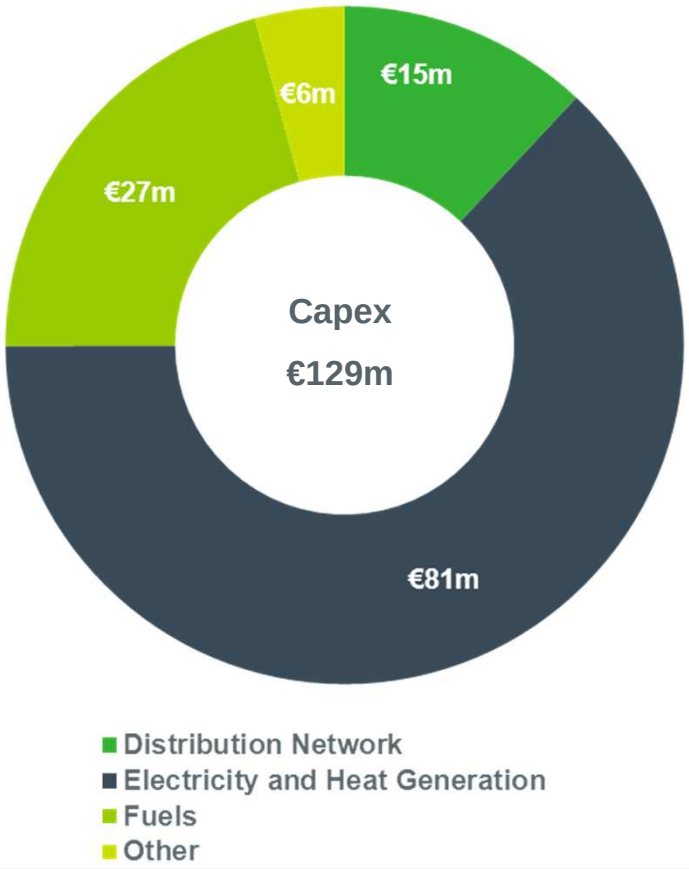
Capex at €129m in Q1 2012

Capex divisional breakdown Q1 2012



Major projects

- New CFB power plant in Auvere 63 million euros
- Distribution network 15 million euros
- Development of oil shale industry infrastucture 10 million euros
- Enefit280 shale oil plant 8 million euros
- Oil shale mining equipment 6 million euros
- Desulphurisation equipment in Narva power plant 7 million euros
- Iru waste-to-energy plant 5 million euros

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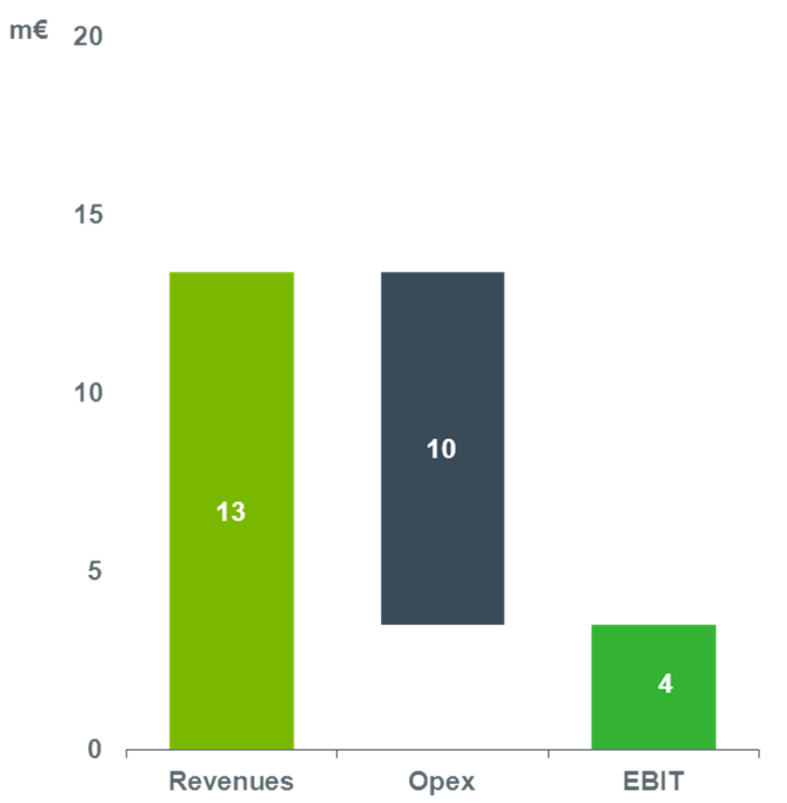
Update on Capex Programme

Investment Project	Capex up to 31 March 2011	Expected Future Capex	Project Deadline
Enefit-280 oil plant	168 million euros	44 million euros	2012
Development of oil shale industry infrastucture	16 million euros	9 million euros	2012
Desulphurisation equipment in Narva Power Plant	99 million euros	18 million euros	2012
Narva wind park	56 million euros	3 million euros	2012
Paldiski wind park	8 million euros	24 million euros	2012
Iru waste-to-energy plant	40 million euros	65 million euros	2013
Distribution networks 2011-2014	55 million euros	245 million euros	2014
New CFB power plant in Auvere	133 million euros	505 million euros	2016
Predevelopment of liquid fuels industry in USA	32 million euros	38 million euros	Development up to 2016
Predevelopment of liquid fuels and electricity industry in Jordan	5 million euros	25 million euros	Development up to 2016

Sale of Non-Core Asset Impacting Group's Profitability

Overview of telecommunication business FY2011



Comments

- Sale of telecommunication business to Tele 2 Eesti closed on 17 February 2012
- Transaction value 25 million euros
- Part of consolidation group January-February 2012
- Transaction impact on retail division's profitability in March 2012 (+13.3 million euros) incl:
  - Non-recurring revenue from the sale (+13.6 million euros)
  - Decrease of depreciation (+0.6 million euros)
  - Decrease of EBIT (-0.9 million euros)

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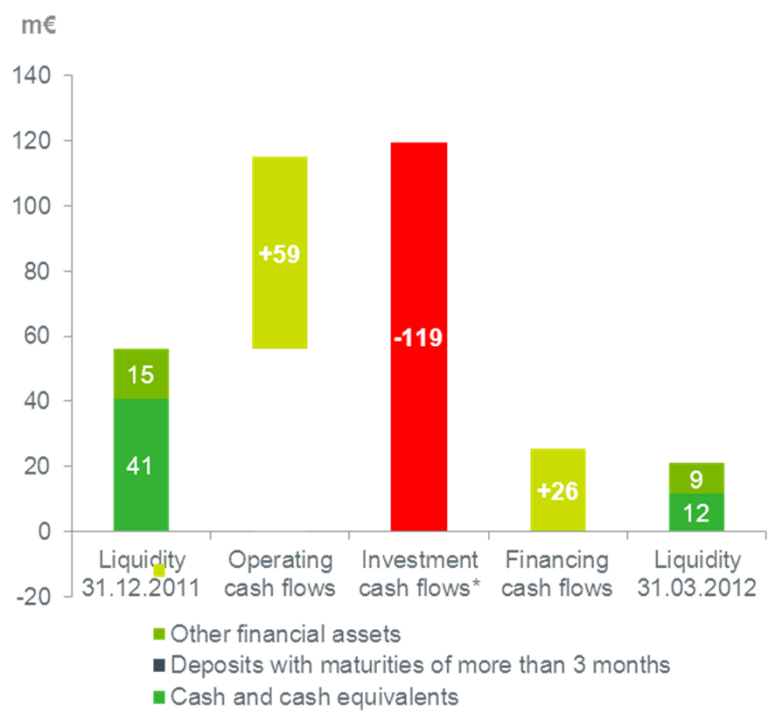
Credit Lines Increase Financial Flexibility

Liquidity

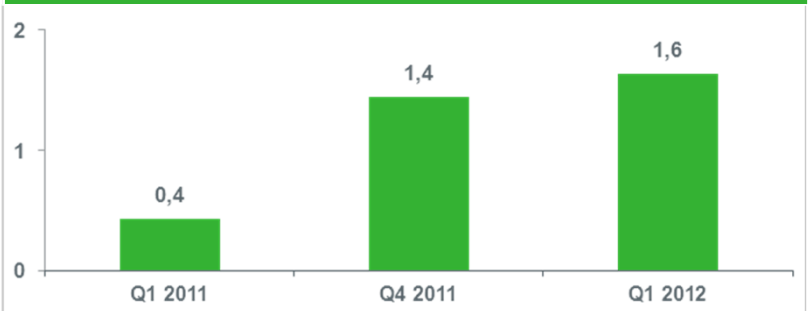


* (excl. Changes in deposits and financial assets)

Comments

- Liquid assets 21 million euros at 31 March 2012
- Issue of 300 million euro 4.25% notes due in 2018 to finance capex program
- State budget includes 150 million euros of equity injection likely to materialise in the second half of 2012

Net debt* / EBITDA**



** Net debt = borrowings at nominal value – cash and cash equivalents (incl. deposits with maturities more than 3-months)*

*** EBITDA – rolling 12 months*

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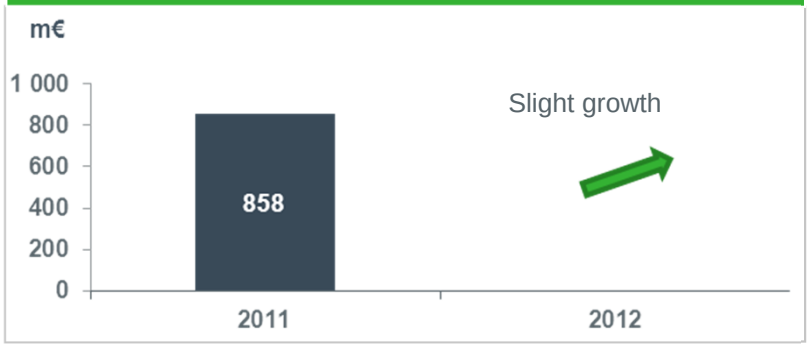
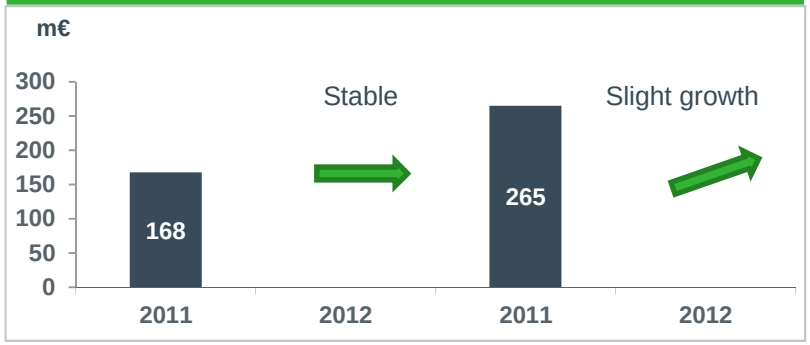
FY2012 Outlook Similar to FY2011

Revenue Outlook



EBIT and EBITDA outlook



Comments

- ✓ Sale of telecommunication subsidiary
- ✓ Completion of generating assets
- ✓ Strong oil market prices
- ✓ Higher shale oil volumes
- ✓ Higher profitability of Distribution Network
- ✗ Higher depreciation
- ✗ Lower electricity sales prices and volumes

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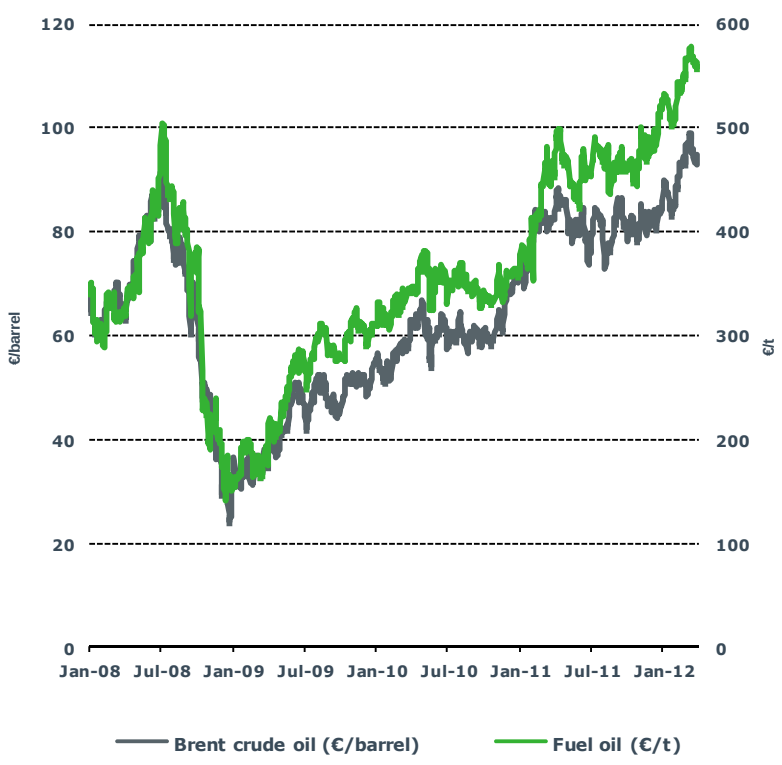
Summary

- ✓ Revenues stable, profitability growing:
  - revenues 236 million euros, -1%
  - EBITDA 82 million euros, +24%
  - EBIT 56 million euros, +28%
- ✓ Profitability impacted by:
  - Non-recurring revenues from sale of telecommunication subsidiary, +11 million euros
  - Increase in profitability of network services, +8 million euros
  - Increase in profitability of sales of liquid fuels, +7 million euros
  - Decrease in electricity sales volume, -11 million euros
- ✓ Implementation of investment plan continues, investments up 35% y-o-y amounting to 129 million euros
- ✓ New long-term debt funding from 300 million euro bond issue in April 2012

APPENDICES

Oil Prices

Fuel prices in January 2008 – March 2012



Comments

- Average Brent crude oil market price in Q1 2012 was 91.0 €/barrel (119.4 $/barrel), up 18.3% (13.3%) y-o-y.
- Noticeable rise in the prices started in February and can be mostly explained by the unstable situation in Iran and Syria as well as increased geopolitical risks in general
- Average fuel oil price in Q1 2012 was 540.3 €/t (708.6 $/t), up 30.2% (24.5%) y-o-y.

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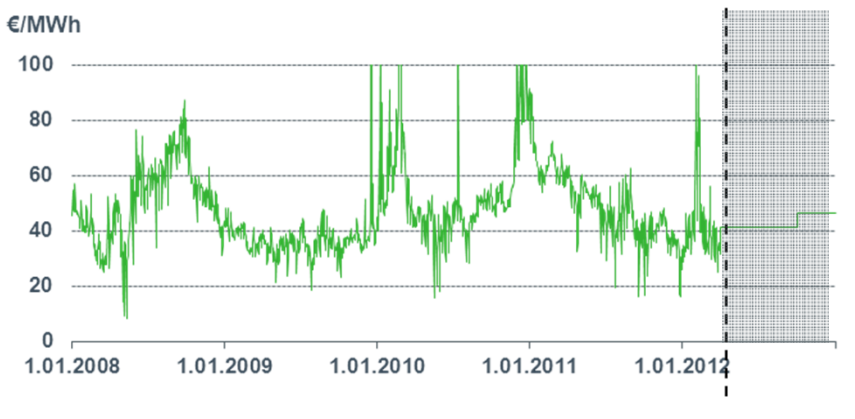
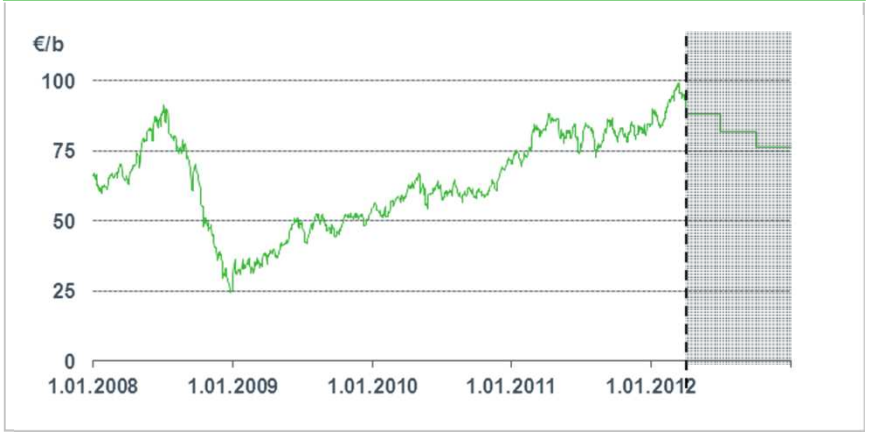
Markets*

Nord Pool Finnish price areas



Brent crude oil



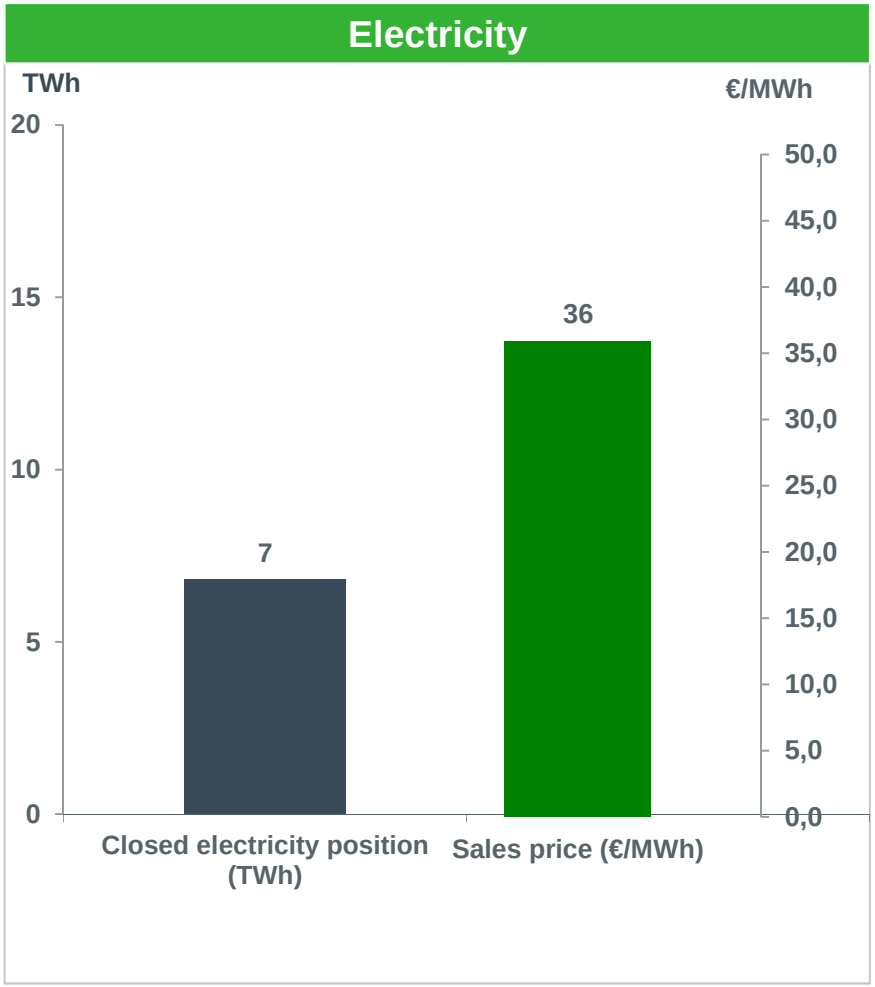
Heavy Fuel Oil

CO_2 emission allowance

** Forward contracts as of 31 March 2012*

Eesti Energia

Closed positions for Remainder of 2012 as at end of March 2012



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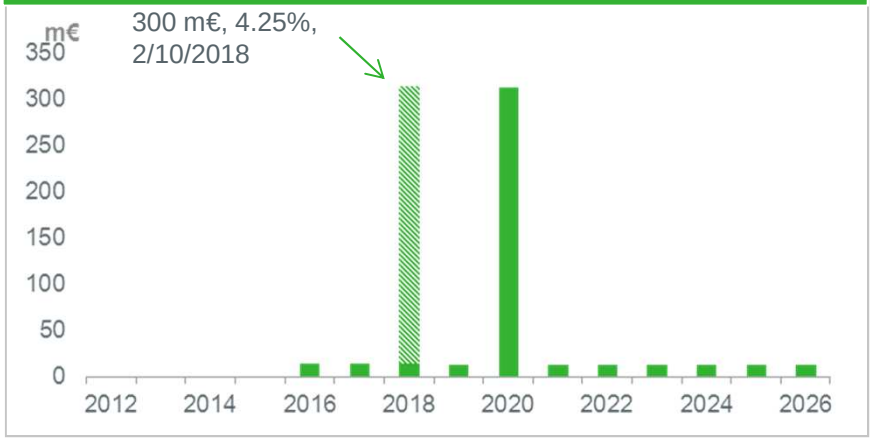
Financial Leverage in Line with Loan Requirements

Debt Maturity



Financial Leverage *

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

Comment

- Rating Baa1 (Moody s) / BBB+ (S&P) with stable outlook
- Total debts 443.4 million euros as of 31 March 2012
- New bond issue of 300 m euros in April 2012
- Bond maturities in 2018 and 2020
- Complies with financial covenants rising from loan agreements

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Profit and Loss Statement

million euros	Q1 2012	Q1 2011	Change %
Total revenues	235.8	237.0	0.5
Expenses	179.4	192.9	(7.0)
EBITDA	82.4	66.6	23.7
Depreciation	25.9	22.5	15.1
EBIT	56.5	44.1	28.1
Net financial income /(-expenses)	-0.4	-1.7	(79.5)
Net profit	56.1	42.4	32.5

Eesti Energia

Balance Sheet

million euros	31 March 2012	31 March 2011	Change million euros
Total current assets, incl.:	228.0	495.9	(267.9)
Cash and cash equivalents	11.8	75.3	(63.5)
Deposits with maturities greater than 3 months	-	198.0	-
Trade and other receivables	114.7	124.2	(9.5)
Inventories	43.8	30.1	13.7
Other	57.8	68.4	(10.6)
Total non-current assets	1,874.8	1,400.7	474.1
Total assets	2,102.8	1,896.7	206.1
Liabilities, incl:			
Trade and other payables	98.6	63.7	34.9
Other	83.3	102.2	(18.9)
Borrowings	460.7	358.2	102.5
Current borrowings	26.4	26.8	(0.4)
Non-current borrowings	434.3	331.4	102.9
Provisions	47.7	94.3	(46.9)
Long-term deferred expenses	129.0	118.9	10.1
Equity	1,283.4	1,159.3	124.1
Total liabilities and equity	2,102.8	1,896.7	206.1

Energia

Cash flows

million euros	Q1 2012	Q1 2011	Change million euros
Cash flows from operating activities	59.0	104.9	(45.9)
Purchase of tangible and intangible assets	(145.4)	(71.9)	73.5
Net change in deposits with maturities greater than 3 months	-	(16.6)	-
Acquisition of subsidiaries, net of cash acquired	-	(28.8)	-
Proceeds from sale of business	22.1	4.1	18.3
Received long-term bank loans	26.3	0.1	26.2
Repayments of bank loans	(0.7)	(0.9)	(0.2)
Other	9.7	29.1	(19.4)
Net cash flows	**(29.1)**	**20.1**	**(49.2)**

Eesti Energia