Estonian Oil Stockpiling Agency

ANNUAL REPORT

Translation of the Estonian original

beginning of financial year:	01.01.2014
end of financial year:	31.12.2014
business name:	AS Eesti Vedelkütusevaru Agentuur
commercial registry code:	11124171

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Management Report

1. Company

AS Eesti Vedelkütusevaru Agentuur (in English OSPA – Oil Stockpiling Agency) is a company of strategic importance to the Republic of Estonia, whose task is to establish and maintain liquid fuel stocks of the state and to ensure the security of the supply of liquid fuel.

AS Eesti Vedelkütusevaru Agentuur was established by the Government of the Republic of Estonia on 15 April 2005 based on the Liquid Fuel Stocks Act. All shares of the company belong to the state and the holding administrator and entity exercising its rights as a shareholder is the Ministry of Economic Affairs and Communications, which is represented by the Minister of Economic Affairs and Infrastructure at the general meeting of shareholders.

In establishing and maintaining the liquid fuel stocks, OSPA adheres to the requirements prescribed by the EU Council Directive for maintaining minimum stocks of crude oil and petroleum products 2009/119/EC and the Liquid Fuel Stocks Act, implementing legislation established by law and, the requirements established in the agreement on the energy programme of the International Energy Agency.

The organisation of the economic activity of OSPA is based on the principles of efficiency and profitability imposed by the owner.

2. Strategic aims of the Estonian Oil Stockpiling Agency

The owner has assigned the following tasks for OSPA:
- establishing and maintaining the liquid fuel stocks of the state, and organizing the replenishment of the stocks,
- organizing the purchase, sale and storage of the liquid fuel stocks,
- supplying liquid fuel to the state and analyzing the situation in the event of difficulties in supply of liquid fuel,
- organizing the release of liquid fuel stocks in the event of difficulties in supply of liquid fuel,
- representing Estonia, within the limits of its competence, in international cooperation,
- developing cooperation with fuel market participants and liquid fuel stock organizations of other countries.

3. Quantity of liquid fuel stocks

Based on the Liquid Fuel Stocks Act, OSPA was obligated to maintain stocks in 2014 at a level corresponding to 90 days` inland consumption of liquid fuel in 2013. Pursuant to the statistics of fuel consumption the mandatory quantity of the stocks was 220 thousand tons. Determining the level of stocks in the establishment of a new budget and procurement plans at the end of 2013 was based on forecast fuel consumption, which differed from the actual consumption by 2.5%. At the end of the year, when all rotations had ended, the stocks amounted to 234.8 thousand tons. As of the balance sheet date, 42.5% of the stocks were maintained in Estonia. Besides Estonia, state liquid fuel stocks were maintained in Finland, Sweden and, until the end of March 2014, also in Denmark. In 2014, the fuel stocks were stored in eight terminals in Estonia and in eight terminals abroad. A detailed overview of the locations and quantities of the stocks is provided in Note 19 to the financial statements.

With regard to fuel consumption, the downward trend of the consumption of petrol slowed down in 2014. Still, the consumption of petrol has decreased 12% in total since 2010. At the same time, the consumption of diesel fuel has increased year after year. Compared to 2013, the consumption of diesel fuel increased appr. 5% in 2014. Taking into account the consumption of fuel, the estimated total obligation for maintaining the stocks for 90 days amounts to 230 thousand tons in 2015 based on preliminary data.

4. Activity

4.1. <u>Management of stocks</u>
The management of stocks in 2014 comprised mainly renewing the deposit contracts that were approaching their maturity dates and rotating liquid stocks that required replenishment. Usually, the deposit contracts of OSPA are entered into for a term or five to ten years. The volume of new deposit contracts that took effect in 2014 was 25,600 m^3 for diesel fuel and 7,500 m^3 for jet fuel. The total volume of storage procurements ending in the first half-year of 2015 and related procurements carried out in 2014 amounted to 65,500 m^3. As a result of procurements, two storage agreements were renewed and one new deposit contract was concluded. Due to the decrease in the prices of storage services in the Estonian fuel market, all new contracts were concluded with domestic companies. The decreased storage fees resulted in a slight decrease in the rates of the stockpiling fees.

During 2014 we started or completed purchase and sales transactions of petrol, diesel fuel and jet fuel. In connection with the rotation of the stocks, the re-purchases of 4,900 tons of petrol and 9,600 tons of diesel fuel were completed in the first quarter of the year. In connection with the change of storage place, the re-purchases of 27,800 tons of diesel fuel were completed in spring. In connection with changes of deposit contracts and the need to increase the stocks, 2,000 tons of jet fuel was sold and 6,000 tons of jet fuel was purchased to a new storage place in spring. In summer 2014 we disposed 5,800 tons of petrol for the purpose of rotation and balancing the energy products. The stocks will be re-purchased pursuant to the procurement terms and conditions in spring

2015. Due to changes in the consumption of petrol and diesel fuel we will replace petrol with diesel fuel during the rotation.

During the rotation of the stocks, OSPA sells and buys fuel at a market price and on condition that the price risk of the energy product upon the sale and re-acquisition of the stocks is mitigated by financial instruments. We use letters of credit or financial guarantees in order to mitigate risks related to transaction parties. The use of risk mitigation instruments ensures that OSPA can complete the rotations without any additional unforeseen expenses. If the fuel price increases during the rotation period, the completion of the rotation of the stocks may be hindered, as the revenue from the sales of obsolete stocks may not cover the expense arising from the reacquisition of new stocks. Hedging contracts are concluded in the scope that corresponds to the quantities of liquid fuel stocks in rotation. An overview of concluded hedging contracts is provided in Note 9 to the financial statements.

4.2. Insurance of stocks

OSPA is obligated to ensure that all liquid fuel stocks are insured. In 2014 cooperation continued with Marsh Kindlustusmaakler AS and the insurer Navigators Lloyds Syndicate c/o NUAL AB. All liquid fuel stocks of OSPA are insured based on world market fuel prices.

4.3. Inspection of stocks

OSPA organizes inspections on regular basis in order to ensure the maintenance of the liquid fuel stocks. The aim of inspecting the liquid fuel stocks is to inspect the quantity and quality of the stocks. OSPA carries out inspections of stocks in all locations at which the stocks are maintained at least twice in a calendar year. In 2014 cooperation continued with inspectors IIS Independent Inspection Services AB and the Estonian Environmental Research Centre. OSPA ordered the inspection of more than 40 terminals during the year.

Since all liquid fuel stocks of OSPA are created for long-term storage, we use the computer program ProQuality to monitor the quality and aging process of liquid fuel stocks. ProQuality helps to assess the results of the quality analyses of the stocks, the durability of the stocks and the need to rotate the deposited stocks.

4.4. Ensuring security of supply

In order to ensure security of supply we perform tests of the systems for the release of liquid fuel stocks on various levels.

In February 2014, IEA organised a “home office” e-training “Emergency Response Exercise” in cooperation with the European Commission in order to practice the preparedness and cooperation of institutions in resolving hypothetical crisis cases.

In November 2014, the management board of OSPA participated in the crisis management training of the International Energy Agency ERE-7 “Emergency Response Exercise” in order to test “in classroom” the preparedness of various countries to release the stocks.

4.5. International cooperation

During its years of activity, OSPA has become from an international advice receiver to the one that provides advice. Consultants of several foreign countries providing advice to the ministry played an important part in the establishment of OSPA. Since 2013, OSPA cooperates with the partner organisation of the European Union, Energy Community. Energy Community is an international organisation that supports the applicant states of the EU in the preparation and implementation of a common energy policy. OSPA’s role is to share its experiences with creating and implementing the liquid fuel stocks system to the partner countries of the Energy Community.

OSPA is a member of ACOMES, the cooperation organisation of liquid fuel stock agencies. In 2014, the Latvian and Lithuanian agencies joined the network of ACOMES on recommendation of OSPA. In both countries the legislation and system for administration of stocks has been renewed or is in the process of being renewed. OSPA has achieved good cooperation with the neighbouring countries.

5. Objectives for 2015

The objectives of OSPA for the year 2015 are to:

5.1. Complete the unfinished rotations and make preparations for new fuel stock rotations. The estimated quantity of new rotations is around 10 thousand tons. The exact amount depends on the market situation and recommendations of ProQuality.

5.2. Replace or renew the deposit contracts ending in 2015 and 2016. Decisions depend on the results of deposit procurements.

5.3. Continue balancing the quantities of stockpiled energy products pursuant to the statistics on the consumption of various fuel products. It is probable that the trend of changing from petrol over to diesel will continue in the consumption of transport fuel.

5.4. Prepare and organize procurements to sell delegated stocks that exceed the mandatory amount of the stock.

5.5. Carry out a national crisis training in order to ensure the preparedness to release the stocks.

5.6. Participate in ACOMES, the international network of liquid fuel stocks agencies.

5.6.1. Participate in the Benchmarking Study Group of liquid fuel stocks agencies.

5.6.2. Participate in the study group of Expert Laboratory Coordination which compares analyses on liquid fuel aging and develops

new analytical methods.
5.7. Continue cooperation with the secretariat of the Energy Community in order to assist the member states of the organisation.
5.8. Participate in the workgroup of the International Energy Agency that prepares country overviews on the member states.

6. Management

More detailed information on the management of OSPA is provided in the Corporate Governance Report.

6.1. Supervisory board

The supervisory board of OSPA comprises six members elected for a term of five years, half of whom are representatives of the government and half are representatives of the sellers of fuel specified in the Liquid Fuel Stocks Act. In 2014, the supervisory board of OSPA held 5 meetings in total. Based on the resolution of the Minister of Economic Affairs and Communications, Aivo Vaske was removed from the supervisory board of OSPA at the end of 2014 and Priit Laaniste was appointed as new supervisory board member.

6.2. Management board

The management board of OSPA comprises two members. In 2014, the management board member's contract concluded with Alan Vaht ended and Priit Ploompuu was elected as new management board member by the Supervisory Board of OSPA.

Main financial ratios of the company:

	31.12.2014	31.12.2013
Net profit margin (net profit/sales revenue x 100)	19.44%	19.73%
ROE (return on equity) (net profit/average equity of the period x 100)	1.84%	5.14%
Current ratio (current assets/current liabilities)	67.80	79.98

Corporate Governance Report 2014

AS Eesti Vedelkütusevaru Agentuur (Estonian Oil Stockpiling Agency, abbreviation OSPA) has undertaken the obligation to apply the Principles of Corporate Governance in the management of the company and describe the adherence to these principles in the Corporate Governance Report in the annual report. The Corporate Governance Report of OSPA has been published on the website www.ospa.ee under section „Annual Report".

In complying with the Principles of Corporate Governance we adhere to the State Assets Act (hereinafter SAA), guidelines of the Principles of Corporate Governance (hereinafter PCG) and, due to the specific tasks of OSPA, the general principles established in EU Directive 2009/119/EÜ and the Liquid Fuel Stocks Act (hereinafter LFSA).

In order to ensure proper functioning of the risk management and internal control of OSPA, an audit committee has been formed and the services of an internal auditor have been used since 2012. The internal audit plan of OSPA for 2014 has been approved by the resolution of the supervisory board. The objective of the internal audit is to perform an audit on the procedures and results of the liquid fuel stocks rotation that began in 2013 and was completed in 2014. The internal audit of OSPA is conducted by KPMG Baltics OÜ.

Pursuant to LFSA, the formation of an audit committee is the responsibility of the supervisory board of OSPA. The task of the committee is to exercise supervision over risk management, internal control and financial reporting. The management board has prepared the necessary internal rules and regulations and set up a respective reporting system in order to ensure risk management and internal control.

In organizing the management of OSPA, there are some differences with regard to the advisory guidelines provided by PCG. The PCG guidelines which are not followed concern mainly the conduct of general meetings and differences arising from LFSA with regard to the appointment of supervisory board members.

1. Management

OSPA is a company fully owned by the state which is represented at the general meeting by the Minister of Economic Affairs and

Infrastructure. Thus, the performance of the rights of the issuers prescribed in the PCG has been guaranteed and the rules that should be applied in case of the management of companies with a large shareholder base are not applicable.

The rules of procedure of general meetings of companies, in which the state has a majority holding interest and which are governed by the Ministry of Economic Affairs and Infrastructure, have been established by a regulation of the Minister. Among other, the rules of procedure establish:

- Jurisdiction of the general meeting.
- Procedure for managing, conducting the general meetings and for participating in the general meetings.
- Requirements concerning calling the general meeting, the agenda, taking minutes and drafts of the general meeting.
- Procedure for making decisions, drafting and disclosure of the decisions.

The requirements established in the rules of procedure of the general meetings supplement the principles for the management of state companies established in the State Assets Act.

The sphere of competence of the owner of the company comprises amendment of the statutes, increase and reduction of the share capital, election and removal of supervisory board members, election of auditors, appointing of special audits, approval of the annual report and distribution of profit, as well as deciding on the merger, division, reorganisation and/or dissolution of the company.

2. Supervisory board

The supervisory board performs supervision over the activities and management and the performance of the management board of OSPA. The supervisory board acts independently and in the best interests of the shareholder and participates in making decisions on the significant activities of the company.

The supervisory board is composed of six members elected for the term of five years, half of whom are representatives of the government and half are representatives of the sellers of fuel as established in the LFSA. Supervisory board members are appointed and removed by the Minister of Economic Affairs and Infrastructure. The chairman of the supervisory board is selected from among the members who were not nominated by the sellers of fuel. Principles for the establishment of the supervisory board of OSPA have been regulated by Section 14 of the Liquid Fuel Stocks Act. A person who is prohibited to operate in the area of activity related to liquid fuel cannot be a member of the supervisory board.

The involvement of the sellers of fuel in the activity of the supervisory board is considered to be a specification for the management of OSPA with regard to both the State Assets Act and the Principles of Corporate Governance. This specification was established due to the need to involve the fuel companies participating in the economic activities in the establishment and administration of the fuel reserve, who shall thereby be connected to exercising supervision over the administrative costs of liquid fuel stocks as well as the assurance of the performance of the crisis management system.

In case of supervisory board members who are the sellers of fuel, there may arise a conflict with regard to the independency requirement specified in the Principles of Corporate Governance, because there is a possibility that the related fuel company is also the contractual partner in the contracts of the purchase, sale or deposit of fuel concluded with OSPA. These transactions are recorded in the Note to the Financial Statements „Related parties“ and in the report „Related parties and related party transactions“. In the event of difficulties in supply, OSPA is obligated to supply fuel from the state liquid fuel stocks to the fuel companies, incl. the companies whose representatives may be the supervisory board members of OSPA.

In order to avoid the conflict of interests concerning the supervisory board members who represent the sellers of fuel, the management board members of the company may, pursuant to a resolution of the supervisory board of OSPA, disclose information and documents concerning tenders submitted for the Company’s pending or finished procurements only to the supervisory board members who do not represent the sellers of fuel. According to the Regulation of the Minister “The principles of the arrangement of the tenders for the establishment and storage of the liquid fuel stocks and the general conditions of contracts involved with the liquid fuel stocks” the procurement evaluation committee may not include OSPA’s supervisory board members who represent the sellers of fuel in the supervisory board.

The procedure for and maximum amounts of remuneration for the supervisory board members have been established in the State Assets Act. According to the directive of the Minister of Economic Affairs and Infrastructure, the remuneration of the supervisory board member of OSPA was 177.35 euros per month and the remuneration for the chairman of the supervisory board was 295.59 euros per month. In addition to the remuneration of the supervisory board member, an additional remuneration shall be paid for participation in the activities of the bodies of the supervisory board. The bodies of the supervisory board of OSPA are the audit committee consisting of two members, which included one member of the supervisory board of OSPA in 2014, and the procurement evaluation committee consisting of three members, which included one member of the supervisory board of OSPA in 2014, who is also the chairman of that committee in accordance with the statutes. The supervisory board member who is a member in a committee shall receive an additional remuneration for participation in the activities of the audit committee and procurement evaluation committee amounting to 25% of the remuneration of the supervisory board member. The remuneration of the chairman of a committee shall be 50% of the remuneration of the supervisory board member. In 2014, remuneration calculated for the supervisory board members totalled 15,150 euros.

Supervisory board members of OSPA are:

- Jako Reinaste, Chairman of the Supervisory Board, Ministry of Economic Affairs and Communications
- Anne-Ly Normak, Ministry of Finance
- Priit Laaniste, Ministry of the Interior (since 12.12.2014)
- Aivo Vaske, Ministry of the Interior (until 12.12.2014)
- Rain Talmar, Neste Eesti AS
- Ain Kuusik, Alexela Oil AS
- Rauno Raudsepp, Tartu Terminaal AS

In accordance with LFAA, the supervisory board of OSPA is obligated to form an audit committee. In 2014, the audit committee comprised two members:

- Aivo Vaske, Chairman of the Audit Committee
- Rein Vaks, Ministry of Economic Affairs and Communications

3. Management board

The management board of OSPA makes day-to-day management decisions independently without the intervention of the owner and the supervisory board, basing its decisions on the best interests of the company. For procedures that are beyond the daily economic activities of OSPA, the approval of the supervisory board is required. The management board shall ensure that the supervisory board is constantly informed of the economic situation of the company and the main circumstances related to the economic activities.

The management board of OSPA comprises two members. In 2014, Alan Vaht's contract as the chairman of the management board ended and the supervisory board of OSPA elected Priit Ploompuu as a new member of the management board. Former management board member Priit Enok will continue as the chairman of the management board.

The chairman of the supervisory board has concluded contracts of services with the members of the management board. The contracts of services establish the duties and powers of the management board member as well as the procedure for remuneration and payment of benefits to the management board. The contracts have been reviewed and approved by the supervisory board. The maximum amounts of additional remuneration and severance pay for the management board members are established in Section 86 of the SAA. Pursuant to law, the total additional remuneration paid to the management board member of OSPA may not exceed the 4 months' remuneration of the management board member. The members of the management board may be paid severance pay equivalent to their 3 months' remuneration only in the event of their removal on the initiative of the supervisory board before the expiry of the term of their authority. In 2014, the remuneration calculated for the members of the management board totalled 86,020 euros.

The following persons cannot be members of the management board: a shareholder or a member of the managing body of a legal person that is engaged in the sale or storage of liquid fuel, or a person who is prohibited to act as a management board member or to be engaged in business by a court decision, or a person who is prohibited to act in the same area of activity as OSPA or who is prohibited from being a member of the management board under law or a court decision.

Within the meaning of the Anti-corruption Act, the status of the management board member of OSPA is equal to the status of an official, who is obligated to adhere to restrictions on activities and procedural restrictions and to declare its economic interests.

4. Disclosure of information and reporting

On its website, OSPA discloses regularly information about the management of the entity, working principles, composition of liquid fuel stocks, relevant regulations, open and recently ended procurements. The website discloses also the statutes of the entity, annual reports, information concerning stockpiling fees and contract forms in Estonian as well as English. Information about procurements is also made available to the market participants through direct mailing.

In organizing the reporting, OSPA adheres to the provisions of SAA and the statutes of the company. Due to the specifications of the activity of OSPA, the management board keeps detailed and constantly updated records on the composition of deposited liquid fuel stocks and presents the required reports to the Ministry of Finance and Communications and the Statistical Office.

5. Financial reporting and auditing

OSPA is obligated to submit its audited and approved annual report within four months after the end of a financial year i.e. by April 30th every year. The management board is responsible for the preparation of the financial statements, the auditor and supervisory board are responsible for auditing the report. If necessary, the auditor shall participate in the presentation to the annual report to the supervisory board. The annual report signed by members of the management board and supervisory board is submitted for approval to the general meeting together with the report of the supervisory board.

Based on the resolution of the sole shareholder, BDO Eesti AS has been elected as the auditor of the company for the financial years 2012, 2013 and 2014. Election of the auditor and terms of the contract for auditing services, incl. amount of fee as well as scope and schedule of auditing, have been approved by the supervisory board.

The Financial Statements

Balance Sheet

(in euros)

	31.12.2014	31.12.2013	Note
Assets			
Current assets			
Cash	16,267,294	44,316,480	2
Receivables and prepayments	678,507	1,677,514	3
Inventories	137,702,323	108,156,799	4
Total current assets	**154,648,124**	**154,150,793**	
Non-current assets			
Property, plant and equipment	0	562	5
Total non-current assets	**0**	**562**	
Total assets	**154,648,124**	**154,151,355**	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	2,280,885	1,927,393	6
Total current liabilities	**2,280,885**	**1,927,393**	
Total liabilities	**2,280,885**	**1,927,393**	
Equity			
Issued capital	132,851,000	132,851,000	10
Statutory reserve capital	1,020,156	639,921	
Other reserves	12,041,836	8,067,363	
Retained earnings (loss)	3,656,626	3,060,993	
Annual period profit (loss)	2,797,621	7,604,685	
Total equity	**152,367,239**	**152,223,962**	
Total liabilities and equity	**154,648,124**	**154,151,355**	

Income Statement

(in euros)

	2014	2013	Note
Sales revenue	14,391,272	38,534,670	11
Other operating income	350	177,410	12
Goods, raw materials and services	−6,155,185	−25,046,141	
Miscellaneous operating expenses	−5,662,561	−5,446,434	13
Labour expense	−159,300	−168,378	14
Depreciation and impairment loss (reversal)	−562	−1,432	5
Other operating expense	−53,929	−616	15
Total operating profit (loss)	**2,360,085**	**8,049,079**	
Other financial income and expense	437,536	−444,394	16
Total profit (loss) before income tax	**2,797,621**	**7,604,685**	
Total annual period profit (loss)	**2,797,621**	**7,604,685**	

Statement of Comprehensive Income

(in euros)

	2014	2013	Note
Annual period profit (loss)	2,797,621	7,604,685	
Other comprehensive income (expense):			
Hedging instruments revaluation gains (losses)	−1,743,296	911,048	9
Total other comprehensive income (expense)	**−1,743,296**	**911,048**	
Total annual period comprehensive income (expense)	**1,054,325**	**8,515,733**	

Cash Flow Statement

(in euros)

	2014	2013	Note
Cash flows from operating activities			
Operating profit (loss)	2,360,085	8,049,079	
Adjustments			
Depreciation and impairment loss (reversal)	562	1,432	5
Profit (loss) from sale of non-current assets	-350	0	5,12
Total adjustments	**212**	**1,432**	
Changes in receivables and prepayments related to operating activities	14,669	-52,489	
Changes in inventories	-29,545,524	23,956,715	4
Changes in liabilities and prepayments related to operating activities	-1,355,433	134,754	
Total cash flows from operating activities	**-28,525,991**	**32,089,491**	
Cash flows from investing activities			
Interest received	118,628	62,677	
Other cash inflows from investing activities	7,998	0	
Total cash flows from investing activities	**126,626**	**62,677**	
Total cash flows	**-28,399,365**	**32,152,168**	
Cash and cash equivalents at beginning of period	44,316,480	12,744,897	2
Change in cash and cash equivalents	**-28,399,365**	**32,152,168**	
Effect of exchange rate changes on cash and cash equivalents	350,179	-580,585	16
Cash and cash equivalents at end of period	16,267,294	44,316,480	2

Statement of Changes in Equity

(in euros)

	Issued capital	Statutory reserve capital	Other reserves	Retained earnings (loss)	Total
31.12.2012	132,851,000	610,791	6,298,070	3,940,198	143,700,059
Annual period profit (loss)	0	0	0	7,604,685	7,604,685
Changes in reserves	0	29,130	1,769,293	−879,205	919,218
31.12.2013	132,851,000	639,921	8,067,363	10,665,678	152,223,962
Annual period profit (loss)	0	0	0	2,797,621	2,797,621
Changes in reserves	0	380,235	3,974,473	−7,009,052	−2,654,344
31.12.2014	132,851,000	1,020,156	12,041,836	6,454,247	152,367,239

Pursuant to the Commercial Code of the Republic of Estonia and the company's statutes, the company must transfer annually at least 5% of net profit to the statutory reserve capital, until the reserve capital forms at least 10% of the share capital. Statutory reserve capital must not be distributed as dividends, but it may be used to over the loss, if losses cannot be covered from the available equity. Also, statutory reserve capital may be used to increase the share capital.

Other reserves comprise reserve for the stockpiling fee in excess, reserve for liquid fuel stocks rotation and cash flow hedge reserve.

The stockpiling fee in excess is used to cover future operating expenses. This obligation is prescribed by Subsection 10(4) of the Liquid Fuel Stocks Act, which states that if the total amount of stockpiling fee paid within a calendar year exceeds the actual costs incurred upon holding of the stocks of that calendar year, the amount received in excess shall be taken account of on the next occasion of establishment of the rate of stockpiling fee. Pursuant to the mentioned obligation, the excess stockpiling fee cannot be reported in retained earnings and therefore it is reported under other reserves as reserve for excess stockpiling fees.
The opening balance as of 31.12.2013 was 156,943. At the approval of the annual report 2013 the reserve for the stockpiling fee in excess was revalued, and as a result the reserve increased by 21,652 euros. The closing balance as of 31.12.2014 was 178,595 euros.

Reserve for liquid fuel stocks rotation was formed in order to cover possible future losses arising from the rotation of stocks. The reserve was formed in 2011 as a result of liquid fuel stocks rotation out of the difference between the selling cost and weighted average cost of obsolete stocks.
The opening balance as of 31.12.2013 was 6,999,372. At the approval of the annual report 2013 the reserve for liquid fuel stocks rotation was revalued, and as a result the reserve increased by 6,607,165 euros. The closing balance as of 31.12.2014 was 13,606,537 euros.

The effective portion of the change in fair value of derivative instruments is reflected in cash flow hedge reserve. The reserve was formed in 2012 when cash flow hedging instruments were taken into use.
The cash flow hedge reserve recorded in the opening balance as of 31.12.2013 in the amount of 911,048 euros was fully realised in 2014 and as of 31.12.2014 new cash flow hedge reserve was formed in the amount of −1,743,296 euros.

Notes to the Financial Statements

Note 1 Accounting Policies

General information

The financial statements of AS Eesti Vedelkütusevaru Agentuur (company) have been prepared in conformity with the generally accepted accounting principles of Estonia and using the cost principle, except for the cases described otherwise in the accounting policies below. The Estonian generally accepted accounting principles are based on internationally recognized accounting and reporting principles, the basic requirements of which are established in the Accounting Act and are supplemented by the guidelines issued by the Estonian Accounting Standards Board.

All known significant circumstances effecting the evaluation of assets and liabilities which were disclosed between the balance sheet date and the date of preparation of the annual report, but which are related to transactions occurred during this financial year or previous periods, have been accounted for and presented in the financial statements.

Post-balance sheet events that have not been taken into account when evaluating the assets and liabilities, but have material impact on the results of the next financial year, are disclosed in the notes to the financial statements.

The financial statements have been prepared in euros.

Cash

Cash equivalents comprise short-term investments with high liquidity, which can be converted into a known amount of cash and in the case of which there is no significant risk of changing market value, incl. cash in bank accounts, fixed-term cancellable deposits with a term of up to 12 months and units of interest market fund.

Foreign currency transactions and financial assets and liabilities denominated in foreign currencies

Transactions denominated in a foreign currency are recorded based on the foreign exchange rates of the European Central Bank officially valid on the day of transaction. Monetary assets and liabilities denominated in a foreign currency are translated into euros according to the foreign exchange rates of the European Central Bank officially valid on the balance sheet date.

Exchange rate profits and losses made as a result of revaluation are recognized in the accounting period's income statement, whereby the foreign exchange rate profits and losses related to suppliers and purchasers' accounts are recognized in the operating income and expenses; other differences arising from foreign exchange rates are recognized under financial income and expenses.

Receivables and prepayments

All receivables (e.g. receivables from customers, accrued income and other current receivables), except receivables acquired for resale, are reported at amortised cost in the balance sheet.
The amortised cost of current receivables is generally equal to their nominal value (less possible write-downs), whereby they are reported in the balance sheet in the amount that will probably be received (reported on an invoice, contract or other source document).

When assessing the probability of collecting receivables, the solvency of debtors is analysed. Circumstances known by the balance sheet date and also circumstances which become evident after the balance sheet date, which may affect the collection of receivables, are taken into account when assessing the probability of collecting receivables.

If a receivable has been recorded as doubtful and entered into operating expenses, but later the collectability becomes unrealistic, then the receivable is deemed as irrecoverable and is written off from the balance sheet. No additional expenses are created. A receivable is irrecoverable if the company does not have any possibility of collecting it (for example if the debtor is bankrupt and the bankruptcy estate does not comprise enough assets to cover the claim).

If previous assessments of doubtful or irrecoverable receivables later change, they must then be reported in the income statement of the period when the reassessment was made and previous periods shall not be adjusted retroactively. Collection of doubtful or irrecoverable receivables is recognised as a decrease of expenses of the period, when the receivable is collected.

Inventories

Because of the company's main activity, which is the establishment and maintenance of liquid fuel stocks of the Republic of Estonia and organising their replenishment, the company reports the above-mentioned fuel stocks as inventories, which are recorded at acquisition cost. Acquisition cost comprises the purchase expense of the stocks and other costs necessary for bringing the inventories into their present location and condition. Purchase expenses of the stocks include, in addition to the purchase price, the customs duty related to purchasing, other non-refundable taxes and the transportation costs directly related to purchasing.
Based on the special requirement arising from the General Rules for State Accountancy, the non-refundable value-added tax and levy accompanying the acquisition of inventories shall be recognised in expenses and the fuel excise duty accompanying the acquisition of inventories is capitalised in the cost of inventories.
According to the definition of inventories provided in ASBG 4 “Inventories” of the Accounting Standards Board, inventories are assets which are held or produced for sale in the ordinary course of business or are consumed in the production process or upon rendering services.

According to § 1(2) of LFSA, liquid fuel stocks means the quantities of energy products which are mandated by this Act, which are at the disposal or under the control of the government and which are constituted, by using Estonia’s membership in international organisations and by means of reliable and transparent mechanisms based on the solidarity of the Member States of the European Union, in order to ensure a high level of security of supply in the Republic of Estonia, to maintain national security, to perform the obligations assumed under international agreements and to guarantee subsistence to the population.

In conformity with the definition provided, liquid fuel stocks are not held for the purpose of ordinary course of business.

According to LFSA, the stocks may be released only with a directive of the Government of the Republic in case of a difficulty in supply. A difficulty in supply means a significant and sharp decrease in the supply of energy products to the European Union or its Member State, or member states of the International Energy Agency.

When they are being rotated, stocks may be sold at the market price provided that the fuel price risk related to the sale and re-constitution of stocks has been hedged by derivative instruments.

OSPA is entitled to sell stocks to reduce their quantity where that quantity exceeds the mandatory quantity of stocks by more than five percent. According to § 17(2) of LFSA, stocks may be sold only at the market price, but not at a lower price than the average weighted acquisition cost of that energy product. Where the market price is lower than the average weighted acquisition cost of the energy product, such a sale is only allowed if authorised by the minister responsible for the area.

When reducing the quantity of stocks, regard must be had to the need to comply with the stockholding obligation for the following years also on the basis of 90 days’ worth of average net imports, provided that no export of the domestically produced energy products takes place.

Weighted average purchase price is used for determining the acquisition cost of stocks.

Property, plant and equipment and intangible assets

Assets that have a useful life of over 1 year are reported as property, plant and equipment (PP&E). Assets with a useful life of over 1 year but acquisition cost less than 2,000 euros are recorded as low-value items (inventories) until taken into use and are fully expensed when the asset is taken into use.

Property, plant and equipment are initially recorded at their acquisition cost, comprising the purchase price and the expenses directly related to acquisition. Subsequently the property, plant and equipment are presented in the balance sheet at acquisition cost, less accumulated depreciation and possible write-downs due to impairment loss.

If a PP&E item consists of separable components having different useful lives, these components are registered as separate asset items in the accounts and separate depreciation rates are determined based on their useful lives.

The depreciation of property, plant and equipment is calculated based on the straight-line method. The depreciation rates are determined for each PP&E asset item individually depending on its useful life.

The depreciation of an asset is ended when the asset's final value, which is the amount that the company would receive upon disposing the asset today, in case the asset were as old and in the same condition as it will presumably be at the end of its useful life, exceeds its book value.

The depreciation methods, rates and final values are reviewed at least at the end of each financial year and when the new estimates differ from the previous ones, the changes are presented as the changes of accounting assessments, i.e. prospectively.

Recognizing a PP&E asset is terminated at the disposal of the asset or when the company presumes to gain no more economic benefits from the use or sale of the asset. The profits and losses arising due to the end the recognition of a PP&E asset are recognized in the income statement of the period when the recognition was ended, on the line “other operating income” or “other operating expenses”.

Minimal acquisition cost: 2,000

Useful life by non-current asset groups (in years)

Non-current asset group	Useful life
Computers and computer systems	3

Leases

The lease transactions where all material risks and rewards related to the ownership of the assets are transferred to the lessee are recorded as finance leases. Other leases are recorded as operating leases.

In case of an operating lease, the leased asset is recognized in the balance sheet by the lessor. The operating lease payments are recognized on the straight-line basis as expenses during the lease period.

Financial liabilities

Financial liabilities are initially recognized at their acquisition cost, which is the fair value of the consideration received for them. Subsequently the financial liabilities are recognized at their adjusted cost.

Financial liabilities purchased for resale are recognized at their fair value and changes of the fair value are recognized in the income statement.

The interest expense related to financial liabilities is recognized on an accrual basis as the period's expenses on the line “financial income and expenses” of the income statement.
Recognizing a financial liability is ended when it has been paid, cancelled or has expired.

Provisions and contingent liabilities

A provision is recognized in the balance sheet if the company has a present legal or constructive obligation as a result of events that occurred before the balance sheet date, the settlement of the obligation is probable and the amount of the obligation can be measured reliably.

Promises, warranties and other obligations that may turn into obligations in the future under certain conditions, but whose settlement is less probable than non-settlement according to the evaluation of the management board, have been disclosed as contingent liabilities in the notes to the financial statements.

Statutory reserve capital

In accordance with the Commercial Code of the Republic of Estonia and the Company’s statutes, the Company allocates a provision from the annual net profit of at least 5% into the statutory reserve capital until the reserve capital constitutes at least 10% of the share capital. The statutory reserve capital cannot be used for the payment of dividends, but it may be used to cover a loss, if losses cannot be covered by available equity. The statutory reserve capital may also be used to increase the share capital.

Revenue

The company's revenue consists of liquid fuel stockpiling fees. The stockpiling fees are paid by fuel excise duty payers, in case there is no excise duty payer, the payers are persons who release the fuel into consumption or persons who supply jet fuel, aviation gasoline or spirit type jet fuel for aircrafts refuelling in Estonia. Payment of stockpiling fee is made to the bank account of the stockholder without a prior request for payment no later than by the fifteenth day of each month in an amount corresponding to the volume released for consumption by the payer of stockpiling fee during the previous calendar month, and to the current rate for stockpiling fee.

Revenue is measured at the fair value of the remuneration received or receivable.
Revenue from sale of services is recognized upon the rendering of the service.
Revenue from the sale of goods is recognised when the significant risks and rewards incidental to ownership have been transferred from the seller to the buyer, the amount of revenue from the sales transaction can be measured reliably, the receipt of the payment from the transaction is probable and the costs incurred in respect of the transaction can be measured reliably.
Interest income is recognized on an accrual basis.

Expenses

Expenses are reported in the same period as the related revenue. Expenses which will probably provide economic gains in the next periods, are recorded as assets when they occur and expenses when the income is received from them (e.g. expenses made for PP&E assets). Expenses which provide revenue in the financial period or will not provide any economic gains are reported as expenses when they occur.
The line "Goods, raw materials and services" in the income statement includes the expense from the sale of stocks arising upon the liquid fuel stocks rotation.

Taxation

The corporate income tax arising from the payment of dividends is recorded as liability and income tax expense in the income statement in the same period when the dividends are announced, regardless of the period when the dividends are announced or when the actual payment is made. The maximum possible income tax liability that may accompany the payment of dividends is provided in the notes to the financial statements.

Related parties

In preparing the annual report of Eesti Vedelkütusevaru Agentuur AS the related parties are deemed to be:
the owner (the Republic of Estonia);
entities under the owner's control or material influence;
members of the management and supervisory board;
and close family members of the persons listed above and entities that are under their control or material influence.

Derivatives and risk management

Derivatives are initially recorded at their fair value as of the date of concluding a derivative contract. Subsequently the derivatives are revalued at each balance sheet date to fair value at that particular moment. The method for recognising profits or losses arising from revaluation depends on whether the derivate instrument has been specified as a hedge instrument (incl. currency and fuel price SWAP transactions) and if so, then also on the nature of the hedged item.

At the conclusion of a transaction the company shall document the relation between hedge instruments and hedged items, hedging objectives and strategies for conducting various hedging transactions. Additionally, the company shall document upon the conclusion of a transaction, on the balance sheet date and upon the realisation of the transaction whether the derivatives used in hedging transactions are efficient.

The full fair value of the hedge instruments is classified as a non-current asset or liability, if the remaining life of a hedged item is longer than 12 months, and as a current asset or liability, if the remaining life of a hedged item is less than 12 months.

Cash flow hedging

Since 2012 the company uses cash flow hedge instruments whose objective is to fixate fuel prices and mitigate the risks of fuel price fluctuation.

The effective portion of changes in fair value of derivative instruments classified and qualified as cash flow hedges are recorded in equity. The gains or losses related to the ineffective portion are immediately reflected in the income statement.

Hedging contracts are concluded in the scope that corresponds with the quantities of liquid fuel stocks in rotation.
At the balance sheet date, the hedge instruments have been revalued to their fair value at that particular moment.

Amounts arising from covering of disposal price or exchange rate are considered as part of purchase amount (inventories) or sales amount (income), regardless of whether these were contracts concluded to mitigate the price or exchange rate fluctuation or of how many contracts there were.

If the mitigation of a hedge instrument no longer meets the criteria for hedge accounting, the cumulative gain or loss in equity shall remain in equity and will be reflected in the income statement upon the final recognition of the forecast transaction. However, if the forecast transaction is no longer expected to occur, any gain or loss in equity on the hedging instrument is recognised in the income statement as financial income or expense.

Derivative instruments not designated as hedging instruments are recorded at fair value through the income statement. Profits and losses arising from changes in fair value of such derivative instruments are reflected in the income statement as financial income or expense.

Evaluation of the efficiency of risk management

The management board shall assess the efficiency of a hedging instrument with open position by comparing changes in fair value of a hedging instrument and an underlying asset.
If the hedging instrument has been concluded in the extent that is in conformity with the quantity of the item being sold or acquired and if the pricing period as well as the underlying assets for pricing are in one-to-one correspondence, the hedging efficiency is very high.

In the evaluation of hedging efficiency, the compliance of the hedging instruments with the conditions of IAS 39, Paragraph 88 must be assessed.

Hedging efficiency is assessed at the following moments:
- at the conclusion of a hedging transaction
- on the balance sheet date
- on the date of disposal of the hedging transaction

Note 2 Cash
(in euros)

	31.12.2014	31.12.2013
Bank accounts	633,039	1,070,518
Deposit accounts	15,634,255	43,245,962
Total cash	**16,267,294**	**44,316,480**

Deposit accounts comprise funds required to fulfil the contingent liabilities recorded in Note 8 in the amount of 81.3 thousand euros and also monetary resources which have been acquired from the disposal of inventories in 2014 during rotation of stocks and which shall be repurchased at the end of the rotation period in the 1st quarter of 2015.

Note 3 Receivables and Prepayments

(in euros)

	31.12.2014	Allocation by remaining maturity			Note
		within 12 months	within 1-5 years	over 5 years	
Accounts receivable	614,083	614,083	0	0	
Accounts receivable	614,083	614,083	0	0	
Other receivables	34,245	34,245	0	0	
Interest receivables	34,245	34,245	0	0	
Prepayments	30,179	30,179	0	0	
Deferred expenses	29,622	29,622	0	0	
Other paid prepayments	557	557	0	0	
Total receivables and prepayments	**678,507**	**678,507**	**0**	**0**	

	31.12.2013	Allocation by remaining maturity			Note
		within 12 months	within 1-5 years	over 5 years	
Accounts receivable	607,853	607,853	0	0	
Accounts receivable	607,853	607,853	0	0	
Tax prepayments and receivables	5,156	5,156	0	0	7
Other receivables	73,514	73,514	0	0	
Interest receivables	73,514	73,514	0	0	
Prepayments	45,571	45,571	0	0	
Deferred expenses	45,014	45,014	0	0	
Other paid prepayments	557	557	0	0	
Other short-term receivables	945,420	945,420	0	0	9
Total receivables and prepayments	**1,677,514**	**1,677,514**	**0**	**0**	

Other receivables comprise the positive market value of a derivative instrument as of 31.12.2013 in the amount of 945,420 euros. An overview of derivative instruments is provided in Note 9.

The clients of the company are fuel companies, who are obligated to pay stockpiling fees on fuel released for consumption pursuant to the Liquid Fuel Stocks Act of the Republic of Estonia.

Note 4 Inventories

(in euros)

	31.12.2014	31.12.2013	Note
Liquid fuel stocks	137,702,323	108,156,799	19
Total inventories	**137,702,323**	**108,156,799**	

Note 5 Property, Plant and Equipment

(in euros)

			Total
		Machinery and equipment	
	Computers and computer systems		
31.12.2012			
Acquisition cost	8,854	8,854	8,854
Accumulated depreciation	−6,860	−6,860	−6,860
Residual cost	1,994	1,994	1,994
Acquisitions and additions	0	0	0
Depreciation	−1,432	−1,432	−1,432
31.12.2013			
Acquisition cost	8,854	8,854	8,854
Accumulated depreciation	−8,292	−8,292	−8,292
Residual cost	562	562	562
Depreciation	−562	−562	−562
31.12.2014			
Acquisition cost	2,190	2,190	2,190
Accumulated depreciation	−2,190	−2,190	−2,190
Residual cost	0	0	0

Disposed property plant and equipment at selling price

	2014	2013
Machinery and equipment	350	0
Computers and computer systems	350	0
Total	**350**	**0**

Note 6 Payables and Prepayments

(in euros)

	31.12.2014	Allocation by remaining maturity			Note
		within 12 months	within 1-5 years	over 5 years	
Supplier payables	472,831	472,831	0	0	
Employee payables	9,332	9,332	0	0	
Tax payables	55,401	55,401	0	0	7
Other payables	25	25	0	0	
Other accrued expenses	25	25	0	0	
Other short-term liabilities	1,743,296	1,743,296	0	0	9
Total payables and prepayments	**2,280,885**	**2,280,885**	**0**	**0**	

	31.12.2013	Allocation by remaining maturity			Note
		within 12 months	within 1-5 years	over 5 years	
Supplier payables	1,417,958	1,417,958	0	0	
Employee payables	11,582	11,582	0	0	
Tax payables	462,950	462,950	0	0	7
Prepayments received	531	531	0	0	
Other received prepayments	531	531	0	0	
Other short-term liabilities	34,372	34,372	0	0	9
Total payables and prepayments	**1,927,393**	**1,927,393**	**0**	**0**	

Other short-term liabilities comprise the negative market value of a derivative instrument in the amount of 1,743,296 (2013: 34,372) euros as of the year-end. An overview of derivatives is provided in Note 9.

Note 7 Tax Prepayments and Liabilities

(in euros)

	31.12.2014		31.12.2013	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	0	44,979	5,156	457,171
Personal income tax	0	3,630	0	1,664
Fringe benefit income tax	0	8	0	264
Social tax	0	6,367	0	3,682
Mandatory funded pension	0	368	0	158
Unemployment insurance tax	0	49	0	11
Total tax prepayments and liabilities	**0**	**55,401**	**5,156**	**462,950**

Note 8 Contingent Liabilities and Assets

(in euros)

	31.12.2014	31.12.2013	Note
Contingent liabilities			
Cost of delegated stocks	91,173	143,468	19
Total contingent liabilities	**91,173**	**143,468**	

Contingent liabilities comprise liquid fuel stocks stored based on contracts for delegated stocks. According to contracts concluded, OSPA may redeem the stocks in the event of possible difficulties in the supply of liquid fuel. An overview of stocks stored under contracts for delegated stocks is provided in Note 19.

Note 9 Derivatives

(in euros)

	31.12.2014		31.12.2013	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives	0	1,743,296	945,420	34,372
Total derivatives	**0**	**1,743,296**	**945,420**	**34,372**

In order to mitigate fuel price risks upon the rotation of liquid fuel, OSPA uses SWAP contracts which have been concluded for the purchase and sale of fixated fuel products in fixated amounts that will take place in future reporting periods. During the rotation of stocks OSPA sells and buys fuel at a market price, on condition that the price risk of the energy product has been mitigated by financial instruments upon the sale and repurchase of the stocks. Provided that the SWAP transactions are specified and efficient, the unrealised gains as of the balance sheet date are recorded under the equity in the cash flow hedge reserve.

In 2014 OSPA sold 5,800 tons of petrol for the purpose of rotation and in order to balance the quantities of stockpiled energy products. The stocks will be reacquired in 2015. Due to changes in the consumption of petrol and diesel fuel we replaced the petrol with diesel fuel during the rotation. OSPA has concluded a SWAP contract for the sale of 5,800 tons of petrol in the 3rd quarter of 2014 and for the repurchase of 5,800 tons of diesel fuel in April 2015.

As of 31.12.2013 the transactions are reflected at fair value as a liability in the amount of 1,743,296 (2013: 34,372) euros.
The total outcome of hedging instruments is recorded in equity under the reserve for cash flow hedging instruments in the amount of -1,743,296 (2013: 911,048) euros.

Note 10 Share Capital

(in euros)

	31.12.2014	31.12.2013
Share capital	132,851,000	132,851,000
Number of shares	1,328,510	1,328,510
Nominal value of shares	100	100

As of 31.12.2014 the company's share capital amounted to 132,851,000 euros, whereas the company's minimum share capital is 50,000,000 (fifty million) euros and the maximum share capital without changing the statutes can amount to 200,000,000 (two hundred million) euros.

The owner of AS Eesti Vedelkütusevaru Agentuur is the Republic of Estonia and the shares are administered by the Ministry of Economic Affairs and Communications.

Note 11 Sales Revenue
(in euros)

	2014	2013
Sales revenue by geographical location		
Net sales in European Union		
Estonia	12,946,137	38,418,037
Sweden	0	36,729
Finland	0	79,904
Denmark	1,445,135	0
Total net sales in European Union	**14,391,272**	**38,534,670**
Total sales revenue	**14,391,272**	**38,534,670**
Sales revenue by operating activities		
Liquid fuel stockpiling fees	6,247,105	5,636,941
Sale of fuels	8,140,566	32,894,739
Sale of other goods and services	3,601	2,990
Total sales revenue	**14,391,272**	**38,534,670**

Note 12 Other Operating Income
(in euros)

	2014	2013
Profit from sale of property, plant and equipment	350	0
Profit from exchange rate differences	0	177,410
Total other operating income	**350**	**177,410**

Note 13 Miscellaneous Operating Expenses
(in euros)

	2014	2013
Leases	9,644	9,216
Energy	0	1,494
Miscellaneous office expenses	5,067	5,715
Travel expense	11,838	11,914
State and local taxes	581	1,028
Allowance for doubtful receivables	65,729	4,597
Fuel stockpiling, analysis, control and pumping expense	5,473,394	5,317,770
Fuel insurance expense	42,458	52,874
Other	53,850	41,826
Total miscellaneous operating expenses	**5,662,561**	**5,446,434**

Note 14 Labour Expense

(in euros)

	2014	2013
Wage and salary expense	119,638	126,472
Social security taxes	39,662	41,906
Total labour expense	**159,300**	**168,378**
Average number of employees in full-time equivalent units	3	3

Note 15 Other Operating Expenses

(in euros)

	2014	2013
Loss from exchange rate differences	53,901	0
Fines, penalties and compensation	28	16
Other	0	600
Total other operating expenses	**53,929**	**616**

Note 16 Other Financial Income and Expense

(in euros)

	2014	2013
Profit (loss) from exchange rate differences	350,179	-580,585
Interest income from deposits	79,360	136,191
Other financial income	7,997	0
Total other financial income and expense	**437,536**	**-444,394**

Note 17 Income Tax

(in euros)

Potential income tax liability of the company

Retained earnings of the company as of 31.12.2014 amount to 6,454,247 (2013: 10,665,678) euros. The maximum possible income tax liability that would accompany the payment of the entire amount of retained earnings as dividends is 1,290,849 (2013: 2,239,792) euros. Therefore, 5,163,398 (2013: 8,425,886) euros can be paid out as dividends.

The calculation of the maximum potential income tax liability is based on the prerequisite that the distributable net dividends and the accompanying income tax expense in total cannot exceed the distributable profit amount as of 31.12.2014.

Note 18 Related Parties

(in euros)

Related party balances according to groups

	31.12.2014		31.12.2013	
	Receivables	Liabilities	Receivables	Liabilities
Other entities belonging into same consolidation group	3,197	68	0	2,350
Management and higher supervisory body and individuals with material ownership interest and entities under their prevalent or material influence	272,612	236,488	223,651	62,463

2014	Purchases	Sales
Other entities belonging into same consolidation group	33,805	34,463
Management and higher supervisory body and individuals with material ownership interest and entities under their prevalent or material influence	2,364,859	2,586,703
2013	**Purchases**	**Sales**
Other entities belonging into same consolidation group	39,064	0
Management and higher supervisory body and individuals with material ownership interest and entities under their prevalent or material influence	616,906	2,200,479

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2014	2013
Remuneration	101,170	109,484

In 2014 remuneration for the members of the management and supervisory board totalled 86,020 (2013: 95,207) euros and 15,150 (2013: 14,277) euros respectively.

Purchase transactions with related parties in 2014 comprised the purchase of services in amount of 2,398,664 euros (2013: 655,970) and sales transactions with related parties in 2014 comprised the sales of services in amount of 2,621,166 euros (2013: 2,193,236) and the sales of goods in amount of 0 euros (2013: 7,243).
Sales to related parties are recorded under “Sales revenue” in the income statement and purchases from related parties are recorded under “Miscellaneous operating expenses” in the income statement.

The owner of AS Eesti Vedelkütusevaru Agentuur is the Republic of Estonia.

In accordance with Section 14 of the Liquid Fuel Stocks Act, the supervisory board of the company comprises of members representing the government as well as the trade associations of the sellers of fuel. Companies related to supervisory board members who represent the sellers of fuel can be fuel companies who operate in the fuel market and supply fuel to the company, or companies to whom the company sells fuel incl. in the event of possible difficulties in the supply of liquid fuel. In addition, the companies that sell fuel usually also provide storage services of the stocks and are payers of the stockpiling fee that is paid in order to cover the costs of managing the stocks.

The establishment of this provision in the Liquid Fuel Stocks Act resulted from the necessity to involve fuel companies who participate in the economic activities with regard to the financing of the costs of managing the liquid fuel stocks by the fuel companies as well as the need to optimally manage the stocks and take the stocks effectively into use in the event of difficulties in supply.

The supervisory board of OSPA consists of six members, elected for five years, half of whom are representatives of the government and half are representatives of the sellers of fuel as specified in the Liquid Fuel Stocks Act. The principles for the formation of the supervisory board of OSPA are determined by Section 14 of the Liquid Fuel Stocks Act. The involvement of fuel companies in the work of the supervisory board can be considered to be a managing specification of OSPA, whose aim is to involve the representatives of fuel companies participating in the economic activity in the establishment and management of the fuel reserve, who shall thereby be involved with exercising supervision over the costs of managing the stocks and ensuring the efficiency of crisis management system.

In order to avoid the conflict of interests concerning the supervisory board members who represent the sellers of fuel, the management board members of the company may, pursuant to a resolution of the supervisory board, disclose information and documents concerning tenders submitted for the Company's pending or finished procurements only to those supervisory board members who are not representatives of the sellers of fuel.

According to the regulation "The principles of the arrangement of the tenders for the establishment and storage of the oil stocks and the general conditions of contracts involved with the oil stocks" the procurement evaluation committee may not include the company's supervisory board members who represent the sellers of fuel in the supervisory board.

Note 19 Additional Note to “Note 4 Inventories”

Liquid fuel stocks in the balance sheet of OSPA as of 31.12.2014

Fuel	Quantity, tons	Location
Petrol	34,491.794	Finland
Petrol	31,482.159	Estonia
Petrol	10,027.190	Sweden
Diesel fuel	68,197.771	Estonia
Diesel fuel	65,066.006	Sweden
Diesel fuel	15,555.389	Finland
Jet fuel	9,946.517	Sweden

		Average acquisition price (excl. taxes), EUR/t	Acquisition cost (excl. taxes) EUR	Acquisition cost (incl. taxes) EUR
Petrol	**76,001.143**	532.37322	40,460,973.25	40,460,973.25
Diesel fuel	**148,819.166**	569.04068	84,684,159.52	90,239,732.78
Jet fuel	**9,946.517**	703.92650	7,001,616.93	7,001,616.93
TOTAL:	**234,766.826**		**132,146,749.70**	**137,702,322.96**

OSPA’s delegated liquid fuel stocks as of 31.12.2014

Fuel	Quantity, tons	Market price USD/t	Storing company	Location		Premium USD/t	Cost EUR
Heavy fuel oil	300.000	328.976	Baltic Marine Bunker AS	Estonia	Kopli	40.00	91,172.72
TOTAL:	**300.000**						**91,172.72**

EUR/USD (31.12.2014) 1.2141

Translated by Triin Truumees, Rödl & Partner