

## ANNUAL REPORT

### AS EESTI VEDELKÜTUSEVARU AGENTUUR

Translation of the Estonian original

Beginning of the financial year:	01 January 2008
End of the financial year:	31 December 2008
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Main activities: - Establishment, maintenance and organisation of renewal of compulsory liquid fuel stocks of the Republic of Estonia in the quantity consumed in ninety (90) days in accordance with the Liquid Fuel Stocks Act (EMTAK code: 52102)

## **TABLE OF CONTENTS**

MANAGEMENT REPORT.....	3
THE FINANCIAL STATEMENTS.....	5
CONFIRMATION OF THE MANAGEMENT BOARD TO THE FINANCIAL STATEMENTS.....	5
INCOME STATEMENT .....	6
BALANCE SHEET.....	7
STATEMENT OF CHANGES IN EQUITY .....	8
CASH FLOW STATEMENT .....	9
NOTES TO THE FINANCIAL STATEMENTS .....	10
Note 1 Accounting methods and principles used in preparing the financial statements.....	10
Note 2 Sales revenue.....	14
Note 3 Operating charges and other operating income.....	14
Note 4 Financial income and expenses.....	15
Note 5 Receivables and prepayments .....	15
Note 6 Inventories.....	16
Note 7 Tangible assets .....	19
Note 8 Payables and prepayments .....	20
Note 9 Owner's equity .....	20
Note 10 Operating lease.....	21
Note 11 Transactions with related parties.....	21
Note 12 Note on the cash flow statement .....	21
INDEPENDENT AUDITOR'S REPORT .....	22
PROFIT DISTRIBUTION PROPOSAL.....	24
SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE ANNUAL REPORT 2008.....	25

## ***MANAGEMENT REPORT***

### **1. Company**

AS Eesti Vedelkütusevaru Agentuur (OSPA) is a company established by the Government of the Republic of Estonia on 15 April 2005 based on the Liquid Fuel Stocks Act. The main objective of the company is to establish and maintain the liquid fuel stocks for 90 days for the Republic of Estonia. OSPA is a legal person governed by private law. All of the shares of the company belong to the state and they are governed by the Ministry of Economic Affairs and Communications that is represented at the general meeting of shareholders by the Minister of Economic Affairs and Communications.

In establishing and maintaining the liquid fuel stocks, OSPA is guided by the Liquid Fuel Stocks Act and implementing provisions thereof.

### **2. Activities**

14 public procurements for increasing the state liquid fuel stocks were organised in 2008, which included procurements for purchasing and storage of liquid fuel. A total of 32 tenders were received, 5 purchase agreements and 6 storage agreements were concluded. State liquid fuel stocks increased in total by 71,954 tons to 177,737 tons. As a result of the procurements organised 2 new storage agreements were concluded for storing 3,000 m<sup>3</sup> of petrol and 3,000 m<sup>3</sup> of diesel fuel in Estonia.

A contest for choosing a new independent auditor was organised in 2008, because the fixed-term contract entered into with the previous auditor expired. The new 3-year contract was concluded with Rödli & Partner Audit OÜ. In addition, new contests were organised for finding a new independent inspector and for insuring the fuel stocks. As a result of the contests new 2-year contracts were concluded with the current independent inspectors (Analiit-AA OÜ and Independent Inspection Services AB) and year's fuel stocks insurance contract with continuation possibility with Lloyd & Partners Ltd'ga.

Considering the gross domestic consumption of Estonia in 2007, the liquid fuel stocks of the state amounted to the volume of 64 day's consumption. Considering that the consumption of liquid fuels decreased in 2008 due to the economic recession, the obligation to hold the 65 days' stocks has been met according to the consumption in 2008. In order to establish the liquid fuel stocks, OSPA's share capital was increased by 838.165 million kroons in 2008, from which 613.165 million kroons are monetary funds for acquisition of stocks in 2009.

In 2008, the liquid fuel stocks of OSPA were kept in six terminals in the Republic of Estonia and in nine terminals in foreign countries - Republic of Finland, Kingdom of Sweden and Kingdom of Denmark (incl. in one refinery).

In 2008, the quality and quantity of the state liquid fuel stocks were assessed by independent inspectors in 15 locations and in 22 occasions. There were no deviations from the quality set forth by standards and quantities laid down by contracts.

As a result of the economically efficient activities of OSPA, it became possible to save 22% of the stockpiling costs compared to the confirmed budget. Therefore part of the stockpiling fees received into the budget was not used and accounted for as input upon establishing the budget for 2009 and taken into account when calculating the new stockpiling fee limits. The abovementioned enabled to establish lower stockpiling fee limits for 2009 than would have been possible without the abovementioned saving.

MAIN FINANCIAL INDICATORS OF THE COMPANY:

	31.12.2008	31.12.2007	+/-
Sales revenue (thousand kr)	40,048	26,851	49%
incl. liquid fuel stockpiling fees	100%	99%	
incl. other revenue	0%	1%	
Net profit	29,770	21,544	
Owner's equity	2,135,111	1,267,176	68%
Net profit margin %	74.34%	80.24%	

The average number of employees incl. members of the management board was 3 in 2008. The wages and salaries of the staff employees amounted to 287,378 kroons, remuneration for the management and supervisory board amounted to 1,175,542 kroons and 225,601 kroons respectfully.

### 3. Objectives for the year 2009

Objectives of OSPA for the year 2009 are

- to increase the state liquid fuel stocks from 65 days to 90 days of the domestic consumption
- to find possibilities for increasing the liquid fuel stocks in Estonia
- to broaden the scope of inspection of liquid fuel stocks
- increasing the readiness to use the stocks in case of crisis
- to broaden the network of cooperation partners

## ***THE FINANCIAL STATEMENTS***

### **CONFIRMATION OF THE MANAGEMENT BOARD TO THE FINANCIAL STATEMENTS**

Herewith we declare our responsibility for the preparation of the financial statements of AS Eesti Vedelkütusevaru Agentuur as set out on pages 5 to 21 and confirm that:

1. the accounting principles used in preparing the financial statements are in compliance with the Estonian generally accepted accounting principles;
2. the financial statements present a true and fair view of the financial situation, economic results and cash flows of the company;
3. the company is going concern.

/signed digitally/  
Alan Vaht  
Manager

/signed digitally/  
Priit Erok  
Member of the Management Board

**INCOME STATEMENT**  
(in kroons)

	<u>2008</u>	<u>2007</u>	<u>Notes</u>
Sales revenue	40,048,203	26,966,999	2
Other operating income	10,860	4,350,050	3
Goods, raw material and services	0	-21,213	
Other operating expenses	-35,162,025	-26,043,103	3
Staff costs	-2,246,610	-1,969,515	
Depreciation and impairment of fixed assets	-25,609	-29,508	7
Other operating charges	<u>-4,525,348</u>	<u>-743</u>	3
<b>Operating profit [loss]</b>	<b>-1,900,529</b>	<b>3,252,966</b>	
Financial income and expenses	<u>31,670,516</u>	<u>18,290,838</u>	4
<b>Profit before tax</b>	<b>29,769,987</b>	<b>21,543,805</b>	
<b>Net profit</b>	<b><u>29,769,987</u></b>	<b><u>21,543,805</u></b>	

## BALANCE SHEET

(in kroons)

	<u>2008</u>	<u>2007</u>	<u>Notes</u>
Cash	797,994,946	610,156,123	
Receivables and prepayments	8,790,350	15,395,169	5
Inventories	1,346,655,188	644,495,343	6
<b>Total current assets</b>	<b>2,153,440,484</b>	<b>1,270,046,635</b>	
Tangible assets	69,451	14,763	7
<b>Total fixed assets</b>	<b>69,451</b>	<b>14,763</b>	
<b>TOTAL ASSETS</b>	<b>2,153,509,935</b>	<b>1,270,061,398</b>	
Payables and prepayments	18,399,144	2,885,595	8
<b>Total short-term liabilities</b>	<b>18,399,144</b>	<b>2,885,595</b>	
<b>Total liabilities</b>	<b>18,399,144</b>	<b>2,885,595</b>	
Share capital	1,465,501,000	1,240,501,000	
Non-registered share capital	613,165,000	0	
Legal reserve	1,363,851	286,661	
Retained profit	55,080,940	26,388,143	
<b>Total owner's equity</b>	<b>2,135,110,791</b>	<b>1,267,175,804</b>	9
<b>Total liabilities and owner's equity</b>	<b>2,153,509,935</b>	<b>1,270,061,398</b>	

**STATEMENT OF CHANGES IN EQUITY**  
(kroonides)

	Share capital	Non-registered share capital	Reserves	Retained profit	Total owner's equity
<b>31.12.2006</b>	<b>886,501,000</b>	<b>0</b>	<b>286,661</b>	<b>4,844,338</b>	<b>891,631,999</b>
Share capital increase	354,000,000	0	0	0	354,000,000
Net profit for financial year	0	0	0	21,543,805	21,543,805
<b>31.12.2007</b>	<b>1,240,501,000</b>	<b>0</b>	<b>286,661</b>	<b>26,388,143</b>	<b>1,267,175,804</b>
Share capital increase	225,000,000	613,165,000	0	0	838,165,000
Legal reserve increase	0	0	1,077,190	-1,077,190	0
Net profit for financial year	0	0	0	29,769,987	29,769,987
<b>31.12.2008</b>	<b>1,465,501,000</b>	<b>613,165,000</b>	<b>1,363,851</b>	<b>55,080,940</b>	<b>2,135,110,791</b>

Additional information on the movement of owner's equity is provided in note 9.



## CASH FLOW STATEMENT

(in kroons)

	2008	2007	Notes
Operating profit	-1,900,529	3,252,966	
Adjustments to operating profit	-1,249,661	-8,267,897	12
Change in inventories related to operating activities	-695,555,026	-456,036,207	
Change in liabilities and prepayments related to operating activities	15,513,549	-27,540,728	
<b>Total cash flow from operating activities</b>	<b>-683,191,667</b>	<b>-488,591,866</b>	
Acquisition of fixed assets	-80,890	0	7
Interests received	32,946,518	26,588,461	4
<b>Total cash flow from investing activities</b>	<b>32,865,628</b>	<b>26,588,461</b>	
Share capital increase	838,165,000	354,000,000	9
Interests paid	-138	-217	4
<b>Total cash flow from financing activities</b>	<b>838,164,862</b>	<b>353,999,783</b>	
<b>Total cash flow</b>	<b>187,838,823</b>	<b>-108,003,622</b>	
<b>Cash and cash equivalents at the beginning of period</b>	<b>610,156,123</b>	<b>718,159,745</b>	
Change in cash and cash equivalents	187,838,823	-108,003,622	
<b>Cash and cash equivalents at the end of period</b>	<b>797,994,946</b>	<b>610,156,123</b>	

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 1          Accounting methods and principles used in preparing the financial statements**

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 acquisition cost principle, except for the cases when the accounting principles below describe otherwise. The Estonian generally accepted accounting principles are the accounting principles based on internationally recognized accounting and reporting policies, the basic requirements of which are established in the Accounting Act, supplemented by the standards issued by the Estonian Accounting Standards Board.

All statements in the financial statements have been presented in Estonian kroons, if not specified otherwise.

The following provides a view of the main accounting principles and measuring bases.

#### ***Foreign currency transactions***

The transactions nominated in a foreign currency are translated into Estonian kroons according to the foreign exchange rates of the Bank of Estonia officially valid on the day of transaction. The monetary assets and liabilities nominated in a foreign currency are translated into Estonian kroons according to the foreign exchange rates of the Bank of Estonia officially valid on the balance sheet date.

The 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 revenue and charges, the other differences arising from foreign exchange rates are recognized in the financial income and expenses.

#### ***Recognising revenue***

The company's revenue consists in liquid fuel stockpiling fees (fees paid by the importer to cover the costs for maintenance of stocks) that the fuel importer is obligated to pay on the volumes released for consumption in Estonia pursuant to Liquid Fuel Stocks Act of the Republic of 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 the current rate for stockpiling fee.

Revenue is presented at the fair value of the consideration received or receivable. If paying is carried out during a longer period than regular terms, the revenue is recognized at the current value of the consideration received.

Revenue from selling services is recognized upon offering the service.

Interest income is recognized on an accrual basis, based on the internal interest rate.

### *Cash and cash equivalents*

Short-term (maturity date less than 3 months) investments with sound 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. the cash at hand and in bank, the call deposits with a term of within 3 months and the shares of interest market funds are recognized as cash equivalents in the cash flow statement.

### *Financial assets*

All financial assets are initially recognized at their acquisition cost, which is the fair value of the consideration given for them. The initial acquisition cost also comprises all expenditure directly related to the acquisition of the financial asset, including fees to agents and consultants, non-returnable taxes associated with the transaction and other similar expenditure, except for the expenditure related to the acquisition of such financial assets, which are recognized at their fair value with a change through the income statement.

All purchases and sales of financial assets occurring in regular market conditions are recognized on the transaction day of these transactions, i.e. on the day the company commits itself (e.g. enters into a contract) to buy or sell a certain financial asset. As occurring in regular market conditions are considered purchases and sales, in the case of which the transfer from the seller to the purchaser of the bought or sold financial asset is realized during the period set on the market or required by relevant market regulations.

#### Financial assets recognized at the acquisition cost

Financial assets recognized at the acquisition cost must be written down to their recoverable amount, in case the latter is lower than the balance sheet cost of the financial asset. The recoverable amount of the financial assets recognized at the acquisition cost is the cash flows presumably gained from the financial asset in the future, discounted by the market's average yield rate for similar financial assets. The write-down of the financial asset is recognized as financial expenses in the income statement. The write-down of the financial assets recognized at the acquisition cost will not be cancelled later.

Recognizing a financial asset ends, when the company loses its right for the cash flows from the financial asset or it transfers the cash flows from the asset and the majority of the risks and benefits related to the asset to a third party.

### *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 presents as inventories the above-mentioned fuel stocks, which are recorded at the acquisition cost comprising the purchase price of the stocks, the customs duty related to purchasing, other non-refundable taxes and the transportation costs related to purchasing, discounts deducted. The inventories have been presented in the balance sheet at the lower of acquisition cost and net realizing value.

To determine the acquisition cost of inventories, FIFO method is used.

### *Tangible assets*

Assets which have a useful life of over 1 year and the cost of over 20,000 kroons are considered to be tangible assets. Assets with a useful life of over 1 year but acquisition cost less than 20,000

**AS Eesti Vedelkütusevaru Agentuur**  
**Annual Report 2008**

kroons are recorded as low-value items (inventories) until taken into use and are fully expensed when the asset is taken into use.

Intangible assets are initially recorded at their acquisition cost, comprising the purchase price and the expenses directly related to acquisition.

Hereafter the tangible assets are presented in the balance sheet at acquisition cost less accumulated depreciation and possible write-downs due to decrease in value.

If a tangible asset item consists of different 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 the tangible assets is calculated based on the straight-line method. The depreciation rates are determined for each tangible asset item individually depending on its useful life. The annual depreciation rates for the groups of tangible assets are as follows:

- Other inventory, tools and fittings 33.3 %

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 balance sheet residual cost.

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 judgements, i.e. prospectively.

Recognizing tangible asset is ended at disposing the asset or when the company presumes no more economic benefits from using or sale of the asset. The profits and losses arising from ending the recognition of a tangible asset are recognized in the income statement of the period when the recognition was ended, on the line "other operating income" or "other operating charges".

The tangible assets that are most probably sold during the next 12 months are reclassified as fixed assets for sale, which are recognized in a separate group of current assets in the balance sheet. Depreciation of fixed assets for sale is ended and they are recognized either at balance sheet residual cost or at fair value (less selling expenses), whichever is lower.

### ***Financial liabilities***

Financial liabilities are initially recognized at their acquisition cost, which is the fair value of the consideration received for them. Hereafter the financial liabilities are recognized at their adjusted acquisition cost, using the effective interest rate. Transaction costs are taken into account at calculating the effective interest rate and recorded as expenses during the useful life of the financial liability. Financial liabilities purchased for resale are recognized at their fair value and the changes of the fair value are recognized in the income statement.

The interest expenditure related to financial liabilities are 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 is expired.

### ***Provisions and contingent liabilities***

A provision is recognized in the balance sheet in case the company has a legal or activity-caused obligation arising from a binding event occurred before the balance sheet date, the realizing of the obligation is likely and the amount of the obligation is reliably measurable.

Promises, guarantees and other obligations that may turn into obligations in the future under certain conditions, but the realizing of which is less likely than not realizing, by the evaluation of the Management Board of the parent company, have been disclosed as contingent liabilities in notes to the annual accounts.

### ***Taxation of corporate income***

In accordance with valid legislation, tax is not charged on a company's profit in Estonia, whereby there are no deferred income tax receivables or liabilities. Instead of the profit, tax is charged in Estonia on dividends paid from retained profit with valid tax rate of 21/79 on sums paid as net dividends. The corporate income tax arising from the payment of dividends is recorded as 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.

### ***Statutory legal reserve***

Pursuant to the Commercial Code of the Republic of Estonia and the company's articles of association, the company transfers annually at least 5% of net profit to the legal reserve, until the legal reserve forms at least 10% of the share capital. Legal reserve must not be distributed as dividends, but it may be used to cover the loss, unless losses cannot be covered from the available owner's equity. Also, legal reserve may be used to increase the share capital.

### ***Accounting for 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 the case of operating lease, the leased asset is recognized in the balance sheet by the lessor. The operating lease payments are recognized straight-line as income by the lessor and as expenses by the lessee during the lease period.

### ***Subsequent events***

Material matters that have an effect on the evaluation of assets and liabilities that became evident between the balance sheet date and the date of preparing the financial statements, but are related to transactions that took place in the reporting period or earlier periods.

Events after the balance sheet date that have not been taken into consideration when evaluating the assets and liabilities, but have material effect on the result of the next financial year are disclosed in the notes of the financial statements.

**Note 2 Sales revenue**

Sales revenue of AS Eesti Vedelkütusevaru Agentuur by geographical regions and activities divides as follows.

<b>Geographical regions</b>	<b>01.01.-31.12.2008.</b>	<b>01.01.-31.12.2007.</b>
Estonia	40,048,203	26,850,635
Switzerland	0	116,364
<b>Total</b>	<b>40,048,203</b>	<b>26,966,999</b>
 <b>Activities</b>		
Storage services of liquids and gases (EMTAK code: 52102) i.e. liquid fuel stockpiling fees	40,048,103	26,829,422
Other revenue	100	137,577
<b>Total</b>	<b>40,048,203</b>	<b>26,966,999</b>

**Note 3 Operating charges and other operating income**

	<b>2008</b>	<b>2007</b>
<b>Other operating expenses</b>		
Storage costs	32,474,666	23,250,256
Costs of fuel analysis and pumping	923,601	726,258
Legal expenses	73,115	387,214
Insurance payments and services	879,828	435,264
Costs of doubtful receivables	51,772	454,278
Other expenses	759,043	789,833
<b>Total other operating expenses</b>	<b>35,162,025</b>	<b>26,043,103</b>
 <b>Other operating income</b>		
Profit from currency exchange rate changes	0	4,119,705
Fines, penalties	10,803	230,342
Other income	57	4
<b>Total operating income</b>	<b>10,860</b>	<b>4,350,050</b>
 <b>Other operating charges</b>		
Loss from currency exchange rate changes	-4,129,732	0
Fines	-60,571	0
Other expenses	-335,045	-743
<b>Total other operating charges</b>	<b>-4,525,348</b>	<b>-743</b>

**Note 4 Financial income and expenses**

	<u>2008</u>	<u>2007</u>
Interest income (-expenses)	32,946,380	26,588,244
Profit (loss) from currency exchange rate changes	-1,275,864	-8,297,406
<b>Total financial income and expenses</b>	<b><u>31,670,516</u></b>	<b><u>18,290,838</u></b>

**Note 5 Receivables and prepayments**

	<u>2008</u>	<u>2007</u>
Receivables from customers	4,187,023	4,226,016
Other short-term receivables	68	161
Accrued income	2,587,850	10,442,243
Prepaid and deferred taxes	1,843,729	87,362
Prepaid future expenses	171,680	639,388
<b>Total receivables and prepayments</b>	<b><u>8,790,350</u></b>	<b><u>15,395,169</u></b>

<sup>1</sup> Prepaid taxes are divided by tax types as follows:

	<u>2008</u>	<u>2007</u>
Value Added Tax (Denmark)	87,279	87,279
Value Added Tax (Estonia)	1,756,450	0
Tax interests	0	83
<b>Total prepaid taxes</b>	<b><u>1,843,729</u></b>	<b><u>87,362</u></b>

The company's clients are fuel companies, who commit to pay stockpiling fees on the fuel released for consumption pursuant to the Liquid Fuel Stocks Act of the Republic of Estonia. In 2008 doubtful receivables in the amount of 51,772 (2007: 454,278) kroons have been written off.

**Note 6 Inventories**

	<b>2008</b>	<b>2007</b>
Inventories (liquid fuel stocks)	1,346,655,188	644,495,343
<b>Total inventories</b>	<b>1,346,655,188</b>	<b>644,495,343</b>

All inventories are in storages with liability.

**Liquid fuel stocks in the balance sheet of OSPA as of 31.12.2008**

Fuel	Density, kg/m3	Quantity, tons	Storing company	Location		Premium USD/ton	Escalation	Acquisition cost EEK
Petrol	752.3	3,987.190	Svenska Shell AB	Sweden	Södertälje	10.00	1.0036	21,561,000
Petrol	732.4	4,147.110	Tartu Terminaal AS	Estonia	Tartu	11.00	1.0309	32,821,981
Petrol	741.3	8,237.717	Baltic Tank OY	Finland	Kemi	45.00	1.0185	60,363,557
Petrol	745.0	3,600.000	Petkam AS	Estonia	Maardu	18.00	1.0134	25,712,985
Petrol	745.0	5,400.000	Tartu Terminaal AS	Estonia	Tartu	17.50	1.0134	38,193,805
Petrol	738.0	13,685.642	Suomen Petrooli Oy	Finland	Hamina	10.00	1.0230	126,533,168
Petrol	745.4	6,825.866	Suomen Petrooli Oy	Finland	Hamina	8.00	1.0129	70,311,135
Petrol	735.7	2,207.103	Petkam AS	Estonia	Maardu	20.00	1.0262	23,912,059
Diesel fuel	842.5	4,263.353	STS	Sweden	Karlshamn	13.00	1.0030	24,940,000
Diesel fuel	835.2	2,552.971	Viljandi Naftabaas OÜ	Estonia	Viljandi	22.00	1.0117	20,179,361
Diesel fuel	835.3	5,295.602	Baltic Tank AS	Estonia	Kunda	32.00	1.0116	42,541,831
Diesel fuel	835.1	6,066.510	STS	Sweden	Karlshamn	13.00	1.0119	48,018,433
Diesel fuel	834.5	26,189.156	Nordic Storage AB	Sweden	Piteå	41.25	1.0126	193,826,158
Diesel fuel	835.0	6,500.000	Tartu Terminaal AS	Estonia	Tartu	29.00	1.0120	46,575,393
Diesel fuel	842.7	10,955.000	Tartu Terminaal AS	Estonia	Tartu	18.50	1.0027	89,760,838
Diesel fuel	831.3	20,716.130	Baltic Tank OY	Finland	Turu	17.00	1.0165	201,210,331
Diesel fuel	833.7	16,663.215	Nordic Storage AB	Sweden	Malmö	13.00	1.0136	141,009,143
Diesel fuel	830.1	10,376.339	Nordic Storage AB	Sweden	Malmö	8.40	1.0179	91,813,718
Diesel fuel	842.7	1,300.000	Baltic Tank AS	Estonia	Kunda	49.00	1.0027	11,632,089
Aviation fuel	788.5	4,030.099	BP Aviation A/S	Denmark	Copenhagen	-6.75	1.0146	35,738,203
								<b>1,346,655,188</b>

**Delegated inventories of OSPA as of 31.12.2008**

Fuel	Quantity, tons	Storing company	Location	
Petrol	12,000	Svenska Shell AB	Sweden	Gothenburg
Aviation fuel	1,900	Mazeikiu OÜ	Estonia	Muuga
Heavy fuel oil	822	NT Marine AS	Estonia	Kopli

OSPA's standpoint is that pursuant to the effect of the definition of inventories provided by ASBG 4 "Inventories" of the Guidelines of the Accounting Standards Board, definition of liquid fuel stocks provided by § 1(2) of the Liquid Fuel Stocks Act (LFSa) and LFSa § 17(1) OSPA is not obligated to revalue its liquid fuel stocks.

According to the definition provided by ASBG 4 "Inventories" of the Guidelines of the Accounting Standards Board, inventories are assets held for sale or are in the process of production for sale in the ordinary course of business or are consumed in the production process or upon rendering services.

Pursuant to LFSa § 1(2) liquid fuel stocks means the quantities of petroleum products at the disposal or under the control of the state, which are established in order to ensure national security and the survival of the population of the state, to perform obligations assumed under international



**AS Eesti Vedelkütusevaru Agentuur**  
**Annual Report 2008**

agreements relating to the supply of energy and fuel, and to prevent an adverse effect on economic activities or to mitigate the effect of disturbances in the event of disturbances in the supply of petroleum products. Pursuant to the definition liquid fuel stock are not held for ordinary course of business.

Pursuant to LFSA § 17(1) the stockholder (OSPA) has the right to sell the stocks only at the market price which shall not be lower than the weighted average acquisition cost of the relevant type of fuel. Sale at a price lower than the acquisition cost is only permitted with the authorisation of the Minister of Economic Affairs and Communications.

Pursuant to LFSA stocks can be disposed of only in case of disturbances in the supply, i.e. in case of petrol deficit in the market.

Based on the Platts average liquid fuel prices in December 2008 the market value of the liquid fuel stocks in the balance sheet of OSPA amounts to 847,073,252 EEK. Therefore the market value of the stocks is 499,581,936 EEK lower than their balance sheet value. When calculating the market value of the liquid fuel stocks the premium per every specific supply is taken into account. In addition, the fuel price is adjusted with escalation, taking into account the density. Platts average price of petrol, diesel fuel and aviation fuel as of December 2008 were correspondingly 343.226, 481.560 and 488.012 USD/t. dollar exchange rate used as of 31.12.2008 was 11.1052.

**Effect of inventory write-down on balance sheet and income statement:**

<b>Effect of changes in inventories on the income statement</b>	<b>Income statement 2008</b>	<b>Inventory write-down</b>	<b>Effect of inventory write-down</b>
Sales revenue	40,048,203	0	40,048,203
Other operating income	10,860	0	10,860
Goods, raw material and services	0	-499,581,936	-499,581,936
Other operating expenses	-35,162,025	0	-35,162,025
Staff costs	-2,246,610	0	-2,246,610
Depreciation and impairment of fixed assets	-25,609	0	-25,609
Other operating charges	-4,525,348	0	-4,525,348
<b>Operating profit [loss]</b>	<b>-1,900,529</b>	<b>-499,581,936</b>	<b>-501,482,465</b>
Financial income and expenses	31,670,516	0	31,670,516
<b>Profit [loss] before tax</b>	<b>29,769,987</b>	<b>-499,581,936</b>	<b>-469,811,949</b>
<b>Net profit [loss]</b>	<b>29,769,987</b>	<b>-499,581,936</b>	<b>-469,811,949</b>

Effect of changes in inventories on the  
balance sheet

	Balance sheet 31.12.2008	Inventory write-down	Effect of inventory write-down
Cash	797,994,946	0	797,994,946
Receivables and prepayments	8,790,350	0	8,790,350
Inventories	1,346,655,188	-499,581,936	847,073,252
<b>Total current assets</b>	<b>2,153,440,484</b>	<b>-499,581,936</b>	<b>1,653,858,548</b>
Tangible assets	69,451	0	69,451
<b>Total fixed assets</b>	<b>69,451</b>	<b>0</b>	<b>69,451</b>
<b>TOTAL ASSETS</b>	<b>2,153,509,935</b>	<b>-499,581,936</b>	<b>1,653,927,999</b>
Payables and prepayments	18,399,144	0	18,399,144
<b>Total short-term liabilities</b>	<b>18,399,144</b>	<b>0</b>	<b>18,399,144</b>
<b>Total liabilities</b>	<b>18,399,144</b>	<b>0</b>	<b>18,399,144</b>
Share capital	1,465,501,000	0	1,465,501,000
Non-registered share capital	613,165,000	0	613,165,000
Legal reserve	1,363,851	0	1,363,851
Retained profit	55,080,940	-499,581,936	-444,500,996
<b>Total owner's equity</b>	<b>2,135,110,791</b>	<b>-499,581,936</b>	<b>1,635,528,855</b>
<b>Total liabilities and owner's equity</b>	<b>2,153,509,935</b>	<b>-499,581,936</b>	<b>1,653,927,999</b>

**Note 7 Tangible assets**

	Inventory	Total other tangible assets
<b>Residual value 31.12.2007</b>	<b>14,763</b>	<b>14,763</b>
Purchases and improvements	80,890	80,890
Disposal of fixed assets	-33,545	-33,545
Depreciation of the financial year	-25,609	-25,609
Depreciation write-off	32,952	32,952
<b>Residual value 31.12.2008</b>	<b>69,451</b>	<b>69,451</b>
Acquisition cost 31.12.2007	88,534	88,534
Accumulated depreciation 31.12.2007	-73,771	-73,771
<b>Residual value 31.12.2007</b>	<b>14,763</b>	<b>14,763</b>
Purchases	80,890	80,890
Disposal of fixed assets	-33,545	-33,545
Depreciation of the financial year	-25,609	-25,609
Depreciation write-off	32,952	32,952
Acquisition cost 31.12.2008	135,879	135,879
Accumulated depreciation 31.12.2008	-66,428	-66,428
<b>Residual value 31.12.2008</b>	<b>69,451</b>	<b>69,451</b>

### Note 8 Payables and prepayments

	<u>2008</u>	<u>2007</u>
Payables to suppliers	18,169,257	2,341,936
Payables to employees	42,496	42,185
Taxes payable <sup>1</sup>	175,801	491,009
Other payables	11,590	10,465
<b>Total payables and prepayments</b>	<b><u>18,399,144</u></b>	<b><u>2,885,595</u></b>

<sup>1</sup> Taxes payable are divided by tax types as follows:

	<u>2008</u>	<u>2007</u>
Value Added Tax	0	361,485
Corporate income tax	2,535	2,876
Social tax	106,062	76,420
Personal income tax	60,856	45,787
Funded pension	5,782	4,261
Unemployment insurance tax	566	180
<b>Total taxes payable</b>	<b><u>175,801</u></b>	<b><u>491,009</u></b>

### Note 9 Owner's equity

As of 31.12.2008 the company's share capital amounted to 1,465,501,000 kroons and unregistered share capital amounted to 613,165,000 kr (Commercial Registry entry of 22.01.2009), whereas the company's minimum share capital is 1,000,000,000 kroons and the maximum share capital without changing the articles of association can be 4,000,000,000 kroons.

In 2008 the share capital was increased by 838,165 shares. The nominal value of the shares issued is 838,165,000 kroons. 838,165 shares were paid for in cash.

#### Company's potential income tax liability

the retained profit of the company as of 31.12.2008 amounted to 55,080,940 (2007: 26,388,143) kroons. The maximum income tax liability, which would arise from the payment of dividends from the retained profit (taking into account the liability to transfer 1/20 of the net profit into legal reserve, pursuant to the Commercial Code), is 11,254,413 (2007: 5,315,300) kroons. Thus 42,338,028 kroons can be paid out as dividends.

The maximum income tax liability has been calculated on the assumption that the sum of net dividends to be distributed and the income tax expenses recognised may not exceed the distributable profit as of 31.12.2008.

**Note 10      Operating lease**

**Operating lease**

In 2008 lease expenses from the operating leases for premises amounted to 125,481 (2007: 111,344) kroons.

**Note 11      Transactions with related parties**

In 2008 remuneration for management board members amounted to 1,175,542 (2007: 1,154,238) kroons and remuneration for supervisory board members amounted to 225,601 (2007: 214,350) kroons.

**Note 12      Note on the cash flow statement**

Adjustments of the operating profit comprise the following non-monetary profits and losses related to operating activities:

	<u>2008</u>	<u>2007</u>
Depreciation of tangible assets (note 7)	25,609	29,508
Loss from fixed asset disposal	593	0
Profit (loss) from currency exchange rate changes	-1,275,863	-8,297,406
<b>Total operating profit adjustments</b>	<u><b>-1,249,661</b></u>	<u><b>-8,267,897</b></u>

Rödl & Partner Audit OÜ

**Audit**  
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## INDEPENDENT AUDITOR'S REPORT

### To the shareholder of AS Eesti Vedelkütusevaru Agentuur

We have audited the accompanying financial statements of AS Eesti Vedelkütusevaru Agentuur, which comprise the balance sheet as of 31 December 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Estonian General Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Estonian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of AS Eesti Vedelkütusevaru Agentuur as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with Estonian General Accepted Accounting Principles.

#### *Rödl & Partner International:*

Saksamaa, Ameerika Ühendriigid, Araabia Ühendemiraadid, Austria, Belgia, Brasiilia, Bulgaaria, Hiina RV, Hispaania, Hongkong, Horvaatia, India, Indoneesia, Itaalia, Leedu, Lõuna-Korea, Läti, Malaisia, Moldova, Poola, Prantsusmaa, Rootsi, Rumeenia, Singapur, Slovakkia, Sloveenia, Šveits, Tai, Tšehhi, Türgi, Ukraina, Ungari, Valgevene, Venemaa, Vietnam

IBAN: EE37 3300 3325 0275 0005  
BIC: FORE EE2X  
Danske Bank A/S Eesti filiaal  
Äriregistri kood: 10585817

## **Emphasizing a circumstance**

Without giving a qualified opinion for the circumstance, we would like to draw your attention to note 6, where AS Eesti Vedelikütusevaru Agentuur describes presenting the strategic liquid fuel stocks of the state in its balance sheet.

2 April 2009

*/signed digitally/*

Erika Tikenberg  
Certified Public Accountant

## PROFIT DISTRIBUTION PROPOSAL

The Management Board proposes the general meeting of AS Eesti Vedelkütusevaru Agentuur to divide the profit as follows:

Retained profit as of 31.12.2008	55,080,940
Increase of legal reserve	-1,488,499
Retained profit after the profit distribution decision	53,592,441

/signed digitally/  
Alan Vaht  
Manager

/signed digitally/  
Priit Enok  
Member of the Management Board



***SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE ANNUAL REPORT 2008***

Herewith we confirm the correctness of the data presented in the Annual Report 2008 of AS Eesti Vedelkütusevaru Agentuur.

Signing the Annual Report 2008 of AS Eesti Vedelkütusevaru Agentuur:

/signed digitally/

Alan Vaht  
Manager

/signed digitally/

Priit Enok  
Member of the Management Board

/signed digitally/

Ando Möldre  
Member of the Supervisory Board

/signed digitally/

Aivo Vaske  
Member of the Supervisory Board

/signed digitally/

Anne-Ly Normak  
Member of the Supervisory Board

/signed digitally/

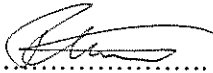
Rain Talmar  
Member of the Supervisory Board

/signed digitally/

Lembit Eespäev  
Member of the Supervisory Board

/signed digitally/

Tõnu Ääro  
Member of the Supervisory Board

Translated by Piret Mets, Rödl & Partner OÜ.....

/signed digitally/  
Manager