ANNUAL REPORT

beginning of financial year:	01/01/2023
end of financial year:	31/12/2023

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Table of contents

Management Report	**3**
The Financial Statements	**10**
Statement of Financial Position	**10**
Income Statement	**11**
Statement of Cash Flows	**12**
Statement of Changes in Equity	**13**
Notes to the Financial Statements	**14**
Note 1. Accounting policies	**14**
Note 2 Cash and cash equivalents	**19**
Note 3. Receivables and prepayments	**20**
Note 4. Inventories	**22**
Note 5. Property, plant and equipment	**23**
Note 6. Tax prepayments and liabilities	**24**
Note 7. Payables and prepayments	**24**
Note 8. Contingent liabilities and assets	**25**
Note 9 Targeted financing	**25**
Note 10. Share capital	**26**
Note 11. Net sales	**27**
Note 12. Other operating income	**27**
Note 13. Miscellaneous operating expenses	**27**
Note 14. Labour expense	**28**
Note 15. Related parties	**28**
Signatures to the report	**29**
Independent Auditor's Report	**30**

MANAGEMENT REPORT 2023

1. Company

In 2023, AS Eesti Varude Keskus (Estonian Stockpiling Agency or ESPA) continued its contribution to the ability of Estonian inhabitants to cope in emergencies. A couple of years ago, when our main focus was on adapting to become a wide-scope company managing the state's stockpiling, then in the last financial year, the company mainly fulfilled its tasks taken earlier. Nevertheless, several new activity fields were assigned to ESPA in 2023, its share capital as well as the organisation itself were increased.

In 2023, an operation stock of human medicines for the state was established, the natural gas reserve was increased to an amount defined by the government, a grain stock was established and the portion of the liquid fuel reserve stored in Estonia was considerably increased. In order to increase the business continuity of ESPA and release the state's operation stocks, an electric generator reserve was established; in order to ensure the smooth availability of liquid fuel in emergencies, an emergency tanking ability was established all over Estonia, and the diesel fuel in the state's operation reserve was moved to a commercial storage. As new activity fields, the establishment of a veterinary medicines stock as an operation stock for the state as well as the task to acquire the infrastructure built in Pakrineeme for receiving liquefied natural gas (LNG) and start operating the port added.

In order to organise the company's activity more efficiently, its quality management was further modernised, which included preparations for implementing the principles of sustainability, the company's risk assessment procedures were updated, a document management solution and a new stock payments declaration information system was implemented. In order to increase information security, ESPA's computer workstations are now managed by the Estonian IT Centre. In order to further automate the company's work processes, all services and business processes were mapped. A Stock Manager and (after the reporting date) a Financial Manager were added to ESPA's team.

In order to obtain an additional gas reserve and to finance the acquisition of the LNG floating terminal and the related port premises, the owner considerably increased ESPA's stock capital in 2023.

1.1. Owner's expectations

Based on the owner's expectations, ESPA is a strategically important business for the state that is responsible for coping during or preventing emergencies as well as for establishing and managing the operation stocks necessary for securing the state's security of supply, state's security and subsistence of inhabitants.

Under the State Assets Act, ESPA is a *company with predominantly public purposes.* Based on the owner's expectations, the Republic of Estonia has an interest in the company in order to ensure the establishment and management of the state's operation stocks according to the Emergency Act, Liquid Fuel Stocks Act, Natural gas Act and other relevant acts as well as to ensure that, in case of supply difficulties, the release of operation stocks is organised and the continuity of services guaranteed. Another reason for the Republic of Estonia to have an interest in the company is to ensure the capability of receiving LNG floating terminals and LNGS carriers as well as establishing and managing the infrastructure (including port infrastructure) required for this.

As strategic goals, the owner's expectations include:

- establishing and maintaining the operation stock of Republic of Estonia and organising the replenishment of the stocks pursuant to the applicable laws;
- organising the purchase and sales of the state's operation stock as well as its storage, taking into account the risk environment;
- analysing the security of supply and companies' business continuity in the areas of the state's operation stock;
- organising the release of stocks in the event of difficulties in the supply of the state's operation stock;
- developing cooperation with persons involved in establishing, managing and releasing the state's operation stock;
- ensuring the capability of receiving LNG[1] floating terminals and LNGC[2] carriers in Pakrineeme port, and establishing port infrastructure meeting international standards, organising port operation and rendering port services.

1.2. Financial targets

An expectation of the Republic of Estonia as an owner is that the state companies operating in a free market are profitable. When assessing ESPA's profitability, the principles for establishing an operation stock and organising the financing of stock management that are set out in the Emergency Act, Liquid Fuel Stocks Act and Natural Gas Act

[1] Liquefied natural gas
[2] Liquefied natural gas carrier

should be considered.

Under the Emergency Act, expenses for establishing, managing and releasing the state's operation stock are covered from the state budget or from means received from selling the stocks. As an exception, the Liquid Fuel Act and the Natural Gas Act are applied, according to which the cost of acquiring stocks by AS Eesti Varude Keskus are covered from the state budget by increasing the stock capital of the stock manager or from the means earned from the sales of operation stocks. Liquid fuel stock management costs are covered from the stock payments paid by fuel excise duty payers, whereby natural gas stock management costs are covered from the stock payments paid by the network companies.

Considering that AS Eesti Varude Keskus is only allowed to collect the stock payment in an amount required for covering the management costs of liquid fuel stock and strategic natural gas stock, and that excess receipt cannot be considered as accumulated profits, the interest governor does not consider it as reasonable to set an expected equity price. When using the funds meant for acquiring the state's operation stocks, the company should follow its goal of efficient operation, and at the same time ensure the value and the purpose of state operation stock.

The company is using cash flow risk management instruments aimed at fixing fuel prices and hedging. Based on the activity principles of the company, the Estonian Stockpiling Agency is hedging the price risks related to stock acquisition and the currency risks. The company abides by the Liquid Fuel Act requiring that the price risk is hedged when selling and reacquiring stocks. The primary goal of using hedging instruments is hedging price fluctuations and protecting the company from unexpected market changes. For instance, when rotating the stocks, it should be ensured that, with the means earned from the sales of goods, the same amount of goods can be obtained, irrespective of the time-based changes in market prices or fluctuations in exchange rates. Altogether, this helps the company to keep the general security of supply.

The year 2023 was turbulent and we experienced volatility in the fuel and currency markets. The year was characterised by a geopolitical crisis, on the oil supply side concerns related to political choices of the main manufacturing countries, and on the demand side to the economic growth of fuel importers. The euro area eluded a general economic recession by the end of the year, but the events that took place from January to December did not create any security. In 2023, trading in the oil market was exceptionally nervous but also active. In 2022, market patterns were affected by the initial price increase due to Russia's war activity, supply disturbances after attacking Ukraine, international sanctions and the considerably longer global supply chains due to this. In retrospect, considering all the political events over the year, the market changes were surprisingly modest.

1.3. Company's strategy

ESPA's vision is to be the last defence line of the society's security of supply, and a leader in resilience; ESPA's mission is to wisely organise the state's security of supply together with partners.

The values and operating principles of the company are the continuity of the Estonian state, storage of assets, rational and flexible activity, initiative and the courage to act.

ESPA's strategic development directions are:

- within its areas of responsibility, ensuring security of supply in accordance with emergencies as well as the establishment and storage of operation stocks;
- ensuring the business continuity of ESPA and its cooperation partners;
- clarity in the legislation related to stocks and security of supply;
- inhabitants, entrepreneurs, and institutions in Estonia value the security of supply and contribute to the preparedness for crisis;
- provision of stocks and the security of supply to inhabitants, entrepreneurs and institutions in Estonia;
- ESPA is an organisation applying best management practices, operating efficiently and having a great public image.

1.4. Key financial indicators

Key financial indicators	**2023**	**2022**
Operating profit margin % (operating profit/revenue x 100)	6.57%	31.62%
Net margin % (net profit/revenue x 100)	6.75%	32.06%
Equity ratio % (equity/total assets x 100)	0.98	0.97
Current ratio (current assets/current liabilities)	49.43	37.19
Quick ratio (liquid assets/current liabilities)	4.14	2.19
ROA % (net profit/total assets x 100)	0.68%	4.29%
ROE % (net profit x 100 equity x 100)	0.70%	4.42%
Total assets	392,155,339	323,118,872
Equity	384,869,809	314,431,445
Net sales	30,456,937	24,881,966

2. Impact of the events in 2023 on ESPA's activity

In 2023, Russia's aggression and the war in Ukraine continued, which has both directly and indirectly affected ESPA's activities and the defence activities in Estonia in general. Of the other factors, ESPA's activity was impacted by the change in global fiscal policy, and increase in interest rates, Hamas' organised terror attacks and their consequences on the development in Middle East conflicts.

Russia's aggression war in Ukraine and the conflict in the Middle East have affected the functional logic of global supply channels and increased the price volatility of goods. This is why ESPA kept in 2023 a grain products stock in Estonia until harvesting. In addition, the medicines supply channels are still disturbed, which is indicated by the government's resolution from last autumn to partially release medicines stock in order to mitigate supply difficulties of a medicine.

Due to the lack of suppliers or unacceptable prices, several procurements for rotating and supply of liquid fuel stocks failed in 2023. On the other hand, the decrease in transit through Estonia has opened to ESPA an opportunity to obtain better offers from Estonian fuel terminals in order to increase the portion of fuel stored in Estonia. In 2023, market security was decreased by OPEC+ commitments to reduce production by 6 million barrels per day, i.e. approx. 6% of the world supply. At the same time, OPEC faced a reduction in demand and a decrease of its market share to the lowest level since COVID-19.

Natural gas prices have mainly reduced since the beginning of 2023. Emergence of new supply chains, and the high utility rate of European gas holders indicate that the gas market is stabilising.

In Estonia, civil protection and capabilities for preparing against emergencies are being reviewed and organised; in February 2023, Riigikogu approved the basics of the Estonian security policy, and at the beginning of 2024, the government approved the goals and an action plan for population defence. Led by State Chancellery, a national risk analysis and a major exercise CREVEX 2023 were carried out. ESPA's partner ministries: Ministry of Regional Affairs, Ministry of Climate, Ministry of Social Protection, and Ministry of Economic Affairs and Communications as policymakers continued developing functional models for coping in the areas of energy, food and health care during long-term and military crises. ESPA participates in these discussions as a cooperation partner in order to implement the agreed policy on a practical level, if necessary. Moreover, ESPA participates as an active partner in renewing the legal system related to ensuring preparedness for crises.

Russia's aggression in Ukraine has offered ESPA and its partner organisations an opportunity to analyse and gain learning experience in storing the stocks and organising their release. The biggest change in ESPA's work in this regard is the necessity to take into account the possibility of a military crisis. In order to plan the respective activities, ESPA ordered an analysis of the protection of the state's operation stock.

In summary, the Russian aggression war in Ukraine as well as other conflicts will impact the global remodelling of the markets for a very long time. Civil protection, stocks and security of supply are increasingly discussed in Estonia and in the EU, in general, which means for ESPA a need to adapt to the new situation, but it also offers new possibilities for further developing the company.

3. Activity

3.1. Liquid fuel stocks

The liquid fuel stock kept by the Estonian Stockpiling Agency meets the 90-day volume of regular consumption required by law. A keyword in 2023 was bringing the liquid fuel reserve to Estonia. During the reporting year, ESPA carried out 15 liquid fuel reserve procurements for storage, rotation and purchase purposes, and by the end of 2023, ESPA has increased the portion of liquid fuel reserve in Estonia to 77%. Rotation of liquid fuel reserves will continue in 2024, and after the balance sheet date, the amount of liquid fuel reserve kept in Estonia has even increased.

ESPA has progressed in increasing the portion of jet fuel kept in Estonia. After the balance sheet date, additional agreements for storing jet fuel have been concluded as well as rights for obtaining jet fuel have been acquired; as a result of this, the volume of jet fuel kept in Estonia has increased from 0 at the beginning of 2022 to 21 days at present. As a separate project, ESPA is developing in cooperation with AS Tallinna Lennujaam (Tallinn Airport) a storage and filling of jet fuel at Tallinn airport, allowing to increase the jet fuel reserve located in Estonia even more in order to overcome supply difficulties and to contribute to state defence objectives.

ESPA's liquid fuel reserve is insured and the company arranges for regular inspections in order to ensure the storage of liquid fuel reserve.

For domestic purposes, no fuel stock has ever been released in Estonia, and the Estonian security of supply is well secured thanks to the responsible business of fuel companies. In addition to ESPA's reserve, our fuel companies usually have a commercial stock of petrol and diesel in an amount of one-month regular consumption.

3.2. Natural gas reserve

In 2022, EU member states that do not have any gas holders on their territory, were obliged to store at least 15% of their annual gas consumption in terminals located in other member states. In spring 2022, ESPA was assigned by the government to establish a strategic natural gas reserve of up to 1TWh for Estonia. For establishing a natural gas reserve, ESPA carried out procurements in 2022 and 2023, and a reserve in an amount targeted by the government has been established. The gas is stored in an underground gas holder in Latvia. Considering the annual gas consumption in Estonia, the state's strategic reserve is about a quarter of it, thus considerably exceeding the agreed minimum level in the EU.

3.3. Health stocks

As part of the health stocks, ESPA has to manage a stock of personal protective equipment (PPE) in an amount of one-month top consumption in a crisis situation for family doctors, hospitals, emergency medical staff and social care institutions to be used in case of a widespread infection outbreak. This reserve was obtained by the Ministry of Finance in the first months of the COVID-19 crisis and handed it over to ESPA in autumn 2021. Based on the input from the Health Board, ESPA has complemented and renewed the PPE in stock, whereby a part of the PPE stock has been established as delegated stock. Due to expiration dates, renewing the stock of PPE is a continuing process in order to ensure that the nomenclature and amounts correspond with the assignment. In 2023, three procurements for renewing PPE were carried out.

The medical stock kept for inhabitants includes human medicals sold in pharmacies in order to ensure security of supply and hedging the possible long-term risks related to supply difficulties. ESPA started activities related to establishing a pharmacy medicines reserve in 2022 when a stock nomenclature was developed in cooperation with partner organisations. Through procurements started in 2022 that continued in 2023, a reserve for 155 active agents was partly or completely established as of the balance sheet day. Due to supply difficulties in stock procurement, some or all work is still to be done to get a reserve for 19 active agents.

In 2023, in addition to the obligation to establish a human medicines reserve, ESPA was assigned by the Ministry of Regional Affairs to develop a model for establishing a reserve for veterinary medicines. To fulfil this task, ESPA included experts of the respective areas. After the balance sheet date, procuring veterinary medicines for the reserve has been carried out and the reserve has been established.

The reserve for both human and veterinary medicines is based on delegated reserve agreements concluded with pharmaceutical wholesalers, under which the companies oblige themselves to create, keep and continuously renew an additional stock of medicines. ESPA organises inspections on a regular basis in order to ensure the existence and preservation of health stocks.

3.4. Food stocks

The stock of ready-to-eat foodstuff is based on delegated stock agreements with companies that are obliged to keep in their stores at any time an agreed amount of food and drinks and to renew them on a regular basis. In 2023, ready-to-eat foodstuff agreements were renewed, and in cooperation with the Ministry of Regional Affairs, the focus mainly lied on ensuring a broad-based security of supply of foodstuff and developing new methods for ensuring food security.

As after the Russian aggression in Ukraine and the resulting supply chain disturbances, the grain prices have soared on the world market, and there was a risk of a global food crisis, ESPA was assigned to establish a grain stock. In autumn 2022, ESPA carried out a grain stock procurement, and starting from January 2023, after a pause of almost 20 years, Estonia has again a strategic grain reserve covering the need for a two-month consumption of human-food grain.

ESPA organises inspections on a regular basis in order to ensure the existence and preservation of food stocks.

The food self-sufficiency level in Estonia is good, in general. In our manufacturing companies, wholesale stores, and retail stores, there are the most important foodstuff categories in an amount for several months of regular consumption. The amount of food grain produced in Estonia exceeds the internal consumption by multiple times.

3.5. Organising the continuity and the logistics

As the accessibility of stock depends on the accessibility of the services of companies and the security of supply chains, ESPA's task is to monitor and strengthen the sectoral continuity in cooperation with major manufacturers, storekeepers, service providers as well as with logistics companies and other partners.

In its storage agreements for various stock types, ESPA has defined the continuity requirements to partners, according to which access to stocks has to be ensured even when main services are suspended. Based on the concept developed by ESPA for organising stock logistics, the company carried out a logistics partner procurement in

2023 and concluded a logistics service agreement. In order to ensure availability of stock, ESPA acquired electric generators of various power outputs in 2023. In order to ensure supply with liquid fuels in emergencies, ESPA developed a crisis station measure, and put into storage a diesel fuel reserve as the state's operation stock.

3.6. Pakrineeme port

In March 2023, based on a resolution of government and the sole proprietor, ESPA acquired from OÜ Pakrineeme Sadam the hauling quay for receiving LNG floating terminals as well as the property needed for servicing the quay in order to ensure the natural gas supply security in Estonia.

In 2023, ESPA executed the formalities needed for using the quay, carried out environmental research based on the permit of special use of water, built the port infrastructure, access and security systems, concluded agreements for rendering port operator service, pollution control and work boat service, security service and other services as well as prepared the documentation and price list needed for port operation. Since 2024, port service in accordance with the international standards as well as the use of the port for ensuring natural gas supply security is ensured at Pakrineeme port.

4. Significant environmental and social impacts accompanied

ESPA's activities and decisions are based on the principles and priorities of sustainable development. For us, developing our competencies and employees is important. We value and acknowledge all employees based on their input, irrespective of their gender or beliefs. We value health promotion of our employees and protect the rights of our employees.

ESPA contributes on a daily basis to sustainable development and lifestyle, which includes sustainable public procurements in accordance with the policies and priorities of the Republic of Estonia. Considering ESPA's main activity and the strategic goals set by its owner as well as ESPA's budget and expenses, ESPA contributes to the following sustainable development goals: abolish hunger, ensure health and wellness, high-quality education, gender equality, clean water and sanitary conditions, affordable and clean energy, decent work and economic growth, reduction of inequalities, responsible consumption and manufacturing, ocean and sea ecosystems, peace, law enforcement and strong institutions.

EVENTS AFTER THE REPORTING PERIOD

After the reporting period, no considerable acquisitions or activities have been made that the board considers having any impact to the balance sheet or profit report.

CORPORATE GOVERNANCE REPORT 2023

AS Eesti Varude Keskus (ESPA) 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 About the company has been published at www.espa.ee under the subsection "Annual Report."

In complying with the Principles of Corporate Governance, we adhere to the State Assets Act (hereinafter referred to as the "SAA"), guidelines of the Principles of Corporate Governance (hereinafter referred to as the "PCG") and, due to the specific tasks of the company, the Liquid Fuel Stocks Act, Natural Gas Act and Emergency Act (hereinafter referred to as the "EA").

In order to ensure the proper functioning of the risk management and internal control, an audit committee been formed and the services of an internal auditor are used. Due to the internal working arrangements the creation of an internal auditor position has not been deemed necessary.

The task of the audit committee set up to tackle the questions related to the supervision of the company is to advise the supervisory board in risk management, internal control and financial reporting. The management board has prepared the required internal rules and regulations, and it has set up a respective reporting system in order to ensure risk management and internal control.

In organising the management of the company, 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 company's meetings and the differences arising from the Liquid Fuel Stocks Act with regard to appointing supervisory board members.

AS Eesti Varude Keskus has developed, documented and implemented its management system based on the ISO 9001:2015 requirements.

1. Management

The company is fully owned by the state which is represented at the general meeting by the Minister of Economic Affairs and Information Technologies. Thus, enforcing the emitter rights set out in the PCG report is guaranteed to a considerable extent, and the rules of equal treatment of investors and shareholders to be applied when organising work of a company in case of a broader owners' circle do not apply to ESPA.

In organising the management of companies under the control of the Ministry of Economic Affairs and Communications, the procedure for general meetings set out for companies in which the state has a majority holding serves as a basis. 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. Among others, the rules of procedure establish the:

- 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 the minutes and drafts of the general meeting;
- procedure for making decisions, drafting and disclosure of the decisions.

The sphere of competence of the owner of the company comprises the 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 of the company, and the performance of the management board. 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.

Pursuant to the articles of association, the company has up to six members in the supervisory board, elected for three years, whereby a half of them represent the state and the other half companies. Supervisory board members are appointed and removed by the Minister of Economic Affairs and Information Technologies, representing the sole shareholder. Chairman of the Supervisory Board is elected from the state representatives in the Board. The specification for electing at least one member of the Supervisory Board from among the candidates nominated by a fuel suppliers' organisation is set out in section 14 of the Liquid Fuel Stock Act.

In 2023, the Supervisory Board members were:

- Timo Tatar - Deputy Secretary General on Energy and Mineral Resources of the Ministry of Economic Affairs and Communications, later Ministry of Climate
- Erkki Tori - Director for National Security and Defence Coordination Unit at Government Office
- Viola Murd - Deputy Secretary General on Rescue, Emergency Services and Crisis Regulation of the Ministry of the Interior
- Jaan Lepp - entrepreneur, logistics expert
- Raul Puusepp - AS Tallinna Kaubamaja Grupp, Chairman of the Management Board
- Mart Raamat - MTÜ Eesti Õliühing, later MTÜ Eesti Transpordikütuste Ühing, CEO

By a resolution of the general meeting, the remuneration for the chairman of the supervisory board is 1,000 euros per month and for members of the supervisory board 500 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. Such bodies can be an audit committee or procurement evaluation committee. In 2023, the remuneration paid for the supervisory board members totalled 42,000 euros.

Pursuant to the articles of association, the supervisory board should establish an audit committee for the company. In 2023, members of the audit committee were:

- Priit Laaniste- Chairman of the Audit Committee
- Rein Vaks - Ministry of Economic Affairs and Communications, Energy Department, Head of Energy Markets
- Jaan Lepp - ESPA, Supervisory Board Member

3. Management board

The company has a management board consisting of three members: Ando Leppiman (chairman) as well as Priit Enok and Priit Ploompuu (members).

Pursuant to the articles of association of the company, 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 articles included in the state's operation stock, 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 EVK 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.

The management board makes day-to-day management decisions independently without the intervention of the owner and the supervisory board. When making management decisions, the board acts in the best interests of the company, rather than their personal interests and/or the ones of the controlling party. The management board is obligated to ensure the sustainable development of the company in accordance with the functions of the company, objectives and strategy set by the general meeting and the supervisory board. For procedures that are beyond the daily economic activities of the company, 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. In 2023, the remuneration paid for the management board members totalled 351,333 euros.

4. Disclosure of information and reporting

On a regular basis, the company is publishing information on its management, principles, organisation of the state's liquid fuel stock, natural gas stock, and operation stock, relevant regulations, and public procurements on its website. On the website, the articles of association, annual reports, quarterly reports, and stock payments related information is published.

In organising the reporting, OSPA adheres to the provisions of State Assets Act, Liquid Fuel Stocks Act, Natural Gas Act, Emergency Act, Public Information Act, European Commission directive on minimum stocks of crude oil and/or petroleum products, and the articles of association of the company. Due to the specifications of the activity of the company, the management board keeps detailed and constantly updated records on the composition of acquired and deposited stocks and presents the required reports to the Ministry of Finance and Communications, and with regard to the liquid fuel stock also to Statistics Estonia. Statistics Estonia submits summary information based on the report on the composition and inventory of liquid fuel stocks to the European Commission. The company submits annually a report to the European Commission, in which measures to ensure the availability and control of liquid fuel stocks are listed. According to the Emergency Act, companies are obliged to submit information about the composition, amounts, expiration dates, locations and stock owners to the Ministry of Finance and Communications twice a year.

5. Financial reporting and auditing

The company is obligated to submit an audited and approved annual report within four months after the end of a financial year, i.e. by 30 April 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, then the auditor will participate in the presentation of the annual report to the supervisory board.

AS Eesti Varude Keskus Annual Report 2023

The Financial Statements

Statement of Financial Position

(in Euros)

	31/12/2023	31/12/2022	Note
Assets			
Current assets			
Cash	24,620,909	18,307,604	2
Receivables and prepayments	5,574,553	747,335	3
Inventories	329,943,659	304,007,277	4
Total current assets	**360,139,121**	**323,062,216**	
Non-current assets			
Receivables and prepayments	66,237	0	3
Property, plant and equipment	31,949,981	56,656	5
Total non-current assets	**32,016,218**	**56,656**	
Total assets	**392,155,339**	**323,118,872**	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	2,537,492	5,154,567	7
Targeted financing	4,748,038	3,532,860	9
Total current liabilities	**7,285,530**	**8,687,427**	
Total liabilities	**7,285,530**	**8,687,427**	
Equity			
Issued capital	323,862,100	220,991,600	10
Unregistered share capital	0	34,870,500	10
Share premium	24,642,953	24,642,953	10
Statutory reserve capital	1,961,648	1,438,492	
Other reserves	21,290,866	17,501,178	
Retained earnings (loss)	10,673,878	4,523,616	
Annual period profit (loss)	2,438,364	10,463,106	
Total equity	**384,869,809**	**314,431,445**	
Total liabilities and equity	**392,155,339**	**323,118,872**	

Income Statement
(in Euros)

	2023	2022	Note
Net sales	30,456,937	24,881,966	11
Other operating income	5,656,616	7,741,058	12
Goods, raw materials and services	-22,564,625	-15,920,150	
Miscellaneous operating expenses	-9,392,786	-5,587,031	13
Labour expense	-1,117,629	-698,826	14
Depreciation and impairment of non-current assets	-521,584	0	5
Other operating expense	-144,768	-97,375	
Operating profit (loss)	**2,372,161**	**10,319,642**	
Interest income	363,885	25,323	2
Interest expense	-8	-9	
Other financial income and expenses	-297,674	118,150	
Profit (loss) before income tax	**2,438,364**	**10,463,106**	
Annual period profit (loss)	**2,438,364**	**10,463,106**	

Statement of Cash Flows

(in Euros)

	2023	2022	Note
Cash flows from operating activities			
Operating profit (loss)	2,372,161	10,319,642	
Adjustments			
Depreciation and impairment of non-current assets	521,584	0	5
Other adjustments	-5,288,641	-7,667,570	9
Total adjustments	**-4,767,057**	**-7,667,570**	
Changes in receivables and prepayments related to operating activities	-4,824,068	-175,889	3
Changes in inventories	-25,936,382	-153,328,788	4
Changes in liabilities and prepayments related to operating activities	-2,617,075	4,544,728	7
Receipts from targeted financing	6,503,819	6,050,000	9
Total cash flows from operating activities	**-29,268,602**	**-140,257,877**	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-32,414,909	-56,656	5
Interest received	294,498	13,169	
Total cash flows from investing activities	**-32,120,411**	**-43,487**	
Cash flows from financing activities			
Interest paid	-8	-9	
Receipts from shares emission	68,000,000	145,000,000	10
Other expenses from financing activities	-12,419	-228,260	
Total cash flows from financing activities	**67,987,573**	**144,771,731**	
Total cash flows	**6,598,560**	**4,470,367**	
Cash and cash equivalents at beginning of period	18,307,604	13,490,827	
Change in cash and cash equivalents	**6,598,560**	**4,470,367**	
Effect of exchange rate changes on cash and cash equivalents	-285,255	346,410	
Cash and cash equivalents at end of period	24,620,909	18,307,604	2

Statement of Changes in Equity

(in Euros)

	Issued capital	Unregistered share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings (loss)	Total
31/12/2021	135,505,053	0	0	1,391,944	17,320,278	4,751,064	158,968,339
Annual period profit (loss)	0	0	0	0	0	10,463,106	10,463,106
Emitted share capital	85,486,547	34,870,500	24,642,953	0	0	0	145,000,000
Changes in reserves	0	0	0	46,548	180,900	-227,448	0
31/12/2022	220,991,600	34,870,500	24,642,953	1,438,492	17,501,178	14,986,722	314,431,445
Annual period profit (loss)	0	0	0	0	0	2,438,364	2,438,364
Emitted share capital	102,870,500	-34,870,500	0	0	0	0	68,000,000
Changes in reserves	0	0	0	523,156	3,789,688	-4,312,844	0
31/12/2023	323,862,100	0	24,642,953	1,961,648	21,290,866	13,112,242	384,869,809

More detailed information on share capital is provided in Note 10 and on dividends in Notes 8.

Other reserves comprise a reserve for the stockpiling fee in excess, reserve for liquid fuel stocks rotation reserve.

The stockpiling fee in excess is used to cover the 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 the 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 01/01/2023 was 1,367,239 euros. When approving the annual report 2022, the reserve for liquid fuel stocks rotation was not revalued. The closing balance as of 31/12/2023 was 1,367,239 euros.

Reserve for liquid fuel stocks rotation was formed in order to cover any 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 01/01/2023 was 16,133,939 euros. When approving the annual report 2022, the reserve for liquid fuel stocks rotations was revaluated. The reserve was increased by 3,789,688 euros. The closing balance as of 31/12/2023 was 19,923,627 euros.

Notes to the Financial Statements

Note 1. Accounting policies

General information
The financial statements 2023 of AS Eesti Varude Keskus (hereinafter referred to as the “company”) have been prepared in conformity with the generally accepted accounting principles of Estonia. The Financial Reporting Standard of Estonia is a set of financial reporting requirements based on internationally recognised accounting and reporting principles and aimed at the general public, the basic rules of which are established in the Accounting Act and are supplemented by the guidelines of the Accounting Committee approved by a regulation of the Minister of Finance. Furthermore, AS Eesti Varude Keskus as a state’s subsidiary adheres to the requirements set out in the General Rules for State Accountancy.

The financial statements have been prepared using the cost principle, except for the cases described otherwise in the accounting policies below.

The financial statements are presented 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, including cash in bank accounts, overnight deposits, fixed-term cancellable deposits with a term of up to three months.

In the cash flow statement, cash flows from business activity are recorded by using indirect method, and cash flows from investment and financing by using the direct method.

Foreign currency transactions and financial assets and liabilities denominated in a foreign currency
Transactions denominated in a foreign currency are initially 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 recognised in the accounting period's income statement, whereby the foreign exchange rate profits and losses related to suppliers and purchasers' accounts are recognised in the operating income and expenses; other differences arising from foreign exchange rates are recognised under financial income and expenses.

Receivables and prepayments
All receivables (e.g. receivables from customers, accrued income and other short- and long-term receivables), except derivative instruments, are reported at corrected acquisition cost in the balance sheet.

Short-term receivables are those settled within 12 months starting from the reporting date. All other receivables are recorded as long-term receivables.

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 (e.g. 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.

Long-term receivables with no interest earning are recorded in the present value of a receivable by using a discount rate of 4% set out in the General Rules for State Accountancy.

Inventories
The company is recording as stocks the liquid fuel stock, the strategic gas stock, the personal protective equipment stock, and

sustainability stock acquired within the framework of its statutory activity.

Stock comprises products that are owned by the company and are required for securing state’s security of supply, state’s security and subsistence of inhabitants.

Delegated stock comprises stock that is not owned by the company but that can be obtained or used by the company as guaranteed under agreements concluded in advance.

Inventories of the company are recognised at cost which comprises the costs of purchase and other costs incurred in bringing the inventories to their present condition and location. Purchase cost of stock include direct transportation costs related to the acquisition of stock, in addition to the purchase price. 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. The fuel excise accompanying acquisition of fuel stock is capitalised in stock cost.

Liquid fuel stock.

Pursuant to the Liquid Fuel Stocks Act, the company can use the following energy products for establishing a stock: petrol, jet fuel and diesel fuel.

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.

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 reconstitution of stocks has been hedged.

The company is entitled to sell liquid fuel stocks to reduce their quantity where that quantity exceeds the mandatory quantity of stocks by more than five per cent. 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 liquid fuel 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.

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

Based on the above and considering that a task of the company is to establish and manage the liquid fuel stock for the Republic of Estonia as well as to organise its renewal as set out in the Emergency Act and in the Liquid Fuel Act, the company does not revalue the liquid fuel stock lower than the net realisable value or acquisition cost on the reporting date, based on the liquid fuel market prices on the reporting date. Stock is measured and reported under expenses based on the weighted average acquisition cost method.

Personal protective equipment (PEE) stock:

PEE stock records are kept based on the FIFO method by lots as the stock have different expiration dates. Therefore, stocks are used or sold in the order of their expiration dates. After recording PEE, they are measured in the balance sheet lower either in their acquisition cost or net realisable value.

According to the Emergency Act, the stock is sold with market price upon its renewal or reduction, except when the reduction of stock is caused by its release.

Strategic gas stock:

One of the tasks of the company is to establish and maintain the operation stocks of the Republic of Estonia and to organise the renewal of the stocks pursuant to the Emergency Act. Due to this and similarly to the liquid fuel stock, the strategic gas stock is not stored for regular business and is not revalued lower as the acquisition cost or net realisable value based on the market price on the balance sheet date.

According to the Emergency Act, the stock is sold with market price upon its renewal or reduction, except when the reduction of stock is caused by its release.

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).

The lower limit of capitalisation of property, plant and equipment is 10,000 euros. Land is recorded in the acquisition cost irrespective of its cost.

Assets with a useful life of over 1 year but acquisition cost less than 10,000 euros are recorded as low 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 the acquisition. As a special requirement, the cost of non-current assets does not include taxes and fees related to the acquisition of assets. Similarly, expenses related to ordering assets (organising procurements, owner supervision) are not capitalised if it is done by the company's employees and their amount cannot be determined reliably or is not substantial.

Accession fee is recorded as part of the acquisition cost of a non-current asset item incorporated to a utility line, if the accession fee is recorded as part of the acquisition fee exceeds the limit of recording non-current assets, or as cost, if it stays below the limit of acquiring non-current assets.

Non-current assets can only be recorded as aggregate, if the aggregate forms a whole of similar use, and the acquisition cost of the aggregate is not less than the lower capitalisation limit of non-current assets.

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.

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.

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 was 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.

In case of reduction in value of non-current assets (partial or full disassembly, demolition, destruction, damage, loss) it will be written down. No impairment tests are carried out and the decrease in value of assets to the coverable value is not recorded for non-current assets, if the asset value has not decreased due to its deterioration or removal from usage for any other reason.

At the end of the reporting year, the probable net realisable cost of non-usable assets, and the assets are discounted, if the carrying amount is higher than this.

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 of the recognition of a PP&E asset is recognized in the income statement of the period when the recognition was ended, on the line "other operating income" or "other operating expenses".

Extra-contractual cost of improvements, repairs and service on assets under operating lease are recorded as acquisition of non-current assets, if the cost falls under the definition of property, plant and equipment. As the lessor is not a public sector unit, the lessee writes off the respective non-current asset as expenses within the rental period or the estimated useful life of the asset, depending on which is shorter.

Minimal acquisition cost: 10,000 euros.

Useful life of non-current asset groups (years)

Non-current asset group	**Useful life**
Buildings – renovation of an office under operating lease	5 years
Buildings - facilities	10-50 years
Other machinery and equipment	10 years

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 recognised in the balance sheet by the lessor. Operating lease payments made are recognised as an expense on a straight-line basis over the lease term.

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

Derivative instruments are recognised at their fair value and changes of the fair value are recognised in the income statement.

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

Provisions and contingent liabilities
A provision is recognised 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.

Targeted financing
The company has received both an operating grant and targeted financing for covering its operating expenses.

As subsidies, resources received (received subsidies) are recorded for which no goods or services are given directly, and resources granted (granted, intermediated subsidies) for which no goods or services are received directly.

Subsidies are recorded according to the principles described in the General Rules for State Accountancy.

Subsidies are divided as follows:

- targeted financing – certain subsidies received and granted for project-related purposes that have a defined goal with gauges for monitoring the achievement of target, a time schedule, and a monetary budget, and where the subsidising entity requires a detailed report on the use of resources, and the excess means have to be returned to the subsidising entity;
- operating grants – granted and received subsidies granted to a receiver based on its statutory tasks as well as goals defined in development documents.

Operating grant is recorded as revenue upon receipt of money.

Targeted financing is recorded as revenue in the period of incurring operating expenses when no actual recourse claim or risk of non-payment is accompanied with the conditions of targeted financing. If an actual recourse claim or a risk of non-payment exists, targeted financing is recorded as revenue after the respective risk has been removed.

Targeted financing is recorded in the balance sheet first time when money is received or when receivables, liabilities, revenues and expenses related to targeted financing are recorded.

If targeted financing has been received, but no spendings have been made from it, the received resources are recorded as prepayment. When spendings related to receiving targeted financing have been made and there is no actual risk of not receiving the subsidy, but the subsidy itself has not been received yet, targeted financing is recorded as revenue and receivable.

Statutory reserve capital
Pursuant to the Commercial Code of the Republic of Estonia and the company's statutes, the company must transfer annually at least 5% of the 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 cover the loss, if the losses cannot be covered from the available equity. Moreover, the statutory reserve capital may be used to increase the share capital.

Revenue
Revenue of the company are stockpiling fees paid by stock payers for covering the management costs.

Liquid fuel 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 as well as persons who supply aircraft refuelled in Estonia with jet fuel. Gas stockpiling tax is paid by network operators.

Stockpiling fee is paid to the stockholder's bank account 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 or to the amount of gas sold to consumers during the previous calendar month and to the current rates of fuel and gas stockpiling fees.

Revenue is measured at the fair value of the remuneration received or receivable.

Revenue from sale of services is recognised 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 recognised 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
Under Estonian laws, corporate profit for the year is not subject to income tax. Income tax is levied on dividends, gifts, donations, costs of entertaining guests, non-business expenditures and transfer price adjustments. The tax rate is 20%; the amount of tax payable is calculated as 20/80 of the net distribution or payment.

Because of the specific nature of the taxation system, there are no temporary differences between the tax bases and carrying amounts of assets and liabilities and, therefore, deferred tax assets and liabilities do not arise.

The corporate income tax arising from the payment of dividends is recorded as a liability and as an income tax expense in the Income Statement within the same period the dividends are announced regardless of the period for which the dividends are announced or when the actual payment is made. Dividends paid from retained earnings are subject to the tax rate 20/80 on net dividends paid.

To dividends paid on a regular basis, a lower tax rate (14%) applies (14/86 of net payment).

The maximum possible income tax liability that may accompany the payment of dividends is provided in the notes to the financial statements.

Related parties
When preparing the financial statements for the company, the following have been considered related parties:

- management and higher supervisory body as well as their close family members;
- foundations, non-profit associations and business entities which are under the dominant or material influence of the persons listed above either individually or jointly with family members.

Remuneration and important benefits calculated to the management and supervisory board are reported in the financial statements. Other transactions with related parties which do not comply with law or the general requirements of internal documents or market conditions are reported in the financial statements pursuant to General Rules for State Accountancy.

Subsequent events
The annual financial statements reflect all the significant events affecting the valuation of assets and liabilities that became evident between the reporting date, on 31 December 2023, and the date on which the financial statements were authorised for issue but are related to the reporting or prior periods.

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

Derivatives and risk management

Derivative instruments are initially recorded at their acquisition cost 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 derivative instrument has been specified as a hedge instrument (including currency, fuel, and gas price SWAP transactions) and, if so, then also on the nature of the hedged item.

If the company uses special rules for hedge accounting, then 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. In addition, 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 prices of stock acquired (fuel and gas) and mitigate the risks of 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 or gas stock acquired.

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 efficient.

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 and cash equivalents

(in Euros)

	31/12/2023	31/12/2022
Bank accounts	21,108,742	18,307,604
Overnight deposit	1,012,208	0
Short-term deposit	2,499,959	0
Total cash and cash equivalents	**24,620,909**	**18,307,604**

Interest rate from overnight deposits and deposit accounts in the reporting year amounted to 357,310 (2022: 25,333) euros.

Interest receivables accumulated by the reporting date in an amount of 82,271 (2022: 12,884) euros are recorded in Note 3.

Note 3. Receivables and prepayments

(in Euros)

	31/12/2023	Allocation by remaining maturity		Note
		Within 12 months	Within 1-5 years	
Accounts receivable	5,271,237	5,205,000	66,237	
Accounts receivable	5,271,276	5,205,039	66,237	
Allowance for doubtful receivables	-39	-39	0	
Other receivables	82,849	82,849	0	
Interest receivables	82,271	82,271	0	2
Accrued income	578	578	0	
Prepayments	216,180	216,180	0	
Deferred expenses	89,451	89,451	0	
Other prepayments made	126,729	126,729	0	
Security deposit	70,524	70,524	0	
Total receivables and prepayments	**5,640,790**	**5,574,553**	**66,237**	

	31/12/2022	Allocation by remaining maturity		Note
		Within 12 months	Within 1-5 years	
Accounts receivable	570,182	570,182		
Accounts receivable	570,221	570,221		
Allowance for doubtful receivables	-39	-39		
Other receivables	12,884	12,884		
Interest receivables	12,884	12,884		2
Prepayments	93,745	93,745		
Deferred expenses	93,743	93,743		
Other prepayments made	2	2		
Security deposit	70,524	70,524		
Total receivables and prepayments	**747,335**	**747,335**		

Long-term accounts receivable is reflected in their current value. As a receivable does not earn any interest, its current value has been calculated upon discounting with a discount rate of 4% as set out in the General Rules for State Accountancy.

Security deposits were established in 2022 and there were no changes in them in 2023.

Note 4. Inventories

(in Euros)

	31/12/2023	31/12/2022
Liquid fuel stocks	170,955,724	167,745,378
Personal protective equipment stock	2,089,208	2,654,053
Natural gas reserve	156,784,847	133,607,846
Sustainability stock	113,880	0
Total inventories	**329,943,659**	**304,007,277**

Establishing a PPE stock was started in 2021 when the Ministry of Economic Affairs and Communications handed over the stocks as an intangible contribution to the non-current assets.

Based on the input from the Health Board, the company has complemented and renewed the PPE in stock, whereby a part of the PPE stock has been established as delegated stock.

In spring 2022, the company was assigned by the government to establish a strategic natural gas reserve of up to 1TWh for Estonia. Five procurements in total were carried out in 2022, as a result of which a natural gas stock of 650 Mwh was established by end of 2022. In 2023, the assignment was completed by acquiring additional 350 MWh.

Sustainability stock is made of electric generators for release of the state's operation stock in case of an electricity failure (e.g. in order to release stock from warehouses, ensure services of pharmacies or petrol stations, communication).

Delegated stock:

delegated stock is stock established by storage agreements, which is why it is not recorded in the balance sheet. Company stores food stock, medicines stock, and partially PPE stock as delegated stock.

Ready-to-eat foodstuff stock and medicines stock are based on delegated stock agreements, under which the company has pre-emptive right.

Note 5. Property, plant and equipment

(in Euros)

	Land	Buildings	Other machinery and equipment	Projects in progress	Total
31/12/2022					
Carried at cost	0	0	0	56,656	56,656
Accumulated depreciation	0	0	0	0	0
Residual cost	0	0	0	56,656	56,656
Acquisitions and additions	1,501,225	30,562,461	351,223	0	32,414,909
Acquisition of land and buildings, except new buildings and renovations	1,501,225	0		0	1,501,225
Acquisition of new buildings, new construction, additions		30,562,461		0	30,562,461
Other acquisitions and additions			351,223	0	351,223
Depreciation	0	-518,657	-2,927	0	-521,584
Recategorisations	0	56,656	0	-56,656	0
Recategorisations in projects in progress	0	56,656	0	-56,656	0
31/12/2023					
Carried at cost	1,501,225	30,619,117	351,223	0	32,471,565
Accumulated depreciation	0	-518,657	-2,927	0	-521,584
Residual cost	1,501,225	30,100,460	348,296	0	31,949,981

Under buildings, facilities as well as improvements and repairs made on the rental property are recorded.
Facilities are the LNG quay and the other security, lighting and electricity facilities related to it.

Improvements and repairs made on the rental property that were recorded under projects in progress were reclassified as buildings upon handing over the usufruct of rooms.

Note 6. Tax prepayments and liabilities

(in Euros)

	31/12/2023	31/12/2022
	Tax liabilities	Tax liabilities
Value-added tax	17,066	22,703
Personal income tax	19,827	9,700
Income tax on fringe benefits	908	272
Social tax	34,074	16,829
Mandatory funded pension	1,673	711
Unemployment insurance premiums	817	630
Total tax prepayments and liabilities	**74,365**	**50,845**

Tax payables are recorded in Note 7.

Note 7. Payables and prepayments

(in Euros)

	31/12/2023	Within 12 months	Note
Trade payables	2,378,427	2,378,427	
Employee payables	81,779	81,779	
Taxes payables	74,365	74,365	6
Other payables	2,909	2,909	
Prepayments received	12	12	
Other received prepayments	12	12	
Total payables and prepayments	**2,537,492**	**2,537,492**	
	31/12/2022	**Within 12 months**	**Note**
Trade payables	4,989,230	4,989,230	
Employee payables	111,116	111,116	
Taxes payables	50,845	50,845	6
Other payables	3,364	3,364	
Prepayments received	12	12	
Other received prepayments	12	12	
Total payables and prepayments	**5,154,567**	**5,154,567**	

Note 8. Contingent liabilities and assets

(in Euros)

	31/12/2023	31/12/2022
Contingent liabilities		
Distributable dividends	10,489,794	11,998,680
Income tax liability on distributable dividends	2,622,448	2,988,042
Total contingent liabilities	**13,112,242**	**14,986,722**

In 2021-2023, no dividends were paid. Thus, there are no dividends in the reporting year that are taxable with the income tax of 14/86 (2022: 133,333 euros). Upon paying dividends, only the income tax of 20/80 would apply.

Retained earnings of the company as of 31/12/2023 amount to 13,112,242 (2022: 14,986,722) euros. The maximum income tax liability that would arise if all of the retained earnings as at the reporting date were distributed as dividends amounts to 2,622,448 euros (2022: 2,988,042) euros. 10,489,794 (2022:11,998,680) euros can be paid 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 31/12/2023.

Note 9 Targeted financing

(in Euros)

	31/12/2021	Received	Recorded in profit report	31/12/2022	Note
	Liabilities			Liabilities	
Targeted financing for operating expenses					
Ministry of Economic Affairs and Communications - Targeted financing for establishing and managing operation stock.	5,150,430	5,200,000	6,817,570	3,532,860	12
Ministry of Economic Affairs and Communications - Subsidy	0	850,000	850,000	0	12
Total targeted financing for operating expenses	5,150,430	6,050,000	7,667,570	3,532,860	12
Total targeted financing	5,150,430	6,050,000	7,667,570	3,532,860	12

	31/12/2022 Liabilities	Received	Recorded in profit report	31/12/2023 Liabilities	Note
Targeted financing for operating expenses					
Ministry of Economic Affairs and Communications - Targeted financing for establishing and managing operation stock.	3,532,860	5,500,000	4,284,822	4,748,038	12
Ministry of Economic Affairs and Communications - Subsidy	0	1,000,000	1,000,000	0	12
Subsidy by the City of Tallinn to organise a conference	0	3,819	3,819	0	12
Total targeted financing for operating expenses	3,532,860	6,503,819	5,288,641	4,748,038	12
Total targeted financing	3,532,860	6,503,819	5,288,641	4,748,038	12

In the cash flow statement, subsidies and targeted in the reporting period are recorded in the line “Receipts from targeted financing”, and the amounts reflected in the profit report in the line “Other adjustments”.

Note 10. Share capital

(in Euros)

	31/12/2023	31/12/2022
Share capital	323,862,100	220,991,600
Number of shares (pcs)	3,238,621	2,209,916
Nominal value of shares	100	100

As of 31/12/2023, the share capital of the company is 323,862,100 (2022:220,991,600) euros.

In 2023, the articles of association of the company were amended as follows: the minimum share capital was increased from 50,000,000 (fifty million) euros to 150,000,000 (one hundred fifty million) euros, the maximum capital of 400,000,000 (four hundred million) euros remained same.

As of 31/12/2022, the company had unregistered share capital in an amount of 34,870,500 euros. An application for entry for increasing the share capital was submitted on

30/12/2022 and registered on 05/01/2023.

Additionally, Ministry of Economic Affairs and Communications paid for the shares of the company as monetary contributions 68,000,000 euros in 2023 (2022: 145,000,000) euros, whereof 68,000,000 euros in nominal values (2022:120,357,047) and 0 euros as a premium (2022: 24,642,953).

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

Note 11. Net sales
(in Euros)

	2023	2022
Net sales by geographical location		
Net sales in European Union		
Estonia	26,570,008	15,735,359
Finland	3,503,644	9,146,607
Sweden	383,285	0
Total net sales in European Union	**30,456,937**	**24,881,966**
Total net sales	**30,456,937**	**24,881,966**
Net sales by operating activities		
Liquid fuel stockpiling fees	5,679,290	5,172,045
Sale of fuels	23,775,382	19,687,737
Sales of other goods and services	178,638	22,184
Gas stockkeeping fees	823,627	0
Total net sales	**30,456,937**	**24,881,966**

Note 12. Other operating income
(in Euros)

	2023	2022	Note
Profit from targeted financing	5,288,641	7,667,570	9
Profit from exchange rate differences	367,975	73,488	
Total operating income	**5,656,616**	**7,741,058**	

Revenue from targeted financing consists of operating grant in an amount of 1,000,000 (2022: 850,000) euros, and targeted financing received in an amount of 4,288,641 (2022: 6,817,570) euros, recorded as revenue.

Note 13. Miscellaneous operating expenses
(in Euros)

	2023	2022
Rent and leases	41,553	16,414
Cost of storing and managing the fuel stock	6,132,145	4,682,763
Cost of storing and managing the gas stock	905,400	0
Cost of storing and managing the operation stock	1,491,162	551,966
Insurance costs	299,510	148,864
Facilities and office management costs	89,963	7,596
Environmental research costs	130,240	0
Other	302,813	179,428
Total miscellaneous operating expense	**9,392,786**	**5,587,031**

Note 14. Labour expense

(in Euros)

	2023	2022
Wage and salary expense	837,864	523,904
Social security taxes	279,765	174,922
Total labour expense	**1,117,629**	**698,826**
Average number of employees in full-time equivalent units	12	9
Average number of employees by types of employment:		
Persons employed under an employment contract	9	6
Members of the legal person’s managing or supervisory body	3	3

Note 15. Related parties

(in Euros)

Remuneration and other significant benefits calculated for the members of management and highest supervisory body		
	2023	**2022**
Remuneration	393,333	271,068

Pursuant to the General Rules for State Accountancy, the financial statements must disclose, in addition to remuneration and other significant benefits calculated to the executive and senior management, also information on transactions with related parties with regard only to these transactions which are not in compliance with legislation or general requirements of the Company’s internal documentation or not on market terms, pursuant to the of the General Rules for State Accounting (§491) that entered into force on 24/11/2014 There were no such transactions to be disclosed in 2023 and 2022.

In 2023, remuneration for the members of the management and supervisory board amounted to 351,333 (2022: 230,473) and 42,000 euros (2022: 40,595).

The contracts of services of the management board members establish a requirement to pay termination payment amounting to the three month remuneration of the board member in case if the management board member is removed from the post prematurely at the initiative of the supervisory board.

More detailed description of the administrative procedure concerning the related parties is provided in the section “The Corporate Governance Report” of this report.