



Annual report  
2014



# Gas pipelines in Estonia



## LEGEND

Natural Gas pipelines

Kiili - Paldiski transmission pipeline

Nord Stream gas pipelines

Balticconnector gas pipelines  
(planned)

Cities - natural gas consumers

Border metering station in Värskas and Karksi

Underground natural gas storage



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# Supervisory board and Shareholders of AS Eesti Gaas

AS Eesti Gaas supervisory board in Tallinn, March 24, 2015

From left to right:

Håkan Grefberg, Kristian Rehnström, Markus Rauramo, Georgy Fokin, Aarne Saar (Chairman), Boris Posyagin (Vice-Chairman), Seppo Aho, Juris Savickis, Margo Külaots, Aleksander Mikheev

Not present: Jury Bezzubov



The shareholders of AS Eesti Gaas as of 31.12.2014	Number of shares		Share in share capital
	A-type shares	B-type shares	
OA0 Gazprom	367 268		37,03%
Fortum Heat and Gas OY	353 885	15 580 030	51,38%
Itera Latvija		9 939 035	10,02%
Other shareholders	690	1 487 500	1,57%
	<b>721 843</b>	<b>27 006 565</b>	<b>100%</b>

Type of shares	Number of shares	Share in share capital
A-type shares (nominal value 10.00 EUR)	721 843	72,77%
B-type shares (nominal value 0.10 EUR)	27 006 565	27,23%
	<b>27 728 408</b>	<b>100,00%</b>

The share capital of AS Eesti Gaas amounts to EUR 9,919 million



# Statement of the chairman of the board of directors

The fiscal year 2014, like all the twenty years in the history of the company, was active and challenging for AS Eesti Gaas.

From year to year, our activities are more and more influenced by the EU legislation and directives aimed at creating integrated markets for electricity and gas and, therefore, decisions to be taken in a modern, rapidly changing world are not always easy and obvious. In order to secure the further development of the company it is necessary to seek new non-standard but well-grounded solutions which would affect the future of the company in a number of years to come.

AS Eesti Gaas completed the restructuring of the company in 2014 in compliance with the Amendments to the Natural Gas Act. The company has two subsidiaries: AS Gaasivõrgud whose main fields of activity are selling natural gas distribution service through natural gas distribution network, maintenance, renovation and development of the distribution network and AS EG Ehitus whose main fields of activity are the construction and renovation of gas networks, construction of heating systems, construction management and designing, replacement and maintenance of gas appliances.

The activity of AS Eesti Gaas in 2014 can be considered successful. It is important that the company succeeded in maintaining the customers' confidence in our company AS Eesti Gaas as well as in natural gas.

We are delighted to point out that natural gas as an ecologically compatible and user-friendly fuel at a competitive price is still popular in Estonia, particularly in the field of transport. Despite the complicated economic situation and stiff competition on the fuel market of Estonia, the number of our loyal customers, however, did not diminish and even increased. As of the end of the year, the company had a total of nearly 42,600 customers, including 302 new customers.

Real investments in the total amount of EUR 5.3 million in 2014 were made in order to promote the sustainable development of the company in the future as well. Investments were mainly directed into the connection of new customers to the natural gas network and into increasing the reliability and safety of the natural gas distribution system.

The economic results achieved by the company reflect the contribution made by all our employees. I would like to express gratitude to all the employees of the Group for their cooperation in 2014. We are optimistic about the future because our success will be based on a belief that natural gas will be attractive for our present customers as well as those in the future.

I express sincere thanks to our customers, shareholders and cooperation partners, whose contribution into the development of AS Eesti Gaas cannot be overestimated and whose continuing support is a key to our success.

AS Eesti Gaas will do its best to be a reliable partner at present as well as in the future.

Tiit Kullerkupp  
chairman of the board of directors





Board of directors of AS Eesti Gaas

From left to right:  
Raul Kotov, Sergei Zagrebailov, Tiit Kullerkupp (Chairman)

# Financial indicators

## Net turnover of AS Eesti Gaas (mil EUR)

**2014**  
201,5

**2013**  
220,7

**2012**  
248,6

**2011**  
198,4

**2010**  
200,6

## Real investments of AS Eesti Gaas (mil EUR)

**2014**  
5,3

**2013**  
8,7

**2012**  
10,2

**2011**  
6,8

**2010**  
7,8

## Profit of AS Eesti Gaas (mil EUR)

**2014**  
6,5

**2013**  
13,1

**2012**  
12,6

**2011**  
11,9

**2010**  
11,2

# Natural gas sales

Natural gas sales of AS Eesti Gaas (mil m<sup>3</sup>)

**2010**  
701,9

**2011**  
630,8

**2012**  
657,6

**2013**  
581,7

**2014**  
532,3

Natural gas consumption in Estonia (mil m<sup>3</sup>)

**2010**  
702,6

**2011**  
631,6

**2012**  
678,0

**2013**  
689,5

**2014**  
534,9

Sales of compressed natural gas in car filling stations of AS Eesti Gaas (th m<sup>3</sup>)

**2010**  
57

**2011**  
321

**2012**  
658

**2013**  
1045

**2014**  
1911

# AS Eesti Gaas activity report of 2014

The sales income of AS Eesti Gaas amounted to EUR 201.5 million in the 2014 fiscal year. The volume of natural gas sales in 2014 totalled 532.3 million m<sup>3</sup>, including 475.9 million m<sup>3</sup> sold to eligible customers and 56.4 million m<sup>3</sup> to residential customers. For comparison, the sales volume in 2013 amounted to 581.8 million m<sup>3</sup>.

A major change in the circle of AS Eesti Gaas shareholders occurred in September, 2014. E.ON Ruhrgas International GmbH transferred all its shares to Fortum Heat and Gas OY and, as a result, the latter became the biggest shareholder of the company.

In 2014, the AS Eesti Gaas Group had two subsidiaries: AS EG Ehitus and AS Gaasivõrgud.

AS Eesti Gaas had 42,591 customers, including 41,030 residential customers, as of the end of 2014. The number of customers increased by 133 customers during the year.

The balance sheet total of AS Eesti Gaas amounted to EUR 101.2 million as of December 31, 2014.

Noncurrent assets amounted to EUR 60.1 million in total assets as of December 31, 2014.

Current assets amounted to EUR 41.2 million at the end of the fiscal year, decreasing by EUR 27.1 million if compared with the amount at the beginning of the year.

Cash at bank amounted to EUR 9.0 million as of December 31, 2014.

Liabilities totalled EUR 37.7 million as of December 31, 2014, decreasing by EUR 24.5 million in comparison with the amount at the beginning of the year.

The company's net profit of the 2014 fiscal year amounted to EUR 6.5 million and the net profit margin of sales was 3.2 %.

Owners' equity amounted to EUR 63.6 million as of December 31, 2014.

AS Eesti Gaas employed 83 people as of the end of 2014.

Real investments made by AS Eesti Gaas totalled EUR 5.3 million in 2014. The company financed the construction of gas supply systems for new customers in the amount of EUR 2.0 million and the reconstruction and renovation of noncurrent assets in the amount of EUR 2.2 million.

The main fields of activity of the subsidiary AS Gaasivõrgud are selling natural gas distribution service through natural gas distribution network, maintenance, renovation and development of the distribution network, performing gas work and offering consulting and training services in this field. The company had 94 employees as of the end of 2014 and the sales income amounted to EUR 17.0 million.

The main fields of activity of the subsidiary AS EG Ehitus are the construction and renovation of gas networks, construction of heating systems, construction management and designing, replacement and maintenance of gas appliances. The company had 53 employees as of the end of 2014 and the sales income amounted to EUR 5.1 million.

The consolidated economic indicators of AS Eesti Gaas and its subsidiaries have been presented in the 2014 Annual Accounting Report and the unconsolidated main statements of the parent company have been included in the appendices thereto.

The main goals of AS Eesti Gaas in 2015 are expanding the possible areas of using natural gas as an environmentally friendly and efficient fuel, guaranteeing the safety and security of the natural gas supply system and enhancing the effective operation of the companies belonging to the Group as well as promoting the use of compressed natural gas and biomethane as a motor fuel.

**With natural  
gas we save the  
Estonian nature**



# Consolidated annual accounting report

## Consolidated balance sheet

ASSETS		thousand EUR		
CURRENT ASSETS	31.12.2014	31.12.2013 adjusted	Appendix	
Cash at bank and in hand	9 641	9 786	2	
Customer receivables				
Accounts receivable	32 218	27 532		
Allowance for uncollectible receivables (minus)	-242	-450		
Total customer receivables	31 976	27 082	3	
Miscellaneous receivables	13	20	4	
Prepaid expenses	119	87	5	
Inventories	769	35 973	6	
<b>TOTAL CURRENT ASSETS</b>	<b>42 518</b>	<b>72 948</b>		
<b>NONCURRENT ASSETS</b>				
Long-term financial investments	58	58	7	
Tangible assets				
Land and buildings (at cost)	93 153	171 400		
Machinery and equipment (at cost)	15 088	17 217		
Other tangible assets (at cost)	151	158		
Accumulated depreciation of noncurrent assets (minus)	-49 508	-77 558		
Construction-in-progress	208	255		
Total tangible assets	59 092	111 472	7	
Intangible assets	1 166	1 091	7	
<b>TOTAL NONCURRENT ASSETS</b>	<b>60 316</b>	<b>112 621</b>		
<b>TOTAL ASSETS</b>	<b>102 834</b>	<b>185 569</b>		

## LIABILITIES AND OWNERS` EQUITY

LIABILITIES	thousand EUR		
<b>CURRENT LIABILITIES</b>	<b>31.12.2014</b>	<b>31.12.2013 adjusted</b>	<b>Appendix</b>
Loan commitments	3000	0	10
Customer prepayments for goods and services	211	313	
Supplier payables	22 971	53 525	
Customer payables	76	62	
Tax liabilities	6 605	5 206	9
Accrued expenses (unpaid expenses of the fiscal period)			
Salary-related accrued expenses	666	886	
Other accrued expenses	0	1	
Total accrued expenses	666	887	
Short-term provisions	3 037	37	10
Other deferred income	761	652	
<b>TOTAL CURRENT LIABILITIES</b>	<b>37 327</b>	<b>60 682</b>	
<b>NONCURRENT LIABILITIES</b>			
Long-term provisions	765	885	10
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>765</b>	<b>885</b>	
<b>TOTAL LIABILITIES</b>	<b>38 092</b>	<b>61 567</b>	
<b>OWNERS` EQUITY</b>			<b>11</b>
Share capital (nominal value)	9 919	9 919	
Share premium	4 857	4 857	
Reserves			
Legal reserve	992	992	
Other reserves	58	58	
Retained earnings	33 001	57 207	
Retained earnings from the revaluation			
of natural gas pipelines	10 404	36 424	
Profit for the fiscal year	5 511	14 545	
<b>TOTAL OWNERS` EQUITY</b>	<b>64 742</b>	<b>124 002</b>	
<b>TOTAL LIABILITIES AND OWNERS` EQUITY</b>	<b>102 834</b>	<b>185 569</b>	

## CONSOLIDATED INCOME STATEMENT

REVENUE	2014	thousand EUR	
		2013	Appendix
Sales income	197 356	220 705	12
Other revenue	187	48	13
<b>Total revenue</b>	<b>197 543</b>	<b>220 753</b>	
<b>EXPENSES</b>			
Work performed by the undertaking for its own purpose and capitalised	-2 493	-4 930	
Goods, raw materials and services	178 042	190 231	14
Miscellaneous operating expenses	2 471	2 928	15
Staff costs			16
a) wages and salaries	5 340	6 659	
b) social security costs	1 760	2 242	
Depreciation and impairment of noncurrent assets	4 131	6 852	7
Other business expenses	94	115	17
<b>Total expenses</b>	<b>189 345</b>	<b>204 097</b>	
<b>OPERATING PROFIT</b>	<b>8 198</b>	<b>16 656</b>	
<b>FINANCIAL INCOME AND EXPENSES</b>			
a) interest expense	-42	-22	
b) other financial income and expenses	-8	-1	
<b>Total financial income and expenses</b>	<b>-50</b>	<b>-23</b>	
<b>PROFIT FROM ECONOMIC OPERATIONS</b>	<b>8 148</b>	<b>16 633</b>	
PROFIT BEFORE TAXES	8 148	16 633	
Income tax	2 637	2 088	
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>	<b>5 511</b>	<b>14 545</b>	

All energy from  
one place!

## CONSOLIDATED CASH FLOW STATEMENT

	thousand EUR		
<b>CASH FLOWS FROM OPERATIONS</b>	<b>2014</b>	<b>2013</b>	<b>Appendix</b>
Net profit of the fiscal year	8 198	16 656	
Value adjustments			
Depreciation and impairment of noncurrent assets	4 131	6 852	7
Profit(-), loss from the sale of noncurrent assets	-81	-30	
Loss from the write-off of noncurrent assets	1	6	
Nonmonetary adjustment for EGV demerger	-1 752	-	
Formation of provisions	3 031	201	
Change in business-related receivables	-4 919	15 631	
Change in inventory	35 204	-9 403	
Change in business-related liabilities	-29 483	-1 787	
Interests received	6	10	
Paid corporate income tax	-2 637	-2 088	
<b>Total cash flows from operations</b>	<b>11 699</b>	<b>26 048</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of noncurrent assets	-7 275	-7 031	
Sale of noncurrent assets	2 406	38	
<b>Total cash flows from investing activities</b>	<b>-4 869</b>	<b>-6 993</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans	38 500	5 000	10
Redeemed loans	-35 500	-28 000	10
Paid interests	-56	-35	
Financial lease main instalments	0	-30	8
Paid dividends	-9 919	-7 853	
<b>Total cash flows from financing activities</b>	<b>-6 975</b>	<b>-30 918</b>	
<b>TOTAL CASH FLOWS</b>	<b>-145</b>	<b>-11 863</b>	
Cash and its equivalents at the beginning of the fiscal period	9 786	21 649	
Change in cash and its equivalents	-145	-11 863	
<b>Cash and its equivalents at the end of the fiscal period</b>	<b>9 641</b>	<b>9 786</b>	

## CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	Share capital	Share premium	Legal reserve capital	Other reserves	Retained earnings	Retained earnings from the revaluation of noncurrent assets	Total
Balance 31.12.2012 adjusted	9 919	4 857	992	58	62 467	39 017	117 310
Net profit of the fiscal period	-	-	-	-	14 545	-	14 545
Announced dividends	-	-	-	-	-7 853	-	-7 853
Adjustment of the retained earnings from the revaluation of noncurrent assets	-	-	-	-	+2 593	-2 593	-
Balance 31.12.2013 adjusted	9 919	4 857	992	58	71 752	36 424	124 002
Net profit of the fiscal period	-	-	-	-	5 511	-	5 511
Announced dividends	-	-	-	-	-9 919	-	-9 919
Demerger of AS EG Võrguteenus from AS Eesti Gaas Group	-	-	-	-	-31 081	-23 771	-54 852
Adjustment of the retained earnings from the revaluation of noncurrent assets	-	-	-	-	+2 249	-2 249	-
Balance 31.12.2014	9 919	4 857	992	58	38 512	10 404	64 742



A cleaner  
tomorrow!

# Appendices to the consolidated annual accounting report

## APPENDIX 1. ACCOUNTING METHODS AND COMPILING PRINCIPLES

The 2014 Consolidated Annual Accounting Report of AS Eesti Gaas has been compiled in compliance with the accounting principles generally accepted in the Republic of Estonia, based on internationally accepted accounting and reporting principles. The main requirements for generally accepted accounting principles are laid down in the Accounting Act of the Republic of Estonia and supplemented by the regulations issued by the Estonian Accounting Standards Board.

The Consolidated Income Statement of AS Eesti Gaas has been compiled on the basis of the Income Statement Format 1 in Appendix 2 of the Accounting Act of the Republic of Estonia.

The Consolidated Annual Accounting Report is compiled in euros, using thousand as a unit.

AS Eesti Gaas and its subsidiaries form the AS Eesti Gaas Group. The consolidated performance indicators of AS Eesti Gaas and its subsidiaries have been presented in the Annual Accounting Report in compliance with the provisions of the Accounting Act of the Republic of Estonia. The unconsolidated main statements of the parent company have been included in the appendices to the Report (See Appendix 19).

### Prior period adjustment

In the 2014 Consolidated Annual Accounting Report of AS Eesti Gaas the gas pipelines recorded under "Facilities" in the noncurrent assets section are written down by EUR 10.3 million to their recoverable amount pursuant to clause 50 "Tangible Assets" of the Guidelines

of the Accounting Standards Board. The write-down results from the circumstance that the Competition Board does not take account of the value of the fixed assets whose construction has been financed from the connection fees in case of providing distribution service and the accounting principle applied by AS Eesti Gaas Group for recording the connection fees is that the connection fees are recorded on the balance sheet as income immediately after the construction of the fixed assets necessary for connecting to the network has been completed and the connection fee has been received. The write-down is based on the use value. The recoverable amount is calculated applying the method of discounted cash flows. The discount rate used in the test of recoverable amount is in compliance with the requirement imposed by the Competition Board concerning the profitability rate used for forecasting cash flows. It was agreed finally that the recoverable amount of the fixed assets of the distribution network should conform to the value of the regulated assets approved by the Competition Board.

Since the write-down of the gas pipelines resulted from the retroactive alteration of accounting principles concerning the recording of connection fees in the 2013 Consolidated Annual Accounting Report, the write-down is recorded retroactively in earlier reference periods to satisfy the matching principle of revenue and expenditure.

The effect of adjustments on the reference periods presented in the report is shown in the tables below:

CONSOLIDATED BALANCE SHEET				thousand EUR
Balance sheet item	31.12.2012	31.12.2012 adjusted	31.12.2013	31.12.2013 adjusted
Accumulated depreciation of noncurrent assets	-61 237	-71 537	-67 258	-77 558
Retained earnings	59 206	48 906	67 507	57 207

## UNCONSOLIDATED BALANCE SHEET OF THE PARENT COMPANY

thousand EUR

Balance sheet item	31.12.2012	31.12.2012 adjusted	31.12.2013	31.12.2013 adjusted
Tangible assets	120 802	110 502	69 614	59 314
Retained earnings	57 697	47 397	65 022	54 722

**Recording consolidations**

All consolidations between independent parties are recorded using the purchase method. The assets and liabilities or the net assets acquired in the course of a consolidation are registered in the accounting documents at their fair value.

**Consolidation principles**

A subsidiary is a company which is controlled by its parent company. A subsidiary is considered to be controlled in case its parent company owns either directly or through its subsidiary over 50 % of the votes or share capital of the subsidiary, in case the parent company controls the financial and operating policies of the subsidiary under a contract or an agreement, or in case the parent company has the right to appoint or to recall a majority of the members of the management or of the highest directing body.

The financial indicators of the companies belonging to the Group have been consolidated using the line-by-line method. Transactions between the companies belonging to the Group, the unrealised profits and losses resulting from these transactions as well as mutual receivables and liabilities have been fully eliminated. These accounting principles were also applied to record the financial indicators of the parent company and subsidiaries in the Consolidated Annual Accounting Report.

**Cash and cash equivalents**

Cash and cash equivalents include short-term (in general, up to 3 months) investments of high liquidity which can be converted into a definite amount of cash and have no significant risk of a change in their market value (e.g., cash in hand and at banks and bank deposits).

The cash flow statement records cash flows from business by indirect method, i.e. while determining the cash flows from business, the operating profit has been adjusted by eliminating the influence of non-monetary transactions as well as the balance changes in business-related receivables and liabilities.

Cash flows from investment and financing activity are recorded by direct method.

**Customer receivables**

Customer receivables are recorded on the balance sheet at adjusted acquisition cost. Accounts receivable are evaluated on the balance sheet on the basis of the sums likely to be received. Liability discount is based on the failure to meet the deadlines, bankruptcy of the debtor or significant solvency problems. Each case is viewed separately while evaluating the accounts receivable, considering the available information on the customer's solvency. Doubtful customer receivables are included in the expenses of the fiscal period and are recorded on the balance sheet with a minus sign under "Allowance for uncollectible receivables".

Liabilities, which have earlier been recorded as expenses, but are collected during the fiscal

period, are recorded as an adjusted sum of doubtful receivables and as a reduction of expenses in the income statement of the fiscal period. Uncollectible accounts receivable have been recorded off the balance sheet.

### Inventories

Inventories are recorded at acquisition cost, which consists of the purchase price, other irredeemable taxes and acquisition-related direct expenses.

The average acquisition cost method is used upon recording the materials, goods and spare parts under expenses and upon calculation of their book value. The gas reserve is recorded as expenses using the FIFO method.

Inventories are evaluated on the balance sheet on the basis of the lower cost, either the acquisition cost or the net realisation value. The discount amount is recorded under "Goods, raw materials and services" in the income statement.

### Long-term financial investments

Securities purchased for a longer period than one year are recorded as long-term financial investments. Long-term financial investments are recorded on the balance sheet using the acquisition cost method. Loss from depreciation is recorded in the income statement of the fiscal period.

Investments in subsidiaries are also recorded in the unconsolidated main statements of the parent company using the acquisition cost method (see Appendix 19).

### Noncurrent assets

Noncurrent assets are the assets with a useful life exceeding one year and the value exceeding EUR 700, except for gas meters and correctors, which are considered to be noncurrent assets regardless of their cost. Assets of lower acquisition cost or shorter useful life shall be recorded as expense at the time of their operation and off-balance accounting is kept over them. Noncurrent assets are recorded on the balance sheet so that accumulated depreciation and discounts related to depreciation are deducted from the acquisition cost. The acquisition cost of noncurrent assets con-

sists of the assets' value and the expenditure on their operation. Expenses on capitalized production shall be capitalized at acquisition cost, which consists of actual manufacturing expenses entered into expenditure.

In case the noncurrent asset facility consists of different important components, which have different useful lives, those components shall be registered in accounting documents as separate asset facilities. Separate depreciation rates shall be fixed to them according to the useful life of the components.

Noncurrent assets are amortized on a straight-line basis, considering their useful life. The following useful life rates have been fixed to the noncurrent asset groups:

Noncurrent asset group	Useful life
Land	not depreciated
Buildings and constructions	120 – 600 months
Machinery and equipment	40 – 180 months
Transportation vehicles	48 – 60 months
Inventory	40 – 60 months
Intangible assets	60 months

The depreciation rates of noncurrent assets are reviewed upon circumstances, which may significantly change the useful life of the noncurrent asset or noncurrent asset group. The influence of the assessment amendments shall be recorded in the fiscal period and the following periods.

Later improvement costs of noncurrent asset facilities shall be added to the facility's acquisition cost in case they correspond to the notion of noncurrent assets and satisfy the criteria for recording these on the balance sheet. Routine maintenance and repair expenses shall be recorded in the expenses of the fiscal period.

Income or loss from the sale of noncurrent assets shall be recorded in the income statement under "Other revenue" or "Other business expenses", respectively.

The value of noncurrent asset facilities is critically assessed by the management of the company on each balance day to detect any sign of depreciation. In case of doubts indicating the depreciation of a noncurrent asset facility below its carrying amount, a test of the recoverable amount of the asset facility is performed. The recoverable value equals the higher of the two indicators, i.e. either the fair value of the noncurrent asset facility (minus sales-related expenses) or the use value calculated on the basis of discounted cash flows. Noncurrent asset facilities are depreciated to their recoverable amount if the testing results reveal that their recoverable amount is less than their carrying amount. In case the value of a definite noncurrent asset facility cannot be tested, the recoverable amount is calculated for the smallest group of assets (money-generating unit) to which this particular noncurrent asset facility belongs. Devaluations of assets are recorded as expense of the fiscal period.

If the results of the recoverable amount test of an earlier discounted asset facility reveal that the recoverable amount has exceeded the carrying amount, the earlier discount shall be cancelled and the carrying amount of the asset facility shall be increased. The upper limit is the carrying amount of the asset facility, which would have been formed considering normal depreciation in these years.

### **Rent accounting**

Financial lease is a rental relationship, upon which all significant ownership-related risks and benefits are carried over to the lessee. Other rental transactions are recorded as operating lease.

#### *Company as a lessor*

Assets, rented under financial lease conditions, are recorded on the balance sheet as receivables in the amount of the net investment in financial lease. Financial lease instalments receivable are divided into financial lease main instalments and financial income. Financial income is recorded during the rental period.

Assets, rented out under operating lease conditions, are recorded on the balance sheet analogously to the recording of other assets of the company. Operating lease instalments are recorded as income during the rental period.

#### *Company as a lessee*

Noncurrent assets, rented under financial lease conditions, are recorded on the balance sheet when the lease enters into force in the sum of noncurrent asset and commitment asset fair value. Rental instalments paid to the lessor are divided into reimbursements of the main part and financial expense. Financial expenses are recorded during the rental period. According to the conditions of financial lease, rented noncurrent assets are depreciated using the same depreciation principles as valid for the same type of assets procured by the company.

Operating lease instalments are recorded linearly as expense during the rental period.

### **Financial liabilities**

All financial liabilities, such as supplier payables, loans, accrued expenses and other current and noncurrent liabilities, are recorded on the balance sheet using the acquisition cost method, which also includes all acquisition-related direct expenses. Later recordings are based on adjusted acquisition cost method.

Liabilities are divided into current and noncurrent liabilities. The adjusted acquisition cost of current financial liabilities is, in general, equal to their nominal value and, therefore, current liabilities are recorded on the balance sheet as amounts payable. Calculation of the noncurrent financial liabilities starts with registration of these liabilities on the balance sheet at fair value of the payment received minus transaction costs and in subsequent periods interest expense on liabilities is calculated using the internal interest rate method. Liabilities with a maturity date of more than one year are regarded as noncurrent liabilities. All the remaining liabilities are current liabilities.

### **Provisions and conditional liabilities**

The company shall form provisions in case it has a legal or operation-related liability before the balance day, the realisation of the provision is likely and the amount of the liability can be reliably assessed. The amount of the provision and determination of its realisation time shall be based on the management's evaluations. Long-term provisions are recorded on the balance sheet in the sum of the present value of provision-related discounted disbursements in case of significant discounting influence. Discounting is

based on the interest rate of similar liabilities in the market.

Expenses of provision realisation are evaluated as of every balance day.

Conditional liabilities are the liabilities, the realisation probability of which is under 50% or the amount of which cannot be reliably evaluated. Records of conditional liabilities are kept off-balance.

### **Corporate income tax**

According to the present income tax law, a tax is imposed on the dividends at the rate of 20/80 from the sum paid out as net-dividend. The corporate income tax, accompanying the dividend payment, is recorded as a liability on the balance sheet and as an income tax expense in the income statement at the time of the dividend announcement.

The possible income tax liability amount related to dividend payment is included in Appendix 11.

### **Income calculation**

Income from the sale of goods shall be recorded in case all significant ownership-related risks have been transferred to the purchaser and the sales income as well as the transaction-related expenses can be reliably determined. Income from the sale of services is recorded on the basis of the rate-of-completion method, i.e. the income and profit from the service rendering shall be recorded proportionally in the same periods as the expenses related to the service. In case of building contracts, rate of completion is determined on the basis of the inspection results of the work completed which has been accepted by the customer. In case of projects in which by the balance day the amounts of invoices issued to the customer for contractual work exceed the income share corresponding to the expenses of the project the difference is recorded as a liability on the balance sheet under "Customer payables". On the other hand, in case the amounts of invoices issued to the customer for contractual work are smaller than the income share corresponding to the expenses of the project, the difference is recorded as a receivable on the balance sheet

under "Amounts due from customers". In case the total expenses arising from the rendering of services exceed the income from the rendering of services, the anticipated loss shall be recorded in full and immediately in the income statement of the financial period.

Connection fees paid by the new customers connected to the natural gas network shall be recorded on the balance sheet as income in case the connection service has been provided (i.e., the construction of the noncurrent assets necessary for the connection has been completed), connection fees have been paid and there is no real risk of repayment of the connection fees. The sums of the connection fees are recorded as customer receivables and as other short-term current payables on the balance sheet upon the issue of the invoice. Connection fees received from the customers before the service is provided is recorded on the balance sheet as short-term or long-term entries under "other deferred income".

Interest income is shown as income upon occurrence of the right of claim.

Income and expense accounting is based on the accrual accounting principle and the matching principle of income and expenses. Interest on arrears is recorded on cash basis as an exception, as their receipts are uncertain.

### **Transactions based on foreign currency**

Transactions in foreign currency shall be recorded in bookkeeping in euros at the exchange rate of the European Central Bank on the transaction day. The monetary assets and liabilities, recorded in foreign currency as of 31.12.2014, have been re-evaluated into euros at the exchange rates fixed by the European Central Bank on the balance day. Profits and losses from the transactions in foreign currency are recorded in the income statement as the income and expense of the period.

### **Vacation pay provision**

Expenses of the vacation pay are recorded in the period of the occurrence of the liability. The vacation pay provision is adjusted once a year – as of the end of the fiscal year. The earned vacation pay is recorded as expenses in the in-

come statement and as short-term liability to the employees on the balance sheet.

### Related parties

AS Eesti Gaas treats enterprises or persons or close family members of such persons as related parties provided that one or several of the following conditions are fulfilled:

-the enterprise and AS Eesti Gaas are jointly controlled, the enterprise has control over or significant influence on AS Eesti Gaas, the enterprise is controlled by or is under significant influence of AS Eesti Gaas;

-the enterprises over which a member of the management of AS Eesti Gaas (or their close family members) has control or significant influence;

-the enterprises in the management of which are persons (or their close family members) who have control over or significant influence on AS Eesti Gaas;

-the persons (or their close family members) who are either members of the management of AS Eesti Gaas Group or of the parent company or have control over or significant influence on AS Eesti Gaas.

### Events following the balance day

The Annual Accounting Report includes important circumstances influencing the assessment of assets and liabilities, which occurred in the period between the balance date of December 31, 2014 and the date of compiling the report, but which are related to the transactions taken place in the accounting period or earlier periods. The reflection of the events after the balance day, but before the adoption of the report depends on whether it is a corrective or non-corrective event.

Corrective event following the balance day confirms the circumstances existing on the balance day and its influence shall be reflected on the balance sheet and in the income statement of the fiscal year.

Non-corrective event following the balance day does not provide evidence of the circumstances existing on the balance day and in case of the occurrence of non-corrective events, they shall be included in the appendices to the annual report.

## APPENDIX 2. CASH AND BANK

	31.12.2014	31.12.2013
Cash in hand	11	12
Clearing accounts	697	47
Deposits	8 933	9 727
<b>Total cash and bank</b>	<b>9 641</b>	<b>9 786</b>

## APPENDIX 3. CUSTOMER RECEIVABLES

	31.12.2014	31.12.2013
Accounts receivable for natural gas	30 599	26 175
Other accounts receivable	1 320	326
Amounts due from customers	299	1 031
Total accounts receivable	32 218	27 532
Doubtful receivables	-242	-450
<b>Total customer receivables</b>	<b>31 976</b>	<b>27 082</b>

<b>Doubtful receivables as of 31.12.2012</b>	<b>-503</b>
In the period of 01.01.2013 – 31.12.2013	
doubtful receivables	62
doubtful receivables written off additionally	-101
collected earlier doubtful accounts	92
<b>Doubtful receivables as of 31.12.2013</b>	<b>-450</b>
In the period of 01.01.2014 – 31.12.2014	
doubtful receivables	223
doubtful receivables written off additionally	-74
collected earlier doubtful accounts	59
<b>Doubtful receivables as of 31.12.2014</b>	<b>-242</b>

#### APPENDIX 4. OTHER RECEIVABLES

	thousand EUR	
	31.12.2014	31.12.2013
Loans to employees	12	14
Other short-term receivables	1	6
<b>Total other receivables</b>	<b>13</b>	<b>20</b>

#### APPENDIX 5. PREPAID EXPENSES

	thousand EUR	
	31.12.2014	31.12.2013
Rental prepayments	54	25
Prepayment for IT services	38	34
Prepaid insurance expenses	23	24
Other prepaid expenses	4	4
<b>Total prepaid expenses</b>	<b>119</b>	<b>87</b>

#### APPENDIX 6. INVENTORIES

	thousand EUR	
	31.12.2014	31.12.2013
Natural gas reserve at the storage in Latvia	0	34 874
Materials and spare parts of the gas network	154	599
Other goods and materials	615	500
<b>Total inventories</b>	<b>769</b>	<b>35 973</b>

The total natural gas reserve, which is recorded on the balance sheet under "Inventories", is stored in the Latvian natural gas storage and deposited into the storage with liability to AS Latvijas Gaze.

## APPENDIX 7. NONCURRENT ASSETS

## TANGIBLE ASSETS

thousand EUR

	Land and buildings	Facilities	Machinery and equipment	Other	Total
<b>Acquisition cost</b>					
<b>Acquisition cost as of 31.12.2013</b>	<b>5 746</b>	<b>165 654</b>	<b>17 217</b>	<b>158</b>	<b>188 775</b>
Acquisitions and improvements	69	3 874	819	0	<b>4 762</b>
Reclassification	0	-5	5	0	<b>0</b>
Demerger transactions	-889	-77 671	-2 474	-4	<b>-81 038</b>
Sales and write-offs	-1	-3 624	-479	-3	<b>-4 107</b>
<b>Acquisition cost as of 31.12.2014</b>	<b>4 925</b>	<b>88 228</b>	<b>15 088</b>	<b>151</b>	<b>108 392</b>
<b>Accumulated depreciation</b>					
<b>Accumulated depreciation as of 31.12.2013 adjusted</b>	<b>2 115</b>	<b>63 002</b>	<b>12 289</b>	<b>152</b>	<b>77 558</b>
Depreciation in the fiscal period	124	2 803	931	3	<b>3 861</b>
Reclassification	0	-5	5	0	<b>0</b>
Demerger transactions	-361	-28 337	-1 431	-1	<b>-30 130</b>
Sales and write-offs	0	-1 328	-450	-3	<b>-1 781</b>
<b>Accumulated depreciation as of 31.12.2014</b>	<b>1 878</b>	<b>36 135</b>	<b>11 344</b>	<b>151</b>	<b>49 508</b>
<b>Construction and reconstruction in progress</b>					
<b>Balance as of 31.12.2013</b>	<b>10</b>	<b>193</b>	<b>52</b>	<b>0</b>	<b>255</b>
Construction and repairs	80	3 843	792	0	<b>4 715</b>
Completed construction and repairs	-69	-3 874	-819	0	<b>-4 762</b>
<b>Balance as of 31.12.2014</b>	<b>21</b>	<b>162</b>	<b>25</b>	<b>0</b>	<b>208</b>
<b>Residual value</b>					
Residual value as of 31.12.2013 adjusted	3 641	102 845	4 980	6	<b>111 472</b>
<b>Residual value as of 31.12.2014</b>	<b>3 068</b>	<b>52 255</b>	<b>3 769</b>	<b>0</b>	<b>59 092</b>



## INTANGIBLE ASSETS

**IT systems, PC software, development expenses**

thousand EUR

**Acquisition cost**

<b>Acquisition cost as of 31.12.2013</b>	<b>3 703</b>
Acquisitions	617
Demerger transactions	-514
Sales and write-offs	-11
<b>Acquisition cost as of 31.12.2014</b>	<b>3 795</b>

**Accumulated depreciation**

<b>Accumulated depreciation as of 31.12.2013</b>	<b>2 612</b>
Depreciation in the fiscal period	270
Demerger transactions	-242
Sales and write-offs	-11
<b>Accumulated depreciation as of 31.12.2014</b>	<b>2 629</b>

**Residual value**

Residual value as of 31.12.2013	1 091
<b>Residual value as of 31.12.2014</b>	<b>1 166</b>

**Other shares and securities**

Twelve shares of the Rocca al Mare Suurhall AS for the value of EUR 58 thousand are recorded on the balance sheet under "Long-time financial investments".

## APPENDIX 8. OPERATING LEASE

*Company as a lessee*

The company has rented under the operating lease conditions transportation vehicles and equipment. The underlying currency in the operating lease agreements is EUR both in 2014 and 2013 and the annual interest rate is 6-month Euribor added by a margin of 1.85-3 %. Rental payments are paid monthly.

<b>Rent expenses in 2013</b>	<b>Rent expenses in 2014</b>
90	90

*Company as a lessor*

Rental income from the partial lease of the buildings belonging to AS Eesti Gaas under the operating lease conditions amounted to EUR 151 thousand in the 2014 fiscal year (EUR 59 thousand in 2013). According to the management's assessments, the rental income in future years is anticipated to remain in the same limits as in 2014.

## APPENDIX 9. DEBT OBLIGATIONS

	31.12.2014	31.12.2013
Value added tax	5 279	3 986
Natural gas excise duty	1 062	935
Personal income tax	89	95
Social tax	155	168
Unemployment insurance premium	10	11
Funded pension premium	7	7
Income tax on fringe benefits	3	4
<b>Total debt obligations</b>	<b>6 605</b>	<b>5 206</b>

## APPENDIX 10. LOAN COMMITMENTS AND PROVISIONS

					thousand EUR
Underlying currency	Due date of payment	Balance 31.12.12	Loan reserved	Loan repaid	Balance 31.12.13
SEB Bank, revolving credit line loan, financing of current assets					
EUR	17.12.13	3 000	5 000	8 000	0
SEB Bank, storing natural gas into the Latvian storage					
EUR	01.08.13	20 000	0	20 000	0
<b>Total 2013</b>		<b>23 000</b>	<b>5 000</b>	<b>28 000</b>	<b>0</b>
Underlying currency	Due date of payment	Balance 31.12.13	Loan reserved	Loan repaid	Balance 31.12.14
SEB Bank, revolving credit line loan, financing of current assets					
EUR	06.12.16	0	8 500	5 500	3 000
SEB Bank, storing natural gas into the Latvian storage					
EUR	30.09.14	0	30 000	30 000	0
<b>Total 2014</b>		<b>0</b>	<b>38 500</b>	<b>35 500</b>	<b>3 000</b>

The annual interest rate of loans is equal to 0.45-1.0%.

In the 2014 financial year the loan to AS SEB Bank to finance the purchasing of natural gas into the Latvian storage was repaid on time and a new loan agreement was concluded to finance the current assets.

### Long-term and short-term provisions

Short-term provisions related to employment contracts recorded on the balance sheet as of December 31, 2014 and December 31, 2013 are formed of pension liabilities in the amount of EUR 31 thousand payable in 2015 and paid in 2014 and a provision in



the amount of EUR 6 thousand is formed under the terms of construction contracts.

Long-term provisions include pension liabilities in the amount of EUR 122 thousand (EUR 122 thousand in 2013) and dismissal compensations in the amount of EUR 643 thousand (EUR 762 thousand in 2013). Long-term provisions include pension liabilities in the amount of EUR 122 thousand (EUR 122 thousand in 2013) and dismissal compensations in the amount of EUR 643 thousand (EUR 762 thousand in 2013). Long-term provisions are recorded at undiscounted value due to a negligible influence of discounting.

In 2015 Eesti Gaas AS has an obligation arising from the natural gas purchasing agreement to make an advance payment in the amount of EUR 23 million for purchasing natural gas. The advance payment can be used for purchasing natural gas in the years 2015-2017. The purchasing price of natural gas purchased for the advance payment depends considerably on the actual purchasing price of natural gas in 2014 and the purchasing and selling price of natural gas is directly dependent on oil prices on the world market. Eesti Gaas AS would suffer a loss when reselling natural gas purchased for the advance payment due to the circumstance that by the time of compiling the Annual Accounting Report oil prices on the world market have nearly halved in comparison with the average oil prices in 2014. The size of the loss will depend on the future changes in oil prices on the world market as well as on the period when the advance payment is used.

The Board of Directors has formed a provision for the anticipated loss in the amount of EUR 3 million. The calculation of the provision is based on the natural gas purchasing and selling prices in December, 2015 calculated by the Board of Directors and based on the anticipated fuel oil prices, gas oil at 640 USD/t and fuel oil with 1% sulphur content at 400 USD/t and at a EUR/USD exchange rate of 1.05. The provision will realise in the period when AS Eesti Gaas will purchase natural gas for the advance payment.

## APPENDIX 11. OWNERS` EQUITY

### Share capital

In compliance with its Articles of Association the share capital of AS Eesti Gaas amounts to EUR 9,919 thousand, divided into 4,338,544 nominal shares, which have been issued. The company has two types of shares - A- and B-type registered shares, whereas the total sum of the nominal values of B-type shares shall not exceed 28% of the share capital.

The number of A-type shares is 721,843 and the nominal value of each share is EUR 10. Each share grants one hundred votes to its owner at the general meeting of shareholders. In case of the dispossession of shares, other A-type shareholders have the preemptive purchase right.

The number of B-type shares is 27,006,565 and the nominal value of each share is EUR 0.1. Each share grants one vote to its owner at the general meeting of shareholders. B-type shares are freely tradable.

The share registry is kept electronically at the Central Depository of Securities.

The total amount of the share capital of EUR 9,919 thousand includes, both, as of the beginning of the year and the end of the year:

-A-type shares in the amount of EUR 7,218 thousand, which totals 72.77% of the company's share capital;

-B-type shares in the amount of EUR 2,701 thousand, which totals 27.23% of the company's share capital.

### Legal reserve capital

A legal reserve capital is formed in compliance with the requirements specified in the Commercial Code of the Republic of Estonia. The size of the reserve capital is foreseen in the Articles of Association and it cannot be smaller than 1/10 of the share capital.

The legal reserve capital amounts to EUR 992 thousand, both, at the beginning of the fiscal year and as of 31.12.2014, i.e. 1/10 of the share capital. No provisions from net profit were transferred into the legal reserve capital in the fiscal year.

### Profit distribution

The Board of Directors has anticipated a dividend payout in the amount of EUR 4 959 thousand in the proposal for the 2014 profit distribution. That would bring about a tax liability in the amount of EUR 1 240 thousand.

Disregarding the amount on the balance sheet under "Retained earnings from the revaluation of noncurrent assets", the owners would have a tax liability of EUR 7, 702 thousand upon announcing the maximum amount of dividends to be paid.

### Retained earnings from the revaluation of noncurrent assets

A revaluation of the natural gas pipelines, acquired in 1995 or earlier, was performed as of 31.12.2004, and the results of the revaluation were recorded on the balance sheet under "Retained earnings from the revaluation of noncurrent assets". EUR 2, 593 thousand was transferred from this entry to "Retained earnings" in compliance with the profit distribution proposal in 2013. Due to the complete removal of the transmission and transit network from the balance sheet of AS Eesti Gaas in 2014 the entry for the retained earnings from the revaluation of noncurrent assets was recorded under "Retained earnings" in the amount of EUR 1, 451 thousand for all revaluated assets and in the amount of EUR 798 thousand for the assets of the distribution network, a total of EUR 2, 249 thousand. These amounts reflect the difference between the depreciation based on the carrying cost of the revaluated natural gas pipelines as of 31.12.2004 and the depreciation based on their initial acquisition cost before the revaluation was performed.

## APPENDIX 12. SALES INCOME

thousand EUR

By fields of activity, the sales income is as follows:

	2014	2013
Gas sales	175 085	195 603
Sale of gas network service	16 303	15 804
Sale of construction service	2 443	5 840
Connection fees	675	800
Sale of gas appliances and other goods	1 477	1 144
Other services	1 373	1 514
<b>Total</b>	<b>197 356</b>	<b>220 705</b>

99.46 % of the sales income was earned in the Republic of Estonia (99.99 % in 2013).

## APPENDIX 13. OTHER REVENUE

	thousand EUR	
	2014	2013
Fines and penalties	11	8
Income from the sale of noncurrent assets	81	30
Other revenue	95	10
<b>Total</b>	<b>187</b>	<b>48</b>

## APPENDIX 14. GOODS, RAW MATERIALS AND SERVICES

	thousand EUR	
	2014	2013
Natural gas	165 444	179 473
Other goods, materials and services	11 767	9 859
Fuels and energy	831	899
<b>Total</b>	<b>178 042</b>	<b>190 231</b>

## APPENDIX 15. OTHER OPERATING EXPENSES

	thousand EUR	
	2014	2013
Advertising expenses	118	126
Office and communication expenses	337	397
Taxes and fees	108	130
Business-related travel and training expenses	171	207
Repair, security and maintenance expenses of the buildings	530	563
Transport maintenance and transportation service expenses	78	98
Insurance expenses	61	88
Purchased maintenance services of the gas network	147	197
Loan expenses and bank transaction fees	51	44
IT-related services	366	402
Audit, legal and counselling services	234	341
Expenses of doubtful receivables	16	3
Other expenses	254	332
<b>Total</b>	<b>2 471</b>	<b>2 928</b>

## APPENDIX 16. STAFF COSTS

	thousand EUR	
	2014	2013
Wages and salaries	5 340	6 659
Social security costs	1 760	2 242
<b>Total staff costs</b>	<b>7 100</b>	<b>8 901</b>
Average number of employees	233	304

## APPENDIX 17. OTHER BUSINESS EXPENSES

	thousand EUR	
	2014	2013
Loss from the sale and liquidation of noncurrent assets	0	2
Paid membership fees and donations	68	68
Other expenses	26	44
<b>Total</b>	<b>94</b>	<b>114</b>

## APPENDIX 18. TRANSACTIONS WITH RELATED PARTIES

Although AS EG Võrguteenus demerged from AS Eesti Gaas Group on January 02, 2014, it can still be regarded as a related party since it was under the control of the owners of AS Eesti Gaas in the fiscal year. Therefore, the present appendix includes transactions of AS Eesti Gaas and its subsidiaries with AS EG Võrguteenus.

E.ON Ruhrgas International GmbH transferred all its shares to Fortum Heat and Gas OY and, as a result, Fortum Heat and Gas OY acquired the controlling interest in AS Eesti Gaas.

The following transactions were performed with the related parties in the fiscal year:

<b>Purchase transactions</b>	<b>Content</b>	<b>2014</b>	<b>2013</b>	<b>Balance 31.12.2014</b>	<b>Balance 31.12.2013</b>
OAO Gazprom	Natural gas	126 651	188 851	21 362	52 981
AS EG Võrguteenus	Service	7 937	-	1 237	-
	Material	13	-	0	-
<b>TOTAL</b>		<b>134 601</b>	<b>188 851</b>	<b>22 599</b>	<b>52 981</b>



<b>Purchase transactions</b>	<b>Content</b>	<b>2014</b>	<b>2013</b>	<b>Balance 31.12.2014</b>	<b>Balance 31.12.2013</b>
OAO Gazprom	Service	1 052	870	41	17
E.ON Ruhrgas International AG	Service	9	25	1	1
Fortum Heat and Gaz OY	Service	0	7	0	0
AS EG Võrguteenus	Noncurrent assets	2 300	-	0	-
	Service	1 105	-	13	-
	Natural gas	196	-	21	-
<b>TOTAL</b>		<b>4 662</b>	<b>902</b>	<b>76</b>	<b>18</b>

Transactions related to purchasing natural gas from OAO Gazprom are recorded in appendices to the annual report – in Appendix 6 “Inventories” and in Appendix 14 “Goods, Raw Materials and Services “. Services and material purchased from EG Võrguteenus are recorded in Appendix 14 “Goods, Raw Materials and Services “ and in Appendix 15 “Other Operating Expenses”.

Sales transactions with related parties are recorded in Appendix 7 “Noncurrent Assets” and in Appendix 12 “Sales Income”. The calculated remunerations of the members of the Board of Directors and the Supervisory Board amounted to EUR 916 thousand in the fiscal year (EUR 845 thousand in 2013) and the balance totalled EUR 45 thousand as of 31.12.2014 (EUR 51 thousand as of 31.12.2013).

## APPENDIX 19. UNCONSOLIDATED MAIN STATEMENTS OF THE PARENT COMPANY

### UNCONSOLIDATED BALANCE SHEET OF THE PARENT COMPANY

ASSETS		thousand EUR
<b>CURRENT ASSETS</b>	<b>31.12.2014</b>	<b>31.12.2013 adjusted</b>
Cash at bank and in hand	8 990	6 419
Customer receivables	30 498	25 827
Miscellaneous receivables and accrued income	1 640	1 182
Prepaid/refundable deferred expenses	45	42
INVENTORIES	0	34 874
<b>TOTAL CURRENT ASSETS</b>	<b>41 173</b>	<b>68 344</b>
<b>NONCURRENT ASSETS</b>		
Long-term financial investments	723	53 822
Tangible assets	58 202	59 314
Intangible assets	1 146	819
<b>TOTAL NONCURRENT ASSETS</b>	<b>60 071</b>	<b>113 955</b>
<b>TOTAL ASSETS</b>	<b>101 244</b>	<b>182 299</b>

## LIABILITIES AND OWNERS' EQUITY

LIABILITIES	thousand EUR	
<b>CURRENT LIABILITIES</b>	<b>31.12.2014</b>	<b>31.12.2013 adjusted</b>
Debt obligations	3 000	0
Customer prepayments for goods and services	208	313
Supplier payables	21 624	53 238
Other short-term payables	3 269	3 322
Tax liabilities	4 853	3 695
Accrued expenses	362	408
Short-term provisions	3 031	31
Other deferred income	761	652
<b>TOTAL CURRENT LIABILITIES</b>	<b>37 108</b>	<b>61 659</b>
<b>NONCURRENT LIABILITIES</b>		
Long-term provisions	553	553
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>553</b>	<b>553</b>
<b>TOTAL LIABILITIES</b>	<b>37 661</b>	<b>62 212</b>
<b>OWNERS' EQUITY</b>		
Share capital (nominal value)	9 919	9 919
Share premium	4 857	4 857
Reserves	1 050	1 050
Retained earnings	30 838	54 722
Retained earnings from the revaluation of noncurrent assets	10 404	36 424
Net profit for the financial year	6 515	13 115
<b>TOTAL OWNERS' EQUITY</b>	<b>63 583</b>	<b>120 087</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>101 244</b>	<b>182 299</b>

## UNCONSOLIDATED INCOME STATEMENT OF THE PARENT COMPANY

	thousand EUR	
<b>REVENUE</b>	<b>2014</b>	<b>2013</b>
Sales income	201 519	220 667
Other revenue	179	24
<b>Total revenue</b>	<b>201 698</b>	<b>220 691</b>

**EXPENSES**

Goods, raw materials and services	183 138	195 161
Miscellaneous operating expenses	1 962	2 061
Staff costs		
a) wages and salaries	2 711	2 596
b) social security costs	883	857
Depreciation and impairment of noncurrent assets	3 765	4 745
Other business expenses	87	95
Total expenses	192 546	205 515
<b>OPERATING PROFIT</b>	<b>9 152</b>	<b>15 176</b>

**FINANCIAL INCOME AND EXPENSES**

a) interest expense	42	22
b) other financial income and expenses	42	49
<b>Total financial income and expenses</b>	<b>0</b>	<b>27</b>
<b>PROFIT FROM ECONOMIC OPERATIONS</b>	<b>9 152</b>	<b>15 203</b>
<b>PROFIT BEFORE TAXES</b>	<b>9 152</b>	<b>15 203</b>
Income tax	2 637	2 088
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>	<b>6 515</b>	<b>13 115</b>

## UNCONSOLIDATED CASH FLOW STATEMENT OF THE PARENT COMPANY

thousand EUR

<b>CASH FLOWS FROM OPERATIONS</b>	<b>2014</b>	<b>2013</b>
Net profit for the financial year	9 152	15 176
Value adjustments		
Depreciation and impairment of noncurrent assets	3 765	4 745
Profit (-), loss from the sale of noncurrent assets	-73	-6
Loss from the write-off of noncurrent assets	1	4
Formation of provisions	3 031	31
Change in business-related receivables	-5 133	15 323
Change in inventory	34 874	-9 659
Change in business-related liabilities	-30 462	579
Interests received	56	61
Calculatory corporate income tax	-2 637	-2 088
<b>Total cash flows from operations</b>	<b>12 574</b>	<b>24 166</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of noncurrent assets	-5 400	-8 026
Sale of noncurrent assets	2 371	5
<b>Total cash flows from investing activities</b>	<b>-3 029</b>	<b>-8 021</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Loans	38 500	5 000
Redeemed loans	-35 500	-28 000
Paid interests	-55	-35
Paid dividends	-9 919	-7 853
<b>Total cash flows from financing activities</b>	<b>-6 974</b>	<b>-30 888</b>

**TOTAL CASH FLOWS**

	<b>2 571</b>	<b>-14 743</b>
Cash and its equivalents at the beginning of the fiscal period	6 419	21 162
Change in cash and its equivalents	2 571	-14 743

**Cash and its equivalents at the end of the fiscal period 8 990 6 419**

## UNCONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE PARENT COMPANY

thousand EUR

	Share capital	Share premium	Legal reserve capital	Other reserves	Retained earnings	Retained earnings from the revaluation of noncurrent assets	Total
Balance 31.12.2012 adjusted	9 919	4 857	992	58	59 982	39 017	114 825
Net profit of the fiscal period	-	-	-	-	13 115	-	13 115
Announced dividends	-	-	-	-	-7 853	-	-7 853
Adjustment of the retained earnings from the revaluation of noncurrent assets	-	-	-	-	+2 593	-2 593	-
Balance 31.12.2013 adjusted	9 919	4 857	992	58	67 837	36 424	120 087
Net profit of the fiscal period	-	-	-	-	6 515	-	6 515
Announced dividends	-	-	-	-	-9 919	-	-9 919
Subsidiary demerger	-	-	-	-	-29 329	-23 771	-53 100
Adjustment of the retained earnings from the revaluation of noncurrent assets	-	-	-	-	+2 249	-2 249	-
Balance 31.12.2014	9 919	4 857	992	58	37 353	10 404	63 583

The adjusted unconsolidated owners' equity of AS Eesti Gaas totalled EUR 64, 742 thousand as of December 31, 2014 (EUR 134, 302 thousand as of December 31, 2013). The adjusted unconsolidated owners' equity is equal to the unconsolidated owners' equity of AS Eesti Gaas minus the carrying amount of the subsidiaries recorded on the balance sheet of AS Eesti Gaas in the amount of EUR 665 thousand as of December 31, 2014 and in the amount of EUR 53, 765 thousand as of December 31, 2013 (See Appendix 20) and plus the value of the holdings in the subsidiaries calculated using the equity method in the amount of EUR 1, 824 thousand as of December 31, 2014 and in the amount of EUR 57, 680 thousand as of December 31, 2013.

## APPENDIX 20. SUBSIDIARIES

AS Eesti Gaas had three 100% subsidiaries in the Republic of Estonia at the beginning of the fiscal year, viz. AS EG Ehitus, AS EG Võrguteenus and AS Gaasivõrgud. The nominal value of each share of the subsidiaries was EUR 10.

AS Eesti Gaas owned 100% of the shares of AS EG Võrguteenus before January 02, 2014. Under the demerger plan signed by the AS Eesti Gaas Board of Directors on October 17, 2013, AS Eesti Gaas was divided through demerger and AS EG Võrguteenus was demerged from the AS Eesti Gaas Group. The demerger was entered in the Commercial Register and the new company AS Võrguteenus Valdus established upon demerger was registered on January 02, 2014. AS Eesti Gaas paid for the shares of the new company in the form of nonmonetary contribution, the object of which were the shares of AS EG Võrguteenus. AS Eesti Gaas transferred to the new company AS Võrguteenus Valdus all the shares of AS EG Võrguteenus in the amount of EUR 53, 100 thousand and, as a result, the amounts under "Long-term financial investments" on the balance sheet of the parent company and under "Retained earnings" in the owners' equity of the parent company decreased respectively. AS Võrguteenus Valdus acquired 100% of the shares of the transmission system operator AS EG Võrguteenus. AS EG Võrguteenus has not belonged to AS Eesti Gaas Group since January 02, 2014 and the business activities related to providing transmission service have been unbundled from AS Eesti Gaas.

Thus, AS Eesti Gaas had two 100% subsidiaries in the Republic of Estonia at the end of the fiscal year.

### SHARES AND HOLDINGS OF THE SUBSIDIARIES

	EG Ehitus AS	EG Võrguteenus AS	Gaasivõrgud AS
Main field of activity	Construction of gas, water and sewage pipelines	Sale of natural gas transmission services through natural gas network	Sale of distribution services through natural gas distribution network
Accounting value of the subsidiary in thousand EUR as of 31.12.2013	665	53 100	0
Accounting value of the subsidiary in thousand EUR as of 31.12.2014	665	-	0
Number of shares as of 31.12.2013	66 468	5 310 028	200 000
Number of shares as of 31.12.2014	66 468	-	200 000
Holding as of 31.12.2013	100%	100%	-
<b>Holding as of 31.12.2014</b>	<b>100%</b>	<b>-</b>	<b>100%</b>

THE OWNERS` EQUITY OF THE SUBSIDIARIES AS OF 31.12.2013 thousand EUR

	EG Ehitus AS	EG Võrguteenus AS	Gaasivõrgud AS
Share capital	665	53 100	2 000
Share premium	2	-	-
Legal reserve capital	38	80	-
Retained earnings	88	277	-
Net profit for the financial year	183	1 716	-147
<b>Total owners` equity</b>	<b>976</b>	<b>55 173</b>	<b>1 853</b>
Holding of the parent company in owners` equity	100%	100%	100%

THE OWNERS` EQUITY OF THE SUBSIDIARIES AS OF 31.12.2014

	EG Ehitus AS	Gaasivõrgud AS
Share capital	665	2 000
Share premium	2	-
Legal reserve capital	47	-
Retained earnings	262	-147
Net profit for the financial year	-261	-744
<b>Total owners` equity</b>	<b>715</b>	<b>1 109</b>
Holding of the parent company in owners` equity	100%	100%

## APPENDIX 21. DEMERGER TRANSACTIONS

The balance sheet total of AS Eesti Gaas Group decreased by EUR 55, 343 thousand due to the demerger of AS EG Võrguteenus from the Group on January 2, 2014. The table below illustrates the decrease in the balance sheet total by item groups:

Balance sheet item	Consolidated balance sheet before demerger	Balance sheet of EG Võrguteenus at the time of the demerger	Mutual balances of EG and EGV	Consolidated balance sheet after demerger
Assets				
Current assets	72 948	3 906	401	68 641
Noncurrent assets	112 621	51 838		60 783
<b>TOTAL ASSETS</b>	<b>185 569</b>	<b>55 744</b>		<b>129 424</b>
Liabilities and owners` equity				
Liabilities	61 567	570	401	60 596
Owners` equity	124 002	55 174		68 828
<b>TOTAL LIABILITIES AND OWNERS` EQUITY</b>	<b>185 569</b>	<b>55 744</b>		<b>129 424</b>

The net profit of AS EG Võrguteenus for 2013 amounted to EUR 1, 818 thousand for providing transmission services.



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## **Independent Auditors' Report** *(Translation from the Estonian original)*

To the shareholders of AS Eesti Gaas

We have audited the accompanying consolidated financial statements of AS Eesti Gaas ("the Company"), which comprise the consolidated balance sheet as at 31 December 2014, the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. Audited consolidated financial statements are presented on pages from 5 to 31.

### **Management's Responsibility for consolidated the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Estonia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects the consolidated financial position of AS Eesti Gaas as at 31 December 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting principles generally accepted in Estonia.

Tallinn, 13 March 2015

*Signed*

Andris Jegers  
*Authorized Public Accountant no 171*

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