

ANNUAL REPORT  
2008/09

<b>MANAGEMENT REPORT</b>	<b>3</b>
Address of the Chairman of the Management Board	4
Põhivõrk in Brief	5
Most Important Events and Developments	7
Principal Economic Indicators	7
Põhivõrk's Economic Activities	8
Environmental Risks	9
Investments	10
Research and Development Activities	10
People	11
<b>FINANCIAL STATEMENTS</b>	<b>12</b>
Management Board's Confirmation of the Financial Statements	13
Balance Sheet	14
Income Statement	15
Cash Flow Statement	16
Statement of Changes in Equity	17
Notes to the Financial Statement	18
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>38</b>
<b>PROFIT ALLOCATION PROPOSAL</b>	<b>40</b>
<b>SIGNATURES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD TO ANNUAL REPORT</b>	<b>41</b>
OÜ Põhivõrk's Sales Revenue by EMTAK 2008 Area of Activity	42

The image features a solid teal background with several overlapping, semi-transparent circles of varying shades of teal. The circles are arranged in a way that they appear to be layered, with some in the foreground and others behind. The text 'MANAGEMENT REPORT' is centered within one of the circles.

**MANAGEMENT  
REPORT**



## Dear Reader,

The priorities of OÜ Põhivõrk can be summarised in three key expressions:

- **THE ENERGY MARKET**
- **INTERCONNECTIONS**
- **RELIABILITY OF THE SYSTEM**

These key expressions clearly show the desire of all customers, that electricity must be available at all times at a reasonable price. Although the transmission grid with its interconnections is the marketplace for electricity trading, the task currently facing us is the push to design the trading rules and develop the necessary infrastructure to satisfy the market demand.

Work to create the rules needed to set up the NordPool Spot Baltic price region has started, as has the work of overcoming the obstacles to the establishment of the market. Work has started at the European Union transmission networks cooperation organisation ENTSO-E, which will take over the connection functions of regional transmission networks and be a partner to the European Commission and the agency of regulators. One of the first and most important results for us of the European Commission's moves to link the Baltic Energy Market Interconnection Plan to the European Union member states' energy markets is the proof of the importance of the Estlink 2 project and the 100 million EUR subsidy linked to it. The aim of the project is to connect the Nordic and Baltic energy markets and increase the connection capacity between the energy systems through additional direct current cables.

Interconnections alone are not enough to guarantee the stability of the energy system. OÜ Põhivõrk has started the construction of a 100 MW gas turbine in Kiisa as an emergency reserve. This project is the first step in covering the need for emergency reserves, and for regulating and peak capacities.

OÜ Põhivõrk's employees are top specialists in their field and work very hard to solve successfully the challenges they are facing. In order to help them keep abreast of developments in their work we have started regular in-service training courses. All market participants will benefit from this and it will help us to meet our strategic goals.

A handwritten signature in black ink, appearing to read 'Lembit Vali', written in a cursive style.

LEMBIT VALI / Chairman of the Management Board



## Põhivõrk in Brief

### IMPORTANT DATES:

- 01.11.1998 – Eesti Energia AS unites five regional power networks as the basis for the independent structural units Jaotusvõrk and Põhivõrk. The independent economic activities, accounting and auditing of Põhivõrk start from here.
- 01.04.2004 – After the Electricity Market Act enters into force, prohibiting the network operator from simultaneously operating in the production, distribution or sale of electricity, Eesti Energia founds OÜ Põhivõrk on the basis of the existing structural unit. The independent activities of Põhivõrk as a subsidiary of Eesti Energia begin from here.

### MAIN FUNCTIONS:

- Uniting Estonia's major power stations and consumers into a unified electrical power system
- Transmitting electricity at voltages of 6–330 kV from producers to distribution networks and major corporate consumers
- Ensuring the functioning of the Estonian electrical power system as a whole
- Ensuring Estonia's national energy balance
- Providing the services of a system operator
- Purchasing and selling balancing electricity

## MISSION:

Our Mission is to Ensure the Sustainability of Estonia's Electricity Supply

## VISION FOR 2025:

To be the best transmission network in Europe

## VISION FOR 2015:

Põhivõrk has created the conditions for an efficiently operating energy market

## THE MOST IMPORTANT DEVELOPMENTS IN THE PAST FINANCIAL YEAR BEYOND DAY-TO-DAY ECONOMIC ACTIVITIES WERE:

### 1. Preparations for the opening of the energy market:

- In cooperation with neighbouring energy systems we continued the project to broaden the Nordic energy trading market NordPool Spot into the Baltic countries in order to allow all Baltic energy producers and consumers to purchase and sell energy at a unified market price on this trading market. This would considerably widen the trading opportunities of Nordic energy producers and consumers and give the right signals for investment decisions.
- We started a procurement for new balance management software, which will prepare us better for the new dynamic energy market, if energy market participants start to change their energy provider more frequently.
- At the initiative of the EU we participated in the BEMIP (Baltic Energy Market Interconnection Plan) project to create a common energy market in the Baltic sea area by setting common market regulations and building supplementary connections between the states of the region.
- Together with Latvian, Lithuanian and Polish transmission networks, we continued preparations for the linking of energy systems between the Baltic states and Poland, which is the first major step in transferring the Baltic states to synchronised work with the Central European unified energy system UCTE.

### 2. Preparation of major investments:

- The project of the undersea cable Estlink 2 between Estonia and Finland advanced successfully in cooperation with the Finnish transmission grid, and both the mainland and initial undersea routes have been selected. The mainland route has also been assessed for its environmental impact.
- We started investment in a gas turbine power station, which can be used supply national emergency reserves quickly in the case of energy system emergencies, thus increasing Estonia's security of energy supply.

In addition to this we built several new connection points for renewable energy producers to connect to the power network. In the next financial year we will continue our work in all these directions.

## PRINCIPAL ECONOMIC INDICATORS

million Estonian kroons	2008/2009	2007/2008	2006/2007
Operating income	<b>1,278</b>	1,190	1,127
Operating expenses	<b>889</b>	810	798
Operating profit	<b>389</b>	380	329
Financial expenses	<b>114</b>	121	120
Net profit	<b>276</b>	259	209
Investments	<b>606</b>	227	585
Liabilities	<b>2,807</b>	2,763	3,063
Equity	<b>2,752</b>	2,476	2,218
Assets	<b>5,559</b>	5,239	5,281
ROE	<b>10.5%</b>	11.0%	9.9%
ROIC	<b>8.0%</b>	7.8%	6.8%
D/E	<b>1.0</b>	1.1	1.4
Profitability	<b>21.6%</b>	21.7%	18.5%

Balance sheet data as at last day of the financial year.

## EXPLANATION OF RATIOS:

$$\text{ROE} = \frac{\text{Net profit}}{\text{Average equity during the year}}$$

$$\text{ROIC} = \frac{\text{Operating profit}}{\text{Average for the year (equity+interest-bearing liabilities)}}$$

$$\text{D/E} = \frac{\text{Liabilities}}{\text{Equity}}$$

$$\text{Profitability} = \frac{\text{Net profit}}{\text{Income}}$$

## Põhivõrk's Economic Activities

The last financial year had high and low points for Põhivõrk, as it did for the entire Estonian economy, with the first half of the year economically successful, but the effects of the recession beginning to be felt in the second half. This led to a fall in energy consumption, which had a negative impact on Põhivõrk's income.

Despite the negative economic trends, all the company's financial targets were successfully met. The net profit was a record 276 million kroons, which beat the target figure by almost 80 million kroons, and EVA was positive as economic value was added.

### ÕÜ PÕHIVÕRK PROVIDES ITS CUSTOMERS:

- **electricity transmission service (-88% of income)**  
The essence of this service is the transmission of electricity from one point of the power grid to another at the request of the customer. We provide an electricity transmission service to Estonian customers who are connected to Põhivõrk's grid and to the transmission network of the Russian Federation. Our customers are primarily power stations, distribution networks and corporate consumers, in total 10 electricity producers and 11 consumers.
- **balancing service (-9% of income)**  
The essence of this service is ensuring the energy balance for customers. By law, the electricity balance sheet of every market participant has to be in balance, meaning that the amount of electricity they produce and purchase has to be equal to the amount of electricity they sell and use. In hours when the balance of a market participant is negative, Põhivõrk sells it the missing electricity; when the balance is positive, Põhivõrk buys the excess. We offer the balancing service to balance providers and our task is to keep the Estonian electrical power system as a whole in balance by guaranteeing the balance of the balance providers.

- **Rent of fibre optic cables**

The fibre optic cable installed on Põhivõrk's transmission lines is used to pass important technical information to Põhivõrk. Those fibres of the fibre optic cable that Põhivõrk does not itself need it rents to Televõrgu AS who uses it to provide communication services to its customers.

The economic activities of Põhivõrk are regulated by law. Under Estonian law, the Estonian Competition Board regulates Põhivõrk's economic activity and monitors the company's operations. The tariffs for Põhivõrk's transmission services are fixed by the Competition Board on the basis of justified costs and the return on assets. This makes it relatively easy to predict the company's economic results.

Changes in the general economic environment usually lead to changes in the level of domestic electricity transmission. However, the impact on Põhivõrk's economic results is not significant in the longer perspective as the changes are factored in afterwards, in the next regulation period (3 years).

The next year is going to be much more difficult due to the continuing economic recession. Many industrial enterprises have by now terminated production, as a result of which we forecast a decline in transmission revenues and profit. Even in unfavourable economic conditions Põhivõrk is a sustainable company, able to carry out its investments and other goals.



## Environmental Risks

Põhivõrk's operations create several environmental risks and we have a duty to prevent environmental damage. In the last financial year we directly invested 7.5 million kroons in environmental protection and also used 1.3 million kroons of budget funds. We have identified the principal environmental concerns and established our environmental goals and responsibilities accordingly. To monitor how well we are achieving our goals, we use a specially designed surveillance system and keep a separate register of environmental complaints and emergencies. An important innovation in recent years is the construction of noise barriers around transformers.

The electrical equipment in Põhivõrk's substations contains a total of nearly 6000 tonnes of oil. In order to prevent environmental pollution, we aim to renovate all the oil collection facilities located under electrical equipment. At the moment, 16 oil tanks and 10 oil containers still need to be repaired, representing 6% and 7% of the total numbers. In the past years we have replaced the oil tanks with safety basins in all renovated stations, which creates significant economic savings. We have significantly reduced the number of bulk-oil circuit breakers, replacing them with gas-insulated disconnecting circuit breakers, which contain a total of over seven tonnes of sulphur hexafluoride gas. All these repairs are planned to be completed by the year 2013.

### IN ORDER TO REDUCE ENVIRONMENTAL RISKS PÕHIVÕRK ADHERES TO THE FOLLOWING PRINCIPLES:

1. To inform our employees and suppliers of legislative and other requirements related to the environment and undertake to fulfil them.
2. To employ a management system meeting the requirements of the ISO 14001 standard and undertake to improve it constantly.
3. To avoid contaminating the environment and reduce waste generation, employing the best possible technology.
4. To use resources sustainably.

Põhivõrk's environmental management system complies with the requirements of the ISO 9001:2000 quality management standard as certified by Bureau Veritas.



## Investments

In the past financial year Põhivõrk invested 606 million kroons.

### Major completed projects were:

the Ülemiste, Rakvere, Jõgeva and Võsu 110kV substations, the Ülemiste-Lasnamäe 110kV cable, and switchgear at the Veskimetsa 110kV substation.

We plan to invest a total of 439 million kroons in the next financial year.

### The major projects are:

- Estlink 2 underwater route study
- Harku 330 kV substation expansion
- Kiisa 330 kV substation renovation
- Tartu-Sindi 330kV overhead line construction
- Renovation of the 330kV line between Eesti Elektri jaam and Püssi substation
- making data communication of substations IP-based.

## Research and Development Activities

During the financial year OÜ Põhivõrk purchased 1.3 million kroons of research and development services.

### The most important topics were:

- the company standard “Technical Requirements for Connecting Wind Turbine Installations to the Põhivõrk Power Network”
- analysis of the reliability of 110 kV overhead lines’ insulation and the development of ways to increase reliability
- overview and technical analysis of high voltage power lines’ temperature distance reading systems
- comparison grid maintenance and repair costs in the International Transmission Operations & Maintenance Study (ITOMS).

We are planning to considerably increase our research and development activities.

# People

Põhivõrk's biggest assets are the right people in the right positions, doing the work and filling the roles that best fit their personalities, knowledge and abilities.

The average number of employees at Põhivõrk during the financial year 2008/2009 was 124, of whom 75% were men and 25% women. The number of employees has fallen slightly over the past few years, while at the same time the number of women has increased among the staff. At the end of March 2009, the average age of our employees was 45½ years.

We expect our employees to reflect our company's core values of professionalism, open-mindedness, helpfulness and responsibility. The results of the employee commitment survey (TNS Emor, 2009) showed that our employees themselves consider these values important. This survey has been carried out regularly over the past few years and it indicates high and ever-increasing commitment among our employees. For them, the principal strengths of Põhivõrk are the flexibility of work, constructive relations with managers, company traditions such as events for the all the staff of the company, professional colleagues, professional training-courses and a developing and innovative employer offering a stable job (TNS Emor, 2009). The stability of the work relationship at Põhivõrk is also confirmed by the very low level of staff turnover, only 3.2% during the financial year.

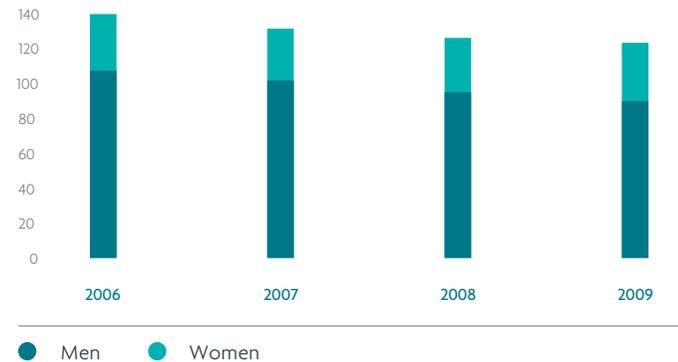
It is important for us that our employees contribute actively to the development of the company and to organising events. On November 1, 2008 Põhivõrk celebrated its tenth birthday and many employees helped in the successful organisation of the celebration events. We give an annual award to our best and most active employees.

To guarantee the sustainability of the success of the company, it is critically important that we continue to attract young employees and offer professional development to our staff. We work with several institutions of higher education and offer selected students a comprehensive field-training programme. The majority, around 80%, of the employees have a higher education and many combine work and studies; at the end of the 2008/2009 financial year about 20% of the Põhivõrk employees were following post-graduate courses at institutions of higher education.

Our employees represent a cross-section of different age-groups, and the strength of the company lies in the equal representation of different generations among the staff, where top specialists with years of experience and young people just out of university complement one another. The average length of service of the employees is almost 18 years.

## Number of Employees

(31.03.2009)



## Age of Employees

(31.03.2009)



## Employees' Education

(31.03.2009)



## Employees' Length of Service in Years

(31.03.2009)



The background is a solid teal color with several overlapping, organic, rounded shapes in a lighter shade of teal. These shapes are scattered across the page, creating a layered, abstract effect. The central focus is a dark teal oval containing the text.

# FINANCIAL STATEMENTS

## Management Board's Confirmation of the Financial Statements

The Management Board confirms the correctness and completeness of the financial statements of OÜ Põhivõrk for the period 01.04.2008–31.03.2009 as presented on pages 12–36.

### The Management Board confirms that:

- the accounting policies used in the preparation of the financial statements are in compliance with the generally accepted accounting principles of the Republic of Estonia;
- the financial statements present a true and fair view of the financial position and the results of its operations and cash flows of OÜ Põhivõrk;
- OÜ Põhivõrk is a going concern company.



LEMBIT VALI  
Chairman of the  
Management Board



PEEP SOONE  
Member of the  
Management Board



KALLE KILK  
Member of the  
Management Board

Tallinn, 4 June 2009

# Balance Sheet

in thousand Estonian kroons	31.3.2009	31.3.2008	Note
<b>ASSETS</b>			
<b>Current assets</b>			
Receivables and prepayments	185,050	165,380	3
<b>Total current assets</b>	<b>185,050</b>	<b>165,380</b>	
<b>Non-current assets</b>			
Property, plant and equipment	5,354,555	5,059,543	5
Intangible assets	19,588	13,820	6
<b>Total non-current assets</b>	<b>5,374,143</b>	<b>5,073,363</b>	
<b>TOTAL ASSETS</b>	<b>5,559,193</b>	<b>5,238,743</b>	
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Current liabilities</b>			
Payables and prepayments	423,612	411,876	7
<b>Total current liabilities</b>	<b>423,612</b>	<b>411,876</b>	
<b>Non-current liabilities</b>			
Other long-term payables	2,046,586	2,046,586	8
Deferred income	337,245	304,085	9
<b>Total non-current liabilities</b>	<b>2,383,831</b>	<b>2,350,671</b>	
<b>Total liabilities</b>	<b>2,807,443</b>	<b>2,762,547</b>	
<b>Owner's equity</b>			
Share capital	2,100,000	2,100,000	10
Statutory reserve capital	30,261	17,328	10
Retained earnings	345,935	100,209	10
Net profit for the financial year	275,554	258,659	
<b>Total owner's equity</b>	<b>2,751,750</b>	<b>2,476,196</b>	
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>5,559,193</b>	<b>5,238,743</b>	

The notes on pages 17 to 36 are an integral part of the financial statements.

# Income statement

in thousand Estonian kroons	1.4.2008-31.3.2009	1.4.2007-31.3.2008	Note
<b>OPERATING INCOME</b>			
Revenue	1,259,436	1,184,758	11
Other income	18,558	4,766	12
<b>TOTAL OPERATING INCOME</b>	<b>1,277,994</b>	<b>1,189,524</b>	
<b>OPERATING EXPENSES</b>			
Purchased goods and services	-482,659	-395,770	14
Other operating expenses	-43,288	-45,174	15
Payroll expenses	-56,478	-54,098	16
Depreciation amortisation and impairment	-305,516	-314,080	5,6
Other expenses	-910	-458	17
<b>TOTAL OPERATING EXPENSES</b>	<b>-888,851</b>	<b>-809,580</b>	
<b>OPERATING PROFIT</b>	<b>389,143</b>	<b>379,944</b>	
<b>Financial income/expenses</b>			
Interest expenses	-113,555	-121,119	18
Foreign exchange gains/losses	-39	50	
Other financial income/expenses	5	-216	
<b>Total financial income/expenses</b>	<b>-113,589</b>	<b>-121,285</b>	
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>	<b>275,554</b>	<b>258,659</b>	

The notes on pages 17 to 36 are an integral part of the financial statements.

# Cash Flow Statement

in thousand Estonian kroons	1.4.2008– 31.3.2009	1.4.2007– 31.3.2008	Note
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit	389,143	379,944	
<b>Adjustments</b>			
Profit from sales of non-current assets	-23	-171	
Depreciation and impairment	305,516	314,080	5, 6
Amortisation of connection and other fees	-13,466	-11,356	9
<b>Total adjustments</b>	<b>292,027</b>	<b>302,553</b>	
<b>Net change in current assets relating to operating activities</b>			
Change in receivables	-3,872	-13,695	3
Other net change in current-assets related to operating activities	-15,799	-35,980	3
<b>Total net change in current-assets related to operating activities</b>	<b>-19,671</b>	<b>-49,675</b>	
<b>Net change in liabilities relating to operating activities</b>			
Change in trade payables	10,179	20,382	7
Other net change in liabilities related to operating activities	131,174	42,289	
<b>Total net change in liabilities related to operating activities</b>	<b>141,353</b>	<b>62,671</b>	
Connection and other fees received	46,625	58,442	9
Interest cost paid	-114,032	-122,027	
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>735,445</b>	<b>631,908</b>	

in thousand Estonian kroons	1.4.2008– 31.3.2009	1.4.2007– 31.3.2008	Note
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchases of non-current assets	-610,855	-227,482	
Proceeds from sale of property, plant and equipment	138	595	
Proceeds from the liquidation of associates	0	2,315	
<b>TOTAL CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-610,717</b>	<b>-224,572</b>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net change in intragroup overdraft	-124,728	-407,336	8
<b>TOTAL CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-124,728</b>	<b>-407,336</b>	
<b>TOTAL CASH FLOW</b>	<b>0</b>	<b>0</b>	
Cash and cash equivalents at the beginning of the period	0	0	
Cash and cash equivalents at the end of the period	0	0	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>0</b>	<b>0</b>	

The notes on pages 17 to 36 are an integral part of the financial statements.

## Statement Of Changes In Equity

in thousand Estonian kroons	Share capital	Statutory reserve capital	Retained earnings / accumulated losses	Total	Note
<b>Owners' equity as at 31.03.2007</b>	<b>2,100,000</b>	<b>6,894</b>	<b>110,643</b>	<b>2,217,537</b>	10
Net profit for the financial year 2007/2008	0	0	258,659	258,659	
Transfer of retained earnings to statutory reserve	0	10,434	-10,434	0	
<b>Owners' equity as at 31.03.2008</b>	<b>2,100,000</b>	<b>17,328</b>	<b>358,868</b>	<b>2,476,196</b>	10
Net profit for the financial year 2008/2009	0	0	275,554	275,554	
Transfer of retained earnings to statutory reserve	0	12,933	-12,933	0	
<b>Owners' equity as at 31.03.2009</b>	<b>2,100,000</b>	<b>30,261</b>	<b>621,489</b>	<b>2,751,750</b>	10

The notes on pages 17 to 36 are an integral part of the financial statements.

# Notes to the Financial Statement

## 1. ACCOUNTING PRINCIPLES AND ASSESSMENT STANDARDS USED IN THE PREPARATION OF THE FINANCIAL STATEMENT

The financial statement of OÜ Põhivõrk has been prepared in accordance with the generally accepted accounting principles of the Republic of Estonia. The generally accepted accounting principles are prescribed by the Accounting Act of the Republic of Estonia, and supplemented by the guidelines issued by the Accounting Standards Board of the Republic of Estonia.

The financial statement is prepared using the historical cost principle except where other accounting principles have been used as detailed below.

The financial statements have been prepared in thousands of Estonian kroons.

### FINANCIAL ASSETS

The company has the following financial assets: cash and cash equivalents, trade receivables and other receivables.

Sales and purchases of financial assets under normal market conditions are recorded, or their recording is terminated, using the value they have on the day of recording.

Cash and cash equivalents, trade receivables and other receivables, except for receivables held for trading purposes, are recorded at amortised cost.

Amortised cost of trade receivables is equal to original invoice amount (less repayments and provision made for impairment of these receivables); therefore, short-term receivables are recorded in the balance sheet at the collectible amount. In order to calculate the amortised cost of long-term receivables, they are initially recorded at fair value and interest income is calculated for future periods using the effective interest rate method. Receivables held for trading purposes are recorded at their fair value.

Assets are assessed on each balance sheet day to see if their value has become impaired. If it has, the assets are written down as follows:

- a. Financial assets carried with at amortised cost, such as receivables and bonds held to maturity, are written off to their probable future recoverable value, discounted using the internal interest rate fixed at the time of first recording;
- b. Financial assets carried at historical cost, such as shares and other equity instruments whose fair value cannot be reliably assessed, are written off to their probable future recoverable value, discounted using the average market rate of return for similar assets.

The amount of the write-off is recorded as an expense in the income statement.

### Cancellation of write-offs:

If the written-off value of a financial asset carried with an adjusted historical cost later rises, the write-off is cancelled to whichever is lower of either the probable future recoverable value of the asset, or the carrying value that the asset would have had in the balance sheet if the write-off had not occurred. Cancellation of the write-down is recorded in the income statement.

Write-offs of financial assets carried at historical cost are not cancelled, as the fair value of such assets cannot be reliably assessed.

### CASH AND CASH EQUIVALENTS

For the purposes of the balance sheet and cash flow statement, cash and cash equivalents comprise cash on hand, bank account balances (excluding overdrafts), term deposits with original maturities of three months or less, and money market fund shares. Overdrafts come under short-term borrowings in the balance sheet.

## TRADE RECEIVABLES

Short-term receivables generated in the ordinary course of business (excluding receivables from group companies and affiliates) are classified as trade receivables. Trade receivables are recorded at their historical cost (i.e. original invoice amount less provisions made for impairment).

Write-offs are registered where there is objective evidence that not all sums of receivables were transferred in accordance with the initial contract conditions.

Among the circumstances that may lead to impairment is the bankruptcy or serious financial problems of the debtor as well as violations of payment deadlines.

Impairment of important receivables (including the need for any write-downs) is evaluated individually for each buyer on the basis of the present value of the sums anticipated to be received in the future. For receivables that are not individually important, and where it is not directly known that their value was impaired, the impairment losses are evaluated as an aggregate taking into consideration statistics for receivables that were not transferred during the previous years. The amount of doubtful receivables loss is the difference between their carrying amounts and the present value of expected future cash flows discounted at the effective interest rate. The carrying amount of receivables is reduced by the doubtful part and losses are recorded as other operational expenses. If a receivable is deemed irrecoverable, the receivable and the impairment loss are taken off the balance sheet. The receipt of the receivables that have previously been written down is accounted for as a reversal of allowance for doubtful account.

## PROPERTY, PLANT AND EQUIPMENT

Assets used in the company's operations with a useful life of more than 1 year and a cost of more than 30,000 kroons are accounted for as property, plant and equipment. Assets with a useful life of over 1 year, but a cost of less than 30,000 kroons, are recorded as low-value items (in inventories) and are fully expensed when the asset is taken into use. Low-value items that have been expensed are accounted for off-balance sheet.

Property, plant and equipment are initially recorded at the cost, which consists of the purchase price (including customs duties and other non-refundable taxes) and expenses directly related to the acquisition, incurred for bringing the assets to their present operating condition and location. A tangible fixed asset is reflected in the balance sheet at its historical cost, less any accumulated depreciation and any accumulated impairment losses. Tangible fixed assets acquired under finance leases are recorded similarly to acquired non-current assets.

Further expenses on a tangible fixed asset are recorded as a fixed asset if it is probable that the company will gain future economic benefit from the asset and the asset's acquisition cost can be reliably calculated. Equipment for power lines and substations and extraordinary repairs to buildings costing more than 100,000 kroons per asset are added to the related fixed asset's carrying amount. If a component of a tangible fixed asset is replaced, the cost of the replaced item is added to the cost of the item and the replaced component or a proportion of the replaced non-current asset is taken off the balance sheet. Other maintenance and repair costs are recorded as expenses at the date are incurred.

Depreciation is calculated using the straight-line method. Depreciation rates are set separately for each non-current asset, depending on its useful life. For assets with a significant residual value, only the depreciable portion between the cost and the residual value is depreciated over the useful life of the asset.

If a fixed tangible asset consists of distinguishable components with different useful lives, these components are recorded separately as assets, and separate depreciation rates are set for them depending on their useful lives.

### THE FOLLOWING DEPRECIATION PERIODS ARE USED FOR DIFFERENT CATEGORIES OF PROPERTY, PLANT AND EQUIPMENT:

	Useful life of new non-current assets (in years)	Average remaining useful life as at 31.03.2009 (in years)
Buildings	25–40	25
Power lines	30–60	31
Other facilities	10–30	13
Power transmission equipment	7–25	18
Other non-current assets	3–20	4

Assets with an indefinite useful life (land) are not subject to depreciation.

Depreciation is calculated from the moment the asset can be used for the purposes set by the management and is terminated when recoverable value of the asset reaches its residual value, until the final removal of the asset from use or upon the asset's reclassification as 'available-for-sale'. The validity of depreciation rates, depreciation methods and residual values is evaluated at each balance sheet date.

Where the non-current asset's carrying amount is greater than its (estimated) recoverable amount (higher than the asset's net selling price or its value in use). It is written down immediately to its recoverable amount.

Tangible fixed assets are written-off when the asset is disposed of, or if the asset use or sale brings no further economic benefit. Any profit or loss resulting from the write-off of a tangible fixed asset are recorded in the income statement under other operating income or other expenses.

## OPERATING AND FINANCIAL LEASES

- Leases where all significant risks and rewards of ownership have been transferred to the lessee are classified as finance leases. Other lease contracts are classified as operating leases.
- Operating lease payments are recorded in the income statement as expenses on straight-line basis over the lease term. Assets leased out under operating lease terms are recognised in the balance sheet similarly to fixed assets. Leased out assets are depreciated using the depreciation methods which are applied to similar assets at the company. Operating lease payments are recognised in the income statement over the lease term as on straight-line basis.

## INTANGIBLE ASSETS

**Intangible assets are only reflected in the balance sheet if the following conditions are satisfied:**

- the assets are controlled by the company;
- it is clear that the company will receive economic benefit from the future use of assets;
- the cost of the asset can be measured reliably.

Intangible assets are initially recorded at their cost, which consists of the purchase price and expenses directly related to the acquisition. An intangible asset is reflected in the balance sheet at its cost, less any accumulated depreciation and any accumulated impairment losses.

Depreciation of intangible assets is calculated using the straight-line method during their estimated useful life period. Justification for depreciation periods and methods is calculated for each balance day.

**Depreciation periods for intangible assets are as follows:**

- Software and licenses 3 years
- Personal rights of use 50–100 years

## IMPAIRMENT LOSSES

Assets with indefinite useful lives (land) and assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable amount. If any such indication exists, the recoverable of the assets is measured against the carrying amount.

Impairment losses are recorded at the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable value of the asset is either the fair value of the asset less selling expenses or its value in use whichever is higher. For the purposes of assessing impairment, the recoverable amount of the asset is assessed either for each asset or the smallest group of assets for which it is possible to distinguish cash flows (a cash generating unit). The amount of the write-down is charged to period expenses. At each following balance sheet date, assets which have once been written off are assessed for impairment to see if their value might have increased. If the assessment of value shows that the recoverable amount of the asset or group of assets in the cash generating unit has risen above the carrying amount in the balance sheet, then the earlier write-off is cancelled and the carrying amount is raised to where it would have been following normal depreciation in the intervening period. A recovery in value in use is recognized as a reversal of impairment loss.

## FINANCIAL LIABILITIES

All financial liabilities (trade payables, loans taken, accrued expenses, other short-term and long-term borrowings) are initially recorded at their historical costs, which include all expenses directly related to the acquisition. Subsequently, financial liabilities are recorded at amortised cost.

The amortised cost of short-term financial liabilities is normally equal to their nominal value. Therefore, short-term financial liabilities are recorded in the balance sheet at their redemption value. The amortised cost of long-term liabilities is calculated using the effective interest rate method.

Financial liability is regarded as current if it is subject to repayment within 12 months of the balance sheet date, or where company has no rights to suspend repayment of obligations for more than 12 months after the balance sheet date. Borrowings which are subject to repayment within 12 months of the balance sheet date but which are refinanced as long-term liabilities after the balance sheet date but before the approval of the annual report are recorded in the balance sheet as current liabilities. Borrowings that the creditor has the right to recall at the balance sheet date due to the violation of the provisions stipulated in the loan agreement are also recorded as current liabilities.

## PROVISIONS AND CONTINGENT LIABILITIES

Contingent liabilities which have become evident as a result of events taking place before the balance sheet date, and whose amount or due date cannot be determined, are recorded as provisions in the balance sheet. Provisions are recorded in the balance sheet based on the management's estimates of the amount required to settle the obligation and the time when the provision becomes due. Provisions are recorded in the balance sheet at the amount which the management board believes is required at the balance sheet date to settle the obligation related to the provision, or to transfer it to third parties.

If a provision is expected to be settled later than 12 months after the balance sheet date, the provision will be recorded at the discounted value (at the present value of the payments related to the provision), unless the effect of discounting is immaterial.

If the likelihood of an outflow with respect to some classes of obligations is less probable or the amount of outflow can not be measured reliably those classes of obligations are disclosed as contingent liabilities in the notes to the financial statements.

## TAX OBLIGATIONS

Under Estonian law the annual profit earned by companies is not taxed in Estonia. Income tax is paid for dividends, fringe benefits, gifts, donations, representation expenses, non-operational expenses and the correction of transfer prices. Since 01.01.2008 the tax rate applied to profits distributed as dividends is 21/79 from the sum of net dividends paid (in 2007 the tax rate was 22/78). In certain situations it is possible to distribute dividends without additional income tax expenses. Income tax law lays out further decreases of income tax from 2010 to 2012: in 2010 the tax rate applied to the net dividends paid is to be 20/80, in 2011 it is to be 19/81 and from 2012, 18/82. The corporate income tax on the payment of dividends is recorded as a liability, and in the income statement as an expense, in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. The obligation to pay income tax for distributed dividends is created on the 10th day of the month following the month of actual distribution of dividends.

Due to the nature of the Estonian tax system, companies registered in Estonia do not differentiate between the tax bases of assets taxable and their carrying amounts and so no deferred income tax assets or liabilities are created. A contingent income tax liability which would arise from the payment of dividends is not recognised in the balance sheet. The maximum income tax liability which would accompany the distribution of retained earnings is disclosed in the notes to the financial statement.

## THE FOLLOWING TAXES ALSO AFFECT THE COMPANY'S EXPENSES:

Tax	Tax rate until 31.12.2007	Tax rate until	Tax rate from	
Social security tax	33%	33%	33%	of the disbursements and fringe benefits to employees
Unemployment insurance tax	0,3%	0,3%	0,3%	of the paid payroll to employees
Income tax on fringe benefits and corporate income tax on non-operational expenses	22/78	21/79	21/79	of the fringe benefits paid to employees and non-operational expenses
Land tax	0,6–2,5%	1,0–2,5%	1,0–2,5%	of the taxable value of land per year

## FOREIGN CURRENCY TRANSACTIONS; FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

All currencies except the Estonian kroon (the accounting currency of the company) are considered foreign currencies. Foreign currency transactions are recorded using the official exchange rates of the Bank of Estonia prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies (receivables and loans with a monetary value) have been translated into Estonian kroons using the currency exchange rates of the Bank of Estonia prevailing at the balance sheet date. Gains and losses arising from exchange rate differences between the transfer date and the transaction date are recorded in the income statement. Non-monetary assets and liabilities denominated in foreign currencies which are not recorded using the fair value method, such as pre-payments and tangible and intangible assets, are not translated at the balance sheet date, but are recorded using the exchange rate of the Bank of Estonia on the transaction date.

## REVENUES AND EXPENSES

Revenues from the sale of goods are recorded at the fair value of the consideration received or receivable, taking account of all discounts and benefits. Revenues from the sale of goods are recorded when all material risks relating to the ownership of the asset have been passed to the buyer, the amount of revenue and expenses relating to the transaction can be reliably measured, and the receipt of the revenue is probable. Revenues from the rendering of services are recorded when such services are rendered. Connection fees are recorded as revenue during the probable period of doing business with clients, which is estimated to be 20 years. Connection fees that were not recognised as revenues are recorded in the balance sheet as long-term future periods revenues.

## STATUTORY RESERVE CAPITAL

The company has set up a statutory reserve in accordance with the Commercial Code of the Republic of Estonia. The statutory reserve is set up from annual net profit allocations. At least 1/20 of the net profit shall be transferred to reserve capital each financial year, until reserve capital amounts to at least 1/10 of company's share capital. Reserve capital can be used to offset losses or to increase share capital. No distributions can be made from statutory reserve capital.

## 2. IMPACT OF RECESSION ON THE COMPANY

The company management has assessed the effects of the global liquidity crunch and recession on the company's business.

1. In a recession electricity consumption falls. Põhivõrk's expenses contain a high proportion of fixed expenses whose level does not depend on the amount of electrical energy transmitted, and a fall in revenues can give a company with an expense structure like this a major profit shock. The method used by the Competition Board to set prices does not allow any compensation for falls in revenue during the three-year regulation period, and corrections to prices can only be brought in for the next regulation period, but this means the current revenue shock is temporary and short-term and does not pose a threat to the sustainability of the company.
2. Potential solvency problems for debtors may lead to the impairment of the company's receivables and larger than previous impairment losses. Any impact on profits, however, cannot be very large, because the great majority of network services go to network companies who are much better placed to survive a recession than large industrial consumers.

The company management cannot reliably predict the effect of the recession on the company's activities and financial position. The management believes that it has taken all necessary measures to ensure the company's sustainability and growth in current conditions.

### 3. RECEIVABLES AND PREPAYMENTS

in thousand Estonian kroons	31.3.2009	31.3.2008	Note
<b>TRADE RECEIVABLES</b>			
<b>Accounts receivable</b>			
Receivables for power network services	25,706	21,840	
Other accounts receivable	8	4	
<b>Total accounts receivable</b>	<b>25,714</b>	<b>21,844</b>	
<b>TOTAL TRADE RECEIVABLES</b>	<b>25,714</b>	<b>21,844</b>	
<b>RECEIVABLES FROM THE RELATED PARTIES</b>	154,524	135,110	4
<b>OTHER RECEIVABLES</b>	60	164	
<b>PREPAYMENTS</b>			
<b>PREPAID TAXES</b>			
Prepaid value added tax	3,384	7,203	
<b>Total prepaid taxes</b>	<b>3,384</b>	<b>7,203</b>	
<b>OTHER PREPAYMENTS</b>			
Insurance premiums	0	57	
Prepayments for services	0	387	
Other prepaid expenses	1,368	615	
<b>Total other prepayments</b>	<b>1,368</b>	<b>1,059</b>	
<b>TOTAL PREPAYMENTS</b>	<b>4,752</b>	<b>8,262</b>	
<b>TOTAL RECEIVABLES AND PREPAYMENTS</b>	<b>185,050</b>	<b>165,380</b>	

With regard to receivables, write-downs in financial year 2008/2009 and 2007/2008 are not registered

### 4. RECEIVABLES FROM RELATED PARTIES

in thousand Estonian kroons	31.3.2009	31.3.2008	Note
<b>RECEIVABLES FROM GROUP COMPANIES</b>			
OÜ Jaotusvõrk	137,440	126,455	
Eesti Energia AS Energiakaubandus	2,564	983	
Televõrgu AS	1,055	979	
Eesti Põlevkivi AS	561	814	
OÜ Iru Elektriijaam	801	101	
AS Narva Elektriijaamad	586	92	
Kohtla-Järve Soojus AS	35	35	
OÜ Aulepa Tuulepargid	10	0	
<b>Total receivables from group companies</b>	<b>143,052</b>	<b>129,459</b>	
<b>OTHER RECEIVABLES FROM RELATED PARTIES</b>			
Nordic Energy Link AS	11,472	5,651	
<b>Total other receivables from related parties</b>	<b>11,472</b>	<b>5,651</b>	
<b>TOTAL RECEIVABLES FROM RELATED PARTIES</b>	<b>154,524</b>	<b>135,110</b>	3

## 5. PROPERTY, PLANT AND EQUIPMENT

in thousand Estonian kroons	Land	Buildings	Facilities	Machinery and equipment	Total
<b>PROPERTY, PLANT AND EQUIPMENT AS AT 31.3.2007</b>					
Acquisition cost	27,739	164,142	3,459,226	2,138,857	5,789,964
Accumulated depreciation	0	-26,160	-507,366	-396,625	-930,151
Net book value	27,739	137,982	2,951,860	1,742,232	4,859,813
Construction-in-progress	445	0	55,063	244,064	299,572
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT AS AT 31.3.2007</b>	<b>28,184</b>	<b>137,982</b>	<b>3,006,923</b>	<b>1,986,296</b>	<b>5,159,385</b>
<b>MOVEMENTS IN THE PERIOD FROM 1.4.2007 TO 31.3.2008</b>					
Total investment in acquisition of fixed assets	207	17,005	28,340	175,668	221,220
Depreciation charge	0	-7,842	-146,753	-155,697	-310,292
Impairment losses*	0	-34	-194	-3,048	-3,276
Reclassification in net book value **	0	-838	-5,862	0	-6,700
Acquisition cost of the written-off fixed assets	0	-1,215	-5,226	-52,329	-58,770
Depreciation of the written-off fixed assets	0	1,215	5,226	52,329	58,770
Net book value of sold assets	-67	-237	0	-120	-424
Write-off of construction-in-progress	0	0	-369	-1	-370
<b>TOTAL MOVEMENTS IN THE PERIOD FROM 1.4.2007 TO 31.3.2008</b>	<b>140</b>	<b>8,054</b>	<b>-124,838</b>	<b>16,802</b>	<b>-99,842</b>
<b>PROPERTY, PLANT AND EQUIPMENT AS AT 31.3.2008</b>					
Acquisition cost	27,879	178,806	3,502,727	2,399,310	6,108,722
Accumulated depreciation	0	-32,770	-648,925	-502,219	-1,183,914
Net book value	27,879	146,036	2,853,802	1,897,091	4,924,808
Construction-in-progress	445	0	28,283	106,007	134,735
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT AS AT 31.3.2008</b>	<b>28,324</b>	<b>146,036</b>	<b>2,882,085</b>	<b>2,003,098</b>	<b>5,059,543</b>

\* The company's fixed assets were written off as these assets were taken out of use.

\*\* Personal land use rights recorded as tangible fixed assets until 31.03.2007 were reclassified as intangible fixed assets in the financial year 2007/2008. Information on leased-out fixed assets has been disclosed in Note 19.

## PROPERTY, PLANT AND EQUIPMENT continued

in thousand Estonian kroons	Land	Buildings	Facilities	Machinery and equipment	Total
<b>MOVEMENTS IN THE PERIOD FROM 1.4.2008 TO 31.3.2009</b>					
Total investment in acquisition of fixed assets	23,251	10,366	105,136	461,688	600,441
Depreciation charge	0	-7,231	-146,848	-147,751	-301,830
Impairment losses*	0	0	-44	-3,441	-3,485
Acquisition cost of written-off fixed assets	0	-1,895	-1,613	-30,743	-34,251
Depreciation of written-off fixed assets	0	1,895	1,613	30,743	34,251
Net book value of sold assets	0	0	0	-115	-115
<b>TOTAL MOVEMENTS IN THE PERIOD FROM 1.4.2008 TO 31.3.2009</b>	<b>23,251</b>	<b>3,135</b>	<b>-41,756</b>	<b>310,382</b>	<b>295,011</b>
<b>PROPERTY, PLANT AND EQUIPMENT AS AT 31.3.2009</b>					
Acquisition cost	49,600	187,277	3,603,745	2,601,924	6,442,546
Accumulated depreciation	0	-38,106	-794,203	-622,221	-1,454,530
Net book value	49,600	149,171	2,809,542	1,979,703	4,988,016
Construction-in-progress	0	0	30,787	333,777	364,564
Prepayments	1,975	0	0	0	1,975
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT AS AT 31.3.2009</b>	<b>51,575</b>	<b>149,171</b>	<b>2,840,329</b>	<b>2,313,480</b>	<b>5,354,555</b>

\* The company's fixed assets were written off as these assets were taken out of use.

## 6. INTANGIBLE ASSETS

in thousand Estonian kroons	Software	Personal rights of use	Total
<b>TOTAL INTANGIBLE ASSETS AS AT 31.3.2007</b>	<b>2,910</b>	<b>0</b>	<b>2,910</b>
<b>Movements in the period from 1.4.2007 to 31.3.2008</b>			
Purchase of intangible assets	1,334	3,018	4,352
Amortization charge	-56	-86	-142
Reclassification in net book value *	0	6,700	6,700
<b>Total movements in the period from 1.4.2007 to 31.3.2008</b>	<b>1,278</b>	<b>9,632</b>	<b>10,910</b>
Acquisition cost	202	9,901	10,103
Accumulated amortization	-56	-269	-325
Net book value	146	9,632	9,778
Unfinished acquisition	4,042	0	4,042
<b>TOTAL INTANGIBLE ASSETS AS AT 31.3.2008</b>	<b>4,188</b>	<b>9,632</b>	<b>13,820</b>
<b>MOVEMENTS IN THE PERIOD FROM 1.4.2008 TO 31.3.2009</b>			
Total investment in fixed assets acquisition	2,121	3,848	5,969
Amortization charge	-76	-125	-201
<b>Total movements in the period from 1.4.2008 to 31.3.2009</b>	<b>2,045</b>	<b>3,723</b>	<b>5,768</b>
<b>INTANGIBLE ASSETS AS AT 31.3.2009</b>			
Acquisition cost	262	13,749	14,011
Accumulated amortization	-132	-394	-526
Net book value	130	13,355	13,485
Unfinished acquisition	6,103	0	6,103
<b>TOTAL INTANGIBLE ASSETS AS AT 31.3.2009</b>	<b>6,233</b>	<b>13,355</b>	<b>19,588</b>

Software licenses and personal rights of use are recorded as intangible fixed assets.

\* Personal land use rights recorded as tangible fixed assets until 31.03.2007 were reclassified as intangible fixed assets in the financial year 2007/2008.

## 7. CURRENT LIABILITIES

in thousand Estonian kroons	31.3.2009	31.3.2008	Note
<b>TRADE PAYABLES</b>			
Payables for fixed assets	23,997	28,443	
Other payables for goods and services	48,278	38,098	
<b>Total trade payables</b>	<b>72,275</b>	<b>66,541</b>	
<b>OTHER PAYABLES</b>			
Short-term payables to related companies	166,262	288,767	8
Other payables*	160,781	28,300	
<b>Total other payables</b>	<b>327,043</b>	<b>317,067</b>	
<b>TAXES PAYABLE</b>			
Social security tax	2,206	2,213	
Income tax	1,374	1,317	
Unemployment insurance tax	47	45	
Contributions to the mandatory funded pension	81	77	
Land tax	180	98	
Excise tax	1,495	1,350	
<b>Total taxes payable</b>	<b>5,383</b>	<b>5,100</b>	

in thousand Estonian kroons	31.3.2009	31.3.2008
<b>ACCRUED EXPENSES</b>		
<b>Payables to contractors</b>		
Remuneration payable	2,183	1,871
Bonuses accrued	4,477	3,217
Holiday pay accrued	2,378	2,124
Social security tax and unemployment insurance payments	2,280	1,776
Amounts withheld from remuneration	9	9
<b>Easement of technical facilities</b>	0	945
<b>Other accrued expenses</b>	7,584	13,226
<b>Total accrued expenses</b>	<b>18,911</b>	<b>23,168</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>423,612</b>	<b>411,876</b>

\* The Electricity Market Act obliges network service providers to support renewable energy sources and facilitate electricity generation in combined heat and power plants by collecting and paying out financial subsidies. To this end Põhivõrk forecasts annually the quantity of electricity production that will qualify for the subsidy, and the volume of network services this will require. Põhivõrk uses these forecasts on 1st December to calculate the fee for renewable energy to be charged to users of network services per kWh of consumption. As new sources of renewable energy and combined heat and power plants are constantly coming into use during the year, the subsidies paid out also rise constantly during the year. However, the sum taken from users of network services is fixed for the whole calendar year, and this contradiction means that during the first half of the year the amount taken from network users is higher than that which is paid out in subsidies, and this excess is recorded in the balance sheet under other payables. If the forecasts are accurate, then in the second half of the year the subsidy paid out will be greater than the sums received from clients, and the liability in the balance sheet will decrease. If the total paid out at the end of the year is greater or smaller than that received, then this will be taken into account when calculating the subsidy for the next year.

## 8. PAYABLES TO RELATED PARTIES

in thousand Estonian kroons	31.3.2009	31.3.2008	Note
<b>PAYABLES TO GROUP COMPANIES</b>			
<b>Short-term payables</b>			
Eesti Energia AS	150,544	277,020	
Narva Elektriijaamad AS	13,608	9,149	
Jaotusvõrk OÜ	0	265	
EE Võrguehituse AS (before 12.01.09 Elektriteenused AS)	719	444	
Televõrgu AS	1,177	1,143	
Kohtla-Järve Soojus AS	22	19	
EE Elekritööde AS (before 15.01.09 Elpec AS)	0	691	
Iru EJ OÜ	0	27	
ER Baltic Elektrotechnics and Automation AS	192	9	
<b>Total short-term payables to group companies</b>	<b>166,262</b>	<b>288,767</b>	7
<b>Long-term payables</b>			
Eesti Energia AS	2,046,586	2,046,586	
<b>Total long-term payables to group companies</b>	<b>2,046,586</b>	<b>2,046,586</b>	
<b>TOTAL PAYABLES TO GROUP COMPANIES</b>	<b>2,212,848</b>	<b>2,335,353</b>	
<b>TOTAL PAYABLES TO RELATED PARTIES</b>	<b>2,212,848</b>	<b>2,335,353</b>	

OÜ Põhivõrk uses two types of loans for financing:

- the short-term loan is, in essence, an overdraft on the OÜ Põhivõrk account, which forms a part of the Eesti Energia AS cash pool account. As at 31.03.2009 the overdraft balance stood at 135,433 thousand kroons (31.03.2008: 260,161 thousand kroons). A 4.65% annual interest rate was charged on the overdraft line in April of the financial year 2008/2009, and from May the rate was 4.61%. (2007/2008: 4.65%)
  - the long-term loan agreement was concluded on 31.03.2005. Under the agreement, Eesti Energia AS lends OÜ Põhivõrk 2,046,586 thousand kroons for an unspecified term, with the right of recall with advance notice of 13 months. The interest rate for both 2006/2007 and 2007/2008 is the same as that of the overdraft. The interest rates are established by Eesti Energia AS for a period of one year in accordance with the average actual interest rate charged on the loan, and the risk margin established by OÜ Põhivõrk. The currency of the loan is the Estonian kroon.
- The interest expense charged on the financing liability is disclosed in Note 18

## 9. DEFERRED INCOME

in thousand Estonian kroons		Note
<b>DEFERRED INCOME FROM CONNECTION FEES AND OTHER SERVICES AS AT 1.4.2007</b>	<b>256,999</b>	
<b>Movements in the period from 1.4.2007 to 31.3.2008</b>		
Connection and other fees received	58,442	
Deferred income from connection fees and other services	-11,356	11
<b>Deferred income from connection fees and other services as at 31.3.2008</b>		
Connection and other fees received	323,118	
Deferred income from connection fees and other services	-19,033	
<b>TOTAL DEFERRED INCOME FROM CONNECTION FEES AND OTHER SERVICES AS AT 31.3.2008</b>	<b>304,085</b>	
<b>Movements in the period from 1.4.2008 to 31.3.2009</b>		
Connection and other fees received	46,625	
Deferred income from connection fees and other services	-13,465	11
<b>TOTAL DEFERRED INCOME FROM CONNECTION FEES AND OTHER SERVICES AS AT 31.3.2009</b>	<b>337,245</b>	

The depreciation period for connection fees is 20 years – equal to the probable period of doing business with clients (see, Note 1)

## 10. SHARE CAPITAL

Eesti Energia AS is the sole shareholder of OÜ Põhivõrk and owns a single share with a nominal value of 2,100 million kroons. In accordance with the requirements of the Commercial Code the company has to set up a statutory reserve from annual net profit allocations, the minimum amount of which shall be at least equal to 1/10 of company's share capital. At least 1/20 of the net profit shall be transferred to reserve capital each financial year until the total amount of the reserve capital reaches the set minimum requirements. Reserve capital can be used to cover losses (if such losses are impossible to cover using equity) or in order to increase the share capital. As at 31.03.2009 equity amounted to 607, 711 thousand kroons (given the requirement to transfer 1/20 of the annual net profits to the statutory reserve). As at 31.03.2009 OÜ Põhivõrk had to transfer 13,778 thousand kroons out of its net retained earnings to the statutory reserve (12,933 thousand kroons as at 31.03.2008). The income tax rate on dividends is 21/79 (before 31.12.2008 it was 21/79 and until 31.12.2007 it was 22/78) of the net dividend paid out. If it paid the whole retained earnings out in dividends the company would have to pay 127,619 thousand kroons of income tax (72,646 thousand kroons as at 31.03.2008). 480,092 thousand kroons net could be paid in dividends (273,289 thousand kroons as at 31.03.2008).

## 11. REVENUE

in thousand Estonian kroons	1.4.2008-31.3.2009	1.4.2007-31.3.2008	Note
<b>BY ACTIVITY</b>			
Sales of balancing and control electricity	110,378	73,271	
<b>Total sales of balancing electricity</b>	<b>110,378</b>	<b>73,271</b>	
<b>Sales of network services</b>			
Transmission fees	1,080,347	483,799	
Fees for the use of network connection	0	560,726	
Depreciation of network connection fees*	13,465	11,356	9
Other network services	39,976	40,624	
<b>Total sales of network services</b>	<b>1,133,788</b>	<b>1,096,505</b>	
<b>Sales of other goods and services</b>			
Lease of transmission equipment	12,034	11,469	19
Sales of scrap metal	2,683	2,927	
Sales of other services	526	560	
Sales of other goods	27	26	
<b>Total sales of other goods and services</b>	<b>15,270</b>	<b>14,982</b>	
<b>TOTAL REVENUE</b>	<b>1,259,436</b>	<b>1,184,758</b>	
<b>BY LOCATION OF CLIENTS:</b>			
Estonia	1,178,768	1,127,757	
Latvia	36,602	37,218	
Russia	44,066	18,190	
Lithuania	0	1 593	
<b>TOTAL REVENUE</b>	<b>1,259,436</b>	<b>1,184,758</b>	

\* Following changes in transmission tariff system, the fee for connection to the network was terminated from 01.03.08

## 12. OTHER INCOME

in thousand Estonian kroons	1.4.2008-31.3.2009	1.4.2007-31.3.2008
Late-charges, fines, compensations received	13,945	4,496
Profit from sales of non-current assets	23	171
Foreign exchange gains	33	99
Other	4,557	0
<b>TOTAL OTHER INCOME</b>	<b>18,558</b>	<b>4,766</b>

### 13. REVENUES FROM RELATED PARTIES

in thousand Estonian kroons	1.4.2008- 31.3.2009	1.4.2007- 31.3.2008	Note
<b>REVENUE FROM GROUP COMPANIES</b>			
<b>Sales of balancing and control electricity</b>			
Eesti Energia AS	45,833	30,351	
Narva Elektriijaamad AS	749	602	
<b>TOTAL SALES OF BALANCING ELECTRICITY</b>	<b>46,582</b>	<b>30,953</b>	
<b>SALES OF NETWORK SERVICES</b>			
Jaotusvõrk OÜ	863,678	904,752	
Eesti Energia AS	0	37,674	
Eesti Põlevkivi AS	3,927	5,917	
Iru Elektriijaam OÜ	3,016	625	
Narva Elektriijaamad AS	1,460	311	
Kohtla-Järve Soojus AS	792	233	
Aulepa Tuulepargid OÜ	11	0	
<b>Total sales of network services</b>	<b>872,884</b>	<b>949,512</b>	
<b>Sales of other goods and services</b>			
Lease of transmission equipment	12,034	11,469	19
Televõrgu AS	12,034	11,469	
Real estate lease and maintenance	475	441	
Televõrgu AS	310	276	
Narva Elektriijaamad AS	165	165	
Sales of repair and construction services	0	7	
EE Võrguehituse AS (until 12.01.09 Elektriteenus AS)	0	3	
Jaotusvõrk OÜ	0	4	
Sales of used goods	12	15	
Jaotusvõrk OÜ	2	12	
Televõrgu AS	0	3	
Eesti Energia AS	10	0	
<b>Total sales of other goods and services</b>	<b>12,521</b>	<b>11,932</b>	
<b>TOTAL REVENUES FROM GROUP COMPANIES</b>	<b>931,987</b>	<b>992,397</b>	

in thousand Estonian kroons	1.4.2008-31.3.2009	1.4.2007-31.3.2008
<b>REVENUE FROM OTHER RELATED PARTIES</b>		
<b>Sales of network services</b>		
Nordic Energy Link AS	124,547	45,747
<b>Total revenues from other related parties</b>	<b>124,547</b>	<b>45,747</b>
<b>TOTAL REVENUES FROM RELATED PARTIES</b>	<b>1,056,534</b>	<b>1,038,144</b>
<b>SALES OF PROPERTY, PLANT AND EQUIPMENT</b>		
Jaotusvõrk OÜ	2	0
Eesti Energia AS	0	2
<b>TOTAL SALES OF PROPERTY, PLANT AND EQUIPMENT</b>	<b>2</b>	<b>2</b>
<b>LATE-CHARGES, FINES, COMPENSATIONS</b>		
Eesti Energia AS	118	1
<b>TOTAL LATE-CHARGES, FINES, COMPENSATIONS</b>	<b>118</b>	<b>1</b>

## 14. PURCHASED GOODS AND SERVICES

in thousand Estonian kroons	1.4.2008- 31.3.2009	1.4.2007- 31.3.2008
<b>ELECTRICITY PURCHASED TO PROVIDE THE BALANCING SERVICE</b>		
Purchase of balancing electricity	105,002	70,253
Purchase of power regulation service	3,035	1,223
<b>Total electricity purchased to provide the balancing service</b>	<b>108,037</b>	<b>71,476</b>
<b>SYSTEM SERVICES</b>		
Purchased electricity reserves	63,922	51,819
Reactive energy	2,803	3,157
<b>Total system services expenses</b>	<b>66,725</b>	<b>54,976</b>
<b>ELECTRICITY TO COMPENSATE FOR NETWORK LOSSES</b>		
Electricity from renewable sources	0	8,360
Electricity from non-renewable sources	187,033	151,450
<b>Total electricity to compensate for network losses</b>	<b>187,033</b>	<b>159,810</b>
<b>MAINTENANCE AND REPAIR WORKS</b>		
On facilities and equipment related to core activities	<b>81,211</b>	<b>62,855</b>
On production buildings and sites	<b>4,319</b>	<b>3,557</b>
Disassembly works and waste processing	<b>2,005</b>	<b>2,698</b>
Other expenses	<b>1,507</b>	<b>857</b>
<b>Total maintenance and repair works</b>	<b>89,042</b>	<b>69,967</b>
<b>OTHER EXPENSES</b>		
Operative switching and dispatching management expenses	<b>8,747</b>	<b>7,743</b>
Other expenses	<b>23,075</b>	<b>31,798</b>
<b>Total other expenses</b>	<b>31,822</b>	<b>39,541</b>
<b>TOTAL PURCHASED GOODS AND SERVICES</b>	<b>482,659</b>	<b>395,770</b>

## 15. OTHER OPERATING EXPENSES

in thousand Estonian kroons	1.4.2008- 31.3.2009	1.4.2007- 31.3.2008
Transportation and tools expenses	1,934	1,677
Security, insurance and occupational safety expenses	3,484	3,400
Office expenses	8,306	6,943
Research and consulting expenses	3,123	2,885
Telecommunications expenses	14,170	13,949
IT expenses	5,455	5,087
Training expenses	1,564	1,452
Other operating expenses	5,252	9,781
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>43,288</b>	<b>45,174</b>

## 16. PAYROLL EXPENSES

in thousand Estonian kroons	1.4.2008- 31.3.2009	1.4.2007- 31.3.2008
Basic salaries, additional remuneration, bonuses, vacation pay	39,236	38,122
Employees bonuses / benefits	957	688
Termination compensations	754	598
Other remuneration	1,240	1,121
<b>Total for employees</b>	<b>42,187</b>	<b>40,529</b>
Social security tax	14,177	13,462
Unemployment insurance payments	114	107
<b>TOTAL PAYROLL EXPENSES</b>	<b>56,478</b>	<b>54,098</b>
<b>Including attributable to the management board and supervisory board</b>		
Basic salaries, additional remuneration, bonuses, vacation pay	3,033	2,834
Fringe benefits	176	178
Social security tax	1,059	994
<b>Total personnel expenses attributable to the management board and supervisory board</b>	<b>4,268</b>	<b>4,006</b>
<b>NUMBER OF EMPLOYEES</b>		
Number of employees at the beginning of the period	128	134
Number of employees at the end of the period	127	128
Average number of employees	128	127

Average monthly wages amounted to 25,544 kroons (25,014 kroons in the previous period)

Members of the management board receive compensation for premature termination of their employment contracts; such compensation amounts to four months of salary.

Supervisory board members were paid 67 thousand kroons for this financial year, and 83 thousand kroons during the previous financial year.

## 17. OTHER EXPENSES

in thousand Estonian kroons	1.4.2008- 31.3.2009	1.4.2007- 31.3.2008
Expenses not related to operating activities	813	371
Late-charges, fines, compensations	3	33
Foreign exchange losses	37	4
Corporate income tax	57	50
<b>TOTAL OTHER EXPENSES</b>	<b>910</b>	<b>458</b>

## 18. GOODS AND SERVICES PURCHASED FROM RELATED PARTIES

In thousand Estonian kroons	1.4.2008- 31.3.2009	1.4.2007- 31.3.2008
<b>PURCHASED GOODS AND SERVICES</b>		
<b>Electricity purchased to provide balancing service</b>		
Purchased balancing electricity		
Eesti Energia AS	44,323	38,333
Purchase of power regulation service		
Narva Elektriijaamad AS	3,035	1,223
<b>TOTAL ELECTRICITY PURCHASED TO PROVIDE BALANCING SERVICE</b>	<b>47,358</b>	<b>39,556</b>
<b>SYSTEM SERVICES</b>		
<b>Purchased power services</b>		
Narva Elektriijaamad AS	528	41,586
<b>Reactive energy</b>		
Narva Elektriijaamad AS	2,799	3,022
Iru Elektriijaam OÜ	4	135
<b>TOTAL SYSTEM SERVICES EXPENSES</b>	<b>3,331</b>	<b>44,743</b>
<b>ELECTRICITY TO COMPENSATE FOR NETWORK LOSSES</b>		
<b>Electricity from renewable sources</b>		
Eesti Energia AS	0	348
<b>Electricity from non-renewable sources</b>		
Narva Elektriijaamad AS	183,386	150,071
<b>TOTAL ELECTRICITY TO COMPENSATE FOR NETWORK LOSSES</b>	<b>183,386</b>	<b>150,419</b>
<b>MAINTENANCE AND REPAIR WORKS</b>		
<b>On facilities and equipment related to operating facilities</b>		
EE Võrguehituse AS (until 12.01.09 Elektriteenused AS)	4,017	4,425
Narva Elektriijaamad AS	5,121	3,631
ER Baltic Elektrotechnics and Automation AS	5,408	5,775
Kohtla-Järve Soojus AS	161	149
EE Elektritööde AS (until 15.01.09 Elpec AS)	905	1,334
Elektrikontrollikeskus AS	0	3
Eesti Energia AS	0	133
Televõrgu AS	6	116
<b>TOTAL MAINTENANCE AND REPAIR WORKS</b>	<b>15,618</b>	<b>15,450</b>

In thousand Estonian kroons	1.4.2008- 31.3.2009	1.4.2007- 31.3.2008
<b>OTHER EXPENSES</b>		
<b>Operative switching and dispatching management expenses</b>		
Narva Elektriijaamad AS	3,080	2,352
Jaotusvõrk OÜ	1,560	1,560
<b>Other expenses</b>		
Narva Elektriijaamad AS	992	919
<b>Total other expenses</b>	<b>5,632</b>	<b>4,831</b>
<b>TOTAL PURCHASED GOODS AND SERVICES</b>	<b>255,325</b>	<b>254,999</b>
<b>OTHER OPERATING EXPENSES</b>		
<b>Security, insurance and occupational safety expenses</b>		
Eesti Energia AS	3,211	2,741
<b>Expenses for office buildings, rooms and territory</b>		
Eesti Energia AS	7,114	6,266
<b>Consulting</b>		
Eesti Energia AS	466	285
<b>Telecommunication expenses</b>		
Televõrgu AS	13,317	13,497
<b>IT expenses</b>		
Eesti Energia AS	3,470	2,645
<b>Other business services</b>		
Eesti Energia AS	460	1,888
EE Võrguehituse AS (until 12.01.09 Elektriteenused AS)	274	0
EE Elektritööde AS (until 15.01.09 Elpec AS)	349	0
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>28,661</b>	<b>27,322</b>
<b>OTHER EXPENSES</b>		
<b>Late-charges, fines, compensations</b>		
Eesti Energia AS	0	5
<b>TOTAL OTHER EXPENSES</b>	<b>0</b>	<b>5</b>
<b>INTEREST EXPENSES</b>		
<b>Eesti Energia AS</b>		
Interest expenses on long-term loan	113,555	121,119
<b>TOTAL INTEREST EXPENSES</b>	<b>113,555</b>	<b>121,119</b>

## 19. OPERATING LEASE

in thousand Estonian kroons	1.4.2008-31.3.2009	1.4.2007-31.3.2008
<b>LEASE INCOME</b>		
Buildings	526	544
Transmission equipment *	12,034	11,469
<b>TOTAL LEASE INCOME</b>	<b>12,560</b>	<b>12,013</b>
<b>LEASE EXPENSES</b>		
Buildings	6,918	6,069
Transport equipment	1,845	1,628
<b>Other machinery and equipment</b>	37	29
<b>TOTAL LEASE EXPENSES</b>	<b>8,800</b>	<b>7,726</b>

Operating lease contracts can, for the most part, be cancelled with short advance notice, except for transmission equipment.

in thousand Estonian kroons	31.3.2009	31.3.2008
<b>FUTURE LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASE CONTRACTS (BASED ON CONTRACT DATES)*</b>		
< 1 year	12,823	12,033
1–5 years	51,292	48,132
> 5 years	51,292	60,165
<b>TOTAL LEASE INCOME</b>	<b>115,407</b>	<b>120,330</b>

in thousand Estonian kroons	31.3.2009	31.3.2008
<b>ASSETS LEASED UNDER OPERATING LEASE TERMS</b>		
Acquisition cost	73,811	68,623
Depreciation	-23,870	-18,492
<b>BOOK VALUE</b>	<b>49,941</b>	<b>50,131</b>

\* OÜ Põhivõrk has one non-cancellable operating lease contract under which the free fibres of the fibre-optic cable fixed to the line masts are leased out. This cable also acts as a lightning protection cord for the lines; the fibres are used by OÜ Põhivõrk for its technical communication. The free fibres are taken on lease by Televõrgu AS. The lease contract contains a restriction under which OÜ Põhivõrk cannot give its transmission equipment out for use by other companies operating in telecommunications. The lease contract will end on 31.03.2018. The currency of this lease contract is Estonian kroon; the interest rate is 13%.

## 20. TRANSACTIONS WITH RELATED PARTIES

### FOR THE PURPOSES OF PREPARING THE ANNUAL REPORT OF OÜ PÕHIVÖRK THE FOLLOWING PARTIES ARE REGARDED AS RELATED PARTIES:

- a. owners (parent company and persons who control the parent company or can significantly influence the parent company);
- b. subsidiaries of the parent company (group companies);
- c. management and top management;
- d. relatives of the above persons and companies controlled or significantly influenced by them.

The parent company of OÜ Põhivõrk is Eesti Energia AS; its shares belong to the state.

### AS AT 31.03.2009 THE FOLLOWING COMPANIES BELONG TO AS EESTI ENERGIA GROUP:

AS Narva Elektriijaamad  
 AS Narva Õlitehas  
 Narva Soojusvõrk AS  
 OÜ Iru Elektriijaam  
 Energoremont AS  
 OÜ ER Test Service  
 ER BEA AS  
 OÜ Jaotusvõrk  
 Eesti Energia Võrguehituse AS (until 12.01.2009 Elekriteenus AS)  
 Televõrgu AS  
 Kohtla-Järve Soojus AS  
 Eesti Põlevkivi AS  
 AS Põlevkivi Raudtee  
 Eesti Energia Elektritööde AS (until 15.01.2009 Elpec AS)  
 OÜ Aulepa Tuulepargid  
 SIA E. Energy  
 Solidus Oy  
 Oil Shale Energy of Jordan  
 UAB Lumen Balticum

Current accounts of OÜ Põhivõrk in AS Swedbank and AS SEB are part of AS Eesti Energia group account.

Information on the interests paid and current interest rates can be found in Note 8.

Note 8 also lists payables to associated companies.

Note 4 lists receivables from group companies,

Note 13 lists revenues from related parties,

Note 16 lists remuneration paid to members of the management and supervisory boards,

Note 18 lists goods and services purchased from related parties.

## 21. OFF-BALANCE-SHEET LIABILITIES

### Binding commitments:

- a. Network development obligations  
Under the Electricity Market Act, the network operator must develop the network within its service area in a way that ensures the continued provision of network services in accordance with the set requirements.
- b. Fixed assets  
As at 31.03.2009, OÜ Põhivõrk had commitments related to the purchase of fixed assets for a total of 237,206 thousand kroons (536,927 as at 31.03.2008).

### Contingent liabilities:

The tax authority has the right to audit the company's accounting for up to 6 years after submission of the tax declaration and, upon discovering mistakes, impose additional taxes, interest and fines. No corporate tax audits or individual case audits were initiated by the tax authority in the financial year. The company's management believes there are no circumstances which may lead the tax authority to impose significant additional taxes.

### Other legal requirements which have an effect on profitability:

- c. Pursuant to the network charge calculation methods implemented by the Competition Board, the tariffs are established for a period of three years on the basis of the power transmission volumes estimated by the Estonian Competition Board. If the actual transmission volumes fall short of this forecast, OÜ Põhivõrk will fail to receive a part of the revenues. Such unreceived revenues are not subject to compensation in the next tariff period.
- d. The European Commission has started work on the third energy acts package. It contains several draft laws aimed at supporting the internal EU electricity market. It provides for national grids to be taken out of a group of companies involved in the production and sale of electrical energy. At the time of preparing this report these acts had not yet been adopted at EU level and it is impossible to predict what particular changes will be implemented or when. However, the management does not see the possible changes as presenting a danger to the company's sustainability, as, according to the calculation methods implemented by the Competition Board, reasonable production is always assured to the power transmission system.

## 22. NEGATIVE WORKING CAPITAL

As at 31 March 2009, the company had negative working capital. The company's financial statements have been prepared based on the principle of going concern. The company's management believes negative working capital will not cause any financial difficulties for the company in the financial year 2009/2010. According to the cash flow forecast, the company will be able to fulfil all of its current liabilities. Under an agreement concluded with the parent company, the parent company is ready to provide immediate financial assistance to the company in case of financial difficulties, and to make additional investments to ensure the sustainability of the company's economic operations.

# INDEPENDENT AUDITOR'S REPORT



## INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)<sup>7</sup>

To the Shareholder of OÜ Põhivõrk

We have audited the accompanying financial statements of OÜ Põhivõrk (the Company) which comprise the balance sheet as of 31 March 2009 and the income statement, statement of changes in equity and cash flow statement for the financial year (1 April 2008 to 31 March 2009) then ended and a summary of significant accounting policies and other explanatory notes.

### Management Board's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### AS PricewaterhouseCoopers

Pärnu mnt. 15  
10141 Tallinn  
Estonia

Telephone +372 614 1800  
Facsimile +372 614 1900  
[www.pwc.ee](http://www.pwc.ee)

INDEPENDENT AUDITOR'S REPORT continued



## Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 March 2009, and of its financial performance and its cash flows for the financial year then ended in accordance with accounting principles generally accepted in Estonia.

/signed/

Ago Vilu  
AS PricewaterhouseCoopers

4 June 2009

/signed/

Aleksei Kadõrko  
Authorised Auditor

---

<sup>2</sup> This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

*This independent auditor's report (translation of the Estonian original) should only be used with an annual report initialled for identification purposes by AS PricewaterhouseCoopers.*

# PROFIT ALLOCATION PROPOSAL

The management board has proposed to the general meeting of shareholders that the net profits of the financial year 2008/2009 and the retained earnings from the previous years be distributed as follows:

To statutory reserve capital	13,778 thousand kroons
Dividends	480,092 thousand kroons



# SIGNATURES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD TO ANNUAL REPORT

The management board of OÜ Põhivõrk has prepared the annual report for the financial year 01.04.2008–31.03.2009. The company's supervisory board has reviewed the annual report and approved its presentation to the general meeting of shareholders.

## Management board 04.09.2009

LEMBIT VALI  
CEO



PEEP SOONE  
Member of the  
management board



KALLE KILK  
Member of the  
management board



## Supervisory board 04.09.2009

RAINE PAJO  
Director of the  
supervisory board



SANDOR LIIVE  
Member of the  
supervisory board



MARGUS KAASIK  
Member of the  
supervisory board



HEIKI TAMMOJA  
Member of the  
supervisory board



## OÜ Põhivõrk's Sales Revenue by EMTAK 2008 Area of Activity

By most important activities OÜ Põhivõrk revenues are distributed as follows:

EMTAK* area of activity	1.4.2008-31.3.2009	1.4.2007-31.3.2008
35121 Transfer service – transmission through the National Grid	<b>1,133,788</b>	1,096,505
35141 Sales of electrical energy (balancing electricity)	<b>110,378</b>	73,271
77399 Lease of unclassified machines and equipment	<b>12,034</b>	11,469

\* EMTAK – Classification system for areas of activity in the Estonian economy



ELERING

Kadaka tee 42  
12915 Tallinn  
phone +372 715 1222  
e-mail [info@elering.ee](mailto:info@elering.ee)  
**[www.elering.ee](http://www.elering.ee)**