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JSC “Ventspils nafta” and JSC “Latvijas kuģniecība” webinar hosted by:**



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Advisor to the Chairman of  
the Management Board of  
JSC Latvijas kuģniecība

The webinar will be activated on  
September 3, 2014 at 16:00 (EET)

Meanwhile please send your questions in  
advance to:  
[Kristine.Zalite@nasdaq.com](mailto:Kristine.Zalite@nasdaq.com)





# VENTSPILS NAFTA

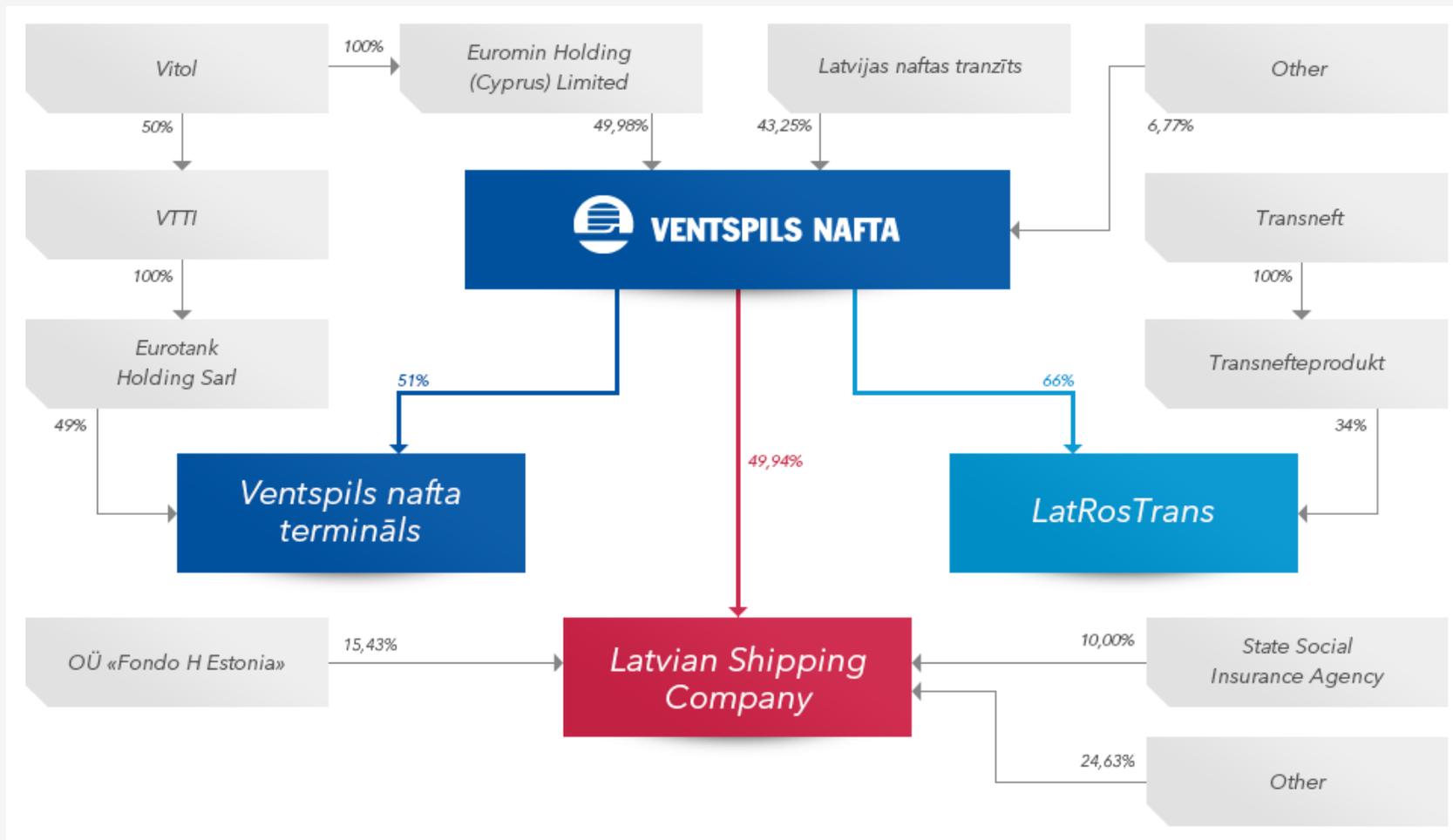


## JSC Ventspils nafta Group

Financial performance and business performance



# Corporate structure



# Overview of VN Group



One of the leading owners in the handy-size and medium-range tanker segment

- Fleet consists of 16 modern tankers
- approximately 700 seagoing personnel



The only crude oil and petroleum product transport company that provides transportation of diesel fuel via the main pipeline in the territory of Latvia, from the Belarussian border to Ventspils

Overall length of the main pipelines located within the territory of Latvia exceeds 780 km. Combined capacity to hold 242'819 m<sup>3</sup> of oil

The Polotsk-Ventspils pipeline currently provides delivery of diesel fuel at a throughput capacity of up to eight million tons per year

- 213 Full-time employees



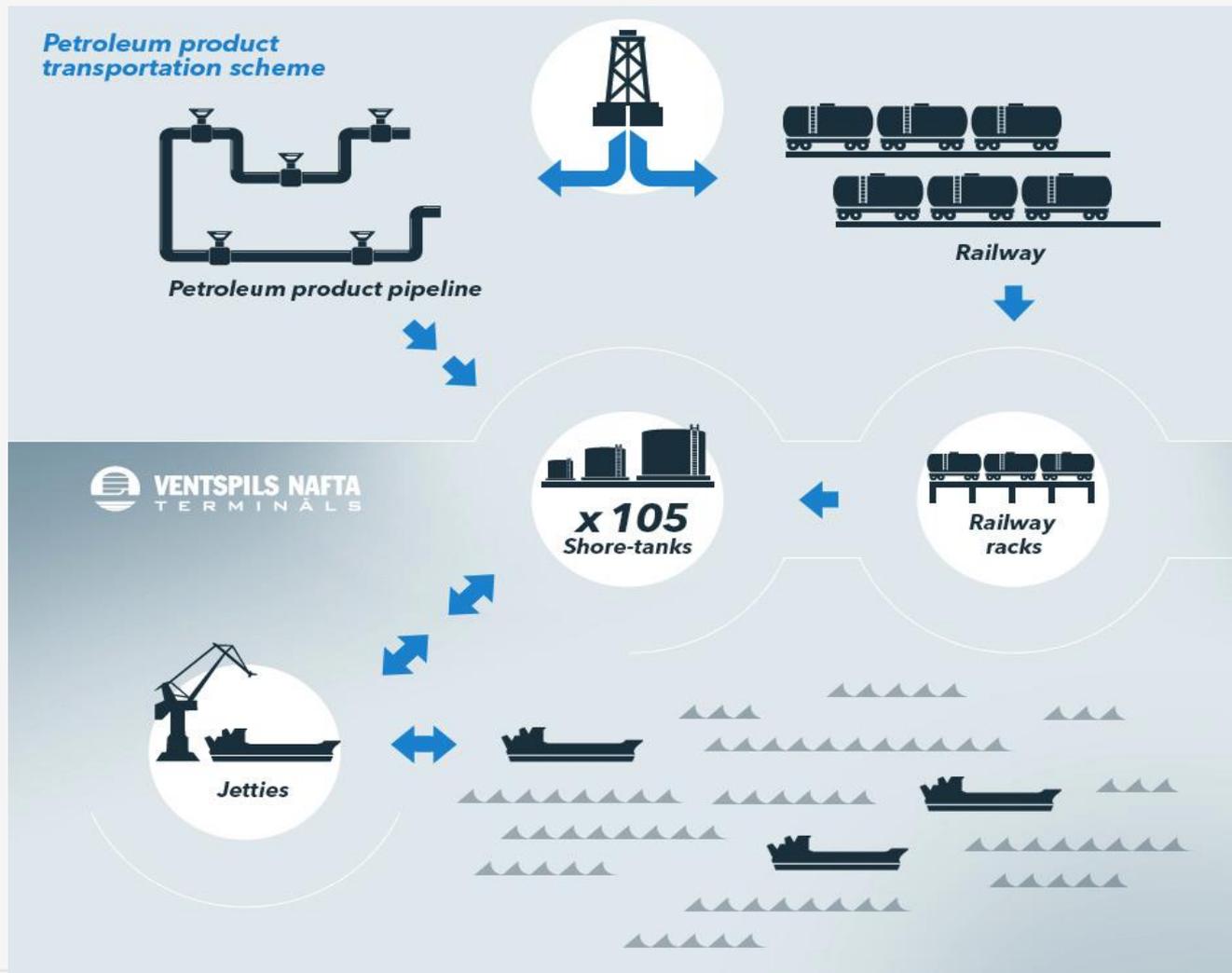
Largest and the most technologically advanced crude oil and petroleum product transshipment company in the Baltic States:

- 105 ha, 1,195,000 m<sup>3</sup> Storage Capacity
- 105 Storage Tanks, 122 Pumps, 2,200 Automatic Valves
- Fully Automated Operations
- Transshipment of gas oil, gasoline and other petroleum products
- 270 Full-time employees

# LatRosTrans pipeline network



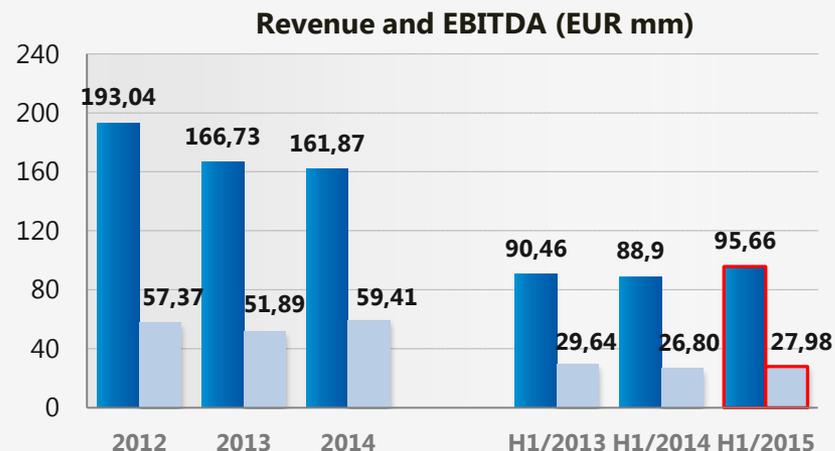
# Full range of energy transportation and storage services



# H1 Financial performance

Market conditions still remain challenging and with continuing pressure on margins.

- Revenue in H1 2015 fell slightly (LRT -10.5%; VNT+3%; LSC -4.0%), consolidated income rose because of strong USD/EUR rate
- EBITDA margins remained stable at 30%
- Net profit benefitted from the relative strength of the US dollar and lower levels of D&A
- Transhipped and reloaded volumes fell slightly  
by pipeline -11% or 0.35 million metric tons;  
by railway and sea -6.5% or 0.2 million metric tons.



# Goals for 2015 achieved

VN Group continued to review corporate structure, assets and cost-base, which was commenced in 2014:

- Sale of remaining crude oil was completed
- Repayment of various intergroup and related party loans
- Share capital reduction of LatRosTrans
- Sale of noncore business and assets
- Reached settlements in various long-term litigations
- Restored control over LASCO Investment and its investment portfolio – real estate properties
- Technical management of 4 tankers is provided to 3rd parties

## Outlook / plans for H2 2015

To continue streamlining of the business to tidy balance sheet and focus activity on core areas:

- Restoring solvency of LASCO Investment
- Revaluation of Group's long-term assets in line with market conditions
- Extension of main agreements on transshipment and reloading of oil products for 2016

## A challenging market environment:

- Business to be affected by geo-economics
- Expected decline in transshipment volumes
- Review of business opportunities
  - Ventspils nafta termināls
  - Vitol Baltics
  - LatRosTrans
  - LASCO Investment



**VENTSPILS NAFTA**



# Latvian Shipping Company

Financial performance and the latest activities



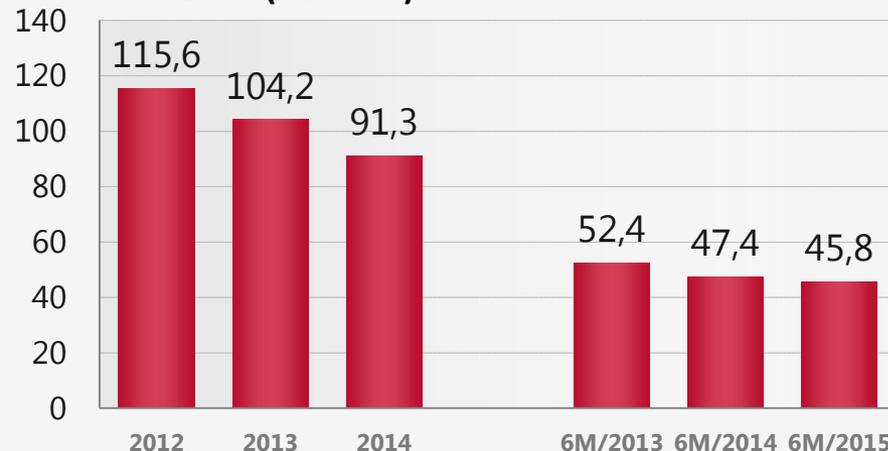
# Financial & Business Performance

Positive cash flow, notwithstanding the challenging market environment

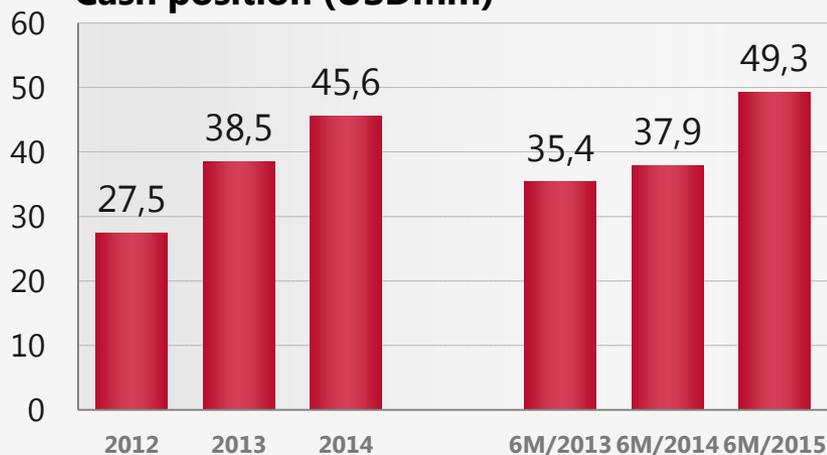
Revenue decreased due fewer vessels in the fleet:

- current fleet number -16 vessels
- end of 6M 2014 - 17 vessels
- end of 6M 2013 - 19 vessels

**Revenue (USDmm)**



**Cash position (USDmm)**



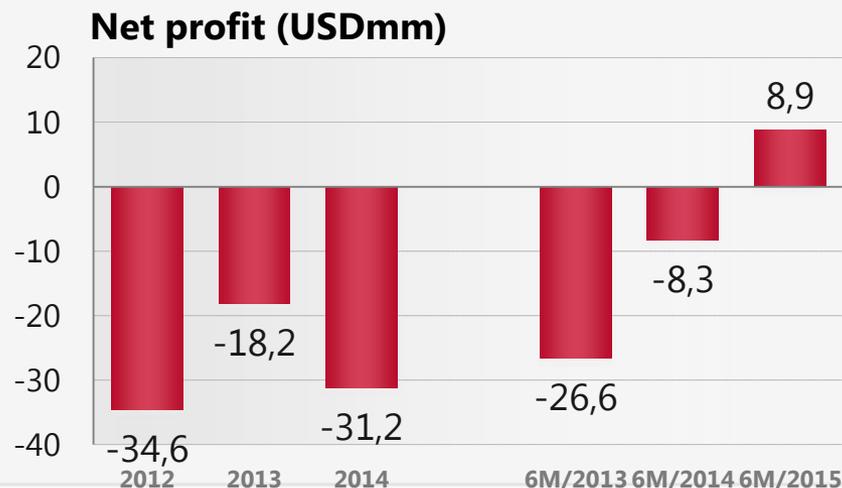
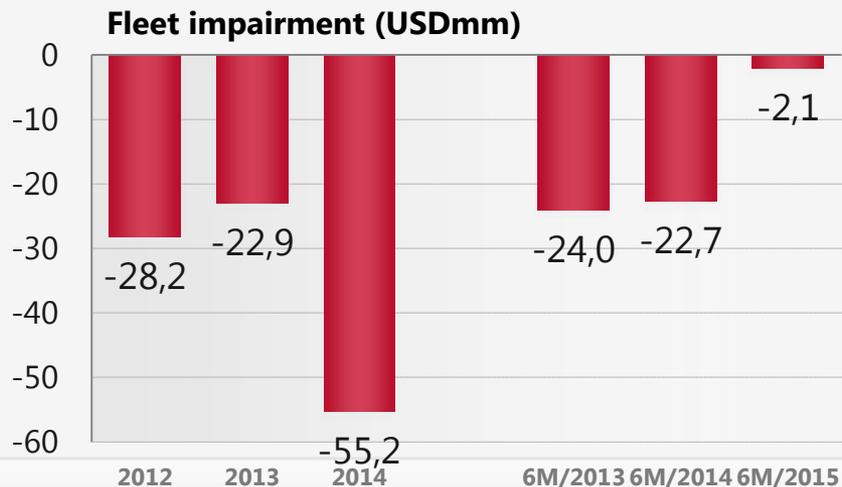
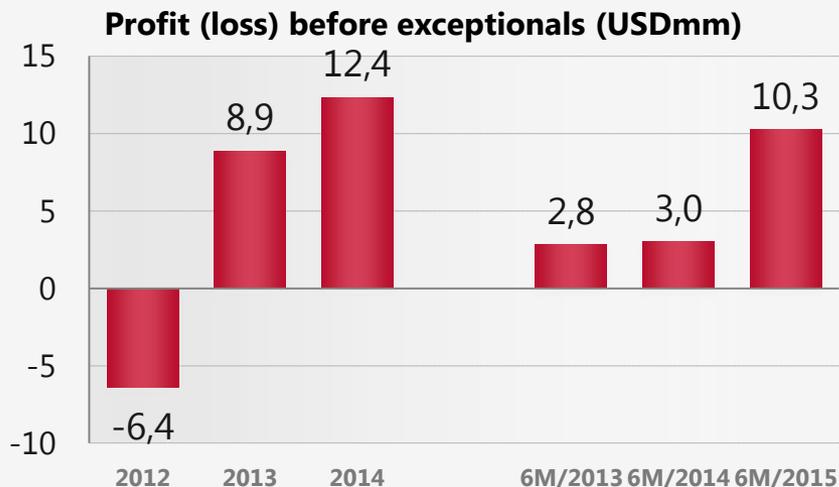
**EBITDA(USDmm)**



# Financial strategy

Continued focus on reviewing the balance sheet:

- Disposal of investment in non core assets (shares in soccer club)
- Number of settlement agreements concluded
- Increased indirect investment in Latvijas Naftas tranzīts
- Stable fleet value (no impairments in Q2)  
-> further changes in asset values - unpredictable



# Fleet & team overview

- Fleet in commercial management consists of 16 modern tankers (12 Medium range tankers, 4 Handy size tankers) with average age of 8 years
- Fleet in technical management consists of 20 tankers (4 third party vessels)
- Professional management and employees with significant experience in shipping industry:
  - approximately 700 seagoing personnel with over 90% being Latvian origin
  - approximately 50 shore based staff in the Riga head office



## Charter rates:

- Q1-Q2/2015 has been better than anticipated
- Q3/2015 has seen weaker earnings, Q4 historically earnings improve

## LSC chartering strategy:

- At end of Q2/2014 88pct of the fleet were employed on time charter contracts
- Strategy to employ majority of the fleet on time charter contracts to be continued

## Demand for oil and oil products:

- Q1-Q2/2015 the fall in the oil price have generated increased demand for oil products
- Medium term the financial meltdown in china could have severe impact on earnings if it results in less demand for oil products

## LSC Fleet:

- no changes in commercial fleet planed
- more vessels in technical management expected

## Real estate properties regained

- On August 24, the Court decided to restore the solvency of LASCO Investment. The decision was made following the settlement among company's creditors.
- LASCO Investment is a company holding and managing the real estate owned by Latvian Shipping Company. The real estate portfolio includes
  - Preses nams
  - Hotel Rīgas līcis
  - Maikapara nams
  - recreation centre Lejastiežumi
  - Ventspils Business Centre
- The disposal of these properties is expected in medium term to facilitate meeting financial obligations and maintain focus on its core business.

# Piesakies

A/S "LATVIJAS KUĢNIECĪBA" stipendijai!

## PIESAKIES, ja:

- ⚓ Esi pēdējā mācību gada students;
- ⚓ Esi sekmīgi izgājis un aizstāvējis jūras praksi uz kāda no LK meitas kompānijas SIA "LSC Shipmanagement" tehniskajā pārvaldībā esošajiem kuģiem;
- ⚓ Tava jūras pieredze ir ne mazāk kā 4 mēneši;
- ⚓ Tava vidējā atzīme ir 7 vai augstāka.

**300 EUR mēnesī**  
visa mācību gada garumā



Tieši **TU** vari  
pirmais **legūt**  
"LATVIJAS KUĢNIECĪBA"  
STIPENDIJU 2015!

Viss, kas Tev jā dara:  
Lejupielādē un  
aizpildi anketu  
[www.lk.lv](http://www.lk.lv) un atsūti uz  
[LKstipendija@lscsm.lv](mailto:LKstipendija@lscsm.lv)  
Ildz šī gada  
21. septembrim!

# Q&A