

**AS “Liepājas autobusu parks”**

**FINANCIAL STATEMENT FOR THE PERIOD**

**ENDED 31 MARCH 2014**

**NONAUDITED**

*TRANSLATION FROM LATVIAN*

**AS "LIEPĀJAS AUTOBUSU PARKS"**  
**FINANCIAL STATEMENT FOR THE PERIOD ENDED 31 MARCH 2014**  
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**Information on the Company**

Name of the Company	AS "LIEPĀJAS AUTOBUSU PARKS"
Legal status of the Company	Joint Stock Company
Number, place and date of registration	40003015652Commercial Registry Riga, September 3, 1991
Address	Cukura street 8/16, Liepāja, LV-3402 Latvia
Type of economic activities according to NACE classification	Transport, NACE2 49.31 Urban and suburban passenger land transport
Names and addresses of shareholders	Liepāja City Council (34.85%) Rožu street 6, Liepāja, LV-3401, Latvia  LAP1R SIA (49.49%) Valņu street 4 – 5, Riga, LV – 1050, Latvia  Other private individuals (15.16%)
Names and positions of Board members	Māris Ārbergs – chairman of the board  Laima Kutuzova – member of the board
Names and positions of Council members	Edgars Dupats- chairman of the council  Ronalds Fricbergs – deputy chairman of the council  Madara Šķēle-Dupate - member of the council  Harijs Krongorns– member of the council  Mārtiņš Tīdens – member of the council
Financial year	1 January - 31 March 2014

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**Management report**

**Type of operations**

The joint stock company Liepājas autobusu parks is principally engaged in providing public passenger transportation services on urban, regional and regional inter-city routes. During the reporting year the company provided bus station related services.

The operations of the joint stock company Liepājas autobusu parks are ISO 9001:2008 compliant.

**The Company's performance during the reporting period**

During the first 3 months of 2014 the Company's net revenue amounted to EUR 2 619 982, that is an increase of EUR 99 050 or 3.9 % compared to respective period of 2013.

Direct revenue from regular passenger transportation services amounted to EUR 1 859 916, that is a decrease of EUR 81 207 or 4.2 % compared to respective period of 2013.

In first 3 months of 2014 the cost of goods sold amounted to EUR 2 517 033, that is a decrease of EUR 25 645 or 1 % compared to respective period of 2013.

During the first 3 months of 2014 the Company purchased two used buses to be used for city passenger transportation and one new bus for intercity routes.

In first 3 months of 2014 the average number of employees at AS Liepājas autobusu parks was 305 (in respective period of 2013 average number of employees was 319).

AS Liepājas autobusu parks has been making regular and timely payments on account of tax, salary and other payables.

The solvency ratio (equity/asset ratio) of AS Liepājas autobusu parks was 0.57 and 0.60 on March 31, 2014 and 2013, respectively.

The overall liquidity ratio of AS Liepājas autobusu parks (current assets/short-term liabilities) was 1.21 and 1.18 on March 31, 2014 and 2013, respectively..

During the first 3 months of 2014, the highest and lowest price registered for the share of AS Liepājas autobusu parks at the Stock Exchange "NASDAQ OMX Riga" was EUR 2.60 and EUR 1.66 respectively, and the period's first and last transaction price was EUR 1.66 and EUR 2.60, respectively.

In first 3 months of 2014 earnings per share was EUR 0.061, but in 2013 loss was EUR - 0.10 per share.

There have been no other major changes in the business strategy.

The Board of AS Liepājas autobusu parks represents that the internal risk control procedures are effective and that the internal control measures have been carried out in compliance with the relevant control procedures throughout 2014.

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**Management report** (continued)

**The Company's research and development activities**

During the reporting year the company carried on work involving the upgrading of production facilities and equipment as well as on improving the structure of production and human resource organisation. During the reporting period the Company invested EUR 244 198. Investments have been made in rolling stock restoring.

**The Company's exposure to risks**

The company does not have a major foreign exchange exposure because its settlements occur principally in euro. The company has raised a loan in prior years; the loan has a floating interest rate therefore the company is exposed to the floating interest rate risk. The company's performance is affected by the central and local government subsidies that are granted in accordance with the Cabinet regulation.

**Overseas branches and representative offices**

The company does not have overseas branches or representative offices.

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**Statement of management`s responsibility**

The Management of AS Liepajas Autobusu Parks ("the Company") is responsible for preparation the Financial Statements of the Company.

Based on the information available to the Board of the Company, the financial statements are prepared on the basis of the relevant source documentation and in accordance with the requirements of the Latvian Annual Accounts Act, effective Latvian Accounting Standards and other accounting legislation and present true and fair view of the Company's assets, liabilities and financial position as at 31 March 2014 and its profit and cashflows for the period then ended.

The management of the Company confirms that consistent and appropriate accounting policies and management estimates have been used throughout the reporting period. The management of the Company has applied prudence and going concern principles in preparation of the financial statements.

The management of the Company is also responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. They are also responsible for operating in compliance with legislation of the Republic of Latvia.

The management report contains a clear overview of the Company's business development and operational results.

Chairman of the Board

M.Ārbergs

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**Profit or loss account for the year ended 31 March 2014**

	<b>Note</b>	<b>01.01.2014 – 31.03.2014 EUR</b>	<b>01.01.2013 – 31.03.2013 EUR</b>
1. Net sales	1	2 619 982	2 520 932
2. Cost of sales	2	(2 517 033)	(2 542 678)
3. <b>Gross profit</b>		<b>102 949</b>	<b>(21 746)</b>
4. Selling expenses	3	(7 901)	(407)
5. Administrative expenses	4	(79 297)	(109 261)
6. Other operating income	5	34 299	76 403
7. Other operating expenses	6	(145)	(1 033)
8. Interest income and similar income	7	1 055	2 139
9. Interest expenses and similar expenses	8	(12 810)	(7 129)
10. <b>Profit/ (loss) before taxes</b>		<b>38 150</b>	<b>(61 034)</b>
12. <b>Current year's profit / (loss)</b>		<b>38 150</b>	<b>(61 034)</b>
<b>Profit/ (loss) per share</b>		<b>0.061</b>	<b>(0.10)</b>

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Balance sheet as at 31 March 2014		(1)		
	Note	31.03.2014	31.03.2013	
		EUR	EUR	
<b><u>Assets</u></b>				
<b>Long-term investments</b>				
<b>I. Intangible assets:</b>				
1. Concessions, patents, licences, trade marks and similar rights		206	565	
<b>Total intangible assets:</b>		<b>206</b>	<b>565</b>	
<b>II. Fixed assets:</b>				
1. Equipment and machinery		2 925 622	2 423 773	
2. Other fixed assets and inventory		68 055	84 110	
3. Advances for fixed assets		30 433	71 785	
<b>Total fixed assets:</b>		<b>3 024 110</b>	<b>2 579 668</b>	
<b>III. Long-term financial investments.</b>				
1. Participating interest in subsidiaries		1 804 344	1 804 344	
2. Loans to subsidiaries	10	29 435	52 775	
<b>Total long-term financial investments</b>		<b>1 833 779</b>	<b>1 857 119</b>	
<b>Total long-term investments:</b>		<b>4 858 095</b>	<b>4 437 352</b>	
<b>Current assets</b>				
<b>I. Stock:</b>				
1. Raw materials and consumables	9	200 249	160 689	
<b>Total stock:</b>		<b>200 249</b>	<b>160 689</b>	
<b>II. Debtors:</b>				
1. Trade debtors	11	506 118	519 234	
2. Accounts receivable from related parties	10	32 705	27 157	
3. Other debtors	12	258 693	300 848	
4. Deferred expenses	13	48 731	47 303	
5. Accrued income		98 809	105 166	
<b>Total debtors:</b>		<b>945 056</b>	<b>999 708</b>	
<b>III. Short term financial investments:</b>				
1. Other securities and participating interest		-	100 000	
<b>Total short term financial investments:</b>		<b>-</b>	<b>100 000</b>	
<b>IV. Cash and bank:</b>	14	<b>685 734</b>	<b>593 874</b>	
<b>Total current assets:</b>		<b>1 831 039</b>	<b>1 854 271</b>	
<b><u>Total assets</u></b>		<b><u>6 689 134</u></b>	<b><u>6 291 623</u></b>	



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<b>Balance sheet as at 31 March 2014</b>		<b>(2)</b>	
	<b>Note</b>	<b>31.03.2014 EUR</b>	<b>31.03.2013 EUR</b>
<b><u>Liabilities</u></b>			
<b>Shareholders' funds:</b>			
1. Share capital	15	892 768	892 768
2. Share premium		327	327
3. Retained earnings			
a) prior years' retained earnings		2 877 926	2 937 657
b) current year's profit/ (loss)		38 150	(61 034)
<b>Total shareholders' funds:</b>		<b>3 809 171</b>	<b>3 769 718</b>
<b>Creditors:</b>			
<b>Long-term creditors:</b>			
1. Loans from credit institutions	16	420 538	752 514
2. Other borrowings	17	770 637	-
3. Deferred tax liability	18	174 356	197 267
<b>Total long-term creditors:</b>		<b>1 365 531</b>	<b>949 781</b>
<b>Short-term creditors:</b>			
1. Loans from credit institutions	16	331 977	351 919
2. Other borrowings	17	198 322	-
3. Trade creditors		426 722	654 840
4. Accounts payable to related parties		153 013	55 760
5. Taxes and social insurance		112 926	123 391
6. Other creditors	19	121 393	130 396
7. Deferred income	20	26 126	148 437
8. Accrued liabilities		143 953	107 381
<b>Total short-term creditors:</b>		<b>1 514 432</b>	<b>1 572 124</b>
<b><u>Total liabilities and shareholders funds</u></b>		<b><u>6 689 134</u></b>	<b><u>6 291 623</u></b>

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**Statement of changes in equity for the year ended 31 March 2014 (EUR)**

	Share capital	Share premium	Prior years' retained earnings	Current year's profit/ (loss)	Total
	EUR	EUR	EUR	EUR	EUR
<b>As at 31 March 2012</b>	<b>892 768</b>	<b>327</b>	<b>2 696 066</b>	<b>64 561</b>	<b>3 653 722</b>
Transfer of prior year's profit	-	-	241 591	(241 591)	-
Profit for the year	-	-	-	115 996	115 996
<b>As at 31 March 2013</b>	<b>892 768</b>	<b>327</b>	<b>2 937 657</b>	<b>(61 034)</b>	<b>3 769 718</b>
Transfer of prior year's profit	-	-	(59 731)	59 731	-
Profit for the year	-	-	-	39 453	39 453
<b>As at 31 March 2014</b>	<b>892 768</b>	<b>327</b>	<b>2 877 926</b>	<b>38 150</b>	<b>3 809 171</b>

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**Cash flow statement for the period ended 31 March 2014**

	Note	01.01.2014 – 31.03.2014 EUR	01.01.2013 – 31.03.2013 EUR
<b>I Cash flow from operating activities</b>			
1. Profit/(loss) before taxes		38 150	(61 034)
<u>Adjustments for:</u>			
a) fixed assets depreciation		180 546	178 454
b) intangibles write-off		90	90
c) other interest income and similar income		(1 055)	(2 139)
d) interest payments and similar payments		12 810	7 129
e) net profit on fixed assets disposal		(9 269)	(50 881)
<b>2.Profit before adjustment of working capital and short-term liabilities</b>		<b>221 272</b>	<b>71 619</b>
<u>Adjustments for:</u>			
a) trade debtors' (increase) or decrease		(133 145)	(174 653)
b) stock (increase) or decrease		(13 779)	(497)
c) trade creditors' increase		11 742	432 922
<b>3. Gross cash flow from operating activities</b>		<b>86 090</b>	<b>329 391</b>
4. Corporate income tax payments		(9 422)	(10 054)
<b>5. Net cash flow from operating activities</b>		<b>76 668</b>	<b>319 337</b>
<b><u>Cash flow from investing activities</u></b>			
1. Acquisition of fixed assets and intangibles		(29 072)	(299 870)
2. Proceeds from sales of fixed assets and intangibles		9 640	103 389
3. Loans issued (neto)		16 684	5 835
4. Interest payments received		1 087	2 143
<b>5.Net cash flow from investing activities</b>		<b>(1 661)</b>	<b>(188 503)</b>
<b><u>Cash flow from financing activities</u></b>			
1. Repaid loans		(88 270)	(87 653)
2. Expenses related to the buyout of a leased assets		(3 999)	-
3. Interest payments received		(12 810)	(7 129)
<b>4.Net cash flow from financing activities</b>		<b>(105 079)</b>	<b>(94 782)</b>
<b>Net cash flow of the reporting year</b>		<b>(30 072)</b>	<b>36 052</b>
Cash and cash equivalents at the beginning of the reporting year		715 806	657 822
<b>Cash and cash equivalents at the end of reporting year</b>	14	<b>685 734</b>	<b>693 874</b>

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**Notes**

**(1) Net sales**

	<b>01.01.2014 – 31.03.2014</b>	<b>01.01.2013 – 31.03.2013</b>
	<b>EUR</b>	<b>EUR</b>
Income from passenger transportation	1 859 916	1 941 123
Grants	760 066	579 809
	<b><u>2 619 982</u></b>	<b><u>2 520 932</u></b>

**(2) Cost of sales**

Fuel and oil materials expenses	799 870	903 232
Spare parts and tyres	114 986	116 945
Salary expenses	585 643	597 273
Social insurance	135 145	140 930
Deprecation of fixed assets	180 636	178 543
Repairs and materials	71 030	61 272
Public facilities and rent	51 006	56 179
Business trip expenses	7 777	8 900
Outsourced services	111 425	106 728
Vehicle insurance	12 007	9 605
IT expenses	9 228	8 893
Bus rent	266 361	204 583
Technical assistance and bus maintenance services	66 570	65 035
Other cost of sales	105 349	84 560
	<b><u>2 517 033</u></b>	<b><u>2 542 678</u></b>

**(3) Selling expenses**

Advertising	<b><u>7 901</u></b>	<b><u>407</u></b>
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**(4) Administrative expenses**

Salary expenses	57 393	73 561
Social insurance	12 751	16 951
Transportation costs and business trip expenses	2 093	4 560
Communication expenses	1 591	1 434
Legal services	2 521	4 731
Other administrative costs	2 948	8 024
	<b><u>79 297</u></b>	<b><u>109 261</u></b>

**(5) Other operating income**

Insurance remuneration	2 530	2 943
Bus station revenues from ticket sales and parking facilities	18 143	18 153
Income from advertising	1 679	1 343
Proceeds from fixed assets disposal	9 269	50 882
Other income	2 678	3 082
	<b><u>34 299</u></b>	<b><u>76 403</u></b>

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**Notes (continued)**

<b>(6) Other operating expenses</b>	<b>01.01.2014 – 31.03.2014</b>	<b>01.01.2013 – 31.03.2013</b>
	<b>EUR</b>	<b>EUR</b>
Penalties paid	46	6
Net loss on exchange rate fluctuations	17	82
Other expenses	82	945
	<u><b>145</b></u>	<u><b>1 033</b></u>
<b>(7) Interest income and similar income</b>		
Bank interest	17	946
Interest received from subsidiaries	1 038	1 193
	<u><b>1 055</b></u>	<u><b>2 139</b></u>
<b>(8) Interest expenses and similar expenses</b>		
Interest on loan	<u><b>12 810</b></u>	<u><b>7 129</b></u>
<b>(9) Stock</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
	<b>EUR</b>	<b>EUR</b>
Fuel, grease	85 219	77 394
Spare parts	79 843	64 603
Materials	9 169	8 566
Bus ticket	26 018	10 127
	<u><b>200 249</b></u>	<u><b>160 689</b></u>
<b>(10) Receivables from related parties</b>		
Loans to subsidiary with repayment term up to 5 years	29 435	52 775
<b>Total long-term receivables from subsidiary</b>	<u><b>29 435</b></u>	<u><b>52 775</b></u>
Short-term loans to subsidiary	30 574	23 341
Other receivables	2 131	3 816
<b>Total short-term receivables from subsidiary</b>	<u><b>32 705</b></u>	<u><b>27 157</b></u>
<b>Total receivables from subsidiary</b>	<u><b>62 140</b></u>	<u><b>79 932</b></u>
<b>(11) Trade debtors</b>		
Trade debtors gross	<u><b>506 118</b></u>	<u><b>519 234</b></u>
<b>(12) Other debtors</b>		
VAT overpaid	37 415	17 190
Corporate income tax overpaid	47 104	28 625
Advances to employees	3 429	1 019
Guarantee deposits for rights for public transportation service provision	170 745	254 014
	<u><b>258 693</b></u>	<u><b>300 848</b></u>

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**Notes** (continued)

**(13) Deferred expenses**

	<b>31.03.2014</b>	<b>31.03.2013</b>
	<b>EUR</b>	<b>EUR</b>
Insurance	40 508	33 955
Annual leave pay for January of the following year	1 753	327
Bus station services	-	9 515
Rent of city bus	2 269	2 244
Other expenses	4 201	1 262
	<b>48 731</b>	<b>47 303</b>

**(14) Cash and bank**

Cash in transit	9 980	24 266
Cash at bank	675 604	569 352
Cash in hand	150	256
	<b>685 734</b>	<b>593 874</b>

**(15) Share capital**

As at 31 March 2014 the subscribed and fully paid share capital consists of 627 441 ordinary shares with a nominal value of EUR 1.422872 each. Share capital ordinary share's value is determined using approved rate of exchange 1 EUR = 0.702804 LVL. The decision about share's capital value in euro's will be made in The Board meeting on June 3, 2014.

**(16) Loans from credit institutions**

	<b>31.03.2014</b>	<b>31.03.2013</b>
	<b>EUR</b>	<b>EUR</b>
Loan from AS Swedbank with the maturity over 1 years	420 538	685 014
Loan from AS NORDEA	-	67 500
<b>Total long-term part:</b>	<b>420 538</b>	<b>752 514</b>
Loan from AS Swedbank	264 477	261 919
Loan from AS NORDEA	67 500	90 000
<b>Total short-term part:</b>	<b>331 977</b>	<b>351 919</b>
<b>Total loans from credit institutions</b>	<b>752 515</b>	<b>1 104 433</b>

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**Notes (continued)**

**(17) Other borrowings**

	<b>31.03.2014 EUR</b>	<b>31.03.2013 EUR</b>
<b>SIA Nordea Finance Latvia</b>		
Finance lease obligations with a term of more than 1 year	119 004	-
Finance lease obligations with a term of up to 1 year	<u>22 122</u>	<u>-</u>
<b>Total finance lease obligations:</b>	<b>141 126</b>	<b>-</b>
<b>SIA Swedbank Līzings</b>		
Finance lease obligations with a term of more than 1 year	246 281	-
Finance lease obligations with a term of up to 1 year	<u>65 209</u>	<u>-</u>
<b>Total finance lease obligations:</b>	<b>311 490</b>	<b>-</b>
<b>SIA UniCredit Leasing</b>		
Finance lease obligations with a term of more than 1 year	239 318	-
Finance lease obligations with a term of up to 1 year	<u>41 585</u>	<u>-</u>
<b>Total finance lease obligations:</b>	<b>280 903</b>	<b>-</b>
<b>SIA Pohjola Finance</b>		
Finance lease obligations with a term of more than 1 year	166 034	-
Finance lease obligations with a term of up to 1 year	<u>69 406</u>	<u>-</u>
<b>Total finance lease obligations:</b>	<b>235 440</b>	<b>-</b>
<b>Total non-current borrowings:</b>	<b>770 637</b>	<b>-</b>
<b>Total current borrowings:</b>	<b>198 322</b>	<b>-</b>
<b>Total other borrowings</b>	<b><u>968 959</u></b>	<b><u>-</u></b>

**(18) Deferred tax liability**

Deferred tax liability	<u>174 356</u>	<u>197 267</u>
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**(19) Other creditors**

Salaries	112 319	121 290
Deductions from salaries	2 452	1 975
Bus station revenue	<u>6 622</u>	<u>7 131</u>
	<b><u>121 393</u></b>	<b><u>130 396</u></b>

**(20) Deferred income**

Monthly ticket sales for April	721	704
Loss coverage for following period	<u>25 405</u>	<u>147 733</u>
	<b><u>26 126</u></b>	<b><u>148 437</u></b>