

**You have successfully joined  
webinar of JSC “Ventspils nafta” and JSC “Latvijas kuģniecība” hosted by:**



**Robert Kirkup**  
Chairman of the JSC Ventspils nafta  
Management Board,  
Chairman of the JSC Latvijas  
kuģniecība Management Board



**Paul Thomas**  
Member of the JSC  
Latvijas Kuģniecība  
Management Board

The webinar will be activated on June 12,  
2014 at 9:00 (EET)

Meanwhile, please send your questions in  
advance to:

[ieva.kadakovska@nasdaqomx.com](mailto:ieva.kadakovska@nasdaqomx.com)





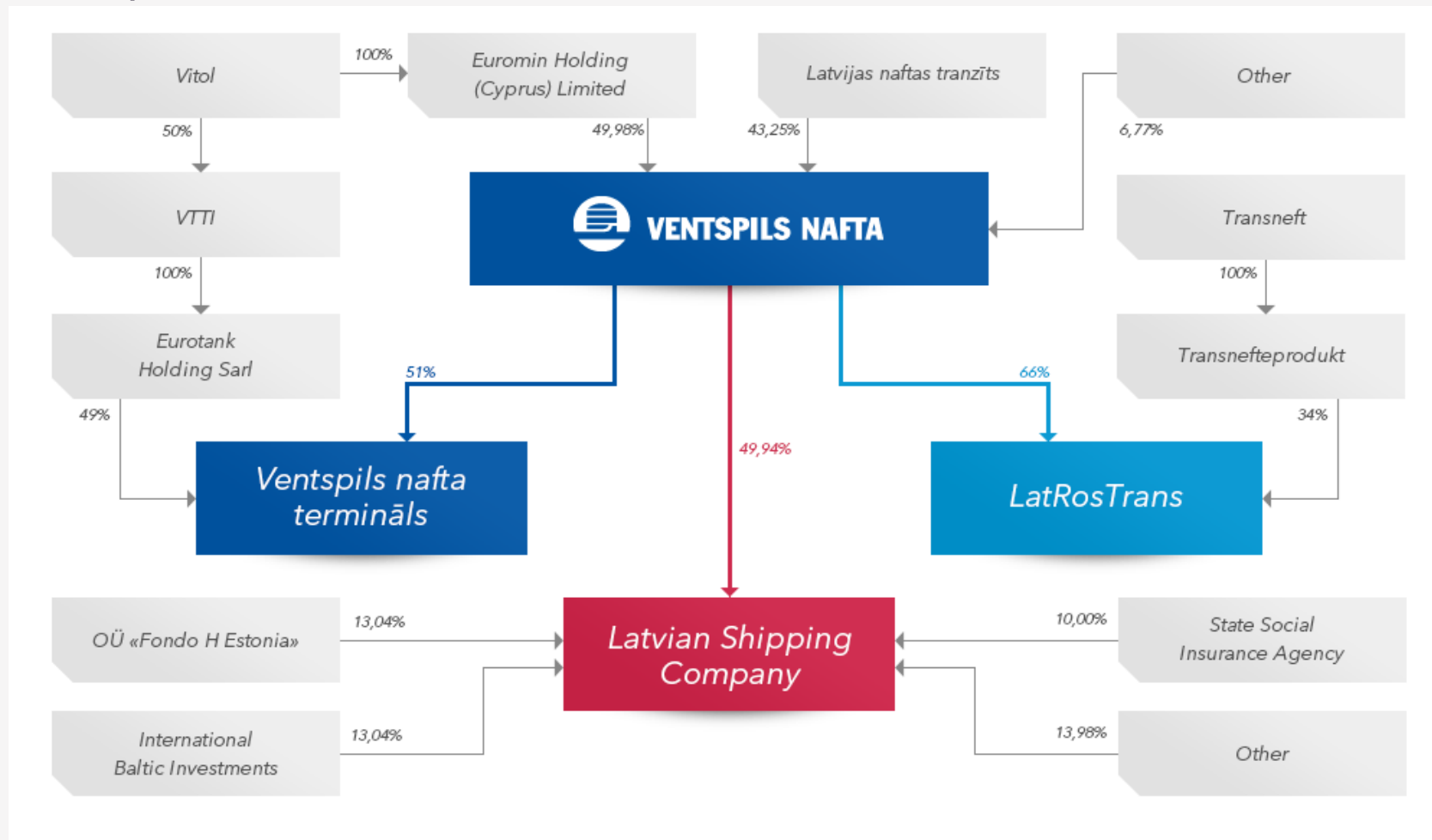
# **VENTSPILS NAFTA**

## **Overview of Ventspils nafta Group**

June 12, 2014

# Overview of Ventspils nafta (VN) Group

## 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



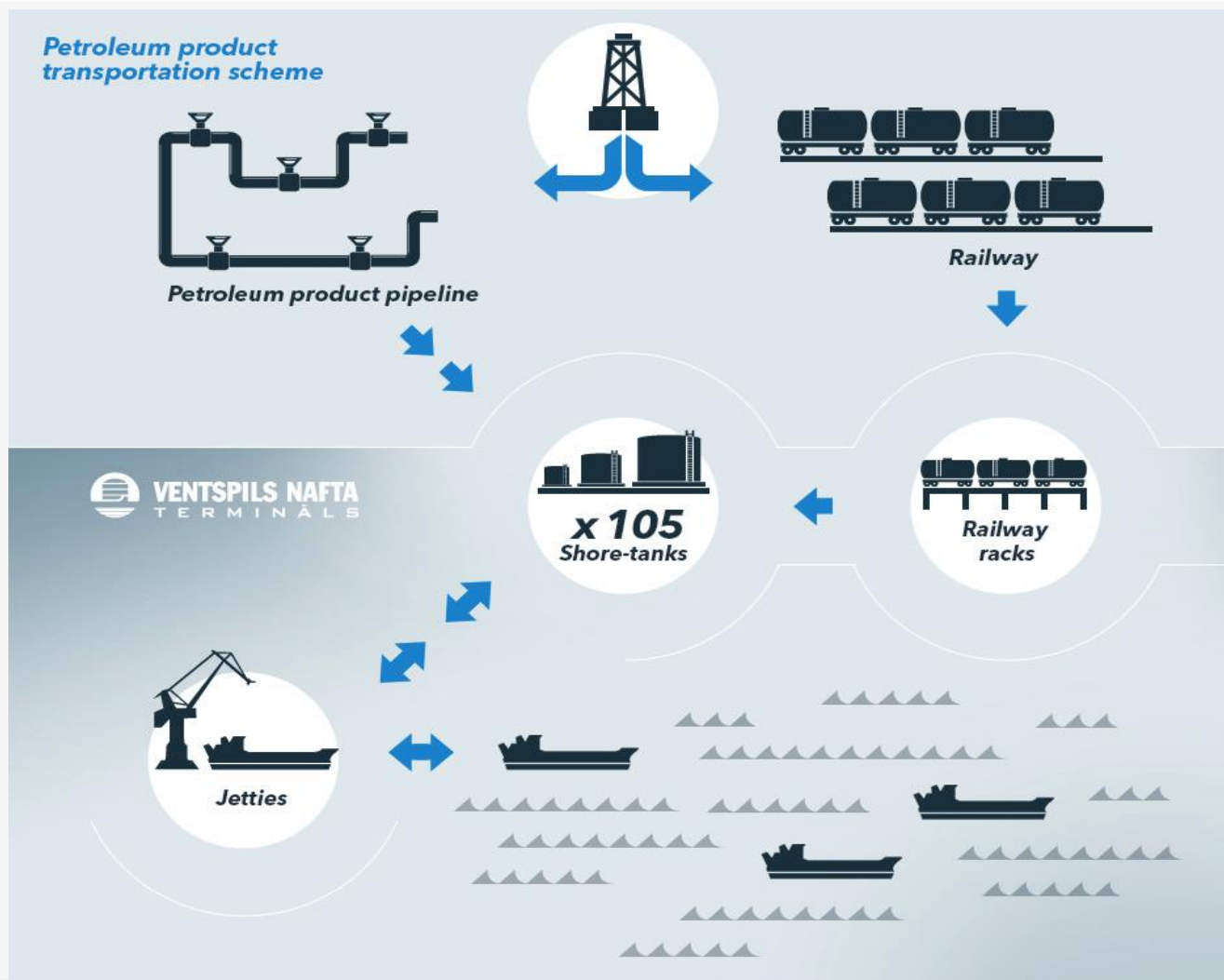
Largest and the most technologically advanced crude oil and petroleum product transshipment company in the Baltic States:

- 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
- 285 Full-time employees

# Wide range of services (1)



# Wide range of services (2)



# VN Group's contribution to Latvian economy

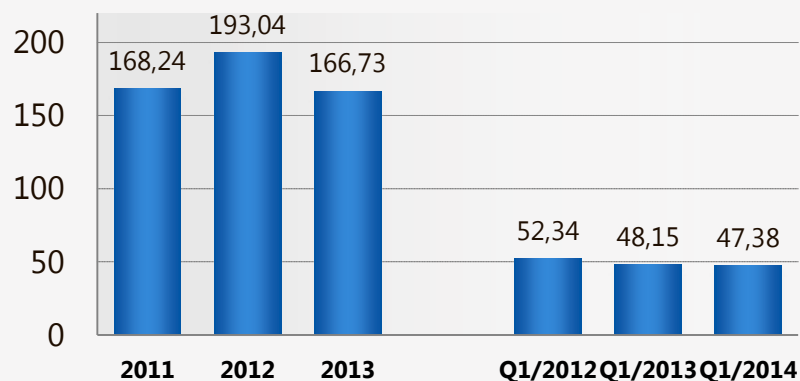
- VN Group's revenue 166.73 mln EUR (FY2013)
- Group's income: >99% from foreign clients
- 62 mln EUR of VNT and LRT expenses go to 3rd party local suppliers (FY2013)
- Important component of Latvian stock market
  - VN and LSC – 14% of Latvian companies listed transactions
  - More than 23 000 shareholders



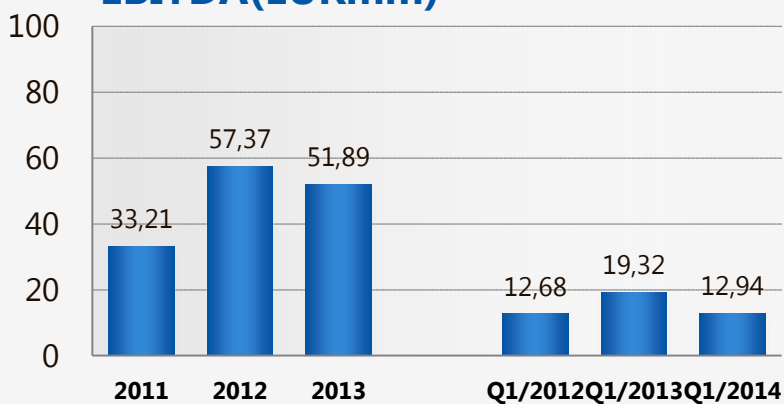
## Commentary

- Q1/2014 net profit
- Q1/2014 revenues
  - Shipping business 36%
  - Oil product transshipment & storage business 64%
- Impairment of non-current assets FY2013 (Oil product segment 63.3 EURmm, Fleet 17.6 EURmm)

## Revenue (EURmm)



## EBITDA (EURmm)



## Net profit (EURmm)





- VNT – best employer in the region award (by the Employers' Confederation of Latvia), Gold award in Sustainability Index
- VN – best interactive Investor Relations in the Baltic securities market award by NASDAQ OMX
- LRT – Bronze award in Sustainability Index (First time participation)



- Business focus:

- FINANCE & BUSINESS DEVELOPMENT

- Review of group assets
    - Continue to seek new opportunities
    - Improving efficiency of core business and cost management
    - Group unified procurements

- OTHER

- Good governance
    - Facilitate intercompany relationships
    - Long term commitment by major shareholder
    - Representing the Group's interests

- Stable & Profitable business
- Consolidate the Group
- Rationalization of assets
- Strong investor relations
- Geopolitical situation





**VENTSPILS NAFTA**



# Latvian Shipping Company

Financial performance and the latest trends in the shipping market

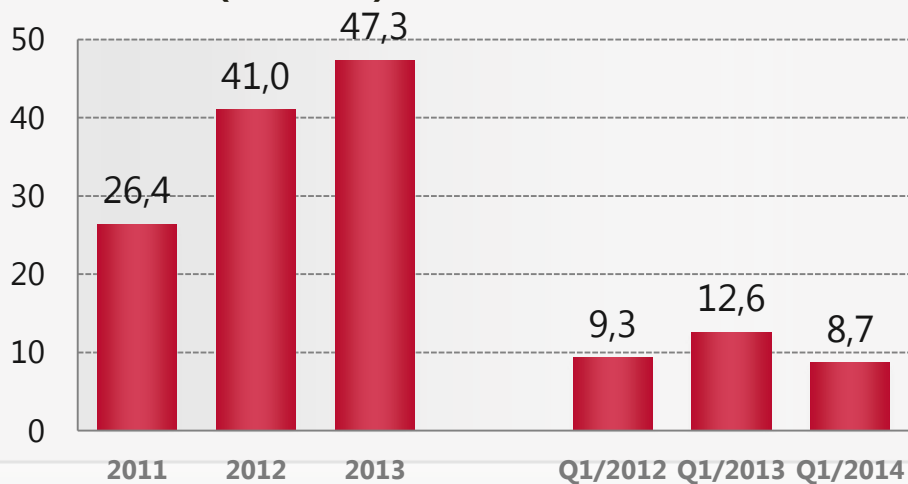


# Financial performance

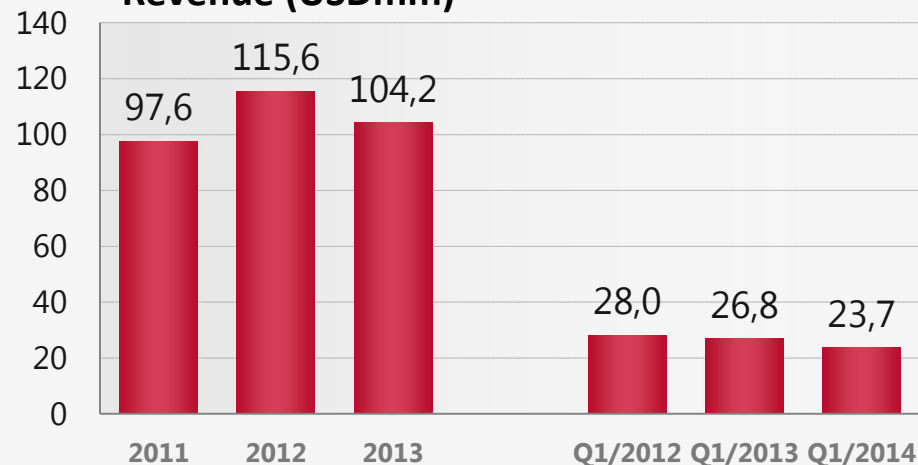
## Commentary

- Q1/2014 net profit
- Q1/2014 income from partial settlement in the Antonio Gramsci Corporation court case
- Further impairment of the fleet
- Accumulated cash to cover bank covenants

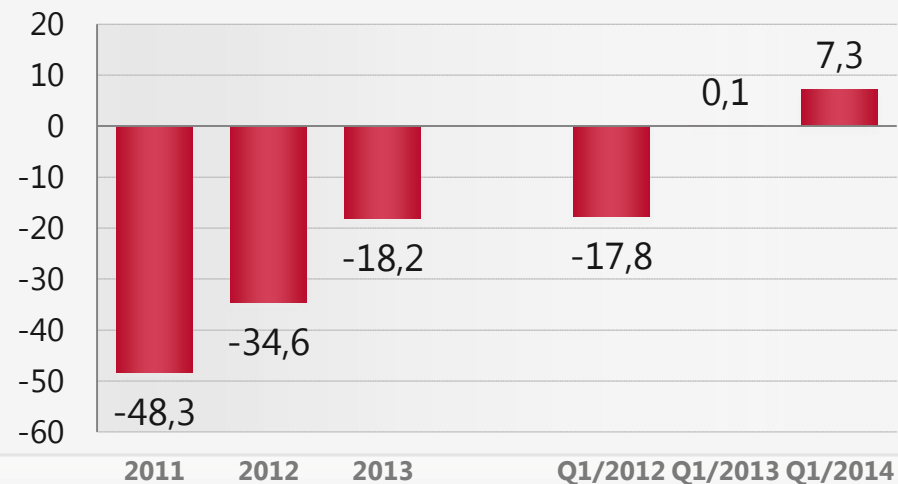
### EBITDA(USDmm)



### Revenue (USDmm)



### Net profit (USDmm)

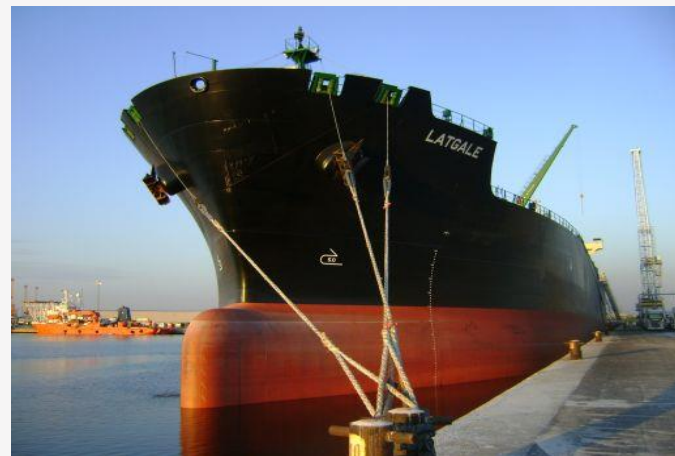


## Fleet & team overview

- Fleet consists of 16 modern tankers (12 Medium range tankers, 4 Handy size tankers)
- Current average age of fleet 6.50 years
- Professional management and employees with significant experience in shipping industry:
  - approximately 700 seagoing personnel with over 90% being Latvian nationals
  - approximately 60 shore based staff in the Riga head office



- At end of Q1 82pct of the fleet were employed on time charter contracts
- The average employment period for the portion of the fleet on time charter plus bareboat charter is 10.7 months; excluding bare boat charter 7.8 months
- A recovery in the product tanker segment throughout 2013 has positively affected LSC Group financial results



- New time charter agreements were signed throughout 2013 at relatively higher rates
- Sale of 3 Kolka class vessels enabled repayment of 75 mm USD facility, The sale of M/T Riga enabled LSC Group to limit losses that would have otherwise occurred as a consequence of the sale-lease back-repurchase obligation agreement concluded in 2009.
- Banking syndicates agreed new covenants -> resulting in a permanent financing solution





# Trends in product tanker market

- The 1st quarter of 2014 proved disappointing for the products tanker segment especially within the medium range tanker segment particularly within the Atlantic basin
- The 2nd quarter of 2014 has continued to prove disappointing and there must be some concern that the balance of 2014 will not be as positive as some commentators had predicted
- The strategy to employ the majority of the LSC fleet on time charter should provide some protection from this potential downturn in earnings in the short term

## Trends in product tanker market (cont'd)

- The future profitability of LSC and other ship-owners specialising in the product tanker segment will continue to depend on worldwide economic growth, which remains fragile
- Economic growth drives demand for refined oil and hence impacts on demand for product tankers. Currently that demand is lacking. Expectations remain that economic growth will increase the demand for tonnage.
- However on the vessel supply side, the more optimistic economic outlook did result in an increase in the number of new product tankers ordered.

## Trends in product tanker market (cont'd)

- New product tankers are now beginning to be delivered and without the predicted increase in oil demand, may act as a drag on any shipping recovery in our core market segment.
- Within the MR segment approximately 28pct of the existing fleet is on order. Within the Handy segment 15pct. There is some concern that this increase in vessel supply will comfortably cover future transportation requirements which may in turn limit the earning potential of the LSC fleet in future years.

# Share capital decrease

- LSC has large accumulated losses from previous years therefore LSC is not in a position to consider the payment of dividends to its shareholders.
- Writing down the accumulated losses from previous years would allow its shareholders the opportunity to receive remuneration for the use of their capital when financial circumstances allow.
- A share capital decrease will not affect the equity value of each shareholding.
- The matter of paying dividends to its shareholders or distributing profits in another manner falls within the competence of the shareholders'. Any such distribution of profits would also require the permission of the major banking syndicate that provides financing for the LSC fleet
- The LSC Management considers that in the current shipping environment any profit should be utilized to either repay expensive existing debt or to reinvest in the shipping sector should a sound investment opportunity arise ; in either scenario the shareholders of LSC should benefit from any increase in the company's value.

# Share capital decrease

- LSC share capital (after share denomination from Latvian lats to euro) will be reduced from 280 EURmm to 60 EURmm, by reducing the nominal value of each share from 1,40 EUR to 0,30 EUR. Proposed effective commencement date September 1st, 2014

<b>LK PARENT</b>		
EUR '000	31.12.2013.	
	Current Structure	Future Structure
<b>Equity</b>		
Share capital	284 574	60 000
Accumulated deficit	(225 626)	(1 052)
<b>Total Shareholders' equity</b>	<b>58 948</b>	<b>58 948</b>

<b>CONSOLIDATED</b>		
EUR '000	31.12.2013.	
	Current Structure	Future Structure
<b>Equity</b>		
Share capital	284 574	60 000
Accumulated deficit/retained earnings	(106 452)	118 122
Other components of equity	(23 004)	(23 004)
<b>Equity attributable to equity holders of the parent</b>	<b>155 118</b>	<b>155 118</b>