

AS “Liepājas autobusu parks”

FINANCIAL STATEMENT FOR THE PERIOD

ENDED 30 SEPTEMBER 2014

NONAUDITED

TRANSLATION FROM LATVIAN

AS "LIEPĀJAS AUTOBUSU PARKS"
FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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	40003015652 Commercial 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	Leonīds Krongorns - chairman of the board (since 25.08.2014) Māris Ārbergs – member of the board (since 25.08.2014) 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 - 30 September 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.

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 9 months of 2014 the Company's net revenue amounted to EUR 8 126 110, that is an increase of EUR 166 865 or 2.1 % compared to respective period of 2013.

In first 9 months of 2014 the cost of goods sold amounted to EUR 7 605 073, that is a decrease of EUR 103 476 or 1.3 % compared to respective period of 2013.

During the first 9 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 9 months of 2014 the average number of employees at AS Liepājas autobusu parks was 287 (in respective period of 2013 average number of employees was 311).

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 0.60 and 0.57 on September 30, 2014 and 2013, respectively.

The overall liquidity ratio of AS Liepājas autobusu parks (current assets/short-term liabilities) was 1.33 and 1.24 on September 30, 2014 and 2013, respectively.

During the first 9 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 2.87 and EUR 1.66 respectively, and the period's first and last transaction price was EUR 1.66 and EUR 2.87, respectively.

In first 9 months of 2014 earnings per share was EUR 0.496, but in 2013 loss was EUR - 0.124 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 247 thousands. 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 30 September 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

L.Krongorns

Member of the board

L.Kutuzova

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Profit or loss account for the year ended 30 September 2014

	Note	01.01.2014 – 30.09.2014 EUR	01.01.2013 – 30.09.2013 EUR
1. Net sales	1	8 126 110	7 959 245
2. Cost of sales	2	(7 605 073)	(7 708 549)
3. Gross profit		521 037	250 696
4. Selling expenses	3	(9 450)	(1 791)
5. Administrative expenses	4	(252 480)	(294 966)
6. Other operating income	5	89 955	146 341
7. Other operating expenses	6	(2 531)	(2 655)
8. Interest income and similar income	7	2 528	6 052
9. Interest expenses and similar expenses	8	(37 934)	(25 819)
10. Profit/ (loss) before taxes		311 125	77 858
12. Current year's profit / (loss)		311 125	77 858
Profit/ (loss) per share		0.496	0.124

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Balance sheet as at 30 September 2014

(1)

	Note	30.09.2014	30.09.2013
		EUR	EUR
<u>Assets</u>			
Long-term investments			
I. Intangible assets:			
1. Concessions, patents, licences, trade marks and similar rights		27	386
Total intangible assets:		27	386
II. Fixed assets:			
1. Equipment and machinery		2 616 056	3 032 464
2. Other fixed assets and inventory		59 471	75 781
3. Advances for fixed assets		3 368	23 166
Total fixed assets:		2 678 895	3 131 411
III. Long-term financial investments.			
1. Participating interest in subsidiaries		1 804 344	1 804 344
2. Loans to subsidiaries	10	18 476	41 105
Total long-term financial investments		1 822 820	1 845 449
Total long-term investments:		4 501 742	4 977 246
Current assets			
I. Stock:			
1. Raw materials and consumables	9	191 933	212 392
Total stock:		191 933	212 392
II. Debtors:			
1. Trade debtors	11	527 599	459 236
2. Accounts receivable from related parties	10	42 316	53 655
3. Other debtors	12	49 103	262 261
4. Deferred expenses	13	48 278	48 930
5. Accrued income		38	111 779
Total debtors:		667 334	935 861
III. Cash and bank:	14	1 446 701	736 077
Total current assets:		2 305 968	1 884 330
<u>Total assets</u>		<u>6 807 710</u>	<u>6 861 576</u>

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Balance sheet as at 30 September 2014

(2)

	Note	30.09.2014 EUR	30.09.2013 EUR
<u>Liabilities</u>			
Shareholders' funds:			
1. Share capital	15	878 417	892 768
2. Share premium		327	327
3. Retained earnings			
a) prior years' retained earnings		2 892 277	2 937 657
b) current year's profit/ (loss)		311 125	77 858
Total shareholders' funds:		4 082 146	3 908 610
Creditors:			
Long-term creditors:			
1. Loans from credit institutions	16	339 994	575 658
2. Other borrowings	17	482 044	656 139
3. Deferred tax liability	18	174 357	197 267
Total long-term creditors:		996 395	1 429 064
Short-term creditors:			
1. Loans from credit institutions	16	235 663	353 198
2. Other borrowings	17	371 123	188 925
3. Trade creditors		456 039	471 944
4. Accounts payable to related parties		81 784	93 113
5. Taxes and social insurance		108 257	108 411
6. Other creditors	19	111 899	109 314
7. Deferred income	20	221 971	92 711
8. Accrued liabilities		142 433	106 286
Total short-term creditors:		1 729 169	1 523 902
<u>Total liabilities and shareholders funds</u>		<u>6 807 710</u>	<u>6 861 576</u>

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Statement of changes in equity for the year ended 30 September 2014

	Share capital	Share premium	Prior years' retained earnings	Current year's profit/ (loss)	Total
	EUR	EUR	EUR	EUR	EUR
As at 31 December 2012	892 768	327	2 696 066	241 591	3 830 752
Transfer of prior year's profit	-	-	241 591	(241 591)	-
Profit for the year	-	-	-	(59 731)	(59 731)
As at 31 December 2013	892 768	327	2 937 657	(59 731)	3 771 021
Denomination of shares	(14 351)	-	14 351	-	-
Transfer of prior year's profit	-	-	(59 731)	59 731	-
Profit for the year	-	-	-	311 125	311 125
As at 30 September 2014	878 417	327	2 892 277	311 125	4 082 146

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Cash flow statement for the period ended 30 September 2014

	Note	01.01.2014 – 30.09.2014 EUR	01.01.2013 – 30.09.2013 EUR
I Cash flow from operating activities			
1. Profit/(loss) before taxes		311 125	77 858
<u>Adjustments for:</u>			
a) fixed assets depreciation		527 190	542 926
b) intangibles write-off		269	269
c) other interest income and similar income		(2 528)	(6 052)
d) interest payments and similar payments		37 934	25 819
e) net profit on fixed assets disposal		(23 635)	(58 916)
2. Profit before adjustment of working capital and short-term liabilities		850 355	581 904
<u>Adjustments for:</u>			
a) trade debtors' (increase) or decrease		105 186	(75 129)
b) stock (increase) or decrease		(5 463)	(52 199)
c) trade creditors' increase		171 975	366 267
3. Gross cash flow from operating activities		1 122 053	820 843
4. Corporate income tax payments		-	(16 754)
5. Net cash flow from operating activities		1 122 053	804 089
<u>Cash flow from investing activities</u>			
1. Acquisition of fixed assets and intangibles		(33 352)	(398 128)
2. Proceeds from sales of fixed assets and intangibles		26 857	111 433
3. Loans issued (neto)		35 588	(11 427)
4. Term deposits deployed/closed		-	100 000
5. Interest payments received		2 602	6 013
6. Net cash flow from investing activities		31 695	(192 109)
<u>Cash flow from financing activities</u>			
1. Repaid loans		(265 128)	(263 230)
2. Expenses related to the buyout of a leased assets		(119 791)	(144 676)
3. Interest payments received		(37 934)	(25 819)
4. Net cash flow from financing activities		(422 853)	(433 725)
Net cash flow of the reporting year		730 895	178 255
Cash and cash equivalents at the beginning of the reporting year		715 806	557 822
Cash and cash equivalents at the end of reporting year	14	1 446 701	736 077

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(1) Net sales

	01.01.2014 – 30.09.2014	01.01.2013 – 30.09.2013
	EUR	EUR
Income from passenger transportation	6 232 833	6 207 180
Grants	1 893 277	1 752 065
	8 126 110	7 959 245

(2) Cost of sales

Fuel and oil materials expenses	2 258 938	2 581 270
Spare parts and tyres	339 755	399 264
Salary expenses	1 798 184	1 788 796
Social insurance	414 800	422 236
Deprecation of fixed assets	527 459	543 195
Repairs and materials	176 134	269 103
Public facilities and rent	90 384	121 226
Business trip expenses	33 806	21 648
Outsourced services	444 295	340 597
Vehicle insurance	36 007	28 684
IT expenses	26 872	27 350
Bus rent	948 058	671 697
Technical assistance and bus maintenance services	198 580	197 534
Other cost of sales	311 801	295 949
	7 605 073	7 708 549

(3) Selling expenses

Advertising	9 450	1 791
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(4) Administrative expenses

Salary expenses	175 238	202 785
Social insurance	39 001	46 538
Transportation costs and business trip expenses	7 813	11 140
Communication expenses	3 977	4 344
Audit expense	-	2 227
Legal services	19 089	10 765
Other administrative costs	7 362	17 167
	252 480	294 966

(5) Other operating income

Insurance remuneration	7 018	5 430
Bus station revenues from ticket sales and parking facilities	18 143	59 120
Income from advertising	9 337	5 472
Proceeds from fixed assets disposal	23 635	58 916
Other income	31 822	17 403
	89 955	146 341

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(6) Other operating expenses	01.01.2014 – 30.09.2014	01.01.2013 – 30.09.2013
	EUR	EUR
Penalties paid	1 437	1 104
Net loss on exchange rate fluctuations	17	125
Other expenses	1 077	1 426
	2 531	2 655
(7) Interest income and similar income		
Bank interest	34	1 182
Interest received from subsidiaries	2 494	4 870
	2 528	6 052
(8) Interest expenses and similar expenses		
Interest on loan	37 934	25 819
(9) Stock	30.09.2014	30.09.2013
	EUR	EUR
Fuel, grease	96 036	116 230
Spare parts	85 360	74 520
Materials	10 537	9 363
Bus ticket	-	12 279
	191 933	212 392
(10) Receivables from related parties		
Loans to subsidiary with repayment term up to 5 years	18 476	41 105
Total long-term receivables from subsidiary	18 476	41 105
Short-term loans to subsidiary	22 629	52 272
Other receivables	19 687	1 383
Total short-term receivables from subsidiary	42 316	53 655
Total receivables from subsidiary	60 792	94 760
(11) Trade debtors		
Trade debtors gross	527 599	459 236
(12) Other debtors		
VAT overpaid	32 693	51 562
Corporate income tax overpaid	15 700	35 326
Advances to employees	710	4 628
Guarantee deposits for rights for public transportation service provision	-	170 745
	49 103	262 261

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(13) Deferred expenses

	30.09.2014	30.09.2013
	EUR	EUR
Insurance	36 271	34 973
Annual leave pay for following period	1 691	421
Cash register lease	5 500	-
Bus stations services	-	10 471
Rent of city bus	2 251	2 251
Other expenses	2 565	814
	48 278	48 930

(14) Cash and bank

Cash in transit	11 881	18 176
Cash at bank	1 434 696	717 668
Cash in hand	124	233
	1 446 701	736 077

(15) Share capital

As at 30 September 2014 the subscribed and fully paid share capital consists of 627 441 ordinary shares with a nominal value of EUR 1.40.

(16) Loans from credit institutions

	30.09.2014	30.09.2013
	EUR	EUR
Loan from AS Swedbank with the maturity over 1 years	339 994	553 158
Loan from AS NORDEA	-	22 500
Total long-term part:	339 994	575 658
Loan from AS Swedbank	213 163	263 197
Loan from AS NORDEA	22 500	90 001
Total short-term part:	235 663	353 198
Total loans from credit institutions	575 657	928 856

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(17) Other borrowings

	30.09.2014 EUR	30.09.2013 EUR
SIA Nordea Finance Latvia		
Finance lease obligations with a term of more than 1 year	108 622	127 566
Finance lease obligations with a term of up to 1 year	<u>22 351</u>	<u>23 588</u>
Total finance lease obligations:	<u>130 973</u>	<u>151 154</u>
SIA Swedbank Līzings		
Finance lease obligations with a term of more than 1 year	-	272 962
Finance lease obligations with a term of up to 1 year	<u>278 249</u>	<u>124 567</u>
Total finance lease obligations:	<u>278 249</u>	<u>397 529</u>
SIA UniCredit Leasing		
Finance lease obligations with a term of more than 1 year	219 391	255 611
Finance lease obligations with a term of up to 1 year	<u>42 517</u>	<u>40 770</u>
Total finance lease obligations:	<u>261 908</u>	<u>296 381</u>
SIA Pohjola Finance		
Finance lease obligations with a term of more than 1 year	154 031	-
Finance lease obligations with a term of up to 1 year	<u>28 006</u>	<u>-</u>
Total finance lease obligations:	<u>182 037</u>	<u>-</u>
Total non-current borrowings:	<u>482 044</u>	<u>656 139</u>
Total current borrowings:	<u>371 123</u>	<u>188 925</u>
Total other borrowings	<u><u>853 167</u></u>	<u><u>845 064</u></u>

(18) Deferred tax liability

Deferred tax liability	<u><u>174 357</u></u>	<u><u>197 267</u></u>
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(19) Other creditors

Salaries	109 512	100 183
Deductions from salaries	2 387	2 796
Bus station revenue	<u>-</u>	<u>6 335</u>
	<u>111 899</u>	<u>109 314</u>

(20) Deferred income

Monthly ticket sales for the following period	242	1 105
Loss coverage for following period	<u>221 729</u>	<u>91 609</u>
	<u>221 971</u>	<u>92 711</u>