



**VENTSPILS NAFTA**

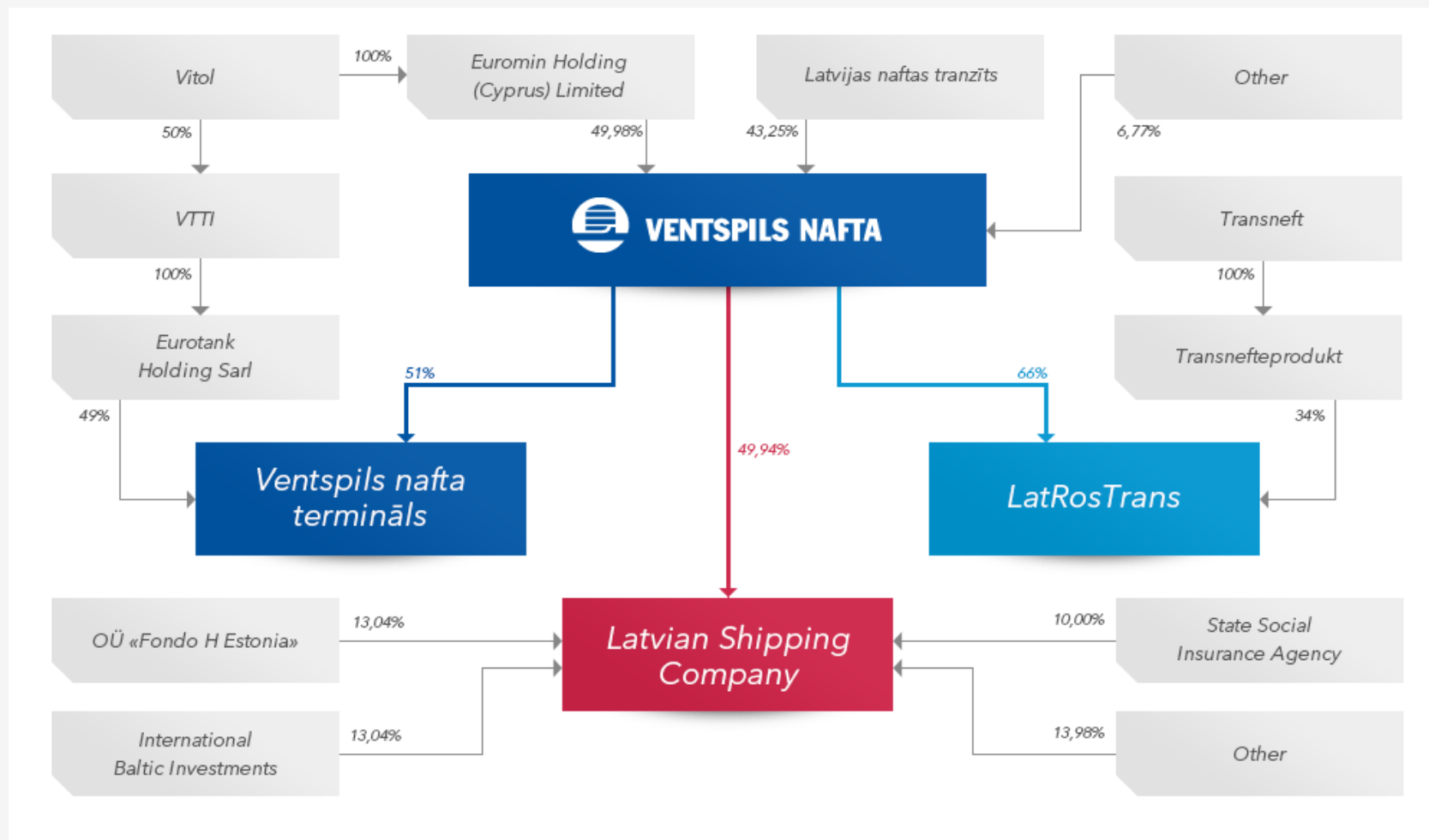


# JSC Ventspils nafta Group

Financial performance and business forecast



# 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



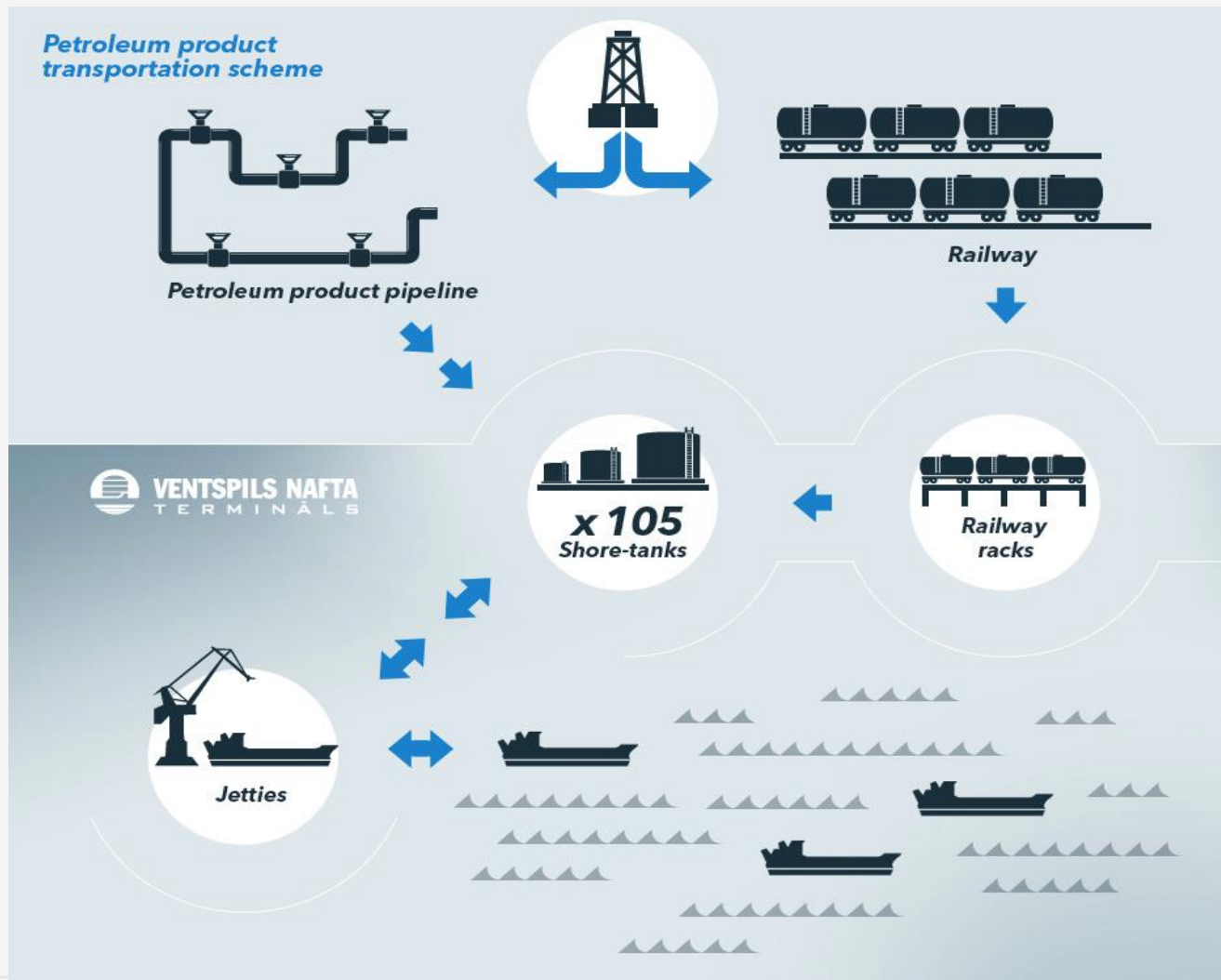
Largest and the most technologically advanced crude oil and petroleum product transshipment company in the Baltic States:

- 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

# LatRosTrans pipeline network



# Full range of energy transportation and storage services



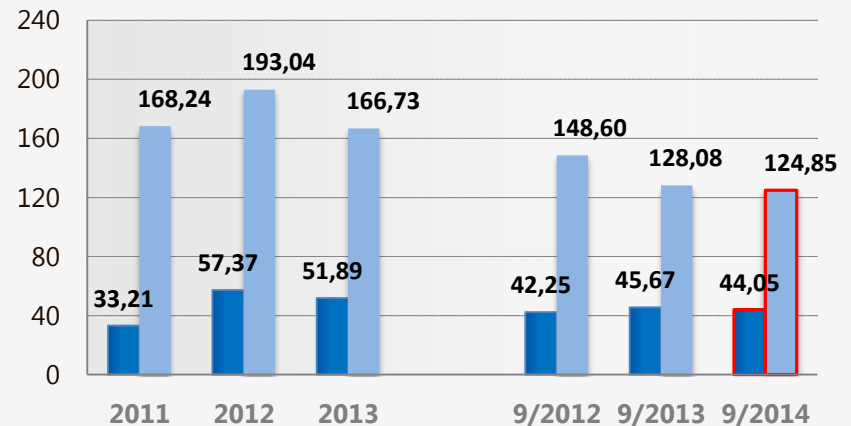


# 9M Financial performance

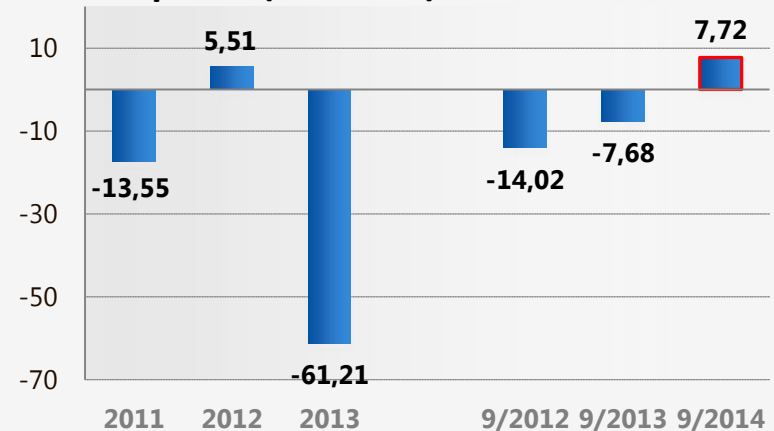
Throughout the third quarter market conditions remained challenging and with continued pressure on margins.

- Revenue 9M 2014 fell slightly (LRT +5.6%; VNT+8.2%; LSC -11.5%)
- EBITDA margins remained stable at 30-35%
- Net profit benefitted from the relative strength of the US dollar and lower levels of D&A
- Transhipped volumes increased as a result of strong HY1 volumes

### Revenue and EBITDA (EUR mm)



### Net profit (EUR mm)



# Goals for 2014 achieved

During 2014 the corporate structure, assets and cost-base have been successfully streamlined:

- Share denomination from lats to euro
- Share capital reductions in Group companies
  - > covered accumulated losses from previous years
  - > ability of payments to shareholders in the future
- Sale of noncore business and assets
- Administrative offices moved to one building

# Outlook / plans for Q4 2014

- Focus for Q4 to be continued streamlining of the business to tidy balance sheet and focus activity on core areas:
- Sale of remaining crude oil Q4 2014 – Q1 2015
  - estimated volume 64 thousand metric tons
- Revaluation of Group's long-term assets in line with market conditions
- Extension of main agreements on transshipment and reloading of oil products for 2015



## 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



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# Latvian Shipping Company

Financial performance and the latest trends in the shipping market



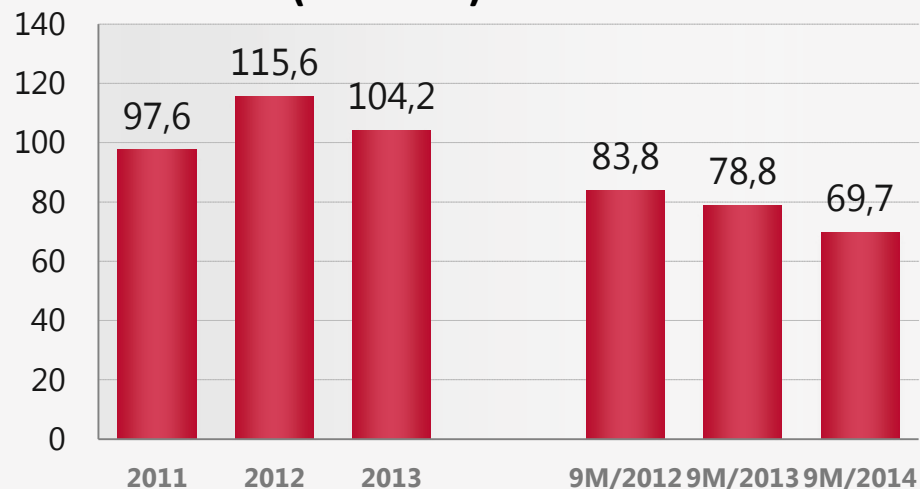
# Financial & Business Performance

Positive cash flow, notwithstanding the challenging market environment

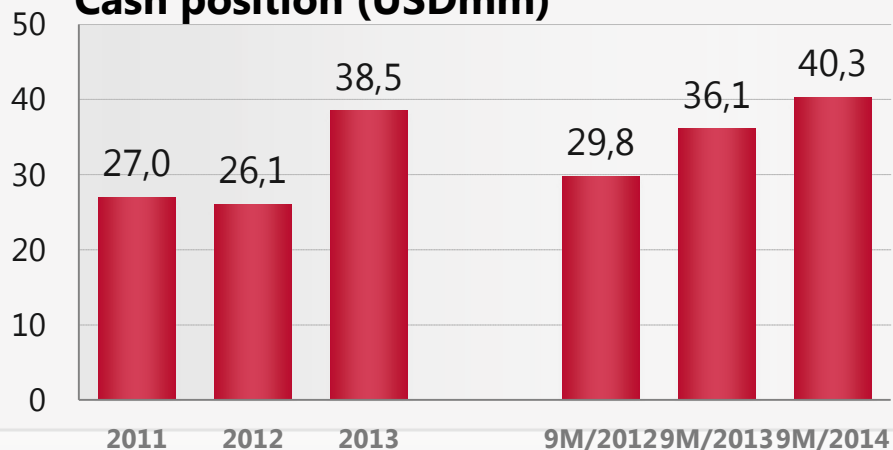
Revenue decreased due fewer vessels in the fleet:

- current fleet number -16 vessels
- at end 2012 -20 vessels
- at end 2013 -17 vessels

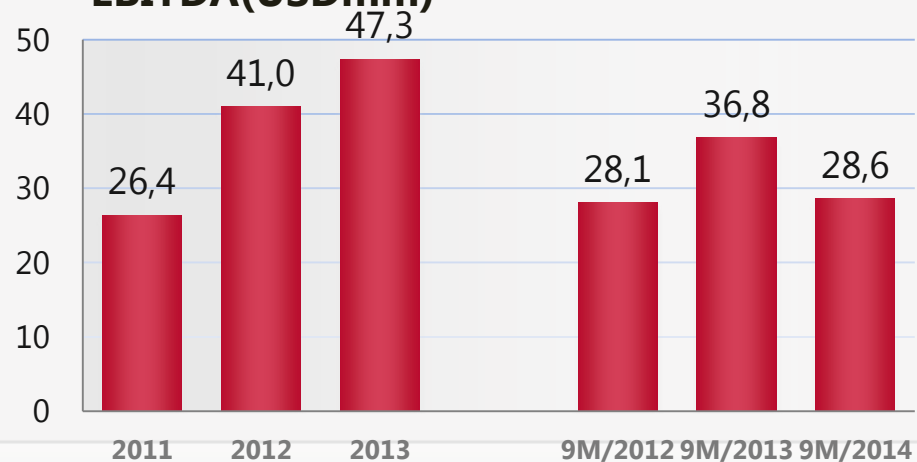
### Revenue (USDmm)



### Cash position (USDmm)



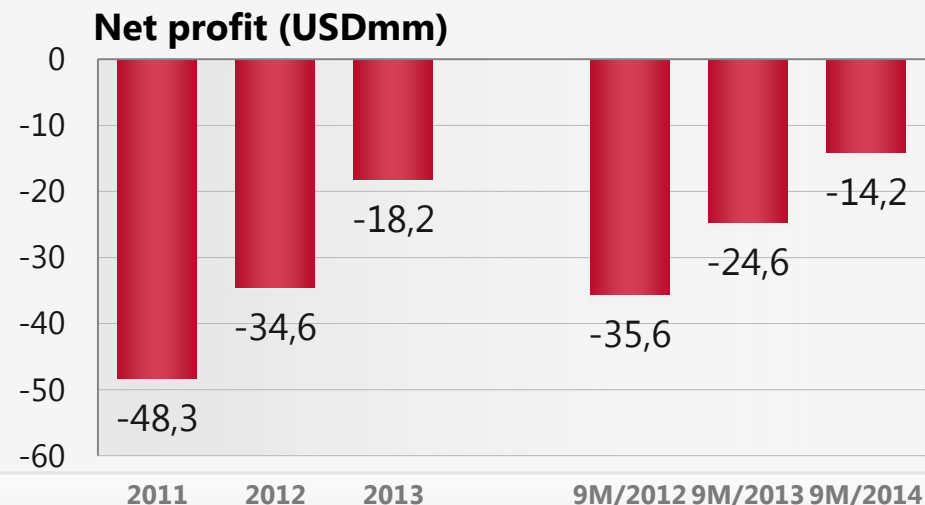
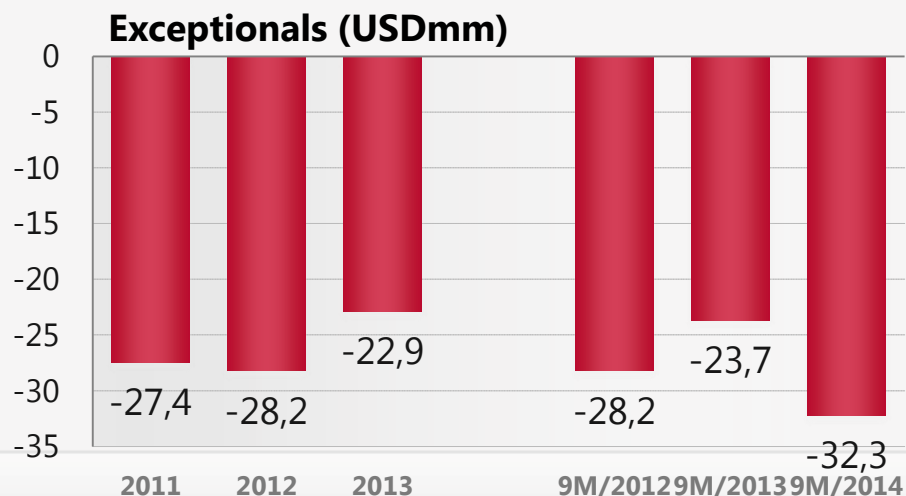
### EBITDA(USDmm)



# Financial strategy

Continued focus on tidying up the balance sheet:

- Sale of noncore assets (real estate & medical clinic)
- Partial settlement in the Antonio Gramsci Corporation court case  
-> additional income
- Re-evaluation of the indirect investment in AS "Latvijas Naftas tranzīts"
- Additional fleet impairment  
-> further decrease of asset value



## Fleet & team overview

- Fleet consists of 16 modern tankers (12 Medium range tankers, 4 Handy size tankers)
- Current average age of fleet 7 years
- 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



## Business update

- At end of Q3/2014 88pct 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 months; excluding bare boat charter 8 months
- The regular cash flow from time charter contracts provides protection against negative market fluctuations
- Technical management of 2 third parties vessels will commence by LSC affiliate "LSC Shipmanagment" on Q4/2014 with 2 more vessels possibly to come in 2015
- Further sale of non shipping assets planned for 2015



# Product tanker market overview

- Charter rates:
  - > Q1-Q3/2014 has been disappointing
  - > Q4/2014 has been more positive
- Demand for oil and oil products:
  - > deteriorating outlook for oil demand IEA (International Energy Agency) in January 2014 projected growth in oil demand for 2014 as 1.2m bbls per day revised to 0.7m in October
  - > Fall in price of crude oil indicates decrease in global demand.  
Price of Brent crude in June was 110usd bbl / currently 70usd bbl
- World fleet:
  - > likely to be impacted by lower growth in global demand
  - > new product tankers are being delivered on a regular basis, although the order book of product tankers is slowing, currently order book is 21 pct of existing fleet



# Q&A