



VENTSPILS NAFTA



BUSINESS UPDATE

February 25, 2015



Disclaimer

- This presentation contains forward-looking statements regarding our intent, belief or current expectations with respect to AS “Ventspils nafta” and AS “Latvijas kuģniecība” businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices, energy consumption and sources of energy supply.
- Forward-looking statements involve risks and uncertainties because they relate to events, and depend on circumstances, that will or may occur in the future.
- Actual outcomes may differ depending on a variety of factors, including product supply, demand and pricing; political stability; general economic conditions; legal and regulatory developments; availability of new technologies; natural disasters and adverse weather conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this presentation.
- Past performance is not a reliable indication of future performance.

Business update

- Introduction
- “Ventspils nafta”
- “LatRosTrans”
- “Ventspils nafta termināls”
- “Latvijas kuģniecība”
- Summary
- Q&A

SMS questions: **+371 2 59 59 447**

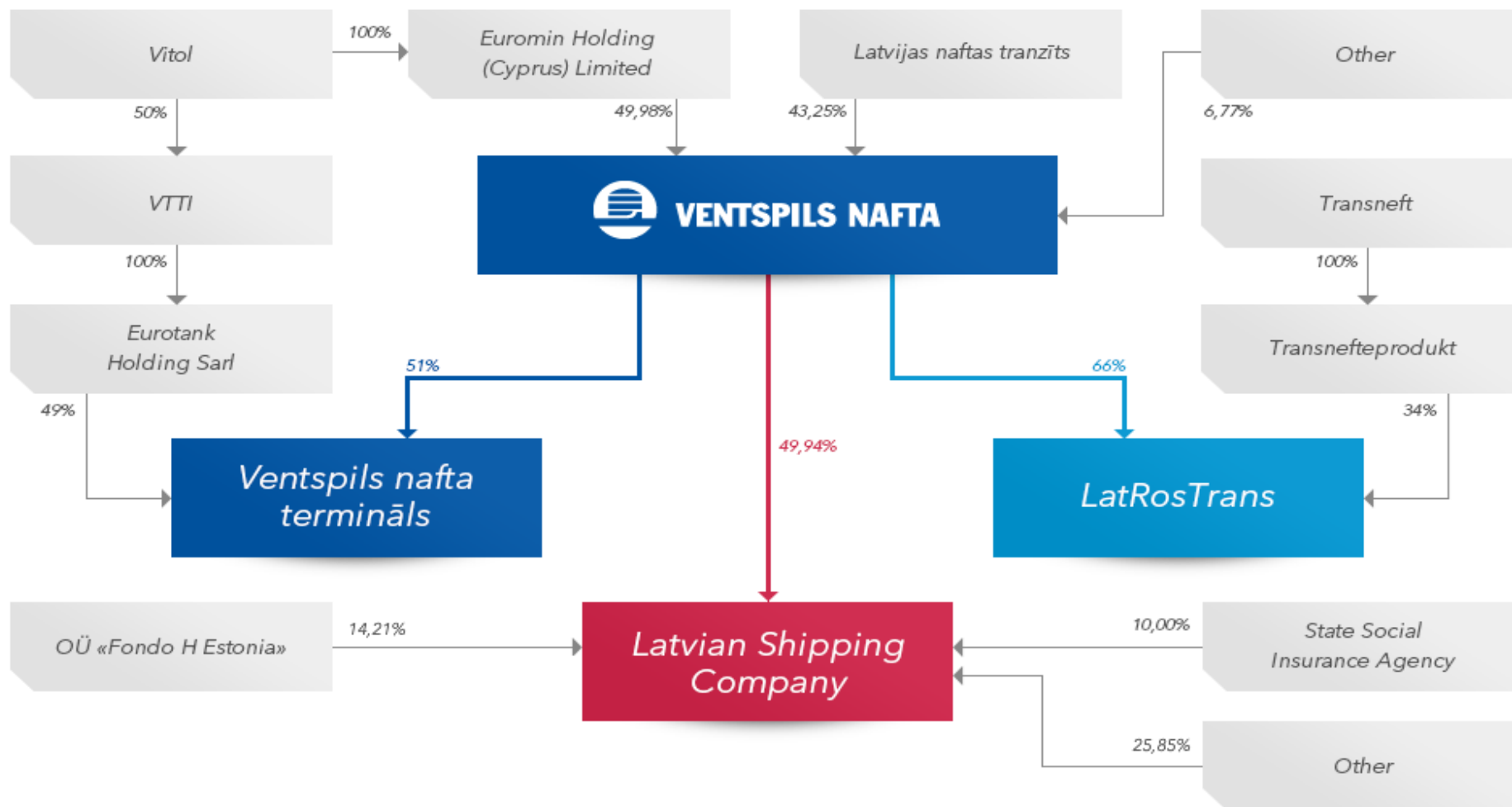


VENTSPILS NAFTA

Robert Kirkup

Chairman of the Management Board

Corporate structure



An integrated energy transportation company

- Comprising three core businesses, VN Group has an **integrated energy transportation offering**
- Transporting oil products from the largest refineries in Russia, to global markets in Europe and beyond



- A Latvian/ Russian venture with 340km of petroleum products pipeline making it one of the largest oil product transportation companies in the region

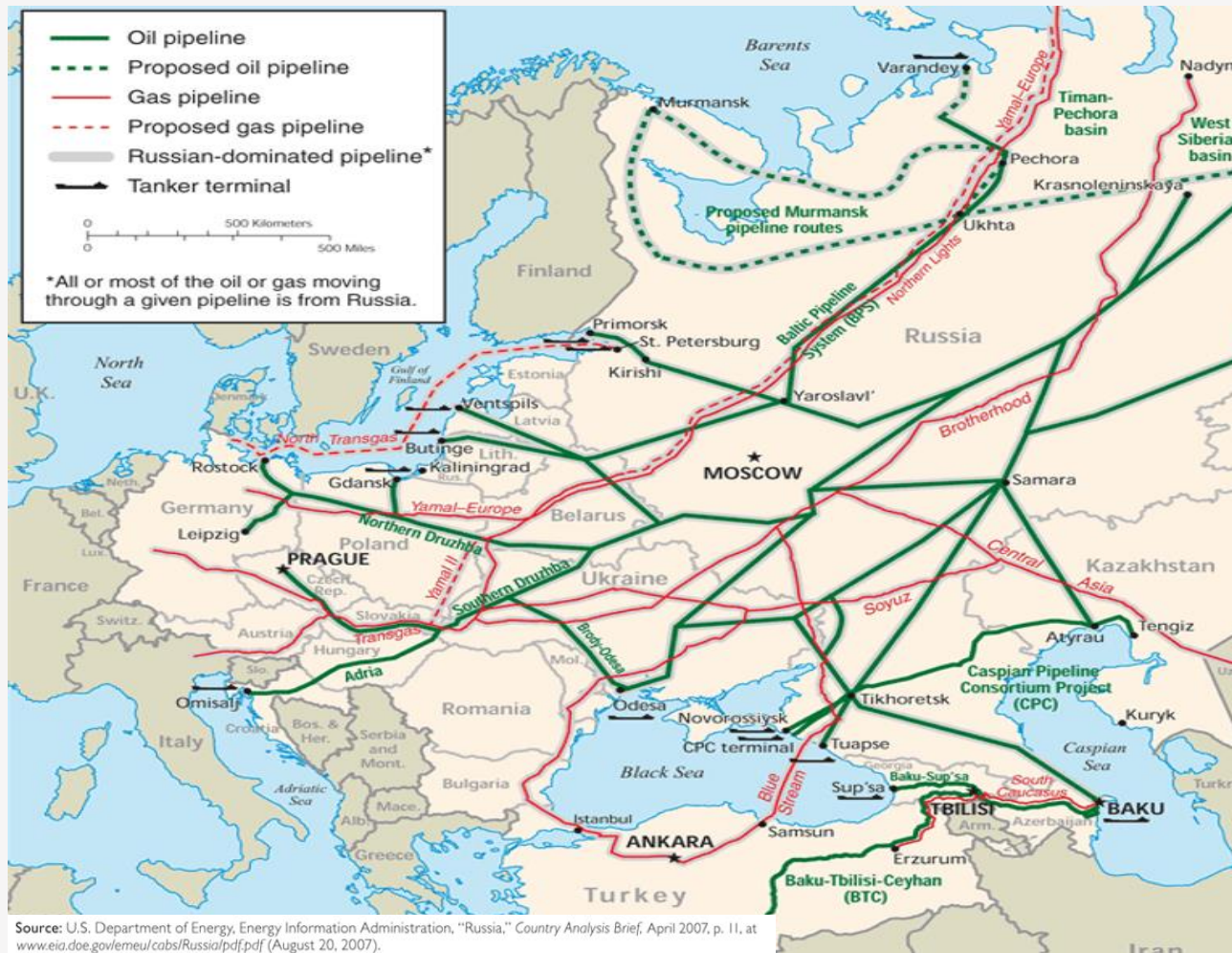


- 105 tanks and 1.2mm³ of storage make VNT the largest petroleum terminal in the Baltics



- A major player in the handy-size and medium range tanker market with 16 modern vessels, owned, manned and operated by the company

Oil and Gas pipeline infrastructure



Latvia's leading energy transportation group

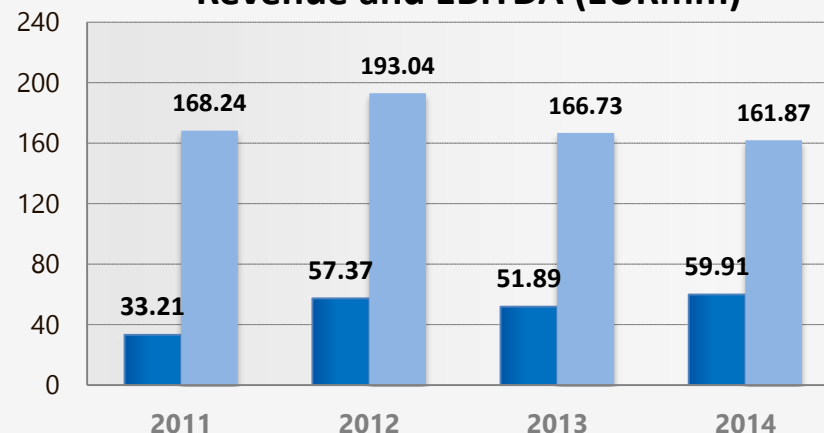
VN Group is Latvia's leading energy transportation group

- 1000+ people employed by the Group
- Revenues of €161.97 million, 99% of which are generated from overseas clients
- 70% of Group expenses go to 3rd party local suppliers
- €10.5 million taxes for 2014
- €190 million market capitalisation, VN (11th place), LSC (15th place) between companies listed on the NASDAQ Baltic Main List (34 companies)
- Recognised as a leader in interactive investor relations
- Significant contributor to Latvian social initiatives including charity amounting to €400 thousand in 2014

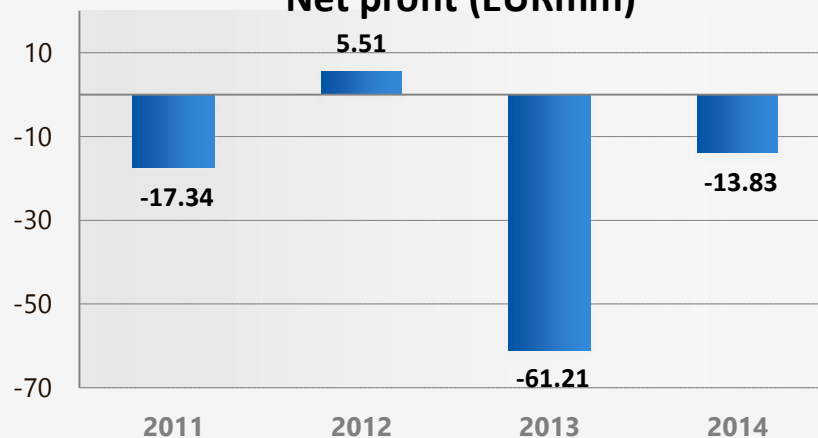
Financial performance

- Revenue 2014 fell slightly, due to a reduction in shipping capacity (LRT +7.9%; VNT+5.4%; LSC -12.4%)
- Net profit severely impacted by
 - impairment of non-financial assets (70.8 mm EUR)
 - impairment and write-off of other non-current financial assets (8.5 mm EUR)
- Revenues were favourably impacted by:
 - The disposal and revaluation of crude oil stocks 21 mm EUR
 - Relative strength of the US dollar, 6 mm EUR
 - Income from a partial settlement in respect of the court case 14.6 mm EUR

Revenue and EBITDA (EURmm)



Net profit (EURmm)



Management focus – 2014 / 2015

- Disposal of noncore business and assets
- Continued focus on cost reduction, including consolidation of administrative operations in one building
- Share capital reductions in Group companies will increase capital efficiency
- Optimisation of current infrastructure



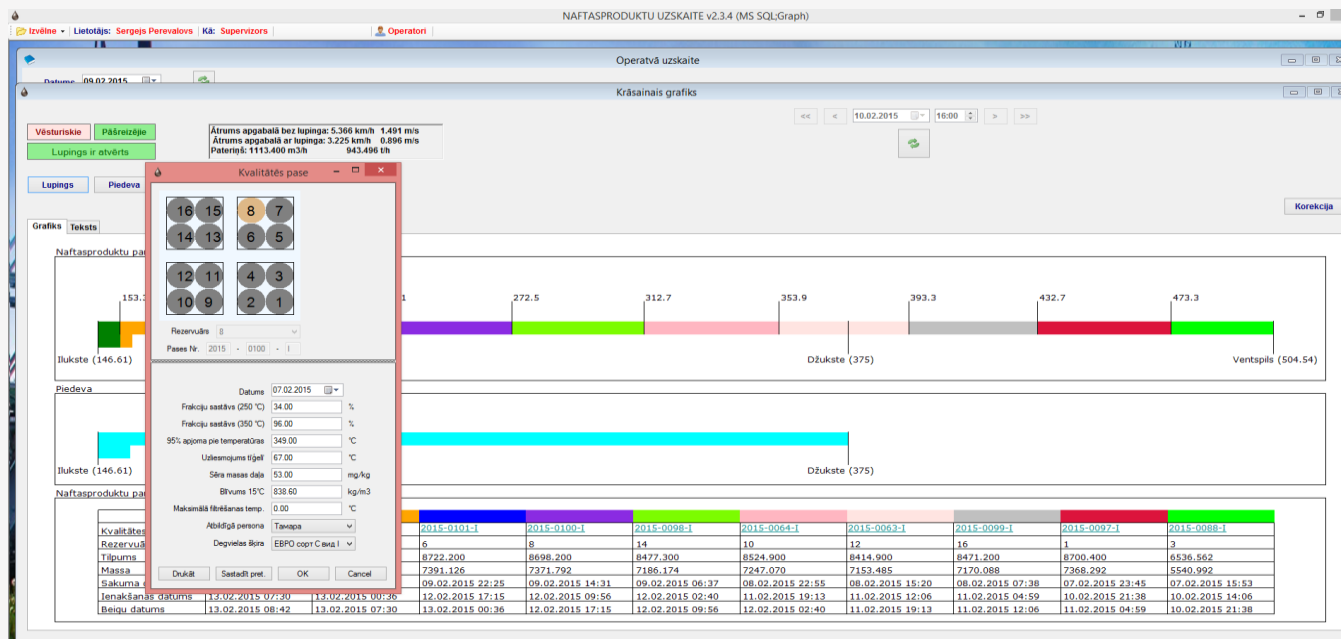
LatRosTrans

Igors Stepanovs
Managing Director



Company overview - Performance under pressure

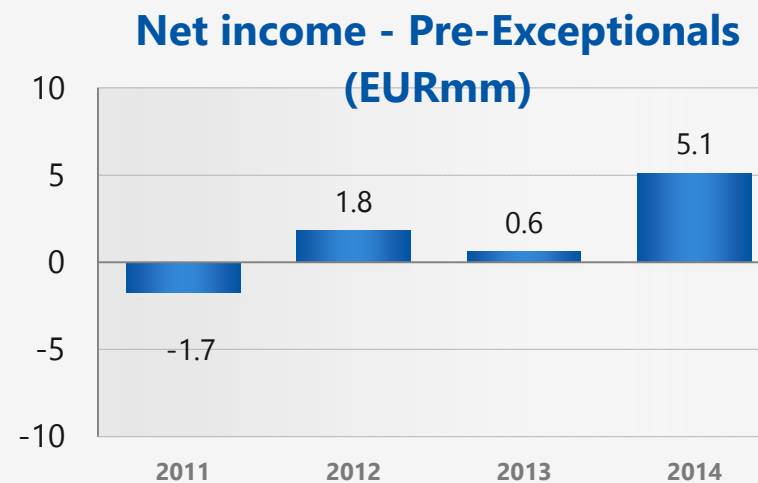
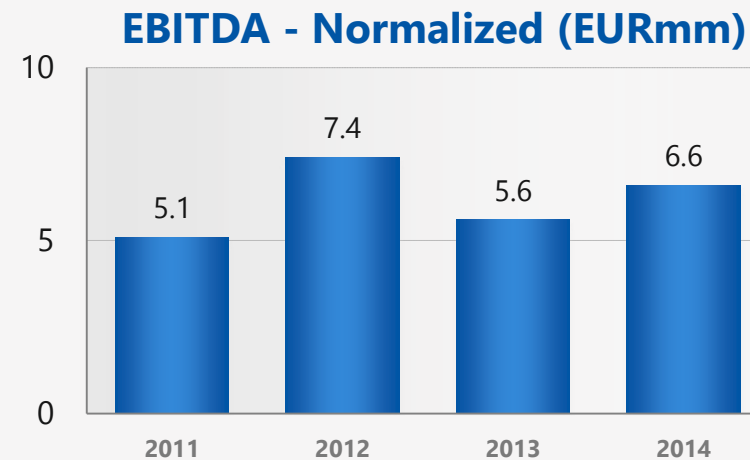
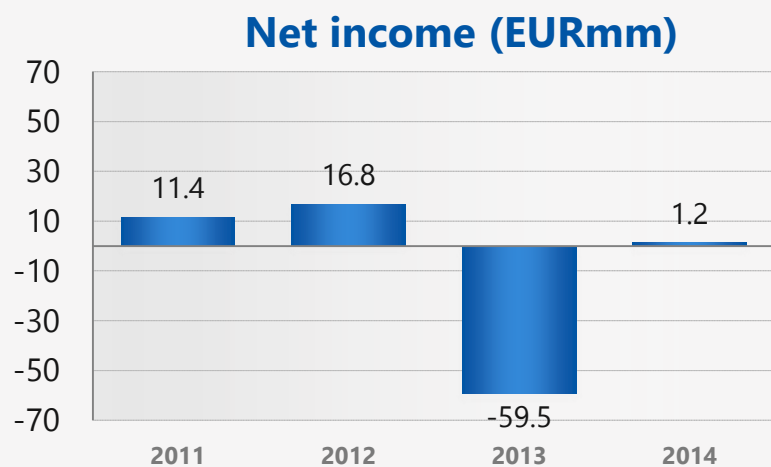
- 340 km of diesel pipeline
- 443 km of ex crude oil pipeline
- MAOP – 59,5 bars
- Hi Tech communication, SCADA and Leak Detiction systems



Financial Performance

Commentary

- Reduced cost structure
- Increased throughput
- Performance improvement FY14:
 - Net result reversed
 - Sound EBITDA
- Exceptionals: crude oil, impairments and forex
- Revenue solid in Jan - Feb 2015



2015: Solutions for «corrosive» business problems

- To strengthen our core business in the challenging market situation
- Investing in maintaining the pipeline integrity
- Finding innovative solutions for decommissioning of idle assets
- Restructuring balance sheet to support business
- Unlocking the value of existing assets



«Social licence» is a critical success factor

- LRT contributes to well-being of 19 municipalities in Latvia
- Charitable activities are prevalent across the pipeline industry, but are seldom publicised
- Charitable projects have broadened our outlook on life and it's possibilities



Lesser spotted Eagle





VENTSPILS NAFTA

T E R M I N Ā L S

Lars Pantzlaff

Managing Director

Company Overview



Our Terminal

- 105 Hectare
- 1,195,000 m³ Storage Capacity
- 105 Shore Tanks
- 122 Pumps
- 2,200 Automatic Valves
- Use of 4 Berths
- 3 Rail Tank Car Unloading Stations
- 2 Pipeline Connections
- Fully Automated Operations
- Handling of various Gasoline & Gasoil Grades

Our People

- 263 Full-time Employees
- 24/7 Operations organized in 5 shifts
- Management headed by a single Board Member
- 5 Management Team Members

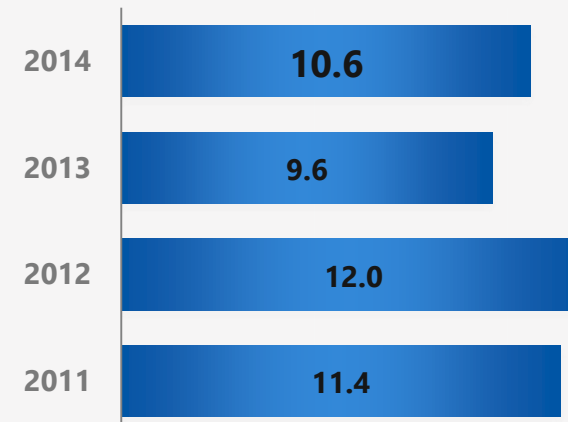


Business Update



- Leading terminal re liquid cargo transshipment in Ventspils and Latvia
- Re-start of truck loading operations
- Number of employees reduced by (30) to (263)
- Transition to new Operations System 'Gemini' (IT) complete
- Engineering re 'Vapor Recovery System' 90% complete
- No investments into new projects
- Continuous community support

Throughput (Mio. Metric Tons)



Golden Helmet 2014
- 3rd Place -



CV Online
- Top Employer 2014 (Kurzemes) -



Sustainability Index 2014
- Gold Award -

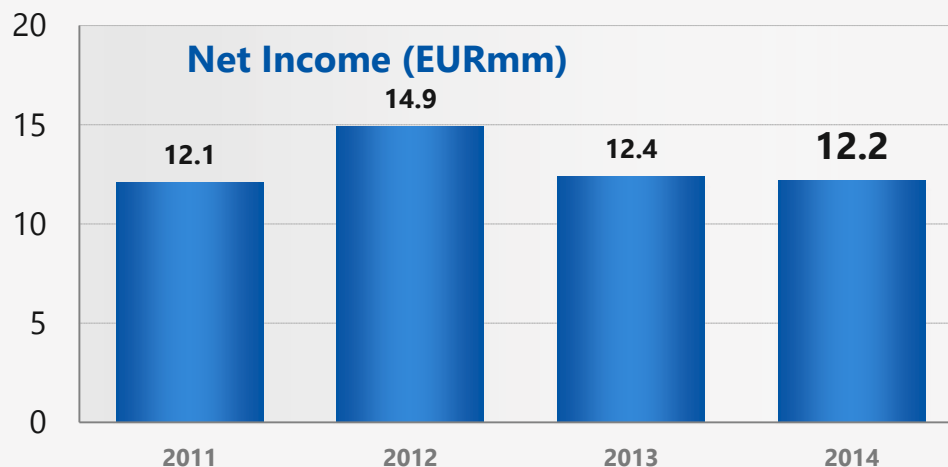
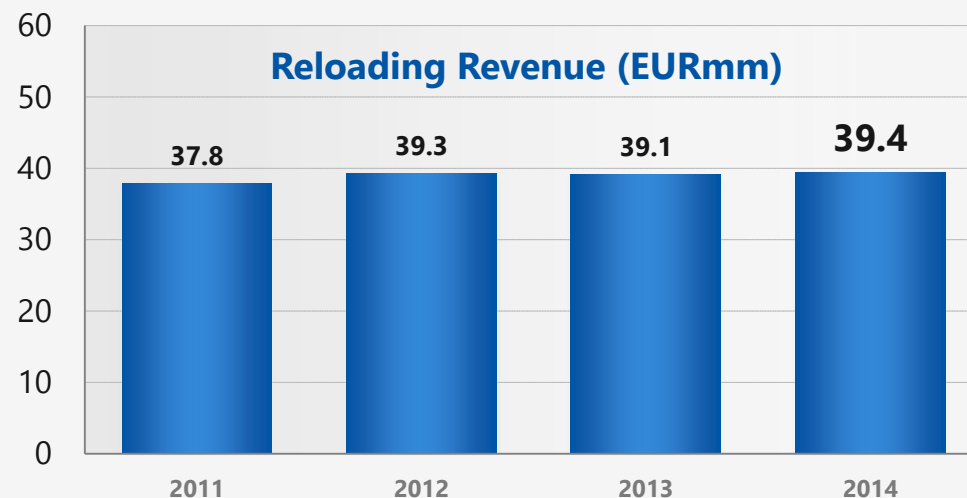
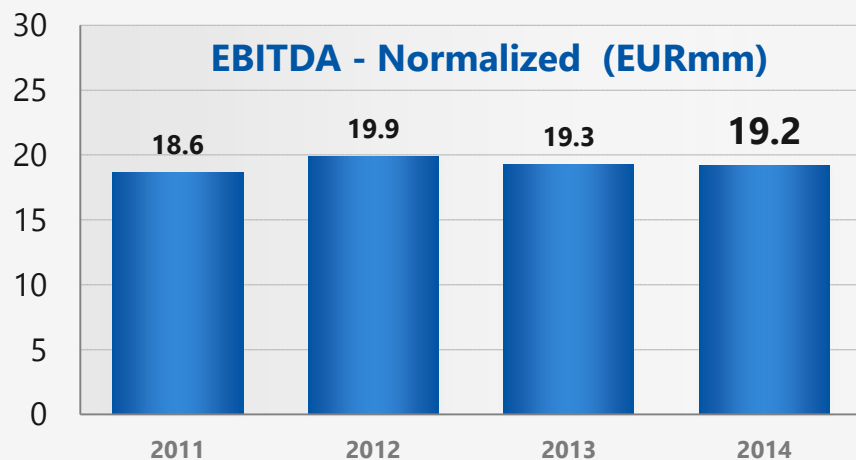
Financial Performance



Commentary

- Continuous pressure on storage rates
- Improvements of internal cost structure
- Key Finance Figures 2014
 - Revenue
 - EBITDA
 - Net Income

on same levels as 2013



Outlook

- Ongoing vulnerability due to geopolitical situation
- Transshipment volumes 2015 not certain
- Market pressures leading to continuous pressure on internal optimization / streamlining of business
- Status quo, or even growth, of business can only be assured via improving internal efficiency & opening new business fields

Business Strategy

- Further optimization of company business remains high on agenda:
 - Efficiency 
 - Bureaucrazy 
- Infrastructure flexibility and diversification of services crucial to assure future sustainable business
- Business development needs to be done in partnership with regulatory bodies and their support to assure a future strong role in the Latvian / Baltic transshipment sector



LATVIJAS KUGNIECĪBA

Robert Kirkup

Chairman of the Management Board

Paul Thomas

Member of the Management Board

Company structure

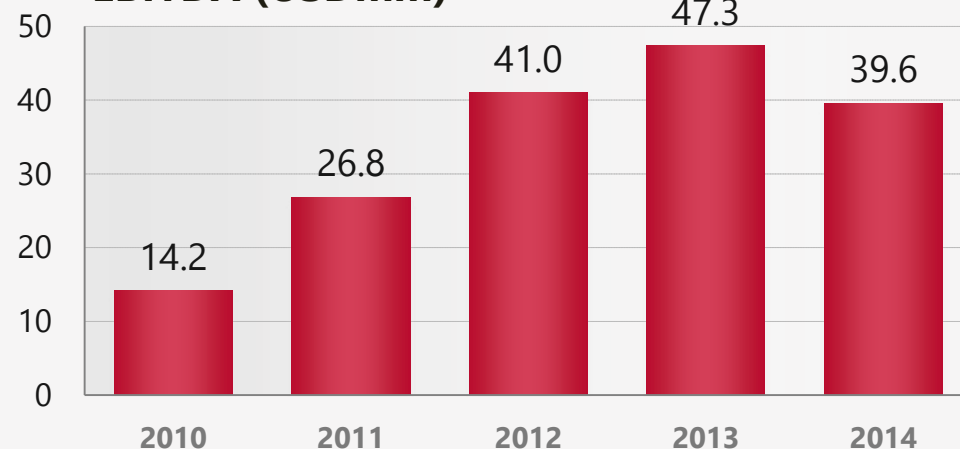
- Ship-owner in the handy-size and medium-range tanker segment
- Fleet consists of 16 modern tankers with an average age of 7 years (12 medium range and 4 handy size)
- Own in-house technical management company which services also third party vessels
- Professional management and employees with significant experience in shipping industry
- Approximately 500 seagoing personnel with over 90% being Latvian origin
- Approximately 50 shore based staff in the Riga head office
- Listed on NASDAQ OMX Baltics Main List



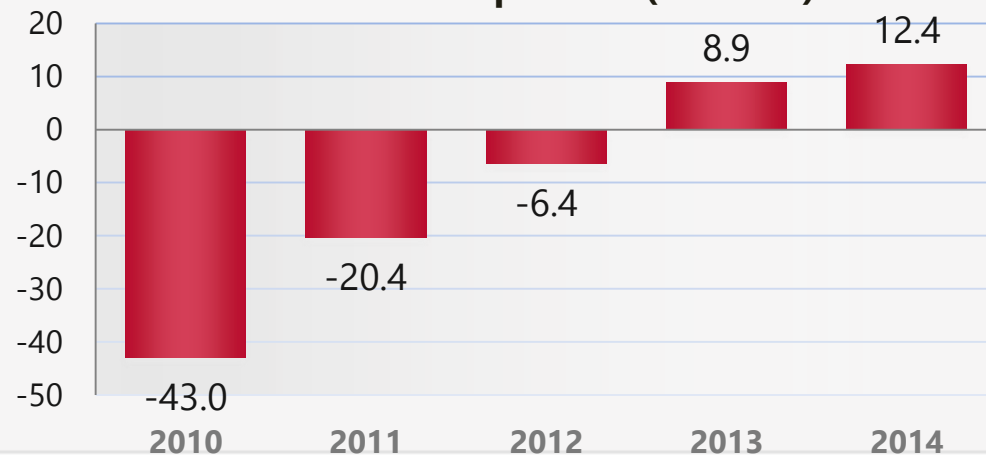
Financial Performance

- EBITDA 39.59m USD - 7.74m USD lower than 2013 due to decrease in size of fleet
- EBITDA percentage margin, as percentage of turnover, similar to 2013
- Positive regular cash flow from shipping activities ensured timely payment of all debt obligations to ship financing banking syndicate
- Net profit from chartering activities before exceptionals 12.36m USD
- Improved cash position with accumulated cash of 45.58m USD at year end (9.01m USD cash build throughout 2014)

EBITDA (USDmm)

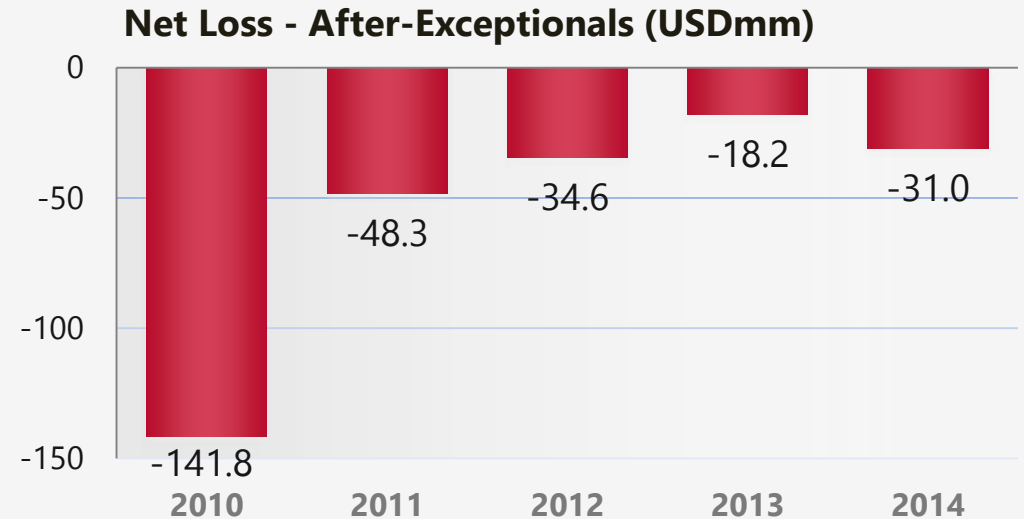


Net Income - Pre-Exceptionals (USDmm)



Financial Performance

- Impairments of the fleet 55.25m USD (20pct reduction in fleet value throughout 2014)
- Income from a partial settlement in respect of the Antonio Gramsci corporation court case in the amount of 20.05m USD
- Impairments of LNT shares in the amount of 8.34m USD
- Cash generated from sale of non – shipping assets in the amount of 3.00m USD





LATVIJAS KUGNIECĪBA

Paul Thomas

Member of the Management Board

Shipping market outlook

Strong economic growth = increased demand for refined oil = increased demand for product tankers

- Worldwide economic environment is fragile
- Price of crude oil has dropped 50pct since June 2014
- Improved fuel efficiency
- Fleet growth-net fleet growth 4.6pct(2015) 4.5pct (2016)
- Robust economic growth essential for future profitability of Latvian Shipping Company

Outlook 2015

Outlook

- Little prospect vessel values will increase
- Expect earnings to be range bound throughout 2015
- No dividend payments in 2015
- Debt facilities expire in 2016 and 2017

Business strategy

- Employ majority of the fleet on time charter contracts
- Continue disposal of non-shipping assets
- Increase third party technical management services



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Summary

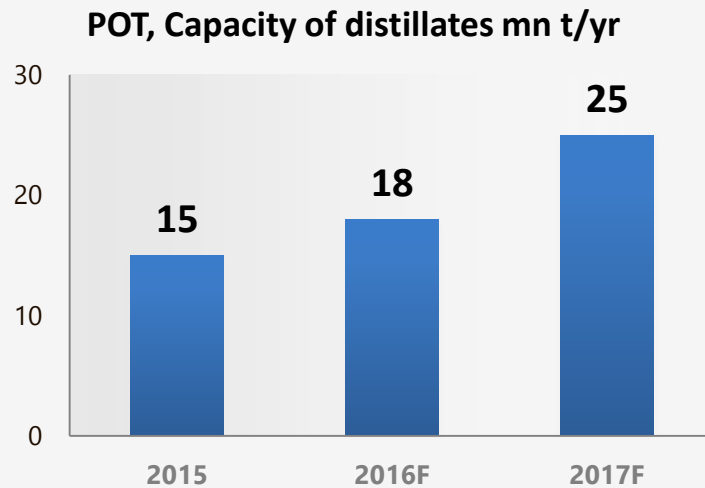
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Market competition

Primorsk oil terminal

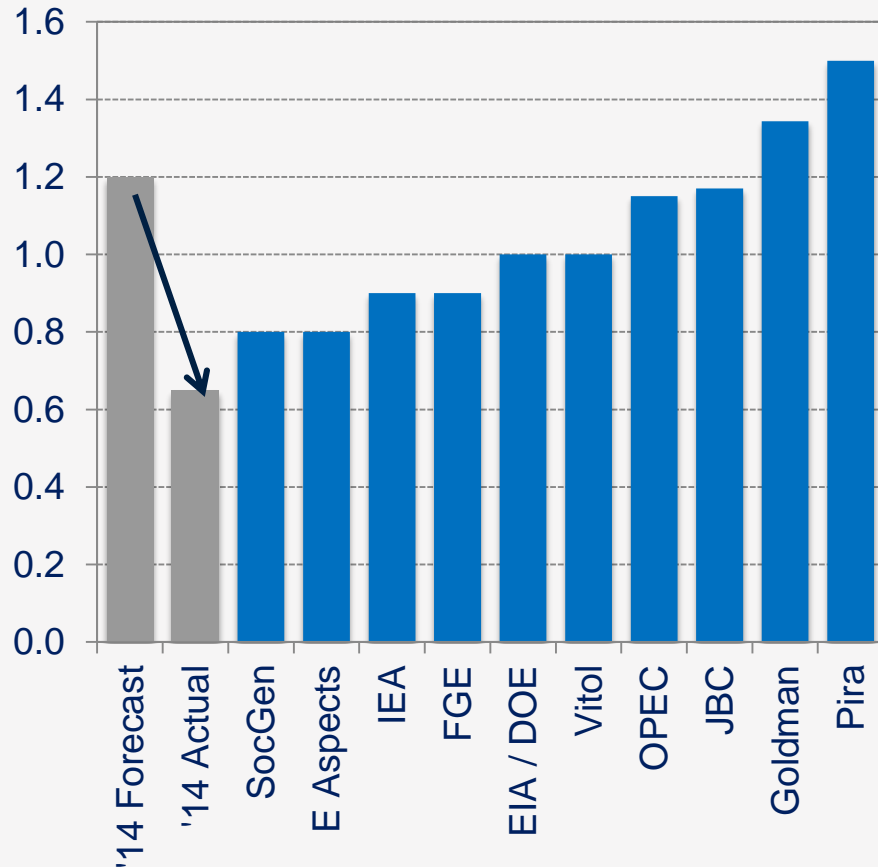
- largest stevedoring company in the North-West of Russian Federation
- transferring export crude oil supplied through Baltic piping system (BTS) via Primorsk port
- started oil product transshipment in 2011



Source: PTP data

2014 demand growth was weaker than expected – 2015 likely to follow suit

2015 oil demand growth (mln b/d)



Weak economic outlook– notably in emerging markets



Continuous efficiency gains, through innovation and government policy



Low prices across energy complex means oil will not substitute other fuels



Lower retail prices should impact demand growth – in US equivalent to \$165bn boost from gasoline alone this year

Outlook 2015

Strategy to continue streamlining operations and focus on core business activities

Outlook

A challenging environment

- Increased geopolitical risks
- Uncertain economic outlook in European markets resulting in downside risk to demand growth
- Supply side uncertainty arising from policy uncertainty

Business Strategy

Environment requires defensive positioning

- Continued focus on core businesses and delivering excellent and safe service to customers
- Continued streamlining of cost base



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Thank you!

Q&A



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