



**LATVIAN SHIPPING COMPANY**

[www.lk.lv](http://www.lk.lv)



**Webinar presentation**

**May 2012**



## The Table of Contents

- Company in brief
- Fleet overview
- Fleet performance
- Highlights of 2011
- Financial performance
- World tanker market in 2011
- Forecasts 2012



## The Company in Brief

- AS “Latvijas kuģniecība” (Latvian Shipping Company, LSC) is one of the leading owners in the handy-size and medium range tanker market segment
- The core activity of Latvian Shipping Company Group is the carriage of oil products by sea with its large product tanker fleet
- LSC shares are traded on the Official List of NASDAQ OMX Riga (ticker LSC1R)
- Largest shareholder is AS “Ventspils nafta”



## Fleet Overview

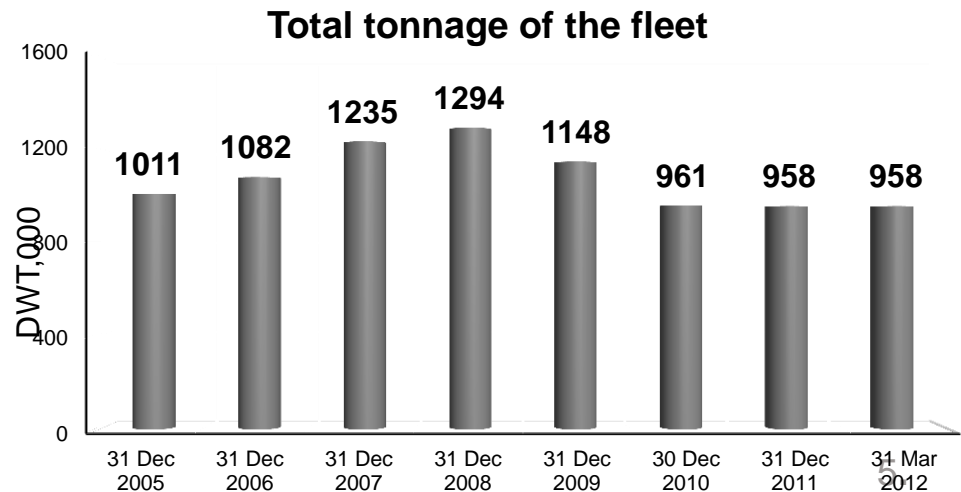
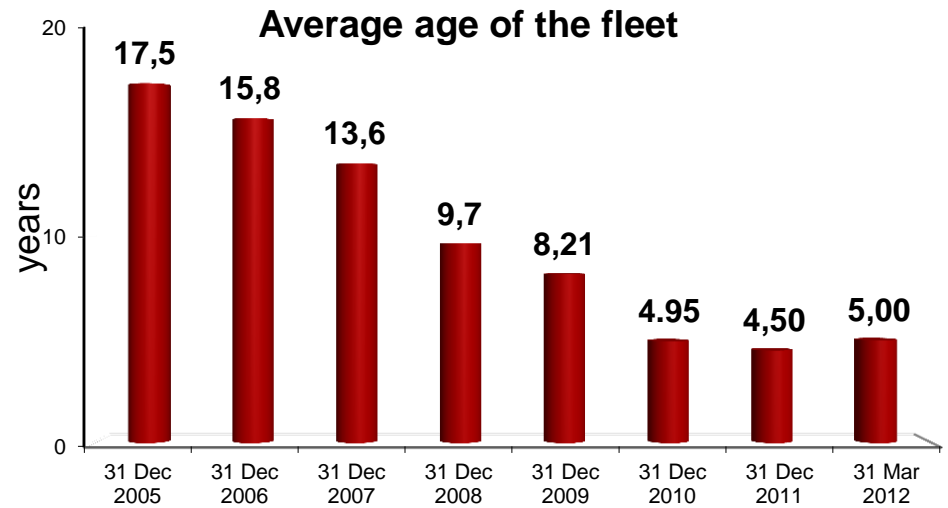
- Fleet consists of 20 modern double hulled ice strengthened tankers capable of carrying cargoes to all areas of the world
- Our fleet consists of :
  - 12 Medium range tankers-52,000dwt
  - 7 Handy size tankers-37,000dwt
  - 1 Panamax tanker-68,000dwt
- The average age of the fleet is 5 years
- Approximately 750 seagoing personnel with over 90% being Latvian nationals
- Approximately 70 shore based staff in the Riga head office
- Own internal technical-crew management company
- The LSC fleet has an average contract duration of approximately 12 months
- The quality, size and age of the fleet ensures that LSC is advantageously placed to compete in its core market segment





## Fleet overview

- Two newbuild medium range tankers delivered from Hyundai Mipo shipyard in Korea, named Latgale and Zemgale
- Two unbuilt liquefied petroleum gas carriers sold in order to finance the two new build product tankers
- Oldest tanker in the fleet "Indra" decommissioned
- Focus on reducing operating/administrative expenses and improving the efficiency of LSC. Part of this process was to relocate ship technical management to head office





## Average LSC Fleet net TCE USD/per day

| Fleet           | Y 2010 | Fleet           | 1Q 2011 | 2Q 2011 | 3Q 2011 | 4Q 2011 | Y 2011 |
|-----------------|--------|-----------------|---------|---------|---------|---------|--------|
| HS (7 vessels)  | 10 271 | HS (7 vessels)  | 11 138  | 11 197  | 10 872  | 11 549  | 11 216 |
| MR (10 vessels) | 11 849 | MR (12 vessels) | 12 673  | 12 430  | 12 638  | 12 732  | 12 882 |
| LR1 (1 vessel)  | 16 826 | LR1 (1 vessel)  | 12 873  | 15 745  | 13 163  | 13 159  | 13 623 |

Explanations:

HS = handy size (37 dwt);

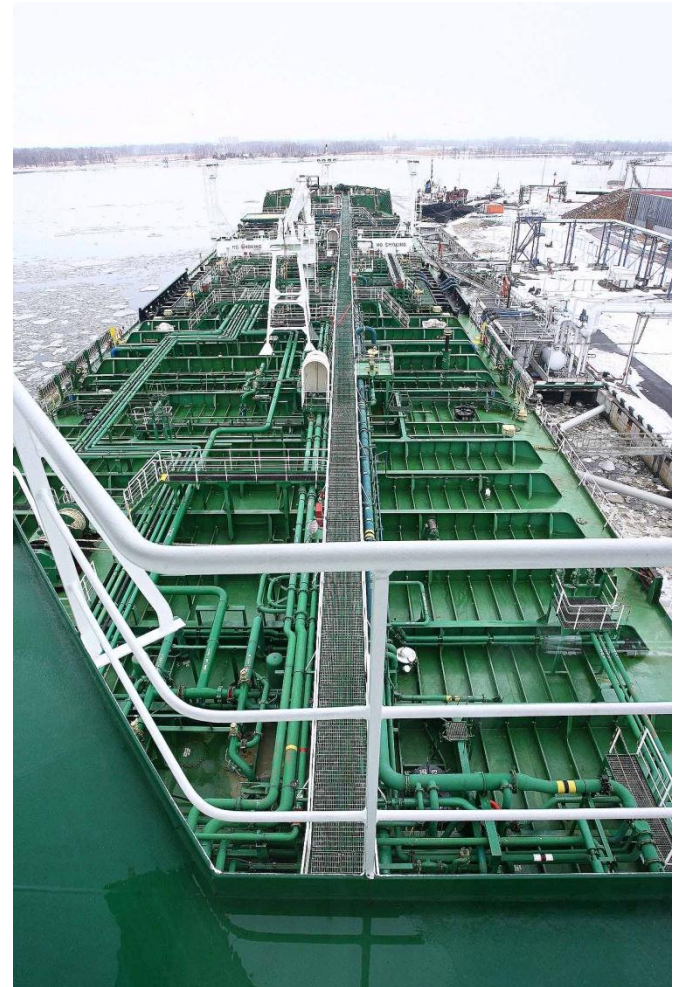
MR = medium range (52 dwt);

LR1 = long range (68 dwt).

Net TCE = TIME CHARTER EQUIVALANT earnings after deduction of commissions payable by LSC to shipbrokers(s)/charterers, port costs, bunker costs and any other applicable voyage related costs. The above figures reflect combined earnings of fleet for both timecharters and spot market trading.

## Highlights of 2011

- Difficult financial situation that ship-owners experiencing with record historical low market rates
- Fleet renewal continued (Latgale/Zemgale)
- Focus on reducing operating/administrative expenses and improving the efficiency of LSC.
- Significant progress made with syndicated banks on restructuring LSCs existing debt facility, securing its long-term future

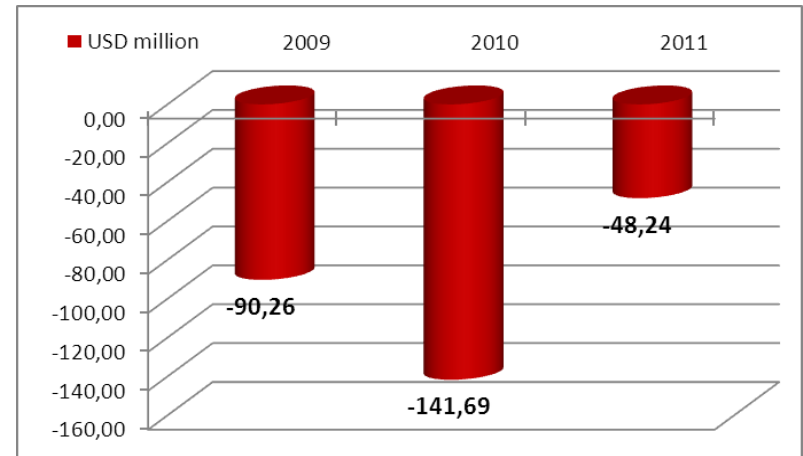




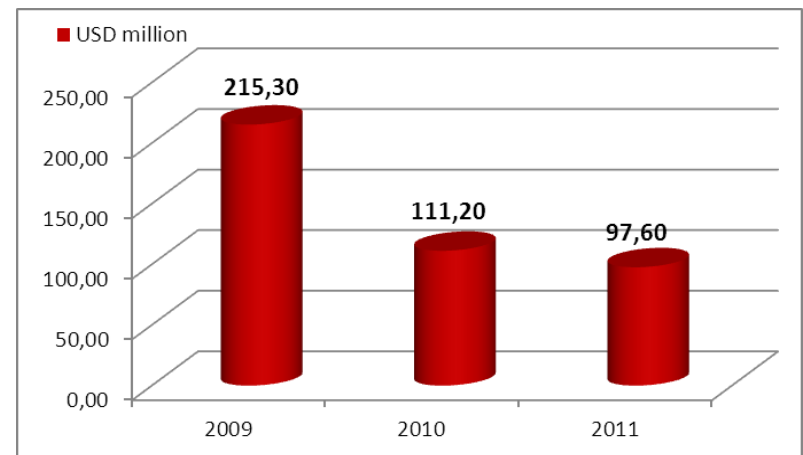
## Financial performance in 2011

- The audited financial results for year ended 31 December 2011 is a net loss of USD 48.24 million
- A considerable amount of the net losses relates to asset impairments, provisions for which are required to be made according to the International Financial Reporting Standards
- In 2011 total Group turnover was USD 97.60 million and shows stabilization in income

LSC Group net loss



LSC Group turnover





## Financial performance in 2011

|  | 2009   | 2010    | 2011   |
|--|--------|---------|--------|
| Turnover (million USD)                         | 215.30 | 111.20  | 97.60  |
| Net loss (million USD)                         | -90.26 | -141.69 | -48.24 |
| Gross profit before depreciation (million USD) | 61.37  | 35.89   | 39.28  |
| EBITDA (million USD)                           | 30.91  | 14.15   | 26.39  |
| EBIT (million USD)                             | -7.46  | -14.40  | 0.08   |
| Return on Assets (%)                           | -8.5   | -17.2   | -7.2   |
| Return on Equity (%)                           | -18.1  | -36.9   | -16.6  |
| EPS (USD)                                      | -0.45  | -0.71   | -0.24  |
| Liquidity ratio                                | 1.5    | 1.7     | 2.2    |

## **Support from the largest shareholder AS Ventspils nafta**

- LSC main lending banks have once more agreed to waive breaches of several covenants until end of 2012 despite the challenging situation in the world shipping market. LSC will therefore hopefully avoid the need to sell any of the fleet at record low prices and continue to survive the historically low chartering rates. LSC is further progressing discussions with the banks to extend the waivers until the end of 2013.
- To support LSC, its largest shareholder AS Ventspils nafta has agreed to issue to LSC two loans in the amount of 5 million EUR and 19.557 million USD on the same terms as LSC main lending banks. These loans will allow LSC to improve liquidity and are important precondition for banks acceptance to the waivers.

## World tanker market in 2011

- In 2011 ship-owners continued to experience historically low market rates.
- The reasons for this are varied and complex but the main factors are less demand for oil products caused by the global economic downturn especially within the more developed western economies coupled with an increase in the number of new tankers.
- Prior to 2008 strong global economic growth stimulated demand for shipping and this encouraged the construction of new tankers.
- The consequence of this increase in vessel supply and current decrease in demand is lower earnings for ship-owners



## Forecasts 2012

- Given the very difficult financial environment the global shipping market remains very challenging
- LSC has been cushioned from the worst effects with a majority of the fleet being employed on time charter thus ensuring a more predictable income stream
- There are some signs for optimism for the product tanker market. The level of recent closures of uneconomic refineries in Western Europe and the USA is likely to increase demand for oil products which will need to be supplied by the more modern refineries that have been built, and will continue to be built, in the middle and far-east
- It is expected that due to the current economic environment, and with less banking finance available, that fewer product tankers will be built. This should help to improve the current in-balance between the number of product tankers and product movements





## Contacts

### **Simon Blaydes**

Chairman of Management Board

AS "Latvijas kuģniecība"

Phone: +371-67020100

e-mail: [simon.blaydes@lscgroup.lv](mailto:simon.blaydes@lscgroup.lv)

### **Ilze Nagla**

Public Relations Manager

AS "Latvijas kuģniecība"

Phone: +371-67715914

e-mail: [ilze.nagla@vnafta.lv](mailto:ilze.nagla@vnafta.lv)