

# CONSOLIDATED ANNUAL REPORT

(translation of the Estonian original)

**Beginning of financial year:** 01.01.2013

**End of financial year:** 31.12.2013

**Business name:** AS Spacecom

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## Management report

AS Spacecom was founded and registered in Estonia in 2003. The parent of AS Spacecom is Globaltrans Investments Holding PLC (Cyprus). As at 31.12.2013, AS Spacecom Group (hereinafter "the Group") includes the subsidiary Ekolinja OY (100%). AS Spacecom also has a 25.27% ownership interest in the associate A/S Daugavpils Lokomotivju Remonta Rupnica (Latvia).

The core activity of the Group is leasing of railway rolling stock. As at 31.12.2013, the Group had 4,983 railway tanks (as at 31.12.2012: 4,982 railway tanks). All railway tanks are rented out mainly for a term of 1-3 years.

The Group's Management Board has two members and their remuneration with accompanying taxes amounted to EUR 384 thousand in 2013 (2012: EUR 359 thousand). No remuneration was paid to the members of the Supervisory Board in 2013 and 2012. The average number of employees in the reporting period was 18 (2012: 18 people) and the number of employees at the year-end was 18 (31.12.2012: 18). In 2013, staff costs including taxes amounted to EUR 3,162 thousand (2012: EUR 2,300 thousand).

The overall development of the Group's operating environment in 2013 did not have a negative impact on the Group's results of operations. Compared to the last year, the expense of planned repair of railway cars increased. In 2013, the Group's management continued to improve the customer base and where necessary, redirected the main operations from one market to another. In 2014 the Group's management will also continue to monitor the composition of the lessee base as well as changes therein in response to market demand.

Key ratios characterizing the performance of the Group are as follows:

	2013	2012
Return on assets	12.16%	22.52%
Return on equity	15.12%	29.37%
Debt to assets ratio	13.42%	25.50%
Interest coverage ratio	30.0	24.1

*Return on assets = net profit / average assets*

*Return on equity = net profit / average equity*

*Debt to assets ratio = liabilities / assets*

*Interest coverage ratio = operating profit / interest expense*




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Oleg Ossinovski  
Member of the Management Board




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Siarhei Psiola  
Member of the Management Board

Tallinn, 9 May 2014

## Financial statements

## Consolidated balance sheet

(in thousands of euros)

	31.12.2013	31.12.2012	Note
Assets			
Current assets			
Cash	1,213	5,649	2
Receivables and prepayments	10,917	9,144	3, 4
Inventories	976	836	5
<b>Total current assets</b>	<b>13,106</b>	<b>15,629</b>	
Non-current assets			
Investments into subsidiaries and associates	1,851	1,691	7
Property, plant and equipment	141,785	146,708	8
<b>Total non-current assets</b>	<b>143,636</b>	<b>148,399</b>	
<b>Total assets</b>	<b>156,742</b>	<b>164,028</b>	
Liabilities and equity			
Liabilities			
Current liabilities			
Borrowings	11,302	14,270	9, 11
Payables and prepayments	5,354	4,275	12
<b>Total current liabilities</b>	<b>16,656</b>	<b>18,545</b>	
Non-current liabilities			
Borrowings	4,374	23,281	9, 11
<b>Total non-current liabilities</b>	<b>4,374</b>	<b>23,281</b>	
<b>Total liabilities</b>	<b>21,030</b>	<b>41,826</b>	
Equity			
Equity attributable to shareholders of parent company			
Share capital at nominal value	80	80	13
Statutory reserve capital	8	3	
Retained earnings (accumulated losses)	116,126	90,826	
Profit (loss) for financial year	19,498	31,293	
<b>Total equity attributable to shareholders of parent company</b>	<b>135,712</b>	<b>122,202</b>	
<b>Total equity</b>	<b>135,712</b>	<b>122,202</b>	
<b>Total liabilities and equity</b>	<b>156,742</b>	<b>164,028</b>	

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**Consolidated income statement**

(in thousands of euros)

	2013	2012	Note
Revenue	56,321	58,320	14
Other income	0	334	15
Other operating expenses	-28,428	-21,117	16
Depreciation and impairment charges	-6,574	-5,652	8
Other expenses	-235	0	18
<b>Total operating profit (loss)</b>	<b>21,084</b>	<b>31,885</b>	
Profit (loss) from subsidiaries and associates	160	264	7
Interest expenses	-703	-1,325	19
Other finance income and expenses	548	469	20
<b>Profit (loss) before income tax</b>	<b>21,089</b>	<b>31,293</b>	
Corporate income tax	-1,591	0	13
<b>Net profit (loss) for the financial year</b>	<b>19,498</b>	<b>31,293</b>	
Ownership attributable to the parent company shareholder in the profit (loss)	19,498	31,293	

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**Consolidated statement of cash flows**

(in thousands of euros)

	2013	2012	Note
Cash flows from operating activities			
Operating profit (loss)	21,084	31,885	
Adjustments:			
Depreciation and impairment charges	6,574	5,652	8
Profit (loss) on disposal of property, plant and equipment	0	-85	15
<b>Total adjustments</b>	6,574	5,567	
Change in receivables and prepayments related to operating activities	-1,773	-3,886	3, 4, 6
Change in inventories	-139	-693	5
Change in payables and prepayments related to operating activities	678	1,313	6, 12
Interest received	0	150	
Interest paid	-690	-1,327	19
<b>Net cash generated from operating activities</b>	25,734	33,009	
Cash flows from investing activities			
Purchase of property, plant and equipment	-1,651	-53,405	8
Proceeds from sale of property, plant and equipment	0	146	
Loans granted	0	-4,847	21
Repayments of loan granted	0	12,574	21
<b>Net cash used in investing activities</b>	-1,651	-45,532	
Cash flows from financing activities			
Loans received	2,222	10,007	11, 21
Repayments of loans received	0	-10,473	11
Change in overdraft balance	0	-801	11
Repayments of finance lease principal	-23,461	-18,835	9, 11
Dividends paid	-5,988	0	13
Corporate income tax paid	-1,194	0	6, 13
Other proceeds from financing activities	0	38,094	11
<b>Net cash used in financing activities</b>	-28,421	17,992	
<b>Total cash flows</b>	-4,338	5,469	
Cash and cash equivalents at the beginning of the year	5,649	220	2
<b>Net increase in cash and cash equivalents</b>	-4,338	5,469	
Effect of exchange rate changes	-98	-40	
Cash and cash equivalents at the end of the year	1,213	5,649	2

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**Consolidated statement of comprehensive income**

(in thousands of euros)

	2013	2012
Net profit (loss) for the financial year	19,498	31,293
Total comprehensive profit (loss) for the financial year	19,498	31,293

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**Consolidated statement of changes in equity**

(in thousands of euros)

	Equity attributable to shareholders of parent company			Total
	Share capital	Statutory reserve capital	Retained earnings (accumulated losses)	
<b>Balance as of 31.12.2011</b>	25	3	90,881	90,909
Net profit (loss) for the financial year			31,293	31,293
Other changes in equity	55		-55	0
<b>Balance as of 31.12.2012</b>	80	3	122,119	122,202
Net profit (loss) for the financial year			19,498	19,498
Dividends paid			-5,988	-5,988
Other changes in equity		5	-5	0
<b>Balance as of 31.12.2013</b>	80	8	135,624	135,712

Additional information on share capital and changes in equity is provided in Note 13.

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**Notes to the financial statements****Note 1. Accounting policies used in the preparation of the financial statements****General information**

AS Spacecom (hereinafter the "parent") is a company incorporated under the legislation of the Republic of Estonia (Register no. 10940566; address Mõisa 4, Tallinn), with its main area of activity of the leasing of railway rolling stock.

Consolidated financial statements 2013 include the financial results of the parent company and its subsidiary (Ekolinja OY, Finland, ownership: 100%) (hereinafter the „Group”) and the Group’s ownership in the associate (A/S Daugavpils Lokomotivju Remonta Rupnica, Latvia, ownership: 25.27%).

The parent company of the Group is Globaltrans Investment Plc. which until July 2012 was owned by Transportation Investments Holding Limited (TIHL), the ultimate controlling party of which was Mirbay International Inc. From July 2012, the ownership interest of TIHL in GTI decreased (as at 31.12.2012: 34.5%), that was finally disposed in March 2013, from July 2012 the legal entity with the highest level of control over the Company is its parent company Globaltrans Investment Plc.

The information in the financial statements is presented in thousands of euros.

The Management Board of AS Spacecom approved and signed this consolidated annual report at 9.05.2014. Pursuant to the Commercial Code of the Republic of Estonia, the annual report shall be approved by the Supervisory Board and the general meeting of shareholders of the parent.

The key accounting policies used in the preparation of the Group’s consolidated financial statements are presented below. The accounting policies have been consistently applied to all the years presented. Group entities use uniform accounting policies.

The consolidated financial statements of the Group for 2013 have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS).

**Amendment of the presentation of information from comparable periods**

The management has decided to amend the presentation of information in financial statements 2012 in order to ensure comparability of presentation of information with the financial statement 2013. The amendment concerns the balancing of forwarding and repair revenue provided in 2012 with purchases of forwarding and repair services. The principles of recognising the revenue of these transactions are provided in the section "Revenue" of this Note. Balanced revenue and expenses amounted to EUR 4,170 thousand or only 7% of the volume of the income statement, which is why in the opinion of the management it does not constitute significant adjustment to be the error made in the previous financial year. The said amendment does not influence information of previous periods.

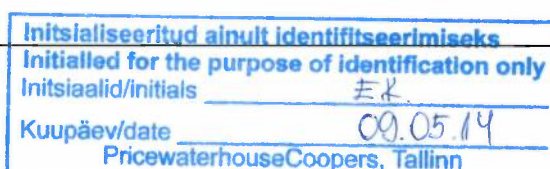
The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies, and management makes estimates and assumptions regarding the future. Accounting estimates may not coincide with subsequent actual events related to them. Estimates and judgments are continually evaluated and they are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or the areas where assumptions and estimates are significant to the consolidated financial statements are presented in Note 28 to these financial statements.

**Adoption of new or revised standards and interpretations**

The following new or revised standards and interpretations became effective for the Group from 1 January 2013:

**Presentation of Items of Other Comprehensive Income, amendments to IAS 1.** The name of the report recommended by IAS 1 has been amended to "Statement of consolidated income and other of comprehensive income". The amended standard resulted in changed presentation of consolidated financial statements, but did not have any impact on measurement of transactions and balances.



Improvements to International Financial Reporting Standards, issued in May 2012: IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. As a result of the amendment, spare parts that are used for more than one period are recognised as property, plant and equipment.

**IFRS 13, Fair Value Measurement.** The standard aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Standard resulted in additional disclosures in these consolidated financial statements about measurement of fair value of the derivative instruments and financial liabilities.

Other new or revised standards or interpretations that are effective for the first time for the financial year beginning on 1 January 2013 are not expected to have a material impact to the Group.

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2014, and which the Group has not early adopted.

**IFRS 10, Consolidated Financial Statements** (effective for annual periods beginning on or after 1 January 2014). The standard replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation - Special Purpose Entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

**IFRS 12, Disclosure of Interest in Other Entities**, (effective for annual periods beginning on or after 1 January 2014). The standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 lays down disclosure requirements for the entities that apply two new standards – IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements" and it replaces the disclosure requirements currently found in IAS 28 "Investments in Associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including (i) significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, (ii) extended disclosures on a share of non-controlling interests in group activities and cash flows, (iii) summarised financial information of subsidiaries with material non-controlling interests, and (iv) detailed disclosures of interests in unconsolidated structured entities.

**IAS 27 (revised 2011), Separate Financial Statements** (effective for annual periods beginning on or after 1 January 2014). The objective of the revised standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

**Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32** (effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

The Group assesses principles of standards, impact on the Group and timing of their application within the Group.

The other new or revised standards and interpretations that are not yet effective are not expected to have a material impact on the Group.

## Preparation of consolidated financial statements

### Principles of consolidation

#### Subsidiaries

Subsidiaries are entities controlled by the parent. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than a half of the voting rights of the subsidiary (unless control accompanies ownership) or the Group has the power to control the operational and financial policy of the subsidiary. When the Group acquired or transferred control over the subsidiary during the period, the respective subsidiary is consolidated from the date of its acquisition until the date of its disposal.

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The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Under the purchase method, all separately identifiable assets and liabilities of the acquired subsidiary are reported at their fair values as at the date of acquisition irrespective of the extent of any minority interest, and the cost exceeding the fair value of the net assets of the acquisition is reported as goodwill. If the cost is less than the fair value of the net assets of the acquired subsidiary, the difference is immediately recognised as revenue in the income statement.

Goodwill is the excess of the cost of the business combination over the fair value of the net assets acquired, reflecting that portion of cost which was paid for such assets of the entity which cannot be separated and recognised separately. Goodwill which arose in the acquisition of subsidiaries is reported as an intangible asset in a separate balance sheet line. Goodwill which arose in a business combination is not amortised, but instead, an impairment test is performed annually. During the impairment test, the carrying amount is compared with the recoverable amount. For the purpose of an impairment test, goodwill is allocated to the cash-generating units and the present value of the expected future cash flows of the cash-generating unit is calculated to determine the recoverable amount. Goodwill is written down in the amount by which its recoverable amount is below the carrying amount. Impairment losses of goodwill are not reversed.

Negative goodwill is the amount by which the fair value of the acquired net assets exceeds the cost of a business combination. Negative goodwill is immediately recognised in profit or loss.

The financial information of all subsidiaries under the control of the parent is combined on a line-by-line basis in the consolidated financial statements. Intergroup transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of asset. Net profit and equity attributable to minority interest is included within equity in the consolidated balance sheet separately from equity attributable to majority shareholders and in a separate line in the income statement.

#### Investments in associates

An associate is an entity over which the Group has significant influence, but not control. Generally significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of the investee.

Investments in associates are accounted for using the equity method under which the investment is initially recognised at cost and thereafter adjusted for post-acquisition changes in the investor's share of the investee's equity (changes both in the profit/ loss of the associate as well as other equity items); depreciation or elimination of differences in carrying amounts and fair values (as determined in a purchase analysis) of investee's assets, liabilities and contingent liabilities. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of assets.

At each balance sheet date, it is assessed whether there is any indication that the recoverable amount of the investment has decreased below its carrying amount. If any such indications exist, an impairment test is performed.

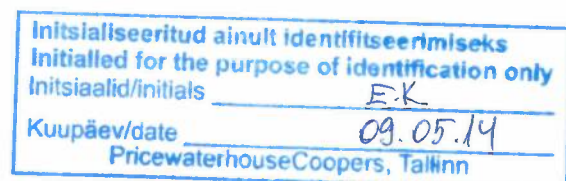
#### Separate financial statements of the parent

The separate primary financial statements of the consolidating entity (parent) are disclosed in the notes to the consolidated financial statements. The accounting policies applied for the preparation of the separate financial statements of the parent are the same as those which have been used for the preparation of the consolidated financial statements. In the separate financial statements of the parent, investments in subsidiaries and associates are recognised at cost (less any impairment losses) (see Note 22-26).

#### Financial assets

Depending on the purpose for which the financial assets were acquired and management's intentions, financial assets are classified at initial recognition in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.



As at 31 December 2013 (as well as at 31 December 2012), the Group's financial assets are classified as loans and receivables (see Note 3).

Purchases and sales of financial assets are recognised at the trade date at which the Group assumes the obligation to purchase or sell the asset. Financial assets are derecognised when the rights to the cash flows derived from investments expire and all risks and rewards incidental to ownership are transferred to the buyer.

Management makes a decision regarding classification of financial assets upon their purchase.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value plus transaction costs. After initial recognition, loans and receivables are carried at amortised cost less a provision for impairment using the effective interest rate method. This method is used in subsequent periods to calculate interest income on receivables.

Receivables are generally included within current assets when their due date is within 12 months after the balance sheet date. Receivables the due date of which is later than 12 months after the balance sheet date are classified as non-current assets.

### Cash

In the cash flow statement, cash and cash equivalents include cash, bank account balances (except for overdraft), and term deposits with original maturities of three months or less. Cash with a limited use has been eliminated from cash and cash equivalents (as at 31.12.2013 and 31.12.2012, there was no cash with a limited use). Overdraft is included within short-term borrowings in the balance sheet. Cash and cash equivalents are reported at amortised cost.

### Foreign currency transactions and financial assets and liabilities denominated in foreign currency

#### Functional and presentation currency

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements have been prepared in euros (EUR), which is the functional and presentation currency of the parent.

#### Foreign currency transactions

All currencies other than the functional currency are considered to be foreign currencies. Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities (cash-settled receivables and loans) denominated in a foreign currency are translated into the functional currency based on the foreign currency exchange rates of the European Central Bank prevailing at the balance sheet date. Foreign exchange gains and losses resulting from translation are recorded in the income statement of the reporting period.

Non-monetary assets and liabilities denominated in foreign currency that are not measured at fair value (e.g. prepayments, inventories accounted for using the cost method; property, plant and equipment as well as intangible assets) are not revalued at the balance sheet date but are accounted for using the official exchange rate of the European Central Bank prevailing at the date of the transaction.

### Receivables and prepayments

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less a provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the trade receivable is impaired. The estimated collectibility of trade receivables is assessed individually, if individual assessment is applicable. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount which is the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of receivables is reduced by the amount of the impairment loss of doubtful receivables and the impairment loss is recognised in profit or loss within *Operating expenses* (see Note 16). If a receivable is deemed irrecoverable, the receivable and the impairment loss are taken off the balance sheet. The collection of the receivables that have previously been written down is accounted for as a reversal of the allowance for doubtful receivables.

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Long-term trade receivables (incl. loans granted) are reported at the present value of probable collection. The difference between the nominal amount and the present value of collectible receivables is recognised as interest income during the time remaining until the collection of the receivables.

### Inventories

Inventories are recorded in the balance sheet at cost, consisting of the purchase costs and other costs incurred in bringing the inventories to their present location and condition. Purchase costs include the purchase price, other non-refundable taxes and direct transportation expenses related to the purchase, less discounts and subsidies.

Inventories are expensed using the FIFO method.

Inventories are measured in the balance sheet at the lower of acquisition cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### Property, plant and equipment and intangible assets

Property, plant and equipment are assets that are used in the operations of the Group with a useful life of over 1 year. Spare parts that are used for more than one financial year are also classified as property, plant and equipment.

Property, plant and equipment is initially recorded at cost, including purchase price and other expenses directly associated with the acquisition of those assets, which are necessary for bringing the asset to its operating condition and location. Property, plant and equipment are stated at historical cost less any accumulated depreciation and any impairment losses.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits will flow to the Group. Other maintenance and repair costs are expensed when incurred.

For assets with significant residual value, only the excess of the residual value over cost is depreciated over the useful life of the asset. When the residual value exceeds its carrying amount, depreciation is ceased.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual value over their estimated useful lives as follow:

- |                                       |              |
|---------------------------------------|--------------|
| - Buildings                           | 30 years     |
| - Means of transport/ rolling stock   | 15- 25 years |
| - Other property, plant and equipment | 3- 7 years   |

Land is not depreciated.

If an item of property, plant and equipment consists of separately identifiable components with different useful lives, these components are accounted for as separate assets and depreciated in accordance with their useful lives.

The expected useful lives of non-current assets are reviewed at each balance sheet date, when recognising subsequent expenditure and in case of significant changes in the Group's development plans. When the estimate of the useful life of the asset differs significantly from the previous estimate, the remaining useful life of the asset is revalued and as a result, the depreciation charge calculated for the asset changes in subsequent periods.

At each balance sheet date, management estimates whether there is any known indication of impairment of the asset. If there is such indication of impairment, management determines the recoverable amount (i.e. higher of the asset's fair value less cost to sell and its value in use). If the asset's recoverable amount is less than its carrying amount, the items of property, plant and equipment are written down to their recoverable amount. When the circumstances of assessing the recoverable amount of the asset have changed, the previous impairment loss is reversed up to the carrying amount.

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of items of property, plant and equipment are included either within other income or other expenses in the income statement.

Items of property, plant and equipment that are expected to be sold within the next 12 months are reclassified as held for sale.

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**Leases****Finance and operating leases**

A lease is classified as a finance lease, when all substantial risks and returns related to the ownership of the asset are transferred to the lessee. Other lease agreements are classified as operating leases.

The Group is the lessee

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges (interest) so as to achieve a constant rate on the finance balance outstanding. Finance costs are charged to the income statement over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The assets leased under finance leases are depreciated similarly to acquired non-current assets, whereby the depreciation period is the lower of the asset's estimated useful life and the lease term.

Payments made under operating leases are charged to the income statement on a straight-line basis over the lease period.

The Group is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Lease revenue is recognised on a straight-line basis over the lease term.

**Sale-leaseback transactions**

All Group's sale and leaseback transaction result in a finance lease, therefore they are recorded as a financing transaction, i.e. the asset "sold" is not derecognised from the balance sheet of the seller and the "sales proceeds" are recognised as a finance lease liability. The difference between the sales price and the present value of minimum lease payments is recognised over the term of the lease as an interest expense similarly to regular finance lease agreements.

**Financial liabilities**

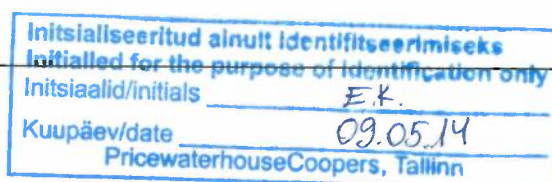
As at 31 December 2013 (and as at 31 December 2012), the Group's financial liabilities are in the category of other financial liabilities carried at amortised cost (see Notes 9,11 for finance lease liabilities and Note 12 for trade payables).

All financial liabilities (trade payables, borrowings, accrued expenses and other short and long-term borrowings) are initially recorded at their fair value and are subsequently stated at amortised cost, using the effective interest rate method. The amortised cost of current financial liabilities normally equals their nominal value; therefore current financial liabilities are stated in the balance sheet at their redemption value. For calculating the amortised cost of non-current financial liabilities, they are initially recognised at the fair value of the proceeds received (net of transaction costs incurred) and an interest cost is calculated on the liability in subsequent periods using the effective interest rate method.

Financial liabilities are classified as current when they are due to be settled within twelve months after the balance sheet date; or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowings that are due within 12 months after the balance sheet date, but which are refinanced after the balance sheet date as long-term, are presented as short-term. Also, borrowings are classified as short-term if at the balance sheet date, the lender had a contractual right to demand immediate repayment of the borrowing as a consequence of a breach of contractual terms.

**Provisions and contingent liabilities**

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that the meeting of this obligation leads to lower resources embodying economic benefits and the amount of the liability can be measured reliably. The provisions are recognised based on management's estimates regarding the amount and timing of the expected outflows. The amount recognised as a provision is management's best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time.



Provisions are only used to cover those expenses which they had been set up for.

Other possible or present obligations that arise from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities.

### Statutory reserve capital

Statutory reserve capital is formed to comply with the requirements of the Commercial Code. Reserve capital is formed from annual net profit allocations. During each financial year, at least one-twentieth of the net profit shall be entered in reserve capital, until reserve capital reaches one-tenth of share capital. Reserve capital may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from reserve capital.

### Revenue

Revenue from the sale of goods and services is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates granted. Revenue excludes value added tax, refunds, discounts and intragroup sales transactions. Revenue is recognised when all significant risks and rewards of ownership have been transferred to the buyer and the transaction cost can be determined reliably. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group's estimates are based on historical experience considering the type of each customer and transaction, as well as special terms and conditions. Revenue from rendering of services is recognised after the rendering of the service or if a service is performed over a longer period of time, based on the stage of completion.

Group revenue does not include gross amounts that are collected from activities where the Group is not responsible for the provision of the service to the customer, does not set the price of the service or bears the credit risk. As revenue, only margins earned in the course of such transactions are recognised as revenue.

Interest income, royalties and income from dividends are recognised when it is highly probable that benefits will flow to the Group and the amount of income can be measured reliably. Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established.

### Taxation

#### Corporate income tax

According to the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. From 1 January 2008, the tax rate on the net dividends paid out of retained earnings is 21/79. In certain circumstances, it is possible to distribute dividends without any additional income tax expense. The corporate income tax paid on dividends is recognised as a liability and an income tax expense in the period in which dividends are declared, regardless of the period for which the dividends are paid or the actual payment date. An income tax liability is due at the 10th day of the month following the payment of dividends.

According to the Corporate Income Tax Law of Latvia, the net profits of entities located in Latvia, adjusted for the permanent and temporary differences as stipulated by law, are subject to corporate income tax (the income tax rate is 15% in Latvia). According to the tax legislation of Finland, the net profits of entities are subject to 26% income tax.

The Group's costs are impacted by the following taxes:

Social tax	33% on the payroll and fringe benefits paid to the employees
Unemployment insurance premium	1.4% of the payroll paid to the employees
Fringe benefit income tax	21/79 on fringe benefits paid to the employees
Income tax on expenses not related to business activities	21/79 on expenses not related to business activities

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## Employee benefits

## Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) which fall due within twelve months after the end of the period in which the employees render the related services. Short-term employee benefits include items such as wages, salaries and social security contributions; benefits related to temporary suspension of the employment contract (such as paid annual leave).

## Termination benefits

Termination benefits are employee benefits payable as a result of either the Group's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. The Group recognises termination benefits as a liability and an expense if, and only if, the Group is demonstrably committed to either terminating the employment of an employee or a group of employees before the normal retirement date; or providing termination benefits as a result of an offer made in order to encourage voluntary redundancy.

**Note 2 Cash**

(in thousands of euros)

	31.12.2013	31.12.2012
Bank accounts	1,213	5,649
<b>Total cash</b>	<b>1,213</b>	<b>5,649</b>

According to the credit ratings of the international rating agency Moody's, the Group's monetary funds have been deposited in financial institutions as follows:

<b>Cash and cash equivalents</b> (in thousands of euros)	31.12.2013	31.12.2012
Aa3	244	69
A3	0	2,481
A1	958	1
A2	0	3,090
B2	12	8

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**Note 3 Receivables and prepayments**

(in thousands of euros)

	31.12.2013	due in 12 months	Note
Trade receivables	8,439	8,439	
Accounts receivable	8,835	8,835	4
Allowance for doubtful receivables	-396	-396	
Prepaid and deferred taxes	3	3	6
Prepayments	2,475	2,475	
Accrued expenses	2,475	2,475	
<b>Total receivables and prepayments</b>	<b>10,917</b>	<b>10,917</b>	

	31.12.2012	due in 12 months	Note
Trade receivables	7,259	7,259	
Accounts receivable	7,378	7,378	4
Allowance for doubtful receivables	-119	-119	
Prepaid and deferred taxes	3	3	6
Prepayments	1,882	1,882	
Accrued expenses	1,882	1,882	
<b>Total receivables and prepayments</b>	<b>9,144</b>	<b>9,144</b>	

**Note 4 Trade receivables**

(in thousands of euros)

	31.12.2013	31.12.2012
<b>Accounts receivable</b>	<b>8,835</b>	<b>7,378</b>
Receivables from non-related parties	7,478	5,666
Receivables from related parties	1,357	1,712
Allowance for doubtful receivables	-396	-119
<b>Total trade receivables</b>	<b>8,439</b>	<b>7,259</b>
Allowance for doubtful receivables		
Allowance for doubtful receivables at the beginning of the period	-119	-119
Receivables deemed doubtful during the period	-277	0
<b>Allowance for doubtful receivables at the end of the period</b>	<b>-396</b>	<b>-119</b>

**Breakdown of receivables by overdue period as at 31.12.2013:**

	31.12.2013	31.12.2012
Not overdue	4,504	5,852
Overdue up to 1 month	1,559	846
Overdue by 1 - 3 months	359	172
Overdue by 3 - 6 months	997	338
Overdue up to 1 year	1,020	51

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The Group's management has adopted necessary timely measures to guarantee the collection of overdue receivables recognised as at the year-end. By the date of preparation of the annual report, some of these receivables have been collected.

In the management opinion, as at 31.12.2013, doubtful receivables of the Group total EUR 396 thousand (2012: EUR 119 thousand). In the financial year and in 2012, the Group did not deem any receivable as uncollectible. For more information about overdue receivables is provided in Note 28.

Accounts receivable include receivables that at the expiration of contracts are balanced with customer prepayment (see Note 12).

## Note 5 Inventories

(in thousands of euros)

	31.12.2013	31.12.2012
Spare parts	976	836
<b>Total inventories</b>	<b>976</b>	<b>836</b>

## Note 6 Prepaid taxes and tax liabilities

(in thousands of euros)

	31.12.2013		31.12.2012	
	Prepayment	Liability	Prepayment	Liability
Corporate income tax	2	400	2	4
VAT	1	48	1	23
Personal income tax	0	40	0	30
Social security taxes	0	69	0	54
Mandatory funded pension	0	3	0	3
Unemployment insurance	0	4	0	3
<b>Total prepaid taxes and tax liabilities</b>	<b>3</b>	<b>564</b>	<b>3</b>	<b>117</b>

## Note 7 Shares of associates

(in thousands of euros)

Shares of associates, general information					
Commercial Registry no	Name	Domicile	Area of activity	Holding (%)	
				31.12.2012	31.12.2013
40003030219	Daugavpils Lokomotivu Remonta Rupnica	Latvia	Repair of railway cars and locomotives	25.27	25.27

Shares of associates, detailed information			
Name	31.12.2012	Profit/loss under the equity method	31.12.2013
Daugavpils Lokomotivu Remonta Rupnica	1,690	160	1,850

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Information about the carrying amounts of non-current assets leased under finance lease terms is disclosed in Note 9.

## Note 9 Finance lease

(in thousands of euros)

	31.12.2013	Breakdown by due date			Interest rate	Base currency	Due date	Note
		due in less than 1 year	due between 1 and 5 years	due after 5 years				
Finance lease liability	13,466	9,094	4,372		2-3.6% (6 month Libor)	USD	2017	
Finance lease liability	22	20	2		2.75% (6 month Euribor)	EUR	2015	
<b>Total finance lease liabilities</b>	<b>13,488</b>	<b>9,114</b>	<b>4,374</b>					<b>11</b>
	31.12.2012	Breakdown by due date			Interest rate	Base currency	Due date	Note
		due in less than 1 year	due between 1 and 5 years	due after 5 years				
Finance lease liability	2,853	2,558	295		1.9-3.6% (3 month Libor)	USD	2014	
Finance lease liability	34,652	11,689	22,963		1.9-3.6% (6 month Libor)	USD	2016	
Finance lease liability	46	23	23		1.9-3.6% (3 month Euribor)	EUR	2015	
<b>Total finance lease liabilities</b>	<b>37,551</b>	<b>14,270</b>	<b>23,281</b>					<b>11</b>

### Carrying amount of leased assets

	31.12.2013	31.12.2012
Machinery and equipment	32,584	57,128
<b>Total</b>	<b>32,584</b>	<b>57,128</b>

Finance lease includes fixed-maturity leaseback contracts signed with lessors with a term of up to 5 years. The abovementioned contracts were used for financing the purchase of railway tanks and cars.

The interest rates for the sale and leaseback contracts consist of floating interest rates based on USD LIBOR or EURIBOR, and a fixed risk margin.

Unrealised financial costs in the financial year amount to EUR 372 thousand (2012: EUR 1,794 thousand). As a result, the minimum amount of finance lease payments at year-end totals EUR 13,861 thousand, incl. EUR 9,350 thousand with a term of up to 1 year and EUR 4,510 thousand with a term of up to 5 years (2012: EUR 39,344 thousand, incl. EUR 15,217 thousand with a term of up to 1 year and EUR 24,127 thousand with a term of up to 5 years).

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## Note 9 Finance lease

(in thousands of euros)

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## Carrying amount of pledged assets

	31.12.2013	31.12.2012
Machinery and equipment	13,489	37,551
<b>Total</b>	<b>13,489</b>	<b>37,551</b>

Interest rates, base currencies and due dates of finance lease obligations are provided in Note 9.

As at 31.12.2013, the fair value of borrowings (IFRS 13: Level 3) was EUR 15,676 thousand (31.12.2012: EUR 37,551 thousand) (see Note 27).

## Note 12 Payables and prepayments

(in thousands of euros)

	31.12.2013	Breakdown by due date			Note
		due in 12 months	due between 1-5 years	due after 5 years	
Trade payables	3,659	3,659			21
Employee payables	46	46			
Tax liabilities	564	564			6
Other payables	62	62			
Other accrued expenses	62	62			
Customer prepayments	1,023	1,023			
<b>Total payables and prepayments</b>	<b>5,354</b>	<b>5,354</b>			

	31.12.2012	Breakdown by due date			Note
		due in 12 months	due between 1-5 years	due after 5 years	
Trade payables	2,785	2,785			21
Employee payables	45	45			
Tax liabilities	117	117			6
Other payables	81	81			
Other accrued expenses	81	81			
Customer prepayments	1,247	1,247			
<b>Total payables and prepayments</b>	<b>4,275</b>	<b>4,275</b>			

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**Note 13 Share capital**

(in thousands of euros)

	31.12.2013	31.12.2012
Share capital	80	80
Number of shares	40,000	40,000
Nominal value of shares	2	2

The available equity of the Group as at 31 December 2013 was EUR 135,624 thousand (2012: EUR 122,114 thousand).

As at the balance sheet date, it is possible to pay out dividends to the shareholders in the amount of EUR 107,143 thousand (2012: EUR 96,470 thousand) and the corresponding income tax would amount to EUR 28,481 thousand (2012: EUR 25,644 thousand).

In the financial year, the shareholders received EUR 5,988 thousand in net dividends, which resulted in the income tax on dividends in the amount of EUR 1,592 thousand.

**Note 14 Revenue**

(in thousands of euros)

	2013	2012	Note
Revenue by geographic location			
Revenue from EU countries			
Estonia	5,373	6,323	
Finland	238	72	
Belgium	875	0	
Other EU countries	323	135	
<b>Total revenue from EU countries</b>	<b>6,809</b>	<b>6,530</b>	
Revenue from non-EU countries			
Russia	33,631	23,080	
Kazakhstan	10,545	13,706	
British Virgin Islands	858	6,276	
Belarus	0	5,908	
Georgia	4,462	2,820	
Other non-EU countries	16	0	
<b>Total revenue from non-EU countries</b>	<b>49,512</b>	<b>51,790</b>	
<b>Total revenue</b>	<b>56,321</b>	<b>58,320</b>	
Revenue by areas of activity			
Lease of rolling stock	55,748	57,924	10
Other revenue	573	396	
<b>Total revenue</b>	<b>56,321</b>	<b>58,320</b>	

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**Note 15 Other income**

(in thousands of euros)

	2013	2012
Profit on disposal of property, plant and equipment	0	85
Other	0	249
<b>Total other income</b>	<b>0</b>	<b>334</b>

**Note 16 Other operating expenses**

(in thousands of euros)

	2013	2012
Rolling stock lease and maintenance expenses	19,976	15,181
Staff costs	3,162	2,300
Miscellaneous operating expenses	2,627	2,082
Customs expenses	1,272	383
Administration costs	1,114	1,171
Allowance for doubtful receivables	277	0
<b>Total other operating expenses</b>	<b>28,428</b>	<b>21,117</b>

**Note 17 Staff costs**

(in thousands of euros)

	2013	2012
Wages and salaries	2,320	1,682
Social security tax	789	575
Vacation payables	52	43
<b>Total staff costs</b>	<b>3,161</b>	<b>2,300</b>
Average number of employees (in full-time equivalent )	18	18

**Note 18 Other expenses**

(in thousands of euros)

	2013	2012
Foreign exchange losses	295	0
Other	-60	0
<b>Total other expenses</b>	<b>235</b>	<b>0</b>

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**Note 19 Interest expenses**

(in thousands of euros)

	2013	2012
Interest expenses from loans	13	183
Interest expenses from finance lease	690	1,142
<b>Total interest expenses</b>	<b>703</b>	<b>1,325</b>

**Note 20 Other finance income and expenses**

(in thousands of euros)

	2013	2012	Note
Foreign exchange gains (losses)	548	340	
Interest income from loans granted	0	129	21
<b>Total interest expenses</b>	<b>548</b>	<b>469</b>	

**Note 21 Related parties**

(in thousands of euros)

Parent company of the accounting entity	Globaltrans Investment Holdings PLC
Country of registration of the parent company of the accounting entity	Cyprus
The Group which the Parent is part of	Globaltrans Investment Holdings PLC
Country of registration of the Group's ultimate parent company	Cyprus

**Balances with related parties by groups**

	31.12.2013		31.12.2012	
	Receivables	Payables	Receivables	Payables
Trade receivables (group entities)	1,317		1,269	
Trade receivables (other related entities)	40		324	
Other receivables (group entities)	296		1,108	
Other receivables (other related entities)	324		202	
Trade payables (group entities)		2,057		1,484
Trade payables (other related entities)		450		4
Other liabilities (group entities)		0		13
Borrowing (group entities)		2,188		0

**Remuneration and other significant benefits paid to the members of the Management and Supervisory Board**

	2013	2012
Remuneration	384	359

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In the financial year, sale transactions made with related parties totalled EUR 12,223 thousand (2012: EUR 18,559 thousand), incl.:

<i>EUR thousand</i>	<b>2013</b>	<b>2012</b>
Lease of rolling stock (group entities)	11,355	17,043
Lease of rolling stock (other related entities)	15	0
Other services (group entities)	681	528
Other services (other related entities)	172	860
Interest income (group entities)	0	129

In the financial year, purchase transactions made with related parties totalled EUR 12,635 thousand (2012: EUR 60,877 thousand), incl.:

<i>EUR thousand</i>	<b>2013</b>	<b>2012</b>
Lease of rolling stock (group entities)	10,130	6,677
Lease of rolling stock (other related entities)	1,021	
Other services (group entities)	307	1,639
Purchase of non-current assets (other related entities)	0	52,843
Other services (other related entities)	1,163	78
Interest expense (group entities)	13	0

Loan transactions made with Group entities during the financial year:

<i>EUR thousand</i>	<b>2013</b>	<b>2012</b>
Loans granted	0	4,847
Repayments of loans granted	0	12,724
Loans received	2,221	0

In the financial year and in 2012, no receivables from related parties were impaired.

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In the financial year, sale transactions made with related parties totalled EUR 12,223 thousand (2012: EUR 18,559 thousand), incl.:

<i>EUR thousand</i>	<b>2013</b>	<b>2012</b>
Lease of rolling stock (group entities)	11,355	17,043
Lease of rolling stock (other related entities)	15	0
Other services (group entities)	681	528
Other services (other related entities)	172	860
Interest income (group entities)	0	129

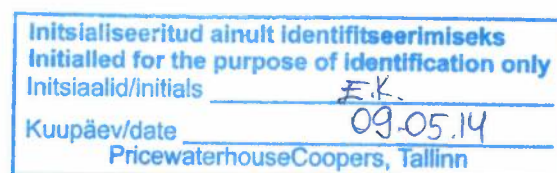
In the financial year, purchase transactions made with related parties totalled EUR 12,635 thousand (2012: EUR 60,877 thousand), incl.:

<i>EUR thousand</i>	<b>2013</b>	<b>2012</b>
Lease of rolling stock (group entities)	10,130	6,677
Lease of rolling stock (other related entities)	1,021	
Other services (group entities)	307	1,639
Purchase of non-current assets (other related entities)	0	52,843
Other services (other related entities)	1,163	78
Interest expense (group entities)	13	0

Loan transactions made with Group entities during the financial year:

<i>EUR thousand</i>	<b>2013</b>	<b>2012</b>
Loans granted	0	4,847
Repayments of loans granted	0	12,724
Loans received	2,221	0

In the financial year and in 2012, no receivables from related parties were impaired.



**Note 23. Financial information of Spacecom AS (the Parent Company): income statement**

(in thousands of euros)

	2013	2012
Revenue	40,653	46,713
Other income	21	85
Other operating expenses	-19,108	-15,045
Other expenses	-568	150
<b>Total operating profit (loss)</b>	<b>20,998</b>	<b>31,903</b>
Other finance income and expenses	-141	-859
<b>Profit (loss) before income tax</b>	<b>20,857</b>	<b>31,044</b>
Corporate income tax	-1,591	0
<b>Net profit (loss) for the financial year</b>	<b>19,266</b>	<b>31,044</b>

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**Note 24. Financial information of Spacecom AS (the Parent Company): statement of cash flows**

(in thousands of euros)

	2013	2012
Cash flows from operating activities		
Operating profit (loss)	20,998	31,903
Adjustments:		
Depreciation and impairment charges	6,574	5,652
Profit (loss) on disposal of property, plant and equipment	0	-85
<b>Total adjustments</b>	<b>6,574</b>	<b>5,567</b>
Change in receivables and prepayments related to operating activities	-1,211	-2,450
Change in inventories	-139	-693
Change in payables and prepayments related to operating activities	204	-176
Interest paid	-690	-1,327
<b>Net cash generated from operating activities</b>	<b>25,736</b>	<b>32,824</b>
Cash flows from investing activities		
Purchase of property, plant and equipment	-1,651	-53,405
Proceeds from sale of property, plant and equipment	0	146
Loans granted	0	-4,847
Repayments of loan granted	0	12,574
Interest received	0	150
<b>Net cash used in investing activities</b>	<b>-1,651</b>	<b>-45,382</b>
Cash flows from financing activities		
Loans received	2,222	10,008
Repayments of loans received	0	-10,473
Repayments of finance lease principal	-23,461	-18,834
Dividends paid	-5,989	0
Corporate income tax paid	-1,194	0
Other proceeds from financing activities	0	38,094
Other disbursements from financing activities	0	-801
<b>Net cash used in financing activities</b>	<b>-28,422</b>	<b>17,994</b>
<b>Total cash flows</b>	<b>-4,337</b>	<b>5,436</b>
Cash and cash equivalents at the beginning of the year	5,592	191
<b>Net increase in cash and cash equivalents</b>	<b>-4,337</b>	<b>5,436</b>
Effect of exchange rate changes	-85	-35
Cash and cash equivalents at the end of the year	1,170	5,592

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**Note 25. Financial information of Spacecom AS (the Parent Company): statement of comprehensive income**

(in thousands of euros)

	2013	2012
Net profit (loss) for the financial year	19,266	31,044
<b>Total comprehensive profit (loss) for the financial year</b>	<b>19,266</b>	<b>31,044</b>

**Note 26. Financial information of Spacecom AS (the Parent Company): statement of changes in equity**

(in thousands of euros)

				Total
	Share capital	Statutory reserve capital	Retained earnings (accumulated losses)	
<b>Balance as of 31.12.2011</b>	25	3	90,077	90,105
Net profit (loss) for the financial year			31,044	31,044
Other changes in equity	55	0	-55	0
<b>Balance as of 31.12.2012</b>	80	3	121,066	121,149
Carrying amount of investments under control and significant influence				-686
Value of investments under control and significant influence under the equity method				1,739
<b>Adjusted unconsolidated equity as of 31.12.2012</b>				122,202
Net profit (loss) for the financial year			19,266	19,266
Dividends paid			-5,989	-5,989
Other changes in equity	0	5	-5	0
<b>Balance as of 31.12.2013</b>	80	8	134,338	134,426
Carrying amount of investments under control and significant influence				-686
Value of investments under control and significant influence under the equity method				1,971
<b>Adjusted unconsolidated equity as of 31.12.2013</b>				135,711

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**Note 27. Financial risk management****Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (includes currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on unforeseen changes in the financial markets and attempts to alleviate potential unfavourable effects on the Group's financial activities. The goal of the management of financial risks is to mitigate financial risks and lower the volatility of financial performance.

**Market risks**

The Group is exposed to currency risk and interest rate risk. The Group is not exposed to price risk, because it does not hold any securities traded in the open market.

**Currency risk**

The Group's functional currency is the euro (EUR). A major share of loans is denominated in US dollars (USD). The Group's financial instruments affected by the market risk include cash, trade receivables (invoices issued in USD) and loans.

An overview of the financial assets and financial liabilities denominated in foreign currencies is presented below. The tables present the amounts in thousands of euros by underlying currencies of the respective monetary assets and liabilities.

	USD	EUR	Other currencies	Total
<b>31.12.2013</b>				
Cash (Note 2)	1,182	3	29	1,213
Trade receivables (Note 4)	5,197	265	2,977	8,439
Borrowings (Note 11)	15,654	22	0	15,676
Trade payables (Note 12)	1,674	122	1,863	3,659
Total net position	-10,949	124	1,142	-9,683
<b>31.12.2012</b>				
Cash (Note 2)	5,545	102	1	5,649
Trade receivables (Note 4)	6,629	156	474	7,259
Borrowings (Note 11)	37,506	46	0	37,551
Trade payables (Note 12)	2,096	215	474	2,785
Total net position	-27,418	-11	0	-27,429

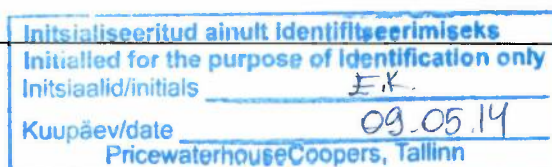
For the mitigation of currency risk, both cash inflows (operating lease payments receivable) and cash outflows (repayments of loans and finance lease liabilities) related to the Group's railway tanks lease activity are denominated in USD. Other accounts receivable and trade payables are in EUR. Therefore, the Group's cash inflows and outflows in USD and EUR have been matched and the Group does not have a need for currency translation in significant amounts.

**Interest rate risk**

The Group's cash flow interest rate risk is primarily related to long-term borrowings (bank loans) with floating interest rates. Interest rate risk is primarily related to potential fluctuations of LIBOR and EURIBOR and the changing of the average interest rates of banks.

The Group's long-term borrowings as at 31 December 2013 and 31 December 2012 had floating interest rates based on the 3 to 6-month LIBOR and 6-month EURIBOR (see also Note 9). The effect of interest rate risk on the Group's results of operations is reviewed on a regular basis. During the analysis, different options are considered to mitigate the risks. These options include refinancing, renewal of current positions and alternative financing.

Financial instruments have not been used in the current and previous financial years to mitigate interest rate risk.



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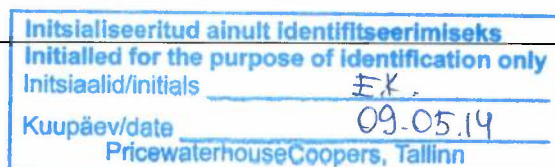
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**Credit risk**

Credit risk is the risk that the Group's customers and counterparties fail to fulfil their obligations. The following financial instruments are exposed to credit risk: cash in bank, trade receivables and granted loans. Cash is deposited in commercial banks with a high credit rating, bank ratings are presented in Note 2. The Group's sales transactions are concluded with the business partners that the Group has long-term collaboration experience with and whose solvency has been tested, and management has not deemed it necessary to assign credit limits to them. One to two-week payment terms are valid for the buyers, providing fast feedback to the Group in case of payment difficulties (Note 4). The Group has issued a guarantee to cover the lease liabilities of the group entity AS Spacecom Trans: the liabilities of AS Spacecom Trans are secured by a demand guarantee in the amount of USD 33,750 thousand. As at 31 December 2013, the maximum credit risk related to the financial guarantee issued is EUR 10,340 thousand. The amount has decreased as a result of principal payments (31.12.2012: EUR 12,633 EUR).

**Liquidity risk**

For the Group, liquidity risk is its inability to settle the liabilities it has assumed in time. For managing liquidity risk, the Group has assumed loans using assets as collateral from commercial banks and overdraft. In its daily activities, management attempts to maintain adequate liquid assets to meet its financial obligations, continuously monitoring cash flow forecasts for the following three months.

The following table shows the liquidity analysis of the Group's financial liabilities according to the terms of the contracts.

	Up to 3 months	Between 4 months and 1 year	Between 1 and 5 years	Total undiscounted cash flows	Carrying amount
<b>As at 31.12.2013</b>					
Financial guarantees	10,340	0	0	10,340	0
Borrowings (Note 11)	1,979	9,626	4,510	16,114	15,676
Trade payables (Note 12)	3,623	36	0	3,659	3,659
<b>Total cash flows related to financial obligations</b>	<b>15,942</b>	<b>9,661</b>	<b>4,510</b>	<b>30,113</b>	<b>19,335</b>

	Up to 3 months	Between 4 months and 1 year	Between 1 and 5 years	Total undiscounted cash flows	Carrying amount
<b>As at 31.12.2012</b>					
Financial guarantee	12,633	0	0	12,633	0
Borrowings (Note 11)	3,700	11,517	24,127	39,344	37,551
Trade payables (Note 12)	2,785	0	0	2,785	2,785
<b>Total cash flows related to financial obligations</b>	<b>19,118</b>	<b>11,517</b>	<b>24,127</b>	<b>54,762</b>	<b>40,337</b>

The cash flows presented in the table have not been discounted and therefore, these amounts do not correspond to the amounts disclosed in Note 11 *Borrowings*. As the bank loans and the loans from the owners are denominated in US dollars, the exchange rate of USD 1 =EUR 0.7251 prevailing at 31.12.2013 (31.12.2012: USD 1 =EUR 0.7579) has been used for computation of future cash flows.

Undiscounted cash flows have been determined according to the current payment schedules valid as at the end of the period. For bank loans with floating interest rates, the LIBOR rate prevailing at the balance sheet date has been used. See also Note 30 *Group's liquidity*.

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**Capital risk management**

The goal of the Group's capital risk management is to continue as a going concern in order to generate returns for the owners and maintain the optimal capital structure, in order to lower the cost of capital.

For the Group, capital includes loans and equity.

	31.12.2013	31.12.2012
Total borrowings	15,676	37,551
Less: cash and cash equivalents	-1,213	-5,649
<b>Net debt</b>	<b>14,463</b>	<b>31,903</b>
Total equity	135,699	122,202
Total capital	150,162	154,104
<b>Financial leverage</b>	<b>10%</b>	<b>21%</b>

The loan contracts entered into with the banks set certain covenants for various financial ratios. If these covenants are not met, the bank may require premature payment of the loan.

	Bank's requirement as at 31.12.2013	AS Spacecom actual ratio as at 31.12.2013	Bank's requirement as at 31.12.2012	AS Spacecom actual ratio as at 31.12.2012
DSCR	1.2 - 1.25	2.00	1.2 - 1.25	1.42
Equity ratio	15 - 30%	87%	15 - 30%	75%

Borrowings include loans assumed, finance lease liabilities and other transactions to borrow funds.

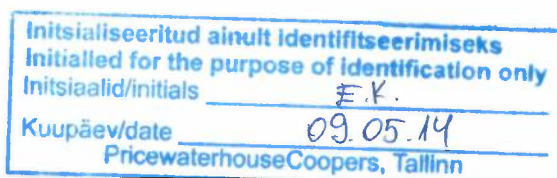
**Fair value**

The Group estimates that the fair values of assets and liabilities reported at amortised cost do not materially differ from the carrying amounts reported in the Group's consolidated balance sheet as at 31.12.2013 and 31.12.2012. Trade receivables and the residual value of unpaid invoices less any impairment losses equal their estimated fair value.

The fair value of financial liabilities is determined for disclosure purposes by discounting the future contractual cash flows with the market interest rate which is available for similar financial instruments of the Group. The respective analysis is presented in Note 11.

**Note 28. Management estimates**

According to International Financial Reporting Standards, management needs to make certain decisions and pass judgement which may impact the assets and liabilities reported in the financial statements in the next financial year. Management estimates and judgements have been reviewed on an ongoing basis and they are based on historical experience and other factors considered reasonable under current circumstances. In addition to estimates, management exercises its judgement regarding the application of accounting policies. The areas which require more significant management decisions and which have the most significant impact on the amounts recognised in the financial statements and estimates which may lead to major adjustments to the carrying amount of assets and liabilities in the next financial year include: Evaluation of useful lives of property, plant and equipment (Note 8), Valuation of doubtful receivables (Note 4), Impairment of property, plant and equipment (Note 8) and Provisions and contingent liabilities (Note 29).



**Valuation of doubtful receivables**

The impairment of the receivables that are individually significant is assessed individually for each receivable. Evidence of potential impairment includes the bankruptcy or major financial difficulties of the debtor and non-adherence to payment dates. The amount of doubtful receivables is adjusted as at each balance sheet date, using information based on prior experience in respect of how many of the receivables deemed as doubtful will be collected in subsequent periods and how many of them will be not. As at 31 December 2013, the Company had doubtful receivables in the amount of EUR 396 thousand (31 December 2012: EUR 119 thousand) (Note 4).

The Group's management has taken timely measures to ensure that overdue receivables recognised as at the end of the year are collected. By the time of preparing the financial report, the majority of them have been collected. Concerning amounts that are recognised as doubtful receivables as at the end of the year, the management is constantly conducting negotiations. In the course of the negotiations, the management has not detected circumstances requiring that such amounts are classified as uncollectible.

**Evaluation of useful lives of property, plant and equipment**

Management has evaluated the useful lives of items of property, plant and equipment while considering business conditions and volumes, historical experience in this area and potential future use. The depreciation charge of the Group in the reporting period totalled EUR 6.6 million (2012: EUR 5.7 million). If the depreciation rates are increased/reduced by 10%, the annual depreciation charge will increase/decrease by approximately EUR 0.66 million (2012: depreciation would increase/decrease by about EUR 0.57 million).

Depreciation rates are provided below in the section of accounting principles of property, plant and equipment.

**Impairment of property, plant and equipment**

At every balance sheet date, the Group's management estimates whether there are indications of impairment of property, plant and equipment. In carrying out the impairment test, the carrying amount of property, plant and equipment is compared with their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. For estimating the value in use, the management prepares a realistic projection of cash flows that the assets will earn in future periods and calculates the current value of these cash flows. The current value is determined by a discount rate that objectively reflects the risk level of corresponding assets and related level of return. If the situation changes in the future, the additional impairment is recognised or the impairment that has been recognised earlier is reversed either in part or in full.

**Provisions and contingent liabilities**

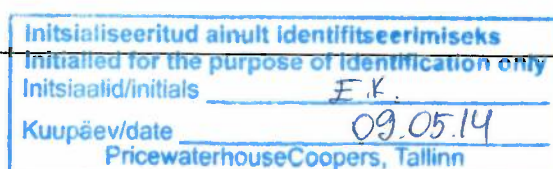
In estimating the probability of realisation of contingent liabilities, management considers historical experience, general information about the economic and social environment, and the assumptions and conditions of the possible events in the future based on the best knowledge of the situation.

**Note 29. Contingent liabilities****Potential liabilities arising from the tax audit**

The tax authorities have not inspected the books and records of the Group during the years 2006-2013. The tax authorities have the right to verify the Group's tax records up to 5 years from the time of submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The Group's management estimates that there are not any circumstances which may lead the tax authorities to impose additional significant taxes on the Group.

**Financial guarantees issued**

As at 31 December 2013, the Group has issued a guarantee in the amount of USD 33,750 thousand to cover the lease liabilities of the group entity AS Spacecom Trans. The Group's management estimates that no costs are likely to be incurred in relation to the lease liability of AS Spacecom Trans that is secured by the Group, because AS Spacecom Trans is able to meet its obligations.



**Note 30. Group's liquidity**

As at 31 December 2013, the current liabilities of the Group exceeded current assets by EUR 3.5 million and as at 31.12.2012, by EUR 2.9 million. Such a situation is related to the fact that the lease of the railway tanks acquired has been accounted for as finance lease (thus the future lease payments are recognised as a liability in the balance sheet; see Notes 9 and 11) and transactions to lease out the railway tanks have been recognised as an operating lease (thus, the future lease receivables are accounted for off balance sheet; the expected lease receivable is specified in Note 10). All railway tanks are covered by long-term or extendable contracts.

Considering the above, the Group's management is convinced that the Group does not have liquidity problems and its business is sustainable.

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**Signatures of the Management to the 2013 Annual Report**

Signing of AS SPACECOM 2013 annual report on May 9, 2014:



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Member of the Management Board  
Oleg Ossinovski



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Member of the Management Board  
Siarhei Psiola



## **INDEPENDENT AUDITOR'S REPORT**

(Translation of the Estonian original)\*

To the Shareholders of AS Spacecom

We have audited the accompanying consolidated financial statements of AS Spacecom and its subsidiary, which comprise the consolidated balance sheet as of 31 December 2013 and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

### **Management Board's Responsibility for the Consolidated Financial Statements**

Management Board is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AS Spacecom and its subsidiary as of 31 December 2013, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Raimla', written in a cursive style.

Tiit Raimla  
Auditor's Certificate No. 287

A handwritten signature in blue ink, appearing to read 'Koltsov', written in a cursive style.

Jüri Koltsov  
Auditor's Certificate No. 623

9 May 2014

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*\* This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*