

CONSOLIDATED ANNUAL REPORT

(translation of the Estonian original)

Beginning of financial year: 01.01.2014

End of financial year: 31.12.2014

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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 31.12.2014, 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 31.12.2014, the Group had 4,969 railway tanks (as at 31.12.2013: 4,983 railway tanks). All railway tanks are leased 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 392 thousand in 2014 (2013: EUR 384 thousand). No remuneration was paid to the members of the Supervisory Board in 2014 and 2013. The average number of employees in the reporting period was 18 (2013: 18 people) and the number of employees at the year-end was 17 (31.12.2013: 18). In 2014, staff costs including taxes amounted to EUR 2,371 thousand (2013: EUR 3,162 thousand).

The overall development of environment where the Group was operating during 2014, as well as political pressures, has had negative impact on the Group's operating results. Political and economic situation in the world and in Russia harmed financial and economic environment of the Group's customers, which in turn affected their paying capacity.

Expenses on planned repair of railway cars increased comparing to the previous year. In 2014 the Group's Management continued to improve the customer base and where necessary, redirected the main operations from one market to another. In 2015 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:

	2014	2013
Return on assets	6,72%	12.16%
Return on equity	7,29%	15.12%
Debt to assets ratio	1,93%	13.42%
Interest coverage ratio	57.0	30.0

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

Financial statements

Consolidated balance sheet

(in thousands of euros)

	31.12.2014	31.12.2013	Note
Assets			
Current assets			
Cash	530	1,213	2
Receivables and prepayments	7,235	10,917	3, 4
Inventories	418	976	5
Total current assets	8,183	13,106	
Non-current assets			
Investments into subsidiaries and associates	1,612	1,851	7,27
Receivables and prepayments	4,053	0	3
Property, plant and equipment	135,002	141,785	8
Total non-current assets	140,667	143,636	
Total assets	148,850	156,742	
Liabilities and equity			
Liabilities			
Current liabilities			
Borrowings	1	11,302	9, 11
Payables and prepayments	2,867	5,354	12
Total current liabilities	2,868	16,656	
Non-current liabilities			
Borrowings	0	4,374	9, 11
Total non-current liabilities	0	4,374	
Total liabilities	2,868	21,030	
Equity			
Equity attributable to shareholders of parent company			
Share capital at nominal value	80	80	13
Statutory reserve capital	8	8	
Retained earnings (accumulated losses)	135,624	116,126	13
Profit (loss) for financial year	10,270	19,498	
Total equity attributable to shareholders of parent company	145,982	135,712	
Total equity	145,982	135,712	
Total liabilities and equity	148,850	156,742	

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Consolidated income statement

(in thousands of euros)

	2014	2013	Note
Revenue	40,568	56,321	14
Other income	425	0	15
Other operating expenses	-23,602	-28,428	16
Depreciation and impairment charges	-6,603	-6,574	8
Other expenses	-19	-235	18
Total operating profit (loss)	10,769	21,084	
Profit (loss) from subsidiaries and associates	-239	160	7
Interest expenses	-189	-703	19
Other finance income and expenses	-71	548	20
Profit (loss) before income tax	10,270	21,089	
Corporate income tax	0	-1,591	13
Net profit (loss) for the financial year	10,270	19,498	
Incl. net profit (loss) attributable to the shareholder of the parent company	10,270	19,498	

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Consolidated statement of cash flows

(in thousands of euros)

	2014	2013	Note
Cash flows from operating activities			
Operating profit (loss)	10,769	21,084	
Adjustments:			
Depreciation and impairment charges	6,603	6,574	8
Profit (loss) on disposal of property, plant and equipment	-391	0	8, 15
Total adjustments	6,212	6,574	
Change in receivables and prepayments related to operating activities	3,929	-1,773	3, 4, 6
Change in inventories	557	-139	5
Change in payables and prepayments related to operating activities	-2,296	678	6, 12
Interest paid	-202	-690	19
Net cash generated from operating activities	18,969	25,734	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-878	-1,651	
Proceeds from sale of property, plant and equipment and intangible assets	1,040	0	
Loans granted	-3,521	0	21
Net cash used in investing activities	-3,359	-1,651	
Cash flows from financing activities			
Loans received	0	2,222	11, 21
Repayments of loans received	-2,193	0	21
Repayments of finance lease principal	-13,856	-23,461	9, 11
Dividends paid	0	-5,988	13
Corporate income tax paid	-398	-1,194	6, 13
Net cash used in financing activities	-16,447	-28,421	
Total cash flows	-837	-4,338	
Cash and cash equivalents at the beginning of the year	1,213	5,649	2
Net increase in cash and cash equivalents	-837	-4,338	
Effect of exchange rate changes	154	-98	
Cash and cash equivalents at the end of the year	530	1,213	2

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Consolidated statement of comprehensive income

(in thousands of euros)

	2014	2013
Net profit (loss)	10,270	19,498
Total comprehensive profit (loss) for the financial year	10,270	19,498
Incl. total comprehensive profit (loss) attributable to the shareholder of the parent company	10,270	19,498

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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)	
Balance as of 31.12.2012	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
Balance as of 31.12.2013	80	8	135,624	135,712
Net profit (loss) for the financial year			10,270	10,270
Balance as of 31.12.2014	80	8	145,894	145,892

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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 2014 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 May 05 2015. 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 2014 have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS).

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 the management to exercise its judgment in the process of applying the Company’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 financial statements are presented in Note 29 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 2014:

IFRS 10, Consolidated Financial Statements

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. Relevant changes have been made to the Group’s accounting policies.

IFRS 12, Disclosure of Interest in Other Entities

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

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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. The standard resulted in additional disclosures about investments in associated companies.

New or revised standards or interpretations that are effective for the first time for the financial year beginning on 1 January 2014 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 Company's annual periods beginning on or after 1 January 2015, and which the Company has not early adopted. The Group is currently assessing given policies and their impact on the Group, as well as timing of implementing relevant changes.

IFRS 15, Revenue from Contracts with Customers.

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the amendments on its financial statements.

Disclosure Initiative – Amendments to IAS 1. The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Group is currently assessing the impact of the amendments on its financial statements.

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. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

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.

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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 as income in profit or loss statement.

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.

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 Notes 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 2014 (as well as at 31 December 2013), 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.

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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 31.12.2014 and 31.12.2013, 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 collectability 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.

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.

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In the context of these financial statements, inventories consist of spare parts that are being used in repair of the railway tanks and that do not meet property, plant and equipment recognition criterion.

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 |
| - Shock absorbers | 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.

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

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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 2014 (and as at 31 December 2013), 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

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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 (from 1.01.2015 20/80). 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 (from 1.01.2015 20/80)
Income tax on expenses not related to business activities	21/79 on expenses not related to business activities (from 1.01.2015 20/80)

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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.

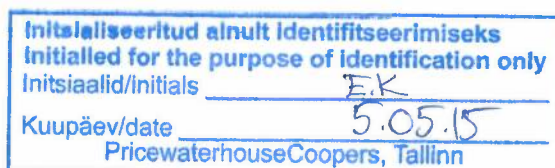
Note 2 Cash

(in thousands of euros)

	31.12.2014	31.12.2013
Bank accounts	530	1,213
Total cash	530	1,213

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:

Cash and cash equivalents (EUR thousand)	31.12.2014	31.12.2013
Aa3	11	244
A1	506	958
B2	14	12



Note 3 Receivables and prepayments

(in thousands of euros)

	31.12.2014	due in 12 months	Due in period from 1 to 5 years	Note
Trade receivables	6,292	6,292		
Accounts receivable	7,260	7,260		4
Allowance for doubtful receivables	-968	-968		
Prepaid and deferred taxes	0	0		6
Other receivables	3,656	15	3,641	
Loan receivables	3,641		3,641	
Interest receivables	15	15		
Prepayments	28	28		
Other prepayments	28	28		
Prepayments to suppliers	1,312	900	412	
Total receivables and prepayments	11,288	7,235	4,053	

	31.12.2013	due in 12 months	Due in period from 1 to 5 years	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		
Total receivables and prepayments	10,917	10,917		

Receivables from related parties are disclosed in Note 21.

Note 4 Trade receivables

(in thousands of euros)

	31.12.2014	31.12.2013	Note
Accounts receivable	7,260	8,835	
Receivables from non-related parties	7,260	8,835	
Allowance for doubtful receivables	-968	-396	
Total trade receivables	6,292	8,439	
Allowance for doubtful receivables			
Allowance for doubtful receivables at the beginning of the period	-396	-119	
Receivables deemed doubtful during the period	-1,126	-277	16
Receivables written-off	544	0	
Allowance for doubtful receivables at the end of the period	-968	-396	

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Breakdown of receivables by overdue period as at 31.12.2014 and 31.12.2013:

	31.12.2014	31.12.2013
a) Not overdue (no provision made)	4,026	4,504
b) Overdue (no provision made)		
Overdue up to 1 month	740	1,559
Overdue by 1 - 3 months	881	359
Overdue by 3 - 6 months	273	997
Overdue up to 1 year	35	1,020
Overdue more than 1 year	337	0
c) Provision made		
Overdue by 1 - 3 months	355	0
Overdue by 3 - 6 months	354	0
Overdue up to 1 year	24	0
Overdue more than 1 year	235	396

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 31.12.2014, doubtful receivables of the Group total EUR 968 thousand (2013: EUR 396 thousand). More information about overdue receivables is provided in Note 29.

Trade receivables include receivables that at the expiration of contracts are balanced with customer prepayment.

Note 5 Inventories

(in thousands of euros)

	31.12.2014	31.12.2013
Spare parts	418	976
Total inventories	418	976

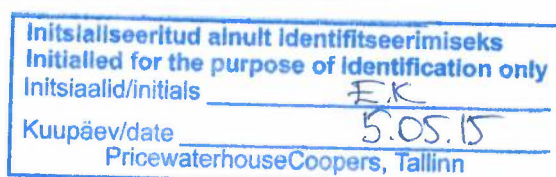
There were no inventory write-offs during the accounting period, as well as during 2013.

Note 6 Prepaid taxes and tax liabilities

(in thousands of euros)

	31.12.2014		31.12.2013	
	Prepayment	Liability	Prepayment	Liability
Corporate income tax	0	2	2	400
VAT	0	0	1	48
Personal income tax	0	33	0	40
Social security taxes	0	59	0	69
Mandatory funded pension	0	3	0	3
Unemployment insurance	0	3	0	4
Total prepaid taxes and tax liabilities	0	100	3	564

Potential liabilities arising from the tax audit are disclosed in Note 30.



Note 7 Shares of associates

(in thousands of euros)

Shares of associates, general information					
Commercial Registry no	Name	Domicile	Area of activity	Holding (%)	
				31.12.2014	31.12.2013
40003030219	Daugavpils Lokomotivu Remonta Rupnica (DLRR)	Latvia	Repair of railway cars and locomotives	25.27	25.27

Shares of associates, detailed information			
Name	31.12.2013	Profit/loss under the equity method	31.12.2014
Daugavpils Lokomotivu Remonta Rupnica (DLRR)	1,851	-239	1,612
Total	1,851	-239	1,612

Additional information is disclosed in Note 27.

Note 8 Property, plant and equipment

(in thousands of euros)

	Land	Buildings			Machinery and equipment	Other property, plant and equipment	Total
			Means of transportation	Other machinery and equipment			
31.12.2012							
Cost	163	289	179,628	275	179,903	287	180,642
Accumulated depreciation		-253	-33,396	-154	-33,550	-131	-33,934
Net book amount	163	36	146,232	121	146,353	156	146,708
Additions and improvements			42	30	72	1,578	1,650
Depreciation charge		-19	-6,450	-41	-6,491	-63	-6,573
31.12.2013							
Cost	163	289	179,670	305	179,975	1,866	182,293
Accumulated depreciation		-272	-39,846	-195	-40,041	-195	-40,508
Net book amount	163	17	139,824	110	139,934	1,671	141,785
Additions and improvements				198	198	268	466
Other additions and improvements				198	198	268	466

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Depreciation charge		-11	-6,437	-40	-6,477	-115	-6,603
Sales				-45	-45		-45
Reclassifications			332		332	-334	-2
Other reclassifications			332		332	-334	-2
Other movements			-599		-599		-599
31.12.2014							
Cost	163	290	179,403	458	179,861	1,800	182,114
Accumulated depreciation		-284	-46,283	-235	46,518	310	-47,112
Net book amount	163	6	133,120	223	133,343	1,490	135,002

Other movements for the accounting period include residual value of the railway tanks injured in a crash. As a result of receiving insurance damages in the amount of 990 thousand euros, net profit on railway tanks write-off amounts to 391 thousand of euros (Note 15).

Note 9 Finance lease

(in thousands of euros)

	31.12.2014	Division by due date		Interest rate	Underlying currency	Due date	Note
		due in less than 1 year	due between 1 and 5 years				
Finance lease liability	1	1		2.23% (6 month USD LIBOR)	USD	2015	
Total finance lease liabilities	1	1					11

	31.12.2013	Division by due date		Interest rate	Underlying currency	Due date	Note
		due in less than 1 year	due between 1 and 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	
Total finance lease liabilities	13,488	9,114	4,374				11

Carrying amount of leased assets

	31.12.2014	31.12.2013
Machinery and equipment	0	32,584
Total	0	32,584

As of 31.12.2014, the Group hasn't taken a capital lease of railcars (as of 31.12.2013: 1050 railcars). According to lease contract the Group doesn't have the right to sublease the property without the written consent of the lessor. All railcars taken under capital lease are subleased under operating leases' conditions (Note 10).

The agreements do not impose restrictions on the Group's dividend or financing, at the end of the contracts the right of ownership is transferred to the Group.

Unrealised financial expenses in the financial year amount to EUR 0,02 thousand (2013: EUR 372 thousand). As a result, the minimum amount of finance lease payments at year-end totals EUR 1 thousand with a term of up to 1 year (2013: 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).

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Note 10 Operating lease

(in thousands of euros)

Accounting entity as lessor

	2014	2013	Note
Lease income from operating leases	39,436	55,748	14

Future minimum lease expense under non-cancellable operating leases

	31.12.2014	31.12.2013	Note
in 12 months	10,994	26,664	
between 1-5 years	0	10,695	

Carrying amount of assets leased out

Machinery and equipment	133,120	139,824	8
Total	133,120	139,824	

As at 31.12.14 the Group is leasing out 7,686 railway tanks under operating lease terms (31.12.2013: 7,447 railway tanks).

Accounting entity as lessee

	2014	2013	Note
Operating lease expense	10,558	15,445	
Operating lease costs of future periods from the non-cancellable agreements			
	2014	2013	Note
During 12 months	2,254	8,536	
During 1-5 years	0	3,194	

As of 31.12.2014 the Group has taken 2,769 railway tanks under operating lease (as at 31.12.2013: 2,465 railway tanks). In addition, the Group has leased cars and office premises under operating lease terms.

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Note 11 Borrowings

(in thousands of euros)

	31.12.2014	Division by due date			Interest rate	Underlying currency	Due date	Note
		due in less than 1 year	due between 1 and 5 years	due after 5 years				
Total finance lease liabilities	1	1					9	
Total borrowings	1	1						
	31.12.2013	Division by due date			Interest rate	Underlying currency	Due date	Note
		due in less than 1 year	due between 1 and 5 years	due after 5 years				
Short-term loans								
Loan from Group entity	2,188	2,188		3%	USD	2014	21	
Total short-term loans	2,188	2,188						
Total finance lease liabilities	13,488	9,114	4,374				9	
Total borrowings	15,676	11,302	4,374					

Carrying amount of pledged assets

	31.12.2014	31.12.2013
Machinery and equipment	6,569	32,584
Total	6,569	32,584

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

As at 31.12.2014, the fair value of borrowings (IFRS 13: Level 3) was EUR 1 thousand (31.12.2013: EUR 15,676 thousand).

Note 12 Payables and prepayments

(in thousands of euros)

	31.12.2014	due in 12 months		Note
Trade payables	2,478	2,478		21
Employee payables	48	48		
Tax liabilities	100	100		6
Other payables	189	189		
Other accrued expenses	189	189		
Customer prepayments	52	52		
Total payables and prepayments	2,867	2,867		

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	31.12.2013	due in 12 months	Note
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	
Total payables and prepayments	5,354	5,354	

Note 13 Share capital

(in thousands of euros)

	31.12.2014	31.12.2013
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 2014 was EUR 145,894 thousand (2013: EUR 135,624 thousand).

The Group's retained earnings as at 31 December 2014 amounted to EUR 145,894 thousand (2013: EUR 135,624 thousand). From 01.01.2015 the payment of dividends to the shareholder involves is followed by paying income tax 20/80 (before 1.01.2015: 21/79) from the net amount of dividends. So as at the balance sheet date, it is possible to pay out dividends to the shareholders in the amount of EUR 116,715 thousand (2013: EUR 107,143 thousand) and the corresponding income tax would amount to EUR 29,179 thousand (2013: EUR 28,481 thousand).

No dividend payment decision has been taken during the accounting period and no repayments to the shareholders have been made. In 2013 owners received EUR 5,988 thousand in net dividends which includes the income tax on dividends in the amount of EUR 1,592 thousand.

Note 14 Revenue

(in thousands of euros)

	2014	2013	Note
Revenue by geographic location			
Revenue from EU countries			
Estonia	2,961	5,373	
Finland	86	238	
Belgium	567	875	
Other EU countries	4	323	
Total revenue from EU countries	3,618	6,809	
Revenue from non-EU countries			
Russia	23,074	33,631	
Kazakhstan	8,938	10,545	
British Virgin Islands	170	858	
Georgia	4,768	4,462	

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Other non-EU countries	0	16	
Total revenue from non-EU countries	36,950	49,512	
Total revenue	40,568	56,321	
Revenue by areas of activity			
Lease of rolling stock	39,436	55,748	10
Other revenue	1,132	573	
Total revenue	40,568	56,321	

Other revenue includes profit from forwarding services in the amount of 787 thousand euros (2013: 198 thousand euros), management and software exploitation fees in the amount of 329 thousand euros (2013: 306 thousand euros) and other revenues in the amount of 16 thousand euros (2013: 69 thousand euros).

Note 15 Other income

(in thousands of euros)

	2014	2013
Profit on disposal of property, plant and equipment	391	0
Other	34	0
Total other income	425	0

Residual value of the railway tanks injured in a crash during the accounting period amounted to 599 thousand euros (Note 8).

As a result of receiving insurance damages in the amount of 990 thousand euros, net profit on railway tanks write-off amounts to 391 thousand euros.

Note 16 Other operating expenses (in thousands of euros)

	2014	2013
Expenses related to lease and maintenance of rolling stock	15,095	19,976
Staff costs	2,371	3,162
Other operating expenses	2,670	2,627
Customs expenses	131	1,272
Administration costs	1,080	1,114
Impairment charge for receivables	1,125	277
Other	1,130	0
Total other operating expenses	23,602	28,428

Sublease agreement entered into with a Related party was subject for an additional agreement, according to which the Group beard to some extent the credit losses arisen from the initial agreement. Expenses in the amount of 1,130 thousand euros were recognized in 2014.

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Note 17 Staff costs

(in thousands of euros)

	2014	2013
Wages and salaries	1,743	2,320
Social security tax	592	789
Vacation payables	36	52
Total staff costs	2,371	3,161
Average number of employees in full-time equivalent units	18	18

Note 18 Other expenses

(in thousands of euros)

	2014	2013
Foreign exchange losses	0	295
Other	19	-60
Total other expenses	19	235

Note 19 Interest expenses

(in thousands of euros)

	2014	2013	Note
Interest expenses from loans	25	13	21
Interest expenses from finance lease	164	690	
Total interest expenses	189	703	

Note 20 Other finance income and expenses

(in thousands of euros)

	2014	2013	Note
Foreign exchange gains (losses)	-86	548	
Interest income from loans granted	15	0	21
Total interest expenses	-71	548	

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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

	31.12.2014		31.12.2013	
	Receivables	Receivables	Receivables	Payables
Trade receivables (group entities)	1,062		1,317	
Trade receivables (other related entities)	63		40	
Other receivables (group entities)			296	
Other receivables (other related entities)	644		324	
Trade payables (group entities)		1,526		2,057
Trade payables (other related entities)		379		450
Other liabilities (group entities)		0		0
Borrowing (group entities)				2,188
Loan receivables (group entities)	3,641			
Interest receivables (group entities)	15			
Interest payables (group entities)		13		

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

	2014	2013
Remuneration	392	384

Upon expiration or premature termination of an employment contract, the members of the Management Board are not paid any compensation. No impairment loss from receivables from related parties was recognized in the reporting period or in the comparative period.

In the financial year, sale transactions made with related parties totalled EUR 8,795 thousand (2013: EUR 12,223 thousand), incl.:

<i>EUR thousand</i>	2014	2013
Lease of rolling stock (group entities)	8,464	11,355
Lease of rolling stock (other related entities)	0	15
Other services (group entities)	152	681
Other services (other related entities)	163	172
Interest income (group entities)	15	0

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In the financial year, purchase transactions made with related parties totalled EUR 11,754 thousand (2013: EUR 12,635 thousand), incl.:

<i>EUR thousand</i>	2014	2013
Lease of rolling stock (group entities)	4,436	10,130
Lease of rolling stock (other related entities)	4,971	1,021
Maintenance of rolling stock (group entities)	695	307
Maintenance of rolling stock (other related entities)	1 422	664
Other services (group entities)	96	0
Other services (other related entities)	109	499
Interest expense (group entities)	25	13

Loan transactions made with Group entities during the financial year:

<i>EUR thousand</i>	2014	2013
Loans granted	3,641	0
Interest received	15	0
Loans received	0	2,221
Repayments of loans received	2,221	0
Paid interest	13	0

Interest rate of the loan granted to the related party is 2.28%, underlying currency is USD and due date is 2017.

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Note 22 Unconsolidated balance sheet

(in thousands of euros)

	31.12.2014	31.12.2013
Assets		
Current assets		
Cash	483	1,170
Receivables and prepayments	6,423	7,555
Inventories	418	975
Total current assets	7,324	9,700
Non-current assets		
Investments into subsidiaries and associates	686	686
Receivables and prepayments	4,051	0
Property, plant and equipment	135,002	141,786
Total non-current assets	139,329	142,472
Total assets	147,063	152,172
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	1	11,290
Payables and prepayments	2,085	2,082
Total current liabilities	2,086	13,372
Non-current liabilities		
Borrowings	0	4,374
Total non-current liabilities	0	4,374
Total liabilities	2,086	17,746
Equity		
Share capital at nominal value	80	80
Statutory reserve capital	8	8
Retained earnings (accumulated losses)	134,338	115,072
Profit (loss) for financial year	10,551	19,266
Total equity	144,977	134,426
Total liabilities and equity	147,063	152,172

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Note 23 Unconsolidated income statement

(in thousands of euros)

	2014	2013
Revenue	34,587	40,653
Other income	373	21
Other operating expenses	-21,962	-19,108
Other expenses	-2,264	-568
Total operating profit (loss)	10,734	20,998
Other finance income and expenses	-183	-141
Profit (loss) before income tax	10,551	20,857
Corporate income tax	0	-1,591
Net profit (loss) for the financial year	10,551	19,266

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Note 24 Unconsolidated statement of cash flows

(in thousands of euros)

	2014	2013
Cash flows from operating activities		
Operating profit (loss)	10,734	20,998
Adjustments:		
Depreciation and impairment charges	6,603	6,574
Profit (loss) on disposal of property, plant and equipment	-391	0
Total adjustments	6,212	6,574
Change in receivables and prepayments related to operating activities	1,557	-1,211
Change in inventories	557	-139
Change in payables and prepayments related to operating activities	3	204
Interest paid	-202	-690
Net cash generated from operating activities	18,861	25,736
Cash flows from investing activities		
Purchase of property, plant and equipment	-878	-1,651
Proceeds from sale of property, plant and equipment	1,040	0
Loans granted	-3,521	0
Net cash used in investing activities	-3,359	-1,651
Cash flows from financing activities		
Loans received	0	2,222
Repayments of loans received	-2,193	0
Repayments of finance lease principal	-13,856	-23,461
Dividends paid	0	-5,989
Corporate income tax paid	-398	-1,194
Net cash used in financing activities	-16,447	-28,422
Total cash flows	-945	-4,337
Cash and cash equivalents at the beginning of the year	1,170	5,592
Net increase in cash and cash equivalents	-945	-4,337
Effect of exchange rate changes	258	-85
Cash and cash equivalents at the end of the year	483	1,170

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Note 25 Unconsolidated statement of comprehensive income

(in thousands of euros)

	2014	2013
Net profit (loss) for the financial year	10,551	19,266
Total comprehensive profit (loss) for the financial year	10,551	19,266

Note 26 Unconsolidated statement of changes in equity

(in thousands of euros)

	Share capital	Statutory reserve capital	Retained earnings (accumulated losses)	Total
Balance as of 31.12.2012	80	3	121,066	121,149
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
Balance as of 31.12.2013	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
Adjusted unconsolidated equity as of 31.12.2013				135,711
Adjusted balance as of 31.12.2013	80	8	134,338	134,426
Net profit (loss) for the financial year			10,551	10,551
Balance as of 31.12.2014	80	8	144,889	144,977
Carrying amount of investments under control and significant influence				-686
Value of investments under control and significant influence under the equity method				1,691
Adjusted unconsolidated equity as of 31.12.2014				145,982

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Note 27 Investments in associated company

Below are presented non-audited financial information of the associated company for financial year 2014; based on the Group's Management best estimation, no major changes will take place and the presented information reflects financial position of the company correctly in all material respects. Financial information of the associated company has been adjusted, taking into account the Group's accounting policies.

Shares of associated company, general information		12/31/14	12/31/13
Associated company's registration number	nr 40003030219		
Associated company's name	Daugavpils Lokomotivu Remonta Rupnica (DLRR)		
Country of location	Latvia		
Main activity	Repair of railway cars and locomotives		
% of ownership interest		25.27	25.27
Value of investment, based on the stock exchange prices	NASDAQ OMX	633	1,042

Shares traded at the stock exchange make only 12% of the company's share capital and total volume of transactions that took place during the financial year is too small in order to state that the value of investment calculated based on the stock exchange prices reflects the actual fair value of the investment. The Management estimates that the fair value of this investment does not differ materially from the carrying amount presented in the Group's consolidated balance sheet.

Summarised balance sheet	12/31/14	12/31/13
Current assets	11,388	10,436
Current liabilities	10,918	10,044
Non-current assets	13,629	10,481
Non-current liabilities	7,780	3,549
Net assets	6,318	7,325

Summarised income statement	2014	2013
Revenue	20,151	25,632
Profit before tax	-1,081	-242
Profit (loss) from continuing operations	-1,081	-242
Total consolidated profit (loss) for financial year	-1,081	-242

Reconciliation of summarised financial information	2014	2013
Net assets as at 01.01.2014	7,325	7,567
Total consolidated profit (loss) for financial year	-1,081	-242
Other adjustments	136	0
Net assets as at 31.12.2014	6,379	7,325
% of ownership interest	25.27%	25.27%
Interest in associated company	1,612	1,851
Carrying value	1,612	1,851

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Note 28 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.

31.12.2014	USD	EUR	Other currencies	Total
Cash (Note 2)	502	2	27	530
Trade receivables (Note 4)	4,663	48	1,582	6,293
Other receivables	3,656	0	0	3,656
Borrowings (Note 11)	1	0	0	1
Trade payables (Note 12)	1,728	62	687	2,478
Total net position	7,091	-13	922	8,000

31.12.2013	USD	EUR	Other currencies	Total
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

Other currencies include trade receivables and payables in Russian roubles. Trade receivables in Russian roubles have been repaid by the moment of composing these financial statements, therefore currency exchange rates fluctuations does not affect significantly the Group's financial results.

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 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.

Based on the movements and volatility of the variables presented below in previous periods as well as management's knowledge and experience of the financial markets, the Group considers the following changes reasonable over the following 12 months.

- Proportionate movement in the USD exchange rate: 10% appreciation of USD (depreciation of EUR) and 10% depreciation of USD (appreciation of EUR).
- Parallel change by +100 basis points / -100 basis points in the interest rates of the USD credit market as compared to the rates prevailing at 31.12.2014. Change by +100 basis points / -100 basis points in the interest rates of the USD credit market as compared to the rates prevailing at 31.12.2013.

The following table presents the effects of currency and interest rate risks on the Group's operations.

	31.12.2014	Currency risk		Interest rate risk	
		USD appreciates 10%	USD depreciates 10%	Interest rate increases 100 basis points	Interest rate decreases 100 basis points
	Carrying amount	Effect on net profit	Effect on net profit	Effect on net profit	Effect on net profit
Financial assets	8,820				
Total effect from financial assets		882	-882	0	0
Financial liabilities	1,729				
Total effect from financial liabilities		-173	-173	-78	78
Total effect on net profit		709	-709	-78	78

	31.12.2013	Currency risk		Interest rate risk	
		USD appreciates 10%	USD depreciates 10%	Interest rate increases 100 basis points	Interest rate decreases 100 basis points
	Carrying amount	Effect on net profit	Effect on net profit	Effect on net profit	Effect on net profit
Financial assets	12,117				
Total effect from financial assets		842	-842	0	0
Financial liabilities	19,335				
Total effect from financial liabilities		-1,733	1,733	-89	89
Total effect on net profit		-891	891	-89	89

If as at 31.12.2014, the EUR exchange rate had appreciated against the USD by 10%, and all other variables had remained constant, the net profit for the reporting period would have been EUR 709 thousand (2013: EUR 891 thousand) higher, primarily related to the revaluation of USD loans, offset by costs in USD from revaluation of cash and receivables. And vice versa, if the EUR exchange rate had depreciated against the USD and all other variables had remained constant, the net profit for the reporting period would have been EUR 709 thousand (2013: EUR 891 thousand) lower.

If as at 31.12.2014, the interest rate in the USD credit market had been 100 basis points (2013: 100 basis points) higher and all other variables had remained constant, the net profit for the financial year would have been EUR 78 thousand (31.12.2013: EUR 89 thousand) lower.

If as at 31.12.2014, the interest rates in the USD credit market had been 100 basis points (2013: 100 basis points) lower and all other variables had remained constant, the net profit for the financial year would have been EUR 78 thousand (31.12.2013: EUR 89 thousand) higher.

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In the financial year and in 2013 the Group did not use overnight deposit.

Information about the Group's exposure to the risk of interest rate changes is disclosed in Note 9.

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 has limited number of customers; consequently, concentration of credit risk may be high. Monitoring credit risk is an important task of the Management and related estimates are disclosed in Note 29. However, the Group's sales transactions are concluded with 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. Two-week payment terms are valid for the buyers, providing fast feedback to the Group in case of payment difficulties and enabling the Group to apply measures on time to collect the accounts receivable according to the original terms of receivables (Analysis of receivables is disclosed in Note 4).

The Group has issued a financial guarantee against the loan taken by the entity belonging to the Group of the ultimate parent (Spacecom Trans AS): the fulfillment of the obligations of Spacecom Trans AS arisen from the loan contract is secured by on demand guarantee in the amount of 33,750 thousand USD. The maximum credit risk arising from the financial guarantee amounts to EUR 1 thousand EUR as at 31 December 2014 (10 340 thousand EUR as at 31 December 2013).

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
As at 31.12.2014					
Financial guarantees	1	0	0	1	0
Borrowings (Note 11)	0	1	0	1	1
Trade payables (Note 12)	1,250	1,228	0	2,478	2,478
Total cash flows related to financial obligations	1,251	1,229	0	2,480	2,479

	Up to 3 months	Between 4 months and 1 year	Between 1 and 5 years	Total undiscounted cash flows	Carrying amount
As at 31.12.2013					
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
Total cash flows related to financial obligations	15,942	9,661	4,510	30,113	19,335

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 0.8237 prevailing at 31.12.2014 (31.12.2013: USD 1 =EUR 0.7251) has been used for computation of future cash flows.

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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*.

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.

	31.12.2014	31.12.2013
Total borrowings	1	15,676
Less: cash and cash equivalents	-530	-1,213
Net debt	529	14,463
Total equity	145,982	135,699
Total capital	145,453	150,162
Financial leverage	-0.36%	10%

Borrowings include loans received, 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 31.12.2014 and 31.12.2013. 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 29 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: Valuation of doubtful receivables (Note 4), Evaluation of useful lives of property, plant and equipment (Note 8), Impairment of property, plant and equipment (Note 8) and Provisions and contingent liabilities (Note 30).

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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. In the reporting period, the Company has recognised EUR 968 thousand receivables as irrecoverable (31.12.2013: EUR 396 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. At the date of preparing these financial statements, receivables from one particular customer in the amount of 2,385 thousand euros have still not been repaid (partially recognised as "Not overdue" as at 31 December 2014). Non-repaying the invoices by the Group's customer relates to negotiation process of potential sales tender; clarity regarding the tender was obtained by the end of April 2015. The Group is not going to continue its cooperation with the customer and all the issued invoices are subject for repayment. The Group's management does not see any indications that the receivable needs to be impaired: this is a going concern customer with good financial results; the agreement concluded between the parties has been properly fulfilled by the Group and therefore there are no doubts regarding the Group's legal right towards getting the money from the customer. The Group's management estimates that the receivable will be fully repaid by the end of the second quarter of 2015.

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 (2013: EUR 6.6 million). If the depreciation rates are increased/reduced by 10%, the annual depreciation charge will increase/decrease by approximately EUR 0.66 million (2013: depreciation would increase/decrease by about EUR 0.66 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.

Taking into account the business environment impacts (see "Business environment impacts" below in this Note) and estimated future cash flows earned by property, plant and equipment, Management does not see any impairment indication of the Group's property, plant and equipment neither as at 31 December 2014, nor as at 31 December 2013. Moreover, the Group has repaid all its borrowings by 31 December 2014 (see Note 9) and there will be no interest expenses in future.

Business environment impacts

During 2014 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. This adversely affects the debtors of the Company, which could in turn impact their ability to repay the amounts owed. Deteriorating operating and economic conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments; however management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in

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the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and development of the Company's business in the current circumstances.

Contingent liabilities

In estimating the probability of realisation of contingent liabilities, the management considers historical experience, general information about the economic and social environment, and the assumptions and conditions of possible future events based on the best knowledge of the situation (see Note 30).

Note 30 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 2006-2014. 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.

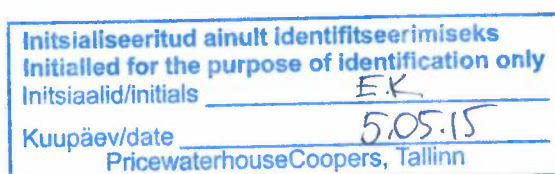
Financial guarantees issued

As at 31 December 2014, 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 Spcecom Trans that is secured by the Group, because AS Spacecom Trans is able to meet its obligations. The maximum credit risk arising from the financial guarantee is disclosed in Note 28.

Note 31 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). As at 31.12.14 Group's current liabilities did not exceed current assets.

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



Signatures of the Management to the 2014 Annual Report

Signing of AS SPACECOM 2014 annual report on May 5 2015:

/signed/

Member of the Management Board
Oleg Ossinovski

/signed/

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 2014 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 2014, 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

/signed/

Tiit Raimla
Auditor's Certificate No. 287

/signed/

Jüri Koltsov
Auditor's Certificate No. 623

5 May 2015

** 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.*