AKCINĖ BENDROVĖ
"LIETUVOS JŪRŲ LAIVININKYSTĖ"

PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

To: The Bank of Lithuania
Žirmūnų str. 151,
LT-09128 Vilnius,
Lithuania

2014-11-17 Nr. (01)-5- 232
Klaipėda

Į Nr.

CONFIRMATION BY THE RESPONSIBLE PERSONS OF PUBLIC COMPANY "LITHUANIAN SHIPPING COMPANY"

Following the Rules of Preparation and Submission of Periodic and Supplemental of the Securities Commission of the Republic of Lithuania as well as the Law on Securities of the Republic of Lithuania, Item 22, we hereby confirm that, to the best of our knowledge Financial statements for the ended 30 September 2014, drawn in accordance with the International Financial Reporting Standards, corresponds to the reality and properly reflects the assets, liabilities, financial state, profit or loss and cash flows of Public Company "Lithuanian Shipping Company".

Public Company "Lithuanian Shipping Company"
General Director
Audronis Lubys

Public Company "Lithuanian Shipping Company"
Chief Accountant
Arvydas Stropus

Malūnininkų g. 3, LT-92264 Klaipėda, tel. +370 46 393 105, faks. +370 46 393 119
Duomenys kaupiami ir saugomi Juridinių asmenų registre,
kodas 110865039, PVM mokėtojo kodas LT108650314

Public Company
Lithuanian Shipping Company

Financial statements for the nine month 2014

Content

Company details

Public Company Lithuanian Shipping Company

Telephone: +370 46 393105

Telefax: +370 46 393119

Company code: 110865039

Address: Malūnininkų St.3, Klaipėda

Supervisory Council

Tomas Karpavičius (Chairman)
Ona Barauskienė
Saulius Kerza
Laimutė Tinglum
Gytis Kaminskas

Board of Directors

Saulius Girdauskas (Chairman)
Andrius Šniuolis
Eglė Vyšniauskaitė
Mindaugas Utkevičius
Stepas Telešius

Management

Audronis Lubýs, General Director
Arvydas Stropus, Chief Accountant

Banks

AB SEB Bankas
AB DNB Bankas

(in thousand Litas, unless stated otherwise)

Statement of financial position

As at 30 September 2014

	Notes	30-06-2014	31-12-2013	30-06-2012
				(restated)
Intangible assets	2	-	1	11
Tangible assets	1	123.361	142.165	202.902
Total non-current assets		*123.361*	*142.166*	*202.913*
Inventories	3	4.356	4.101	4.194
Assets held for sale	4	2.628	10.327	-
Prepayments	3	691	833	2.288
Trade receivables	5	1.567	2.721	3.784
Other receivables	5	997	1.344	1.142
Cash and cash equivalents	6	163	1.602	52
Total current assets		*10.402*	*20.928*	*11.460*
Total assets		*133.763*	*163.094*	214.373
Share capital	7	82.867	200.901	200.901
Legal reserve		-	-	-
Other reserves		-	-	-
Retained profit (loss)		(16.797)	(119.081)	(68.665)
Total equity	*22*	*66.070*	*81.820*	*132.236*
Non-current employee benefits	9	414	414	-
Payables to credit institutions	8	-	-	59.853
Total non-current liabilities		*414*	*414*	59.853
Current part of non-current loans	8	44.310	52.819	1.420
Trade payables	11	16.085	18.232	10.578
Received prepayments	11	2.254	3.043	3.961
Employment related liabilities	10	4.421	6.431	3.327
Income tax liabilities		-	66	50
Other payables	11	209	269	2.948
Total current liabilities		*67.279*	*80.860*	*22.284*
Total shareholders' equity and liabilities		*133.763*	*163.094*	*214.373*

The notes set out on pages 6-23 form an integral part of these financial statements

General Director — Audronis Lubys

Chief Accountant — Arvydas Stropus

(in thousand Litas, unless stated otherwise)

Statement of comprehensive income

As at 30 September 2014

	Past. Nr.	2014 January-September	2013 January-September	2014 July-September	2013 July-September
Sales	13	53.662	72.129	16.873	24.328
Cost of sales	14	(59.132)	(79.664)	(20.535)	(26.440)
Gross result		**(5.470)**	**(7.535)**	**(3.662)**	**(2.112)**
Administrative expenses	15	(3.266)	(3114)	(1.053)	(925)
Impairment of vessels		-	-	-	-
Distribution expenses		(5)	(5)	(1)	(4)
Other operating income	16	15.572	8	5.157	2
Other operating expenses	16	(16.945)	(5)	(6.565)	-
Operating result		**(10.114)**	**(10.651)**	**(6.124)**	**(3.039)**
Financial income	17	-	1.007	-	2.189
Financial expenses	17	(5.636)	(1.569)	(4.032)	563
Net financial expenses	**17**	**(5.636)**	**(562)**	**(4.032)**	**1.627**
Profit (loss) before tax		(15.750)	(11.213)	(10.156)	(1.412)
Income tax expenses		-	-	-	-
Profit (loss) for the year		**(15.750)**	**(11.213)**	**(10.156)**	**(1.412)**
Other comprehensive income		-	-	-	-
Total comprehensive income, net of tax		**(15.750)**	**(11.213)**	**(10.156)**	**(1.412)**
Basic and diluted earnings (loss) per share (in Litas)	18	(0.190)	(0.056)	(0,123)	(0.007)

The notes set out on pages 6- 23 form an integral part of these financial statements.

General Director Audronis Lubys

Chief Accountant Arvydas Stropus

(in thousand Litas, unless stated otherwise)

Statement of changes in equity

As at 30 September 2014

	Authorized capital	Legal reserve	Other reserves	Retained earnings (losses)	Total
Balance at 31-12-2012 (restated)	**200.901**			**(77.932)**	**122.969**
Net profit (loss) for 30.09.2013				(11.213)	(11.213)
Reserves used				-	-
Balance at 30-09-2013 (restated)	**200.901**			**(89.145)**	**111.756**
Net profit (loss) for 31.12.2013				(41.149)	(41.149)
Other comprehensive income, net of taxes				-	-
Reserves used				-	-
Balance at 31-12-2013	**200.901**			**(119.081)**	**81.820**
Net profit (loss) for 30.09.2014				(15.750)	(15.750)
Decrease of the authorised capital	*(118.034)*			118.034	-
Reserves used				-	-
Balance at 30.09.2014	**82.867**			**(16.797)**	**66.070**

The notes set out on pages 6-23 form an integral part of these financial statements.

General Director Audronis Lubys

Chief Accountant Arvydas Stropus

(in thousand Litas, unless stated otherwise)

Statement of cash flows

As at 30 September 2014

Items	Notes	30-09-2014	30-09-2013
Cash flows from operating activity			
Net loss for the period		(15.750)	(11.214)
Adjustments for:			
Depreciation and amortization	1,2	10.113	13.358
Effects of exchange rate changes on loans	8	3.566	(1.021)
Gain (loss) on disposal and write down of property, plant and equipment		(63)	4
Impairment losses on vessels		-	-
Impairment of assets available for sale		1.915	-
Interest income/expenses, net	18	1.510	1.569
Income tax expense		-	-
Operating cash flows before changes in working capital		**1.291**	**2.696**
Decrease (increase) in receivables	4	1.643	(4.443)
Increase (decrease) in payables	10, 11	(5.008)	7.819
Decrease (increase) in inventories	3	(255)	288
Cash flows generated from operating activities		**(2.329)**	**6.360**
Income tax paid		(66)	-
Net cash flows from operating activities		***(2.395)***	***6.360***
Cash flows from investing activities			
Acquisitions of non-current assets	1,2	(487)	(5.152)
Disposals of non-current assets	2,16	15.028	-
Received dividends and interest		-	-
Net cash flows from investing activities		**14.541**	**(5.152)**
Cash flows from financing activities			
Interest paid	17	(1.510)	(1.570)
Dividends paid to shareholders		-	-
Repayments of loans	8	(12.075)	-
Net cash flow from financing activities		***(13.585)***	***(1.570)***
Change in cash and cash equivalents		***(1.439)***	***(362)***
Cash and cash equivalents at 1 January		***1.602***	***369***
Cash and cash equivalents at 30 September	6	***163***	***7***

The notes set out on pages 6-23 form an integral part of these financial statements

General Director Audronis Lubys

Chief Accountant Arvydas Stropus

(in thousand Litas, unless stated otherwise)

Notes to financial statements as at 30 September 2014

I. Reporting entity

Public Company Lithuanian Shipping Company (LSC) is a joint-stock company established after reorganizing (desintegration) Public Company Lithuanian Shipping Company (LISCO). LSC was registered in the Registry of Legal Entities, certificate No. 027245, on 27 June 2001 and was assigned with the company code 110865039. LSC is located at: Malūnininkų St. 3, Klaipėda. Main activities of the Company are sea freight and lease of vessels.

Management bodies of the Company are: the General Meeting of Shareholders, the Supervisory Board, the Board of Directors and the Chief Executive Officer.

As at 30 September 2014 there were 277 employees in the Company, 26 of them worked in management divisions and 251 in the fleet. As at 30 September 2013 there were 346 employees, 30 of them worked in management divisions and 316 in the fleet.

The shareholder structure as at 30 September 2014 was as follows:

	30-09-2014		30-09-2013	
	Number of shares	Ownership percent	Number of shares	Ownership percent
Ministry of Transport and Communication of the Republic of Lithuania	46.953.531	56,66	113.833.000	56,66
Swedbank AS (Estonia)	256.037	0,31	10.540.063	5,25
DFDS TOR LINE A/S	4.581.970	5,53	11.108.420	5,53
Other minor shareholders	31.075.662	37,50	65.419.813	32,56
Total:	**82.867.200**		**200.901.296**	

Ordinary shares of the Company are quoted at NASDAQ OMX Vilnius.

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis of preparation

The financial statements are prepared on the historical cost basis and in accordance with the accounting records maintained as to Lithuanian accounting laws and regulations.

Functional and presentation currency

The financial statements are presented in the national currency Litas, which is the Company's functional currency. All the figures presented in the financial statements are rounded to the nearest thousand, unless stated otherwise.

Foreign currency

Transactions in foreign currencies are translated into Litas at official exchange rates set by the Bank of Lithuania. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the end of reportig period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Since 2 February 2002, the Litas has been pegged to the Euro at the rate of LTL 3.4528 = EUR 1. At the end of reporting period all transactions in EUR were translated into LTL at a fixed exchange rate of 1 EUR = 3.4528 LTL, set by the Bank of Lithuania, and the invoices in USD were restated at the exchange rate of 1 USD = 2.7208 LTL.

Foreign exchange differences arising on translation of foreign currencies into LTL or re-translation of item denominated in foreign currencies are recognised as financial income or financial costs for the period in which they were incurred.

Financial instruments

(a) Non-derivative financial instruments

Loans and receivables as well as deposits are initially stated at the date of their origination. All other financial assets are initially stated at the date of transaction, when the Company becomes a party under the contractual terms of a financial instrument.

Financial assets are derecognised upon expiry of the rights to receive cash flows from the asset or upon transfer of the rights to receive cash flows from the asset when all the risks and rewards of the asset are transferred. Any benefit retained or created by the Company, related to the transferred financial asset, is recognised as a separate asset or liability.

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when the Company has a legal right to make such a set off and intends either to settle on a net basis or to dispose that asset and settle the liability simultaneously.

Significant accounting principles

Loans and receivables

Receivables of the Company are not traded in an active market. They are included in current assets except for maturities greater than 12 months. Trade receivables are initially recognized at fair value. Loans and other receivables are initially recognized at fair value, plus transaction costs that are directly attributable to the acquisition. Subsequently, receivables are measured at amortized cost using the effective interest rate method, less impairment, if any. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. Short-term receivables are not discounted.

Cash and cash equivalents

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

In the statement of cash flows cash and cash equivalents include cash on hand, cash at banks, deposits in current accounts with the maturity of less than 3 months, and deposits. Unrealised gain and losses, arising from currency exchange differences, are not cash flows. However, an effect of the currency exchange differences on cash and cash equivalents, held or payable in foreign currency, is presented in the statement of cash flows in order to compare cash and cash flows in the beginning and at the end of the period. The amount is presented separately from the cash flows from ordinary, investing and financing activities, and includes currency exchange differences, if any, recorded on these cash flows at the end of the period.

Borrowing costs

Borrowing costs are either recognised as costs when incurred, or are capitalised depending on the purpose of borrowing. The Company capitalises its borrowing costs, which are directly attributable to acquisition, construction or production of qualifying assets, as part of cost of such assets.

Ordinary shares

Ordinary shares are classified as equity. Additional costs, directly attributable to issue of ordinary shares and share options, are stated as deduction from equity net of any tax effects.

Property, plant and equipment

In the financial statements all economic resources held by the Company are recognised as assets provided the Company expects to benefit from the use of these resources and they have the value that can be reliably measured.

Items of property, plant and equipment are stated at actual acquisition cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour costs and an appropriate proportion of production overheads.

Costs incurred during regular dock surveys of ships are accounted as separate component of non-current tangible asset. The value of repair works of non-current tangible asset that do not improve qualities of the asset for a few years (and the repair costs will not produce economic benefits in the future) are recognised as costs at the time in which they are performed.

Depreciation is calculated from the first day of the next month after an item of property, plant and equipement is put into operation, and is not calculated from the first day of the next month after its retirement or disposal, and when the total value of the used asset (less residual value) is transferred to the cost of production (works, services). Tangible non-current assets are depreciated on a stright-line basis over the useful life of each component of the asset. Dock survey and repair costs are depreciated over the period until the next dock survey (repair).

Property groups	**Useful lives (in years)**
Vessels	30 years since construction
Machines and equipment	7 – 16
Repair of vessels	2 – 3
Buildings and plant	15
Other vehicles	6 – 10
Other tangible assets	4

The Company capitalises borrowing costs directly related to acquisition, construction or production of a related asset under cost of the asset. In 2014 and 2013 the borrowing costs were not capitalised.

The management establishes useful lives of property, plant and equipment at the time of acquisition, and later reviews them on annual basis. A useful lifetime is determined based on past experience and anticipated future events that can have influence on the time of useful service. It can be changed if there is reason to believe that the remaining useful life time does not reflect the physical condition and the economic usage of the asset. The Company reviews useful lives, residual values and depreciation methods on annual basis.

Intangible assets

Computer software and other intangible assets with the definite period of usage are stated at cost less accumulated amortization and impairment losses. Amortization is provided on a straight-line basis over the useful life of an asset. Non-current intangible assets are amortised within the period of 3 years.

Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities), that are expected to be recovered primarily through sale rather than through continuing use, are classified as non-current assets held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured. Thereafter generally the assets, or parts of disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses are initially attributed to goodwill and subsequently to remaining assets and liabilities in proportion, other than inventories, financial assets, deferred tax asset, and employee benefits.

Impairment losses are continued to be calculated in accordance with the accounting policies of the Company. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Reversal income of impairment losses are not recognized in excess of any cumulative impairment loss.

Inventories

Inventories are recognized at the lower of the acquisition cost or net realizable value. Cost of inventories is calculated based on the FIFO method. Net realizable value is estimated as expected selling price less selling expenses.

When inventories are purchased from other parties, their acquisition cost is their purchase price combined with all purchase-related taxes (customs duties, etc.), transportation, preparation for use and other costs directly attributable to acquisition, less received discounts and rebates. When the amounts of inventory transportation and preparation for usage are insignificant or constant for several reporting periods, they are written off to operating expenses rather than included into the cost of purchase.

Dividends

Dividends are stated as a liability for the period in which they are declared.

Provisions

Provisions on obligations are accounted only when the Company has legal obligation or irrevocable commitment as a result of the past events; and it is probable that an outflow of resources embodying economic benefits will be required to settle it; and the amount of obligation can be measured reliably. Provisions are reviewed at each balance sheet date and adjusted to reflect the most accurate current estimates. When the time effect on the value of money is significant the amount or provision is equal to the current value of outflows which are expected to be required for the settlement of obligation. When the discounting is used, an increase in provision reflecting the past period is recognised as interest expenses.

Employee benefits

Short-term employee benefits are recognized as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, vacation payouts, compensation for the first two days of illness, bonuses, allowances, severance payments, vacation accruals, which are recognized as costs when an employee has fulfilled his duties in exchange to the received allowance.
Pursuant to the Labour Code of the Republic of Lithuania, each employee leaving the Company at the age of retirement is paid a single two-month salary.

Cost of the current part of employee benefits is immediately recognised as costs in the statement of comprehensive income. The past service costs are recognised as an expense in equal instalments over the average period until the benefits become vested. Gains or losses resulting from changes in benefit terms (reduction or increase) are recognised immediately in profit or loss.

The employee benefit liability is recognised in the statement of financial position and reflects the present value of the benefits as at the date of the statement of financial position.

Transactions with related parties

The Company has decided not to disclose transactions with the state institutions as provided for in IAS 24.

Segment reporting

Operating segments are segments that meet the criteria set for operating segments on which the Company receives financial information, regularly reviewed by the management who makes decisions on evaluation of operating results on the basis of such information. Operating segments have separate assets and segment liabilities, estimations of specific income and costs items, gross profit (loss) that are reconciled with the Company's financial statements. The Company identifies segments based on vessel tonnage. There are three segments: "Asta" type vessels ("Asta", "Audre", "Akvile", "Daina", with the deadweight up to 6.000 tons), "Alka" type vessels ("Alka", "Skalva" with the deadweight up to 10.000 tons), and "Raguva" type vessels ("Raguva", "Deltuva", "Romuva", "Voruta", "Venta" with the deadweight up to 25.000 tons).

Sales

The income earning moment is the moment of supplying services when it is probable that the Company will receive economic benefits from the transaction, and the revenue amount can be reliably estimated. Income from sale of goods and services is recognized at fair value less the value of returned goods and discounts. Services are deemed granted when paid immediately or without substantial additional conditions are undertaken to be paid by the client at a later date (when both parties sign a relevant document: invoice, bill of lading, etc.). Prepayments for services are recorded as increase in liabilities to suppliers. In this case income is recognized only after the services have been rendered.

Income from the lease of vessels includes voyage-charters and time-charters of vessels.

Income from voyage-charter contracts is recognised based on percentage of completion method: the percentage of completion is calculated based on proportion of an actual time to the total estimated voyage duration.

Income from time-charter contracts is recognised on a straight-line basis over the lease period.

Cost of sales

Costs are stated based on accrual and matching principles. Only that part of costs of prior or current periods, which relates to income earned during the current period irrespective of the time of money release, is recognized as costs. Costs not related to specific income are registered in the period in which they were incurred.

Cost of services is always connected with the services provided during the reporting period. Cost of sales includes depreciation of cash generating units, salaries and other costs incurred to earn the income.

Vessel repair costs incurred during regular dock-surveys are capitalised as part of an asset and amortised over a period of 2-3 years. Other repair and maintenance costs are recognised as costs for the year in which they were incurred.

Distribution and administrative costs

Distribution and administrative costs include costs related to administrative staff, management, Office expenses, depreciation, amortisation and etc.

Costs are stated based on accrual principle in the period in which they were incurred.

Costs are usually measured at a paid or payable amount, excluding VAT. In the event of a long settlement period and not identified interest, costs are estimated by discounting the amount at the market interest rate.

Other operating income and costs

Other operating income and costs includes gain and losses from disposal of vessels and other property, plant and equipment, lease of premises and other income and losses not directly related to the primary activity of the Company.

Financial income and costs

Financial income and expenses comprise receivable and payable interest, gain and loss of realized and unrealized currency exchange regarding debtors and creditors denominated in foreign currencies.

Interest income is recognized in profit or loss using the effective interest rate method. The interest expense component of finance lease payments is recognized in the profit or loss using the effective interest rate method.

Income tax

Calculation of income tax is based on the annual profit and is made in accordance with the requirements of tax legislation of the Republic of Lithuania. Deferred income tax is calculated on the basis of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their tax bases. An amount of deferred income tax depends on expected manner of realisation of assets and future settlements of liabilities and expected tax rates of the corresponding periods. Deferred tax assets and liabilities are not calculated when there is no origination of temporary differences as provided for by the Law on Income Tax.

The deferred tax assets and liabilities for current and previous years are recognised by an amount which is expected to be recovered from or paid to tax authorities. Income tax is calculated using the rates enacted at the date of statement of financial position.

Since the year 2007, the result of the Company from sea freight is subject to tonnage tax directly dependable on the total fleet capacity. Following the amendment and supplement to the Law on Income Tax of the Republic of Lithuania, dated 3 May 2007, the Company has chosen that its taxable income for the taxable periods started in 2007 or later is taxed by a fixed income tax rate. Fixed income tax base is calculated on payload capacity units (PC) of each of 100 vessels, applying a fixed daily amount and multiplying it by an amount of shipping days in the taxable period. The fixed income tax is applicable on shipping activities. Other activities of the Company, not related to shipping, are subject to normal income tax rate.

Profit earned not from sea freight services is taxed in accordance with the Law on Income Tax.

Since in 2007 the Company chose to pay the tonnage tax, the base of which does not depend on the Company‘s profit, all temporary differences between the tax and financial reporting have disappeared. Due to this, the deferred tax does not originate in the Company.

Basic and diluted earnings (loss) per share

Basic earnings per share is calculated by dividing net profit attributable to ordinary equity holders by the weighted average number of ordinary shares. In the cases of a change in the number of shares without affect the economic resources; the weighted average of ordinary shares issued is adjusted in proportion to the change in the number of shares as if this change has occurred in the beginning of the previous period. As there are no instruments that dilute the equity, the basic and diluted earnings per share do not differ.

(in thousand Litas, unless stated otherwise)

Subsequent events

Events that provide additional information on the status of the Company on the day of the conclusion of the financial statement (the correcting events) are reflected in the final statements. Other subsequent events are not correcting events and are described in the notes if it is important.

Credit risk

Credit risk is the risk of Company's financial loss if customer or partner fails to comply with contractual obligations. Credit risk is controlled by applying credit limits and monitoring procedures. The carrying amount of financial assets represents the maximum credit exposure, which was as follows as at the date of statement of financial position:

thousand LTL	30-09-2014	31-12-2013
Trade receivables	1.567	2.721
Cash and cash equivalents	163	1.602
Other receivables	977	1.344
Prepayments	691	833
Total:	**3.418**	**6.500**

The major part of receivables consists of amounts due from Euro zone countries. Ageing of receivables is presented in note 5.

Liquidity risk

In order to avoid the liquidity risk, the Company maintains sufficient flow of cash and cash equivalents or has financing through respective credit planning in advance as well as controlling cash flows. The Company does not have an approved liquidity ratio to aspire to, however the management shall aim at keeping the balance between unattractiveness and flexibility of financing. Liquidity ratios of the Company are provided in Note 23.

(d) Capital management

The Board's policy is to keep the shareholders' equity over borrowings at the level to maintain the confidence of investors, creditors and the market and to fund business development opportunities in the future in order to comply with external capital requirements. The Board keeps track on the ratios of capital return and makes suggestions regarding proposed dividends, taking into account the financial results and strategic plans of the Company. Capital comprises equity owned by the shareholders.

The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes for reportig period.

(in thousand Litas, unless stated otherwise)

Notes to the financial statements

1. Property, plant and equipment

Items Thousand LTL	Buildings and plant	Machinery and equipment	Vessels (Restated)	Other vehicles	Repair of vessels	Other non-current assets	Not finished repair of vessels	Total
Acquisition cost								
Balance as at 31 December 2011	3.672	807	453.676	297	22.131	538	751	481.872
Acquisitions	-	59	47	-	10.677	7	-	10.790
Written down (-)	-	(72)	(4)	-	(9.754)	-	-	(9.830)
Reclassifications	-	(52)	52	-	751	-	(751)	-
Balance as at 31 December 2012	3.672	742	453.771	297	23.805	545	-	482.832
Acquisitions	-	12	3	-	5.227	6	-	5.248
Written down (-)	-	(30)	(18.420)	-	(10.175)	(85)	-	(28.710)
Transfers to assets available for sale	-	-	(51.910)	-	(5.488)	-	-	(57.398)
Reclassifications	-	(18)	18	-	-	-	-	-
Balance as at 31 December 2013	3.672	706	383.462	297	13.369	466	-	401.972
Acquisitions	-	-	4	-	477	7	-	487
Written down (-)	-	-	(18.792)	-	(329)	-	-	(19.121)
Transfers to assets available for sale	(3.672)	-	-	-	-	-	-	(3.672)
Balance as at 30 September 2014	-	706	364.674	297	13.517	472	-	(379.666)
Revaluation/impairment								
Balance as at 31 December 2011	-	-	(93.557)	-	-	-	-	(93.557)
Impairment	-	-	(5.750)	-	-	-	-	(5.750)
Balance as at 31 December 2012	-	-	(99.307)	-	-	-	-	(99.307)
Impairment	-	-	(22.100)	-	-	-	-	(22.100)
Transfers to assets available for sale	-	-	15.788	-	-	-	-	15.788
Balance as at 31 December 2013	-	-	(105.619)	-	-	-	-	(105.619)
Balance as at 30 September 2014	-	-	(105.619)	-	-	-	-	(105.619)
Accumulated depreciation								
Balance as at 31 December 2011	507	756	157.260	116	18.856	442	-	177.937
Depreciation for the period	196	38	14.258	40	5.061	45	-	19.638
Written down (-)	-	(72)	(4)	-	(9.754)	-	-	(9.830)
Reclassifications	-	(51)	51	-	-	-	-	-
Balance as at 31 December 2012	703	671	171.565	156	14.163	487	-	187.745
Depreciation for the period	196	39	11.193	39	6.968	30	-	18.465
Written down (-)	-	(30)	(14.845)	-	(9.765)	(78)	-	(24.718)
Transfers to assets available for sale	-	-	(22.374)	-	(4.930)	-	-	(27.304)
Reclassifications	-	(18)	18	-	-	-	-	-
Balance as at 31 December 2013	899	662	145.557	195	6.436	439	-	154.188
Depreciation for the period	146	21	6.276	22	3.636	12	-	10.113
Written down (-)	(1.045)	-	(12.424)	-	(146)	-	-	(13.615)
Reclassifications	-	-	-	-	-	-	-	-
Balance as at 30 September 2014	-	683	139.409	217	9.926	451	-	150.686
Carrying amounts								
31 December 2011	3.165	51	202.859	181	3.275	96	751	210.378
31 December 2012	2.969	71	182.899	141	9.642	58	-	195.780
31 December 2013	2.773	44	132.286	102	6.933	27	-	142.165
30 September 2014	-	23	119.646	80	3.591	21	-	123.361

(in thousand Litas, unless stated otherwise)

1. Property, plant and equipment (cont'd)

On 30 September 2014 Company's property, plant and equipment comprised of 7 vessels, an administrative premises, vehicles, machinery and equipment. The depreciation of vessels, equipment and machinery and other tangible assets on vessels was recognised under cost of sales. The depreciation of the building, other vehicles, equipment and machinery and other tangible assets on shore was recognised under administrative expenses.

Thousand LTL	30-09-2014	30-09-2013
Depreciation (including repairs) recognised under cost of sales	9.920	13.144
Depreciation recognised under administrative expenses	193	215
Total:	**10.113**	**13.359**

All the vessels have been pledged to the bank to secure the bank loans (note 8).

2. Intangible assets

Items Thousand LTL	Software	Total
Acquisition cost		
As at 31 December 2011	387	387
Additions	3	3
Write-offs	-	-
As at 31 December 2012	390	390
Additions	-	-
Write-offs	5	5
As at 31 December 2013	385	385
Additions	-	-
Write-offs	-	-
As at 30 September 2014	385	385
Accumulated amortisation		
As at 31 December 2011	372	372
Amortisation for the period	10	10
As at 31 December 2012	382	382
Amortisation for the period	7	7
Write-offs	(5)	(5)
As at 31 December 2013	384	384
Amortisation for the period	-	-
Write-offs	-	-
As at 30 September 2014	385	384
Carrying amounts		
31 December 2011	15	15
31 December 2012	8	8
31 December 2013	1	1
30 September 2014	-	1

Intangible assets are amortised over 3 years.
Intangible assets are carried under administrative expenses in the statement of comprehensive income.

(in thousand Litas, unless stated otherwise)

3. Inventories and prepayments

Thousand LTL	30-09-2014	31-12-2013
Fuel and lubricants on vessels	4.135	3.261
Spare parts, materials	140	659
Food supplies on vessels	81	181
Total inventories:	*4.356*	*4.101*
Prepayments	691	833
Total:	**5.0473**	**4.934**

As on 30 September 2014, fuel and oil on vessels amounted to 4.135 thousand LTL. There were no revaluations of inventories to net realisable value as at 30 September 2014. As at 30 September 2014, the prepayments include the following amounts: 214 thousand LTL – advances paid for technical supply, 254 thousand LTL – other prepayments (insurance, subscription, license etc.) and 223 thousand LTL - prepayments to ship agents.

4. Assets held for sale.

On August 2014 the Board of the Company has decided to allow the General Director to conclude the sale transaction of the administrative premises and other palings. On the date of these financial statements the sale transaction was not yet concluded. In the financial statements of 30 September 2014 administrative premises and other palings were reclassified from non-current assets to assets held for sale. At the moment of reclassification administrative premises and other palings carrying amount was 2.628 thousand LTL.

5. Trade and other receivables

Thousand LTL	30-09-2014	31-12-2013
Trade receivables	2.723	3.835
Impairment (-)	(1.156)	(1.114)
Trade receivables, net	***1.567***	***2.721***
Receivable from the budget	45	21
Prepayments to vessels	64	86
Other receivables	888	1.237
Total other receivables	***997***	***1.344***
Total:	**2.564**	**4.065**

As at 30 September 2014 trade receivables amounted to 1.567 thousand LTL, 1.247 thousand LTL out of which are current trade receivables for services rendered, 289 thousand LTL – received prepayments and 31 thousand LTL receivable for communication and other services.

Other receivables as at 30 September 2014 include 888 thousand LTL of 878 thousand LTL insurance compensations and 10 thousand LTL of other receivable amounts.

			Overdue amounts, on which no impairment has been recognised			
Thousand LTL	**Outstanding balance**	**Not overdue amounts, on which no impairment has been recognised**	**Overdue up to 30 days**	**Overdue from 31 to 60 days**	**Overdue from 61 to 90 days**	**Overdue more than 91 days**
30-09-2014	1.567	332	516	244	186	324
31-12-2013	2.721	1.421	682	239	5	374

As at 30 September 2014 the Company's management performed an evaluation of receivable amounts. Based on the evaluation of the amounts, received after the date of the financial statements, and the historical data concerning payments from the clients, no impairment has been recognized. According to the management, there are no indications that the amounts overdue as at the date of the financial statements will not be settled.

(in thousand Litas, unless stated otherwise)

6. Cash and cash equivalents

Thousand LTL	30-09-2014	31-12-2013
Cash at bank in national currency	1	4
Cash at bank in foreign currencies	162	1.592
Cash on hand in national currency	-	-
Cash on hand in foreign currencies	-	6
Total:	**163**	**1.602**

Under the conditions of credit agreement with the bank, 100 % of banking operations of the Company must be carried out through accounts opened with this credit institution. In addition, all current and future cash balances in all currencies on these accounts are pledged to the bank.

7. Authorised capital

Thousand LTL	Authorised capital	Share premium	Total
31-12-2013	200.901	-	200.901
New emission of shares	-	-	-
Acquisition of own shares	-	-	-
Akcijų anuliavimas	118.034	-	-
30-09-2014	82.687	-	200.901

The Company's general shareholders meeting in April decided to restore of the equity to the minimum amount required by the law.The Company's general shareholders meetig decided to reduce the equity to 82.867.200 LTL.The way of the reduction of the Company's authorized capital – cancelation of the Company's share. In accordance with the resoliution of the shareholders the authorized capital was restructured in the third quarter.

The authorized capital of the Company on 30 September 2014 comprised 82.867.200 ordinary shares at par value of 1 LTL each. All shares are fully paid. Holders of ordinary shares have one vote per share at the general meeting of shareholders of the Company and are entitled to receive dividends when they are declared and the right to return the capital in case of capital reduction.

The shares of the Company are quoted by AB NASDAQ OMX Vilnius.

Legal reserve

Legal reserves are formed in accordance with the legal acts of the Republic of Lithuania. Transfers of not less than 5% of net profit must be performed on annual basis until the reserve makes 10% of the authorized capital. This reserve can be used only to cover the accumulated losses.

8. Financial liabilities to credit institutions

Thousand LTL	30-09-2014	31-12-2013
Payable after one year	-	-
Payable within one year	44.310	52.624
Accrued payable interest within one year	-	194
Total:	**44.310**	**52.819**
Loan balances in the beginning of the year	52.819	56.398
Loans received	-	-
Loans repaid	(12.075)	(1.692)
Accrued payable interest within one year	-	194
Currency exchange differences	3.566	(2.082)
Total:	**44.310**	**52.819**

(in thousand Litas, unless stated otherwise)

All financial liabilities to the bank are secured by pledging the Company's property. The Company has pledged 7 vessels with the carrying amount of 119.645 thousand LTL on 30 September 2014. The total loan balance payable to the bank as on 30 September 2014 amounted to 44.310 thousand LTL. The loan repayment deadline is 27 February 2015.

The loans bear variable interest rates related to 3 months LIBOR (USD). The effective interest rate in 2014 varied from 4,2419% to 4,2331%. A decline in the shipping market caused a decrease in cash flows; therefore, in October 2013 the loan repayment schedule was restructured. The restructured schedule anticipates repayment of the loan from the expected gain from the sales of the vessels as well as partial (monthly) instalments from operational revenues.

According to loan agreements with the banks, the Company must comply with certain financial ratios. 30 September 2014 monthly debt service coverage ratio (DSCR) was lower than specified in the credit agreement, all ather rates in compliance with the values.

9. Non-current employee benefits

The Company has recognised non-current employee benefits related to retirement payments. Costs in relation to accounting of these liabilities have been stated under the administrative expenses in the statement of comprehensive income as well as under a separate item of long-term employee benefits in the statements of financial position. In 30 September 2014 employee benefits consist of 414 thousand LTL.

10. Employment related liabilities

Thousand LTL	30-09-2014	31-12-2013
Payable salaries	2.674	4.173
Vacation reserve (salaries)	1.031	1.294
Vacation reserve (Sodra)	438	519
Payable to Sodra	225	367
Other payables	53	78
Total:	**4.421**	**6.431**

11. Other payable amounts

Thousand LTL	30-09-2014	31-12-2013
Payable to suppliers (a)	16.085	18.232
Prepayments received (b)	2.254	3.043
Payable dividends	95	95
Accrued expenses	73	77
Other	41	97
Total:	**18.548**	**21.544**

(a) As at 30 September 2014 payable to suppliers amounted to 16.085 thousand LTL which can be specified as follows: 4.427 thousand LTL – repair and technical supply of vessels; 451 thousand LTL – lubricants; 1.034 thousand LTL – payable to agents for services provided to vessels; 7.151 thousand LTL – fuel; 701 thousand LTL – vessel supervision classifying companies; 1.088 thousand LTL – vessel insurance; 1.233 thousand LTL – various services to vessels and on-shore divisions.
(b) As at 30 September 2014 prepayments received amounted to 2.254 thousand LTL and include receivable for voyages and deferred income.

(in thousand Litas, unless stated otherwise)

12. Deferred tax asset and liabilities

Since in 2007 the Company chose to pay the tonnage tax, the base of which is independent of the Company's result, all temporary differences between the financial and tax reporting have disappeared. Due to this reason, there are no deferred taxes in the Company.

13. Sales

Thousand LTL	30-09-2014	30-09-2013
Voyage-charter revenues	37.275	59.333
Time – charter revenues	16.387	12.796
Total:	**53.662**	**72.129**

For nine months of 2014 the Company's revenue was less than during the same period in 2013, the main reason – Company owns less vessels (on 30 September 2013 company had 11 vessels, on 30 September 2014 7 vessels).Also a significant decline in the employment rates of the ships had an effect in the second quarter of this year, which were affected by the increased crisis in the global shipping market.

14. Cost of sales

Thousand LTL	30-09-2014	30-09-2013
Fuel	(15.030)	(26.803)
Crew costs	(12.413)	(15.575)
Depreciation	(9.920)	(13.144)
Port dues	(6.748)	(9.319)
Insurance	(3.175)	(3.949)
Commissions	(2.067)	(2.743)
Vessel's functional expenses	(1.602)	(2.122)
Lubricants	(1.356)	(1.169)
Emergency repair of vessels	(2.660)	(983)
Spare parts	(753)	(534)
Other vessel costs	(3.408)	(3.323)
Total:	**(59.132)**	**(79.664)**

30 September 2014 fuel costs, crew costs, port dues, insurance, commissions and vessels functional expenses compared to the 2013 period decreased due to the lower number of operated vessels.

15. Administrative expenses

Thousand LTL	30-09-2014	30-09-2013
Staff costs	(1.900)	(1.921)
Depreciation and mortization	(193)	(214)
Consultation and legal services	(241)	(89)
Bank services	(116)	(105)
Business maintenance expenses	(68)	(123)
Transport expenses	(77)	(83)
Maintenance of premises	(60)	(74)
Communication services	(74)	(70)
Other	(537)	(435)
Total:	**(3.266)**	**(3.114)**

Staff costs include employee salaries, business trips and daily allowances.

(in thousand Litas, unless stated otherwise)

16. Other operating income/expenses

Thousand LTL	30-09-2014	30-09-2013
Proceeds from disposal of non-current assets	15.028	-
Other income	544	8
Total other operating income:	*15.572*	*8*
Other expenses	(16.945)	(5)
Total other operating expenses:	*(16.945)*	*(5)*
Total:	**(1.373)**	**3**

17. Financial and investing activity

Thousand LTL	30-09-2014	30-09-2013
Interest income	-	-
Gain of currency exchange	-	1.007
Total financial activity income:	-	*1.007*
Interest expenses	(1.510)	(1.569)
Loss of currency exchange	(4.126)	-
Total financial activity expenses:	*(5.636)*	*(1.569)*
Total:	**(5.636)**	**(562)**

18. Basic earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing net profit (loss) attributable to ordinary equity holders by the weighted average number of ordinary shares.

Basic loss per share as on 30 September 2014 amounts to 0,190 LTL, basic loss per share as on 30 September 2013 – 0,056 LTL.

Company does not have any convertible or potentially convertible shares, therefore, basic and diluted earnings (loss) per share are equal.

19. Related parties

The related parties of the Company are: members of the Board, general director, fleet management director, technical director, common affairs director (as of 2 January 2013), chief accountant and their family members. Remuneration to the mentioned persons during nine month of 2014 amounted to 345,4 thousand LTL (during nine month of 2013 – 331,7 thousand LTL). There were no other transactions with the related parties in 2014.

20. Segments

The main operating markets of the Company are as follows:

- Trans-Atlantic market, where the steel and nonferrous metals, alloys, fertilizer cargo are being carried from Europe, to USA, Latin and South America. Cargo for return trips consists of grain, coal, alumina and fluorspar.
- Northern European-North African market, where the rough sawn timber, paper cargo are being carried from Northern Europe and Scandinavia to the Mediterranean coast. Cargo for return trips consists of fertilizes, ore, steel coils and minerals.
- Caribbean market, where various cargo are being carried between USA and the Caribbean and Central American countries.

According to the size (tonnage) of vessels, there are three vessel segments: "Asta"-type vessels ("Asta" has been sold in 2014 January), "Audrė", "Akvilė", "Daina" ("Daina" has been sold in 2014 July) with the deadweight up to 6.000 tons), "Alka"-type vessels ("Alka" has been sold in 2014 April, "Skalva" has been sold in 2013 December) with the deadweight up to 10.000 tons), and "Raguva"-type vessels ("Raguva", "Deltuva", "Romuva", "Voruta" and "Venta" – with the deadweight up to 25.000 tons).

30-09-2014, in thousand LTL	**Asta**	**Alka**	**Raguva**	**Not attributed**	**Total**
Voyage income	8.173	1.172	44.317	-	53.662
Voyage costs	(846)	(853)	(24.730)	-	(26.429)
Voyage result	**7.327**	**319**	**19.587**	-	**27.233**
Current vessel costs	(5.939)	(868)	(15.976)	-	(22.783)
Operating costs	-	-	-	(3.078)	(3.078)
Operating costs before depreciation, EBITDA	**1.388**	**(549)**	**3.611**	**(3.078)**	**1.372**
Impairment of vessels	-	-	-	-	-
Depreciation	(1.484)	-	(8.436)	(193)	(10,113)
Operating result, EBIT	**(96)**	**(549)**	**(4.825)**	**(3.271)**	**(8.741)**
Other activity result	-	-	-	(1.373)	(1.373)
Interest expenses	-	-	-	(1.510)	(1.510)
Currency exchange result	-	-	-	(4.126)	(4.126)
Other financial activity, net	-	-	-	-	-
Tonnage tax	-	-	-	-	-
Net result	**(96)**	**(549)**	**(4.825)**	**(10.280)**	**(15.750)**
Non-current assets of segments	10.587	-	109.058	-	119.645
Loans payable by segment	-	-		44.310	44.310
Acquisition of non-current assets	-	-	-	-	

Voyage expenses include: fuel, port dues, commissions, loading services.

Current expenses of vessels include: salaries, taxes, daily allowances, vessel repair and maintenance, insurance, communication and other expenses.

21. Segments (cont'd)

30-09-2013, in thousand LTL	**Asta**	**Alka**	**Raguva**	**Not attributed**	**Total**
Voyage income	12.293	12.915	46.921	-	72.129
Voyage costs	(4.929)	(8.104)	(28.461)	-	(41.494)
Voyage result	**7.364**	**4.811**	**18.460**	**-**	**30.635**
Current vessel costs	(6.828)	(4.216)	(13.982)	-	(25.026)
Operating costs	-	-	-	(2.905)	(2.905)
Operating costs before depreciation, EBITDA	**536**	**595**	**4.478**	**(2.905)**	**2.704**
Impairment of vessels	-	-	-	-	-
Depreciation	(2.741)	(1.662)	(8.741)	(214)	(13.358)
Operating result, EBIT	**(2.205)**	**(1.067)**	**(4.263)**	**(3.119)**	**(10.654)**
Other activity result	-	-	-	3	3
Interest expenses	-	-	-	(1.569)	(1.569)
Currency exchange result	-	-	-	1.007	1.007
Result from other financial activity, net	-	-	-	-	-
Fixed income (tonnage) tax	-	-	-	-	-
Net result	**(2.205)**	**(1.067)**	**(4.263)**	**(3.678)**	**(11.213)**
Non-current assets of segments	37.558	12.766	124.661	-	174.985
Segment loans payable	-	-		55.376	55.376
Acquisition of non-current assets	-	-	-	-	-

Voyage expenses include: fuel, port dues, commissions and loading services.

Current expenses of vessels include: salaries, taxes, daily allowances, vessel repair and maintenance, insurance, communication and other expenses.

22. Capital management policy

The Company uses variety of ways to manage and maintain the capital structure – adjusts amount of dividends and other payments to shareholders, may sell assets in order to reduce debts.

Debt – equity ratio

Thousand LTL	30-09-2014	31-12-2013 (restated)
Total liabilities:	67.692	81.274
Less cash and cash equivalents	163	1.602
Net amount of liabilities	***67.499***	***79.672***
Total equity:	*66.071*	*81.820*
Plus subordinated debt instruments	-	-
Less change in fair value of hedging instrument recognized in equity	-	-
Adjusted equity	***66.071***	***81.820***
Debt – equity ratio	**1,02**	**0,97**

(in thousand Litas, unless stated otherwise)

23. Financial ratios

	Calculation	30-09-2014	30-09-2013 (restated)
Gross debt ratio	Total liabilities / total asset	0,51	0,45
Gross solvency ratio	Total equity / Total liabilities	0,97	1,24
Gross profitability	Gross profit / Sales and services	-0,09	-0,10
Current ratio	Current asset / Current liabilities	0,15	0,19
Receivables turnover	Sales and services / Accounts receivable	37,74	12,67

The maximum credit risk implies the risk of receivable amounts. The Company has established an income policy where upon signing contracts the clients make prepayments for ship services.

24. Contingencies

There is an ongoing legal proceeding regarding compensation of pecuniary and non-pecuniary damage. The Company is being claimed an amount of 285 thousand LTL. The action has been raised regarding the death of captain J. Smirnovas in 2005.

There is an ongoing legal proceeding with the former employee of the Company regarding compensation of pecuniary and non-pecuniary damage; the claim amount is approximately 175 thousand LTL. The claim against the Company was raised in relation to acknowledgement of termination of the labour contract as invalid.

The Company has not granted any guarantees or sureties to other persons.

25. Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. The Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, non-current and current borrowings. The management of the Company is of the opinion that the carrying amounts of the financial instruments approximate their fair value, as borrowings bear an interest rate related LIBOR, and other financial assets and liabilities are are short-term therefore the volatility of their fair value is not significant.

26. Going concern

The current liabilities, reflected in the Company‘s financial statements as on 30 September 2014, exceed the current assets by 56,9 million LTL. These circumstances indicate significant uncertainty regarding the Company's ability to continue as a going concern.

The growth and development opportunities of the Company depend on recovery of the shipping market. In the IV quarter of 2013 and the I quarter of 2014 the global shipping market has demonstrated the growth but since April of 2014 it took a downward trend. Baltic Dry Index, which reflects the freight rates of the dry cargo vessels worldwide, has dropped 50 percent in nine months of 2014 and on 30 September 2014 was at 1063 points (on 21 July 2014 it has been at 724 points) while on 30 September 2013 it was at 2003 points. The market decline was due to several factors. In particular, the ship supply in the global shipping market still significantly exceeds the demand, so this drop in the market can be described as a situation after a sharp correction of the market (on 10 December 2013 the Baltic Dry Index has risen to 2237 points). Also at the end of II quarter and on the III quarter of 2014 the shipping market was negatively affected by the usual seasonality (cargo flows reduce during the summer).

(in thousand Litas, unless stated otherwise)

However, due to its universality, the fleet of 10–40 thousand DWT, which LJL operates, is experiencing the ongoing market recession much easier than the fleet of a larger deadweight. Moreover, analysis of fleet's average age shows that this segment of the market has the greatest potential for growth as it contains the oldest vessels. About 29% of vessels are older than 25 years old and should be scrapped in the nearest future. It is very likely that orders for new vessels in this segment will not compensate for the scrapping of the old fleet, thus, it is predicted, that the offer of vessels of such deadweight will reduce in the nearest future leading to possible growth of vessel freight rates.

In order to achieve it's strategic goals (to refocus it's fleet to mini Handysize) the Company has sold four of it's msot inefficient and smallest vessels ("Skalva", "Asta", "Alka", "Daina") during 2013-2014.

The management expects that in the long run, these factors (the groth of global shipping market and refocusing of the existing fleet to mini Handysize segment) will positively affect the Company's financial stability and continuity as a going concern. These financial statements have been prepared on the going concern basis and do not reflect any adjustments which might be necessary if the Company was not able to continue as a going concern.

27. Subsequent events

No other significant events have occurred after the statement of financial position date.

General Director	Audronis Lubys
Chief Accountant	Arvydas Stropus