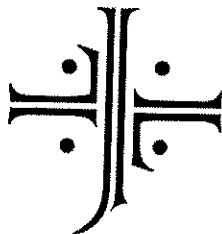


AKCINĖ BENDROVĖ
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

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

2015-11-30 Nr. (01)-5- 521
Klaipėda

I 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 nine months 2015, 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

Sigitas Dobilinskas

Public Company "Lithuanian Shipping Company"
Chief Accountant

Arvydas Stropus

Public Company
Lithuanian Shipping Company

Financial statements for the
nine month 2015

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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) (till 19-10-2015)

Ona Barauskienė (till 19-10-2015)

Saulius Kerza (till 19-10-2015)

Laimutė Tinglum

Gytis Kaminskas

Board of Directors

Sigitas Dobilinskas (from 31-07-2015, Chairman from 02-11-2015)

Alenas Gumuliauskas (from 31-07-2015)

Martinas Jonkus (from 05-08-2015)

Naglis Vysniauskas (from 16-10-2015)

Vidas Zvinys (from 16-10-2015)

Management

SigitasDobilinskas (from 06-08-2015)

Arvydas Stropus, Chief Accountant

Banks

AB SEB Bankas

AB DNB Bankas

Statement of financial position

As at 30 September 2015

| | Notes | 30-09-2015 | 31-12-2014 |
|--------------------------------------|-------|---------------|---------------|
| ASSETS | | | |
| Property, plant and equipment | 1 | 24.312 | 35.336 |
| Intangible assets | | - | - |
| Total non-current assets | | 24.312 | 35.336 |
| Inventories | 3 | 540 | 974 |
| Prepayments | | 157 | 163 |
| Trade and other receivables | 4 | 625 | 1.412 |
| Cash and cash equivalents | 5 | 397 | 108 |
| Assets held for sale | | 6.250 | - |
| Total current assets | | 7.969 | 2.657 |
| TOTAL ASSETS | | 33.281 | 37.993 |
| EQUITY | | | |
| Share capital | 6 | 24.031 | 24.000 |
| Accumulated losses | | (13.934) | (6.617) |
| TOTAL EQUITY | | 10.097 | 17.383 |
| LIABILITIES | | | |
| Non-current employee benefits | | 107 | 107 |
| Loans and borrowings | 7 | 12.501 | |
| Total non-current liabilities | | 12.608 | 107 |
| Loans and borrowings | 7 | 3.469 | 13.283 |
| Trade and other payables | 9 | 4.318 | 5.842 |
| Employment related liabilities | 8 | 1.789 | 1.363 |
| Income tax liabilities | | - | 15 |
| Total current liabilities | | 9.576 | 20.502 |
| Total equity and liabilities | | 32.281 | 37.933 |

The notes set out on pages 6–28 form an integral part of these financial statements.

General Director



Sigitas Dobilinskas

Chief Accountant



Arvydas Stropus

Statement of profit or loss and other comprehensive income

As at 30 September 2015

| | Past. Nr. | 2015 January- September | 2014 January- September | 2015 July - September | 2014 July - September |
|------------------------------------------------------|--------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Revenue | 11 | 8.056 | 15.541 | 703 | 4.887 |
| Cost of sales | 12 | (12.907) | (17.125) | (3.526) | (5.947) |
| Gross result | | (4.851) | (1.584) | (2.823) | (1.060) |
| Administrative expenses | 13 | (900) | (946) | (291) | (305) |
| Impairment of vessels | | - | - | - | - |
| Selling expenses | | - | (1) | - | (1) |
| Other operating income | 14 | 3.091 | 4.510 | 3.091 | 1.494 |
| Other operating expenses | 14 | (3.142) | (4.908) | (3.142) | (1.901) |
| Operating result | | (5.802) | (2.928) | (3.114) | (1.773) |
| Finance income | 15 | - | - | 81 | - |
| Finance expenses | 15 | (1.515) | (1.632) | (73) | (1.168) |
| Net finance costs | 15 | (1.515) | (1.632) | 8 | (1.168) |
| Profit (loss) before tax | | (7.317) | (4.561) | (3.106) | (2.941) |
| Income tax expenses | | - | - | - | - |
| Profit (loss) for the year | | (7.317) | (4.561) | (3.106) | (2.941) |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income | | (7.317) | (4.561) | (3.106) | (2.941) |
| Basic and diluted earnings (loss) per share (in EUR) | 17 | (0.088) | (0.023) | (0,037) | (0,015) |

The notes set out on pages 6–28 form an integral part of these financial statements.

General Director



Sigitas Dobilinskas

Chief Accountant



Arvydas Stropus

Statement of changes in equity

As at 30 September 2015

| | Share capital | Retained earnings (losses) | Total |
|-----------------------------------------------|-----------------|-------------------------------|----------------|
| Balance at 31-12-2013 | 58.185 | (34.489) | 23.696 |
| Other comprehensive income | | | |
| Net profit (loss) for 30-09-2014 | - | (4.561) | (4.561) |
| Reduction in shares | (34.185) | 34.185 | |
| Total other comprehensive income : | - | (4.561) | (4.561) |
| Balance at 30-09-2014 | 24.000 | (4.865) | 19.135 |
| Other comprehensive income | | | |
| Net profit (loss) for 2014 | - | (6.326) | (6.326) |
| Other comprehensive income for 2014 | - | 13 | 13 |
| Total other comprehensive income : | - | (6.313) | (6.313) |
| Transactions with shareholders | | | |
| Reduction in shares | (34.185) | 34.185 | - |
| Total transactions with shareholders: | (34.185) | 34.185 | - |
| Balance at 31-12-2014 | 24.000 | (6.617) | 17.383 |
| Other comprehensive income | | | |
| Net profit (loss) for 30-09-2015 | - | (7.317) | (7.317) |
| Total other comprehensive income : | - | (7.317) | (7.317) |
| Equity changed due to the introduction of EUR | 31 | - | - |
| Balance at 30-09-2015 | 24.031 | (13.934) | 10.097 |

The notes set out on pages 6–28 form an integral part of these financial statements.

General Director



Sigitas Dobilinskas

Chief Accountant



Arvydas Stropus

Statement of cash flows

As at for 30 September 2015

| Thousand EUR | Notes | 30-09-2015 | 30-09-2014 |
|------------------------------------------------------------------------------|-------|----------------|----------------|
| Cash flows from operating activity | | | |
| Profit (loss) for the year | | (7.317) | (4.561) |
| Adjustments for: | | | |
| Depreciation and amortization | 1 | 2.151 | 2.929 |
| Effects of exchange rate changes on loan | 7 | 1.102 | 1.033 |
| Gain (loss) on disposal and write down of property, plant and equipment | | - | (19) |
| Impairment losses on vessels | | - | - |
| Impairment of assets held for sale | | - | 555 |
| Interest income/expenses, net | 15 | 240 | 437 |
| Income tax expense | | - | - |
| Operating cash flows before changes in working capital | | (3.823) | 374 |
| Decrease (increase) in receivables | 4 | 793 | 476 |
| Increase (decrease) in payables | 9 | (1.097) | (1.451) |
| Decrease (increase) in inventories | 3 | 434 | (74) |
| Cash flows generated from operating activities | | (3.692) | (675) |
| Interest received (paid), net | | (177) | (437) |
| Income tax paid | | (15) | (19) |
| Net cash from operating activities | | (3.884) | 1.131 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 1,2 | (458) | (141) |
| Proceeds from sale of property, plant and equipment | 2 | 3.080 | 4.352 |
| Net cash used in investing activities | | 2.622 | 4.211 |
| Cash flows from financing activities | | | |
| Costs of the change in the company's capital related to introduction of Euro | | 31 | - |
| Loan received | | 3.406 | - |
| Repayments of loan | 7 | (1.886) | (3.497) |
| Net cash flow from financing activities | | 1.551 | (3.497) |
| Net increase (decrease) in cash and cash equivalents | | 289 | (417) |
| Cash and cash equivalents at 1 January | | 108 | 464 |
| Cash and cash equivalents at 30 September | 5 | 397 | 47 |

The notes set out on pages 6–28 form an integral part of these financial statements

General Director



Sigitas Dobilinskas

Chief Accountant



Arvydas Stropus

Public Company Lithuanian Shipping Company

Company code: 110865039, address: Malūnininkų St. 3, LT-92264 Klaipėda

Financial statements for the year ended 30 September 2015

(in thousands of EUR, unless stated otherwise)

Notes to the financial statements

I. Reporting entity

Public Company Lithuanian Shipping Company (LSC) is a joint-stock company registered in the Registry of Legal Entities on 27 June 2001, certificate No. 027245, the company code 110865039. LSC is located at: Malūnininkų St. 3, Klaipėda. Main activities of the Company are sea freight of timber, bulk and general cargo and lease of vessels under voyage charter or time charter agreements.

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

As at 30 September 2015 there were 212 employees in the Company, 19 of them working in management divisions and 193 in the fleet. As at 30 September 2014 there were 277 employees, 26 of them working in management divisions and 251 in the fleet.

The shareholder structure as at 30 September 2015 was as follows:

| | 30-09-2015 | | 30-09-2014 | |
|-----------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Number of shares | Ownership percent | Number of shares | Ownership percent |
| Ministry of Transport and Communications of the Republic of Lithuania | - | - | 46,953.531 | 56,66 |
| JSC "Lithuanian Railways" | 46.953.515 | 56,66 | - | - |
| DFDS TOR LINE A/S | 4.581.970 | 5,53 | 4.581.970 | 5,53 |
| Other minor shareholders | 31.331.715 | 37,81 | 31.331.699 | 37,81 |
| Total: | 82.867.200 | | 82.867.200 | |

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

23.09.2015 JSC „Lithuanian Railways“ the took over the state owned shares of PC „Lithuanian shipping company“ from the Ministry of Transport and Communication of the Republic Lithuania.

II. Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by EU (IFRS). All figures presented in the financial statements are rounded to the nearest thousand, unless stated otherwise.

III. Functional and presentation currency

On 1 January 2015 the Republic of Lithuania joined the eurozone and the Lithuanian national currency Litas was changed to the Euro. As a result, the Company converted its financial accounting to Euros as from 1 January 2015 and the financial statements for subsequent years will be prepared and presented in Euros. Comparative information will be translated into euros using the official exchange rate of LTL 3,4528 to EUR

The financial statements are presented in the currency EUR, which is the Company's functional currency. The Company has decided to use EUR as a functional currency considering the structure of revenue, costs, equity, and debt instruments.

The major part of the sea freight income for the convenience of trade and consistency in pricing is historically and globally denominated in USD. The exchange rate of USD against EUR does not have a direct impact on shipment prices. The sea freight market is affected by the balance between demand and supply of the services on international level. The bank loan used for the purchase of vessels is also denominated in USD.

Public Company Lithuanian Shipping Company

Company code: 110865039, address: Malūninkų St. 3, LT-92264 Klaipėda

Financial statements for the year ended 30 September 2015

(in thousands of EUR, unless stated otherwise)

However, the major part of the Company's costs comprise the expenditures in EUR such as salaries, social security, taxes, daily allowances, and the main technical supply for vessels, dock repair and other expenses. The management uses EUR to forecast and measure performance of the business.

IV. Going concern

For preparation of the financial statements as at 30 September 2015, management has concluded that it is appropriate to continue to prepare the financial statements based on the going concern principle, assuming that even though on 2015-08-06 SEB bank has postponed the due date for the repayment of the loan until 2016-05-02 and on 2015-08-05 the Company has signed the 3,0 million EUR loan agreement with JSC "Lithuanian Railways", there might be uncertainties in the contractual cash flow obligations of the Company.

The current liabilities, reflected in the Company's financial statements as at 30 September 2015, exceed the current assets by 1,6 million EUR (30 September 2014: current liabilities exceeded current assets by 17,8 million EUR). The Company has also incurred operating losses of 5,8 million EUR in 2015 (2,5 million EUR operating loss 30 September 2014). The Company also has loan obligations as at 30 September of 12,7 million EUR due and payable by 2 May, 2016, loan obligations to JSC "Lithuanian Railways" of 2,8 million EUR and loan obligation to AB "Smiltynės perkela" of 0,51 million EUR. These circumstances and large indebtedness to other creditors (suppliers) indicate significant uncertainty regarding the Company's ability to continue as a going concern and there is a possibility of bankruptcy.

Also, according to the Company's business plan for 2015-2018, the Company will sell two inefficient smaller vessels (m/v Audre and m/v Akvilė) and Company's fleet will comprise solely of the mini Handysize type vessels. Consequently, the management expects that in the long run the growth of the global shipping rates and concentration of the fleet in the more profitable mini Handysize segment will positively affect the financial stability and business continuity of the Company.

Management acknowledges that uncertainty remains over the Company's ability to meet its funding requirements and to repay its loan as it falls due. Management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. These financial statements have been prepared on the going concern basis and do not reflect any adjustments that might be necessary if the Company were not able to continue as a going concern.

V. Use of judgements and estimates

The preparation of the financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about assumptions and estimation uncertainties in applying accounting policies that have the most significant effect and significant risk of resulting in a material adjustment on the amounts recognized in the financial statements is included in the following notes:

- Note 1 Property, plant and equipment – key assumptions underlying measurement of the value in use and fair value less costs to sell in the impairment test.
- Note 1 Property, plant and equipment – estimates of the useful lives of the items of property, plant and equipment.

- Significant accounting policy "Revenue" – estimates of voyage charter time used in the calculation of percentage of completion.

VI. Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

On initial classification as held-for-sale property, plant and equipment are measured at the lower of their:

- carrying amount; and
- fair value less costs to sell (or costs to distribute, as applicable).

Incremental, directly attributable costs, excluding finance costs and income tax expense, are included in costs to sell. Impairment losses on initial classification of a property, plant and equipment as held-for-sale are included in profit or loss even if the asset had been previously measured at a revalued amount. The same applies to gains and losses on subsequent remeasurement. Subsequent to initial classification as held-for-sale, non-current assets that are measured at their fair value less costs to sell are subject to a limit on the amount of any gain that can be recognised as a result of an increase in fair value less costs to sell before disposal. The maximum increase (and therefore gain) that can be recognised is the cumulative amount of impairment losses recognised in accordance with IFRS 5 and previously in accordance with IAS 36. Gains and losses on subsequent remeasurement to fair value less costs to sell are included in profit or loss regardless of whether the asset was previously measured based on revalued amounts.

Any gain or loss not recognised before the date of sale is recognised on the derecognition of the property, plant and equipment. Property, plant and equipment and disposal groups are reclassified from held-for-sale or from held-for-distribution to held-for-use if they no longer meet the criteria to be classified as held-for-sale or held-for-distribution. On reclassification as held-for-use, a property, plant and equipment is remeasured at the lower of its recoverable amount and the carrying amount that would have been recognised had the asset never been classified as held-for-sale or held-for-distribution. The calculation of this carrying amount should include any depreciation that would have been recognised had the asset not been classified as held-for-sale or held-for-distribution.

The fair value element of fair value less costs of disposal is measured in accordance with IFRS 13. Costs of disposal are incremental costs directly attributable to the disposal of an asset. These costs include, for example, legal costs necessary to affect the sale, transaction taxes and other costs to prepare the asset or CGU for its sale. Finance costs and income tax expense are excluded, as are costs recognised already as a liability.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models as appropriate.

The base for determination of fair values of financial assets and liabilities, traded in the active markets, are the market prices and prices determined by brokers. Fair value of all other financial instruments is determined using other valuation methods.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

VI. Measurement of fair values (continued)

If the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

VII. Significant accounting policies

Except for the effect of new standards, interpretations and amendments of IFRS, the Company has consistently applied the accounting policies to all the periods presented in these financial statements.

Foreign currency

Transactions in foreign currencies are translated into functional currency of the Company at the exchange rates set by the Bank of Lithuania at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit or loss.

Exchange rates as of 30 September 2015 and 30 September 2014 were as follows:

| | 30-09-2015 | 30-09-2014 |
|----------------|-------------------|-------------------|
| LTL/EUR | - | 3,4528 |
| EUR/USD | 1,1204 | 1,1269 |
| EUR/GBP | 0,7391 | 0,7816 |
| EUR/SEK | 9,4462 | 9,2077 |

Property, plant and equipment

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.

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such item when that cost is incurred and when it is probable that the future economic benefits embodied with the item will flow to the Company, and the costs of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

Costs incurred during regular inspections and overhauls of vessels are recognised in the carrying amount of the vessels. Any remaining carrying amount of the cost of previous inspection or overhaul is derecognized.

When part of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The estimated cost of regular inspection or overhaul of the vessels is considered as a separate component of the vessel. At the initial recognition of the vessel, the carrying amount of the inspection or overhaul is determined by reference to current market prices of the inspection or overhaul.

VII. Significant accounting policies (continued)

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized within other operating income/other operating expenses in profit or loss.

Depreciation is started when the asset is available for use. Depreciation is based on the cost of an asset less its estimated residual value and it is charged to the statement of profit or loss and other comprehensive income on own assets and assets leased under finance lease terms on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The cost of inspection and overhaul is depreciated over the expected period to the next inspection (overhaul).

The Company capitalises borrowing costs directly attributed to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset. The Company ceases capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs were not capitalised in 2014 and 2015 because the Company did not carry out any acquisition, construction or production of assets.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

| Property group | Useful lives (in years) |
|--------------------------|-------------------------------|
| Vessels | 30 (years since construction) |
| Machines and equipment | 7 – 16 |
| Dock surveys | 2 – 3 |
| Buildings and plant | 15 |
| Other vehicles | 6 – 10 |
| Other non-current assets | 4 |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Residual values of the vessels are estimated as the value of the vessels' net weight at the scrap price.

Assets held for sale

Property, plant and equipment, or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are measured in accordance with applicable IFRSs. There after generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held-for-sale, items of property, plant and equipment are no longer depreciated.

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.

VII. Significant accounting policies (continued)

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.

Financial instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Company initially recognizes loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

VII. Significant accounting policies (continued)

Financial instruments (continued)

Non-derivative financial assets – Measurement

(a) Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

VII. Significant accounting policies (continued)

Financial instruments (continued)

(b) Held-to-maturity financial assets

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. The effective interest rate is determined as the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(b) Loans and receivables

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

(c) Available-for-sale financial assets

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Non-derivative financial liabilities – Measurement

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

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.

Impairment

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- indications that a debtor will enter bankruptcy;
- any other observable data indicating that there is a measurable decrease in the expected cash flows.

Financial assets measured at amortized cost

The Company considers evidence of impairment for these assets at an individual asset level. All assets are individually assessed for impairment.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in the allowance account. When the Company obtains a conclusive evidence that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of

VII. Significant accounting policies (continued)

Impairment (continued)

impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Financial assets available-for-sale

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss.

Non-financial assets

At each reporting date the Company reviews the carrying amounts of its non-current assets, except for inventories, to determine whether there is any indication of impairment. If any such indications exist, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (the "cash-generating unit, or CGU"). For example, each vessel is considered a separate CGU.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expenses.

Employee benefits

Short-term employee benefits are expensed as the related service is provided. 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-average salary.

VII. Significant accounting policies (continued)

Post-employment defined benefit plan obligation is calculated annually by a qualified actuary using projected unit credit method. The projected unit credit method requires the Company to attribute benefit to the current period (in order to determine current service cost) and the current and prior periods (in order to determine the present value of defined benefit obligations). The Company attributes benefit to periods in which the obligation to provide post-employment benefits arises. That obligation arises as employees render services in return for post-employment benefits that the Company expects to pay in future reporting periods. Actuarial techniques allow the Company to measure that obligation with sufficient reliability to justify recognition of a liability. Remeasurement of the defined benefit liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income.

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 („Audre“, „Akville“ with the deadweight up to 6.000 tons), „Alka“ – type vessels („Alka” – with the dead weight up to 10.000 tons, vessel was sold during 2014) and „Raguva“ type vessels („Raguva“, „Deltuva“, „Romuva“, „Voruta“, „Venta“ with the deadweight up to 25.000 tons).

Transactions with related parties

The related parties of the Company are shareholders and members of the management, the general director, fleet operations director, fleet freight director, technical director, common affairs director, chief accountant, divisional managers, their family members, the entities controlled or jointly controlled by the management of the company.

The Company had no collectively significant transactions with related legal entities, including government-related entities and state institutions during 2015 and 2014. 2015 m. PC „Lithuanian shipping company“ received a loan of 500 thousand EUR under the loan agreement of 2015-05-13 from PC „Smiltynes perkelė“.

Revenue

The Company is involved in leasing (renting) vessels under voyagecharter and timecharter agreements.

Voyage charter is the hiring of a vessel and crew for a voyage between a load port and a discharge port. The charterer pays the Company on a per-ton or lump-sum basis. The Company pays the port costs (excluding stevedoring), fuel costs and crew costs. Voyage charter agreements usually are short-term (in most cases up to 1-3 months).

Time charter is the hiring of a vessel for a specific period of time. The Company still manages the vessel but the charterer selects the ports and directs the vessel where to go. The charterer pays for fuel expenses, port charges and commissions. The Company receives a daily hireincome. Time charter agreements may last for up to 2 years (but usually do not exceed 1 year).

The Company recognizes revenue from voyage charters agreements still in progress at the reporting date under the percentage of completion method. The percentage of completion is determined based on the proportion of an actual voyage time up to the reporting date to the total estimated (contracted) voyage time.

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

VII. Significant accounting policies (continued)

Cost of sales

Costs are recognised based on accrual and matching principles in the period in which they were incurred.

Cost of sales includes depreciation of property, plant and equipment, salaries and other costs incurred to earn the income.

Vessel repair and maintenance costs, incurred not during regular dock surveys, are recognised as costs for the year in which they were incurred.

Selling and administrative costs

Selling and administrative costs include costs related to administrative staff, management, office expenses, depreciation, amortisation and etc.

Costs are stated based on accrual principle and recognized 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, 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 activities of the Company.

Finance income and expenses

Finance income and expenses comprise of interest income and expenses and realized and unrealized currency exchange gain or loss in relation to amounts receivable and payable denominated in foreign currencies.

Interest income and expenses are recognized in 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. Since 2007, shipping companies in Lithuania are allowed to apply a fixed rate income tax (tonnage tax) if:

- the Company operates own or rented vessels, registered in the Lithuanian Vessel Register, under international freights;
- the Company owns at least 25% of the operated fleet's payload capacity units;
- the Company provides strategic, commercial and technical management services to the fleet;
- the operated vessels meet class requirements according to the Lithuanian and European legislation.

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 starting in 2007 and later is taxed by a fixed income tax rate which depends on payload capacities of the vessels. The fixed income tax is applicable for shipping activities. Other activities of the Company, not related to shipping, are subject to normal income tax rate. The distinction between shipping and other activities (such as rent of premises) of the Company are determined by the Company based on the Tax Authorities guidance. Profit earned not from sea freight services is taxed in accordance with the Law on Income Tax. The deferred tax is not recognized in the Company.

VII. Significant accounting policies (continued)

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.

Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements, unless the realization of income is virtually certain. They are disclosed in the financial statements when an inflow of economic benefit is probable.

Subsequent events

Events that provide additional evidence on conditions that existed at the end of the reporting period (the adjusting events) are recognized in the final statements. Other subsequent events are not adjusting events and are disclosed in the notes if material.

New standards, amendments or interpretations of published standards

The following new or amended standards are effective from 1 January 2014 but did not have a significant impact on the financial statements of the Company:

- (a) Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) – the Company does not have subsidiaries, joint ventures or associates as at reporting date.
- (b) Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – the Company does not have financial assets and liabilities, which could be offset.
- (c) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) – the Company complies with the disclosure requirements of the standard.
- (d) Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) – the Company does not have derivative financial instruments at the reporting date.

Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements.

- (a) IFRIC 21 Levies – no levies have been imposed on the Company by the government of Republic of Lithuania during the reporting period.
- (b) Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) – the Company does not have a defined benefit plan that involve contributions from employees or third parties meeting certain criteria.

VII. Significant accounting policies (continued)

Annual Improvements to IFRSs

The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Another four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted.

None of these amendments are expected to have a significant impact on the financial statements of the Entity.

- (a) IFRS 1 First-time Adoption of International Financial Reporting Standards
- (b) IFRS 2 Share-based Payment
- (c) IFRS 3 Business Combinations
- (d) IFRS 8 Operating Segments
- (e) IFRS 13 Fair Value Measurement
- (f) IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- (g) IAS 24 Related Party Disclosures
- (h) IAS 40 Investment Property

VIII. Financial risk management

In its activities, the Company is exposed to various financial risks: market risk (including currency exchange risk and interest rate risk), credit risk and liquidity risk. The Board of Directors is responsible for creation and control of overall risk management policy in the Company. Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls. Risk management policies and systems are reviewed on a regular basis to reflect changes in the market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims at developing a disciplined and constructive control environment in which all employees understand their roles and obligations. From time to time the Company may use derivative financial instruments in order to hedge against certain risks.

Credit risk

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

At 30 September 2015, the maximum exposure to credit risk for trade and other receivables was as follows:

| | 30-09-2015 | 30-09-2014 |
|-------------------|------------|--------------|
| Trade receivables | 614 | 976 |
| Other receivables | 11 | 436 |
| Total: | 625 | 1.412 |

Public Company Lithuanian Shipping Company

Company code: 110865039, address: Malūninkų St. 3, LT-92264 Klaipėda

Financial statements for the year ended 30 September 2015

(in thousands of EUR, unless stated otherwise)

As at 30 September 2015, the ageing of trade and other receivables that were not impaired was as follows:

| | 30-09-2015 | 30-09-2014 |
|---------------------------|------------|------------|
| Not overdue | 7 | 720 |
| Overdue up to 30 days | 485 | 222 |
| Overdue 31 - 90 days | 85 | 9 |
| Overdue more than 91 days | 48 | 25 |
| Total: | 625 | 976 |

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Management monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. Ratios analysed by the Management are described in note 19.

The Management of the Company has reviewed the prevailing environment and believed that based on the Company's plans and assumptions disclosed in Section IV "Going concern", it believes that there is uncertainty regarding company's financial resources to satisfy its working capital requirements and payments of liabilities and its forthcoming future capital commitments.

Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowing are denominated and the functional currency of the Company (EUR). The Company does not hedge its estimated foreign currency exposure.

The Company's currency exchange risk was related to USD was concentrated in the following items of the statement of financial position. The table below presents amounts in USD converted to EUR:

| Thousand EUR | 30-09-2015 | 31-12-2014 |
|---------------------------|-----------------|-----------------|
| Trade receivables | 546 | 913 |
| Other receivables | 4 | 356 |
| Cash and cash equivalents | 394 | 96 |
| Trade payables | (2.131) | (1.147) |
| Financial liabilities | (12.500) | (13.283) |
| Net exposure | (13.687) | (13.065) |

There are no other material monetary items denominated in foreign currencies other than USD.

VIII. Financial risk management (continued)

The following table demonstrates the sensitivity of profit and loss where USD/EUR exchange rate changes by the specified percentage:

| Thousand EUR | 30-09-2015 | 31-12-2014 |
|---------------------------|------------|------------|
| Increase in exchange rate | 10% | 10% |
| Profit (loss) | (1.369) | (1.306) |
| Decrease of exchange rate | (10%) | (10%) |
| Profit (loss) | 1.369 | 1.306 |

This analysis is based on the fluctuations of foreign currencies exchange rate (USD) which are reasonably possible at the end of each period. This analysis assumes that all other variables, in particular the interest rate, remain constant.

Interest rate risk

Borrowings of the Company are denominated in USD and bear a variable interest rate related to LIBOR, determined every three months. In 2015 the effective interest rate varied from 4,30% to 4,66% (in 2014 varied from 4,24% to 4,30%).

IX. Capital management

The Board's policy is to maintain the confidence of investors, creditors and the market, to fund business development opportunities in the future and comply with external capital requirements.

The Board monitors capital return ratios and proposes dividends to the shareholders in accordance with the Company's financial performance and strategic goals. 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 provided 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 were made in the objectives, policies or processes during the years ended 31 December 2014 and 30 September 2015.

Debt – equity ratio

| Thousand EUR | 30-09-2015 | 31-12-2014 |
|----------------------------------|---------------|---------------|
| <i>Total liabilities:</i> | 22.184 | 20.609 |
| Less cash and cash equivalents | 347 | 107 |
| <i>Net amount of liabilities</i> | 21.837 | 20.502 |
| <i>Total equity:</i> | 10.097 | 17.383 |
| Debt – equity ratio | 2.16 | 1.18 |

X. Notes

1. Property, plant and equipment

| Thousand EUR | Buildings and plant | Machinery and equipment | Vessels | Other vehicles | Dock surveys | Other non-current assets | Total |
|-----------------------------------|---------------------|-------------------------|----------|----------------|--------------|--------------------------|----------|
| Acquisition cost | | | | | | | |
| Balance as at 31 December 2013 | 1.063 | 202 | 111.058 | 86 | 3.872 | 136 | 116.419 |
| Acquisitions | - | 2 | - | - | 672 | 1 | 675 |
| Disposals (-) | (1.063) | (9) | - | - | (671) | (26) | (1.769) |
| Transfers to assets held for sale | - | - | (11.258) | - | (95) | - | (11.353) |
| Balance as at 31 December 2014 | - | 195 | 99.800 | 86 | 3.778 | 111 | 103.972 |
| Acquisitions | - | - | - | - | 458 | - | 458 |
| Disposals | - | - | - | - | - | - | - |
| Transfers to assets held for sale | - | - | (21.173) | - | (1.024) | (16) | (22.213) |
| Balance as at 30 September 2015 | - | 195 | 78.627 | 86 | 3.212 | 95 | 82.215 |
| Accumulated impairment | | | | | | | |
| Balance as at 31 December 2013 | - | - | (30.589) | - | - | - | (30.589) |
| Impairment | - | - | - | - | - | - | - |
| Transfers to assets held for sale | - | - | 5.813 | - | - | - | 5.813 |
| Balance as at 31 December 2014 | - | - | (24.776) | - | - | - | (24.776) |
| Impairment | - | - | - | - | - | - | - |
| Transfers to assets held for sale | - | - | - | - | - | - | - |
| Balance as at 30 September 2015 | - | - | (24.776) | - | - | - | (24.776) |
| Accumulated depreciation | | | | | | | |
| Balance as at 31 December 2013 | (260) | (192) | (42.156) | (56) | (1.864) | (127) | (44.655) |
| Depreciation for the period | (43) | (9) | (2.394) | (8) | (1.389) | (3) | (3.846) |
| Disposals (-) | 303 | 8 | - | - | 671 | 26 | 1.008 |
| Transfers to assets held for sale | - | - | 3.591 | - | 42 | - | 3.633 |
| Balance as at 31 December 2014 | - | (191) | (42.959) | (64) | (2.540) | (104) | (43.860) |
| Depreciation for the period | - | (2) | (1.561) | (6) | (582) | (1) | (2.152) |
| Disposals | - | - | - | - | - | - | - |
| Transfers to assets held for sale | - | - | 11.960 | - | 909 | 13 | 12.882 |
| Balance as at 30 September 2015 | - | (193) | (30.560) | (71) | (2.212) | (92) | (33.128) |
| Carrying amounts | | | | | | | |
| 31 December 2013 | 803 | 13 | 38.313 | 30 | 2.008 | 9 | 41.175 |
| 31 December 2014 | - | 4 | 34.065 | 22 | 1.238 | 7 | 35.336 |
| 30 September 2015 | - | 2 | 23.291 | 15 | 1.000 | 3 | 24.311 |

All vessels are pledged to the bank as security for the bank loan (see note 7).

There are no contractual commitments for the acquisition of property, plant and equipment at 30 September 2015.

X. Notes (continued)

2. Property, plant and equipment (continued)

Depreciation is recognized in the following items of the statement of profit or loss and other comprehensive income:

| Thousand EUR | 30-09-2015 | 30-09-2014 |
|-------------------------|----------------|----------------|
| Cost of sales | (2.143) | (2.873) |
| Administrative expenses | (9) | (57) |
| Total: | (2.152) | (2.930) |

3. Inventories

| Thousand EUR | 30-09-2015 | 31-12-2014 |
|--------------------------------|------------|------------|
| Fuel and lubricants on vessels | 488 | 895 |
| Spare parts, materials | 40 | 40 |
| Food supplies on vessels | 12 | 39 |
| Total: | 540 | 974 |

There was no write down of inventories to net realisable value as at 30 September 2015 and 2014.

No inventories are pledged as at 30 September 2015 and 2014.

4. Trade and other receivables

| Thousand EUR | 30-09-2015 | 31-12-2014 |
|-------------------------------------|------------|--------------|
| Trade receivables | 997 | 1370 |
| Allowance for impairment (-) | (383) | (394) |
| Trade receivables, net | 614 | 976 |
| Receivable from the tax authorities | 7 | 1 |
| Prepayments to vessels | 4 | 9 |
| Other receivables | - | 426 |
| Total other receivables | 11 | 436 |
| Total: | 625 | 1.412 |

5. Cash and cash equivalents

| Thousand EUR | 30-09-2015 | 31-12-2014 |
|------------------------------------|------------|------------|
| Cash at bank in national currency | - | 12 |
| Cash at bank in foreign currencies | 397 | 96 |
| Cash on hand in national currency | - | - |
| Cash on hand in foreign currencies | - | - |
| Total: | 397 | 108 |

Since 1 January 2015, the Litas has been pegged to the EUR. At the reporting period all transactions were translated into EUR 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 EUR = 1,0845 USD.

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.

X. Notes (continued)

6. Share capital

| Thousand shares | Authorised and issued capital |
|-------------------------------------------------------------------------------|-------------------------------|
| 31-12-2014 | 24.000 |
| New emission of shares | - |
| Acquisition of own shares | - |
| The increase of the nominal value of the shares due to the conversion to Euro | 31 |
| 30-09-2015 | 24.031 |

The authorized capital of the Company at 30 September 2015 comprised 82.867.200 ordinary shares at par value of 0,29 EUR 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 and interest in residual assets.

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

The Company's financial statements for ended 30 September 2015 show that the Company's equity as at 30 September 2015 amounts to 10.097 thousand EUR, which is less than half of the authorized capital (24.032 thousand EUR).

Legal reserve

Legal reserve is 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. As at 30 September 2015 the legal reserve is nil.

7. Loans and borrowings

| Thousand EUR | 30-09-2015 | 31-12-2014 |
|--------------------------------------------|---------------|---------------|
| Payable after one year | 12.500 | - |
| Payable within one year | 3.396 | 13.274 |
| Accrued interest payable within one year | 74 | 9 |
| Total: | 15.970 | 13.283 |
| Loan balances in the beginning of the year | 13.283 | 15.297 |
| Loan received | 3.397 | - |
| Loan repaid | (1.886) | (3.553) |
| Accrued interest payable within one year | 74 | 10 |
| Accrued interest repaid | - | (56) |
| Currency exchange differences | 1.102 | 1.585 |
| Total: | 15.970 | 13.283 |

SEB bank loans and borrowings were recorded in long-term liabilities, since the repayment date was postponed until 02.05.2016.

Loan to the bank is secured by the pledge of the Company's vessels. The Company has pledged 5 vessels the carrying amount of which as at 30 September 2015 amounted to 23.291 thousand EUR.

The loan is denominated in USD and bears a variable interest rate related to 3 months LIBOR (USD) plus the bank margin.

The loan of 500 thousand EUR received under the loan agreement of 2015-05-13 from PC "Smiltynės perkėla"

The loan received under the loan agreement of 05-08-2015 from JSC „Lithuanian Railways“.

X. Notes (continued)

8. Employment related liabilities

| Thousand EUR | 30-09-2015 | 31-12-2014 |
|---------------------------------|--------------|--------------|
| Payable salaries | 1.115 | 789 |
| Vacation reserve (salaries) | 254 | 356 |
| Vacation reserve (social taxes) | 115 | 144 |
| Payable to tax authorities | 275 | 65 |
| Other payables | 30 | 9 |
| Total: | 1.789 | 1.363 |

9. Trade and other payable amounts

| Thousand EUR | 30-09-2015 | 31-12-2014 |
|--------------------------|--------------|--------------|
| Payable to suppliers (a) | 3.208 | 4.617 |
| Prepayments received | 909 | 965 |
| Accrued expenses | 27 | 27 |
| Payable dividends | 12 | 114 |
| Other | 162 | 118 |
| Total: | 4.318 | 5.841 |

- (a) Amount payable to suppliers includes: 895 thousand EUR – fuel; 778 thousand EUR – repair and technical supply of vessels; 390 thousand EUR – payable to agents for services provided to vessels; 133 thousand EUR – vessel supervision classifying companies; 99 thousand EUR – lubricants; 415 thousand EUR payable for Insurance; 408 thousand EUR – other various services to vessels and on-shore divisions.

10. Deferred tax asset and liabilities

Since in 2007 the Company selected to pay afixed tonnage tax, the base of which does not depend on the Company's profit. All temporary differences between the tax and financial reporting relate to the shipping activities. Due to this, deferred tax is not applicable to the Company.

11. Revenue

| Thousand EUR | 30-09-2015 | 30-09-2014 |
|-----------------------------|--------------|---------------|
| Voyage-charter revenues (a) | 6.095 | 10.796 |
| Time-charter revenues (b) | 1.962 | 4.746 |
| Total: | 8.057 | 15.542 |

- (a) Income earned from Voyage charters is based on the vessel rent for particular trip (voyage) from point A to B. Voyage charter agreements usually are short-term (in most cases up to 1-3 months).
- (b) Time charter agreements are based on the vessel's rent for a particular period of time from date A till B. Time charter agreements may last for up to 2 years (but usually do not exceed 1 year).

X. Notes (continued)

12. Cost of sales

| Thousand EUR | 30-09-2015 | 30-09-2014 |
|------------------------------|-----------------|-----------------|
| Fuel | (2.194) | (4.353) |
| Crew costs | (2.839) | (3.595) |
| Depreciation | (2.144) | (2.873) |
| Port dues | (1.588) | (1.954) |
| Insurance | (940) | (919) |
| Emergency repair of vessels | (616) | (770) |
| Commissions | (333) | (599) |
| Vessel's functional expenses | (469) | (464) |
| Lubricants | (274) | (392) |
| Spare parts | (102) | (218) |
| Other vessel costs | (1.408) | (989) |
| Total: | (12.907) | (17.126) |

30 September 2015 depreciation charge, crew costs, fuel costs, commissions and vessels functional expenses compared with the reporting period 2014 has decreased due to sale of vessels and vessels downtime without working on arrest of ships in the third quarter.

13. Administrative expenses

| Thousand EUR | 30-09-2015 | 30-09-2014 |
|----------------------------------------|--------------|--------------|
| Staff costs | (482) | (550) |
| Consultation, legal and audit services | (91) | (70) |
| Depreciation and amortization | (9) | (56) |
| Bank services | (14) | (34) |
| Business maintenance expenses | (24) | (20) |
| Transport expenses | (10) | (22) |
| Communication services | (23) | (21) |
| Maintenance of premises | (11) | (17) |
| Other | (226) | (156) |
| Total: | (890) | (946) |

14. Other operating income/expenses

| Thousand EUR | 30-09-2015 | 30-09-2014 |
|-------------------------------------------------------|----------------|----------------|
| Income from disposal of property, plant and equipment | 3.043 | 4.352 |
| Other income | 48 | 158 |
| <i>Total other operating income:</i> | <i>3.091</i> | <i>4.510</i> |
| Loss from disposal of property, plant and equipment | (3.143) | (4.908) |
| Other expenses | - | - |
| <i>Total other operating expenses:</i> | <i>(3.143)</i> | <i>(4.908)</i> |
| Total: | (52) | 398 |

X. Notes (continued)

15. Financial and investing activity

| Thousand EUR | 30-09-2015 | 30-09-2014 |
|-------------------------------------------|----------------|----------------|
| Interest income | - | - |
| Gain of currency exchange | - | - |
| <i>Total financial activity income:</i> | - | - |
| Interest expenses | (240) | (437) |
| Loss of currency exchange | (1.275) | (1.195) |
| <i>Total financial activity expenses:</i> | <i>(1.515)</i> | <i>(1.632)</i> |
| Total: | (1.515) | (1.632) |

16. 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. Weighted average number of ordinary shares for financial year ended as at 30 September 2015 amounted to 82.867.200 units (as at 30 September 2014 – 82.867.200 units, shares was reistered only on September 30, 2014).

Basic loss per share as at 30 September 2015 amounts to 0,088 EUR, basic loss per share as at 30 September 2014– 0,023 EUR.

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

17. Related parties

The related parties of the Company are: members of the Board, general director , fleet operations director (dismissed 18-06- 2015), technical director, common affairs director (dismissed 22-05- 2015), chief accountant and their family members. Remuneration to the mentioned persons in 2015 amounted to 131 thousand EUR (in 2014 - 100 thousand EUR).

The Company had no transactions or outstanding balances as at 30 September 2015 and 30 September 2014 with other related parties including government-related entities.

18. 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 fertilizers, ore, steel coils and minerals.

Caribbean market, where various cargo are being carried between USA and the Caribbean and Central American countries.

X. Notes (continued)

18. Segments (continued)

According to the size (tonnage) of vessels, there are two vessel segments in 2015 (three in 2014): „Asta” – type vessels („Audrė“, „Akvilė” – with the dead weight up to 6.000 tons), „Alka” – type vessels („Alka” – with the dead weight up to 10.000 tons, vessel was sold during 2014) and „Raguva” – type vessels („Raguva“, „Deltuva“, „Romuva“, „Voruta“ and „Venta“ – with the dead weight up to 25.000 tons).

The Company separates segments based on the size of the vessels (tonnage), however, the vessels of the Company in all separated segments are used for delivery of similar services (they can transport similar cargo). In 2013 the Company has decided to sell „Alka” type vessels – one was sold in 2013, another one in 2014.

„Asta” type vessels was sold in 2014 and other two „Asta” type vessels was sold 2015.

| 30-09-2015, thousand EUR | Asta | Alka | Raguva | Not attributed | Total |
|-----------------------------------------------------|--------------|------|----------------|----------------|----------------|
| Voyage income | 1.264 | - | 6.793 | - | 8.057 |
| Voyage costs | (567) | - | (4.387) | - | (4.954) |
| Voyage result | 697 | - | 2.406 | - | 3.103 |
| Current vessel costs | (779) | - | (5.031) | - | (5.810) |
| Operating costs | - | - | - | (892) | (892) |
| Operating result before depreciation, EBITDA | (82) | - | (2.625) | (892) | (3.599) |
| Impairment of vessels | - | - | - | - | - |
| Depreciation | (156) | - | (1.987) | (8) | (2.152) |
| Operating result, EBIT | (238) | - | (4.612) | (900) | (5.750) |
| Other activity result | - | - | - | (52) | (52) |
| Interest expenses | - | - | - | (240) | (240) |
| Currency exchange result | - | - | - | (1.275) | (1.275) |
| Other financial activity, net | - | - | - | - | - |
| Tonnage tax | - | - | - | - | - |
| Profit (loss) | (238) | - | (4.612) | (2.467) | (7.317) |
| Non-current assets of segments | - | - | 23.291 | - | 23.291 |
| Loan payable by segment | - | - | - | 15.896 | 15.896 |
| 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.

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(in thousands of EUR, unless stated otherwise)

X. Notes (continued)**18. Segments (continued)**

| 30-09-2014, thousand EUR | Asta | Alka | Raguva | Not attributed | Total |
|----------------------------------------------------|--------------|--------------|----------------|-----------------------|----------------|
| Voyage income | 2.367 | 339 | 12.835 | - | 15.541 |
| Voyage costs | (245) | (247) | (7.162) | - | (7.654) |
| Voyage result | 2.122 | 92 | 5.673 | - | 7.887 |
| Current vessel costs | (1.720) | (251) | (4.627) | - | (6.598) |
| Operating costs | - | - | - | (891) | (891) |
| Operating costs before depreciation, EBITDA | 402 | (159) | 1.046 | (891) | 398 |
| Impairment of vessels | - | - | - | - | - |
| Depreciation | (430) | - | (2.443) | (56) | (2.929) |
| Operating result, EBIT | (28) | (159) | (1.397) | (947) | (2.531) |
| Other activity result | - | - | - | (398) | (398) |
| Interest expenses | - | - | - | (437) | (437) |
| Currency exchange result | - | - | - | (1.195) | (1.195) |
| Result from other financial activity, net | - | - | - | - | - |
| Fixed income (tonnage) tax | - | - | - | - | - |
| Profit (loss) | (28) | (159) | (1.397) | (2.977) | (4.561) |
| Non-current assets of segments | 3.066 | - | 31.585 | - | 34.651 |
| Segment loan payable | - | - | - | 12.833 | 12.833 |
| Acquisition of non-current assets | - | - | - | - | - |

19. Financial ratios

The key financial ratios for the 30 September 2015 can be summarized as follows:

| | Calculation | 30-06-2015 | 30-09-2014 |
|------------------------------|----------------------------------------------------------------|------------|------------|
| Gross debt ratio (%) | $\frac{\text{Total liabilities}}{\text{Total assets}}$ | 0,67 | 0,51 |
| Gross solvency ratio (%) | $\frac{\text{Total equity}}{\text{Total liabilities}}$ | 0,46 | 0,97 |
| Gross profitability (%) | $\frac{\text{Gross result}}{\text{Sales and services}}$ | (0,004) | (0,01) |
| Current ratio (%) | $\frac{\text{Current asset}}{\text{Current liabilities}}$ | 0,08 | 0,15 |
| Receivables turnover (times) | $\frac{\text{Sales and services}}{\text{Accounts receivable}}$ | 13,12 | 34,24 |

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X. Notes (continued)

20. Contingencies

There are no ongoing legal proceedings as at 30 September 2015.

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

The tax authorities have not performed a full scope tax review of the Company for the period 2010 to 2015. According to prevailing tax legislation the tax authorities have the right to check accounting registers and records of the company for 5 years prior to the current accounting period and may charge additional taxes and penalties. The management of the Company is not aware of any circumstances due to which additional material tax liabilities could be imposed on the Company.

21. Subsequent events

2015-10-19 resignation of three of the five members of the Supervisory Board. Thus, in the absence of a quorum, expired in October of the Supervisory Board.

General Director



Sigitas Dobilinskas

Chief Accountant



Arvydas Stropus