

**LIMARKO SHIPPING COMPANY**

**ANNUAL REPORT**

**VILNIUS**  
**May, 2007**

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## I. GENERAL INFORMATION

### 1. *The period for which the prospectus was drawn up.*

The year of 2006.

### 2. *General information about the issuer.*

Issuer name	Limarko Shipping Company AB
Legal and organizational form	public limited liability company
Authorized capital	109 450 664 Lt
Register date and place	9 <sup>th</sup> September, 1991; Klaipėda city administration
Register number	Nr. AB 95 - 114
Register code	140346648
VAT code	LT403466412
Registered in	The Register of Legal Entities of Lithuania Republic
Register office	Naujoji Uosto str. 8, LT-92125 Klaipėda, Lithuania
Telephone number	8 46 340001
Fax number	8 46 341195
E-mail	<a href="mailto:info@limarkoshipco.lt">info@limarkoshipco.lt</a>
Web site	<a href="http://www.limarko.lt">www.limarko.lt</a>

### 3. *The nature of the issuer's principal activities.*

The main activity of AB "Limarko Shipping Company" is transportation of cargo by water (sea) transport. In previous years the Company was mainly operating in the market of frozen sea cargo transportation. On 17 November 2004 the General Shareholders Meeting resolved to expand the fleet by acquiring dry-cargo vessels. The main activity of AB "Limarko Shipping Company" became split into two fields: transportation of frozen and dry sea cargo.

The Company may engage in other activities provided for in the Articles of Association.

### 4. *Information about where and how one can get acquainted with the prospectus and the documents on the basis of which it was prepared.*

Documents on the basis of which the Prospectus was prepared and the copies of the Prospectus are available to investors in the Company, at 8 Naujoji Uosto str., Klaipėda, on workdays from 8.30 a.m. till 4.00 p.m.

All major material events related to the Company's activities or information about time and venue of the General Meeting of Shareholders and any other notices to the shareholders and other persons shall be announced in the daily Lietuvos Rytas in accordance with the Lithuanian law.

### 5. *Persons responsible for the accuracy of information in the prospectus.*

#### 5.1. *Members of the managing bodies of the issuer, employees and the head of the administration responsible for the prospectus on behalf of the Company:*

Vytautas Lygnugaris, President, phone: (8 46) 34 00 01, fax: (8 46) 34 11 95.

Renaldas Vyšniauskas, Chief Financial Officer, phone: (8 46) 34 00 01-602, fax: (8 46) 34 16 50.

**5.2. Consultants helped with preparing the prospectus:**

Trading and Capital Markets of SEB Vilniaus Bankas, Ltd, legal address Gedimino av. 12, LT-01103 Vilnius, phone: (370) 5-268-2687, facsimile: (370) 5-268-2683, represented by Irmantas Burokas, Senior project manager of Capital Markets unit.

**6. Declaration by the members of the issuer's managing bodies, employees, the head of the administration and the issuer's consultants or their representatives that the information contained in the prospectus is in accordance with the facts and that the prospectus makes no omission likely to affect its import.**

Limarko Shipping Company AB represented by Vytautas Lygnugaris, the company's President, and Renaldas Vyšniauskas, Chief Financial Officer, hereby represents that information included in the Prospectus gives a true view and there are no undisclosed material facts the absence of which might influence the investors' decisions to purchase or sell the company's securities, the market price of the securities and their evaluation.

The Trading and Capital Markets of SEB Vilniaus Bankas, Ltd. represented by Irmantas Burokas, Senior project manager of Capital Markets Unit, hereby represents that complete information obtained from the Company's employees and its Management has been included into the Prospectus and it is the former's responsibility to duly prepare the documents submitted to it. It is the responsibility of Limarko Shipping Company AB that said information gives a true and fair view.

Company's President

29 May, 2007

Chief Financial Officer

28 May, 2007

Senior Project Manager of Capital Market Unit of the  
Trading and Capital Markets of SEB Vilniaus Bankas AB

29 May, 2007



The image shows three handwritten signatures in black ink. The first signature is at the top, the second is in the middle, and the third is at the bottom. To the left of the middle and bottom signatures is a circular stamp. The stamp contains the text: "LIETUVOS RESPUBLIKA" at the top, "Akcinė bendrovė 'Limarko laivininkystės kompanija'" in the center, and "KLAIPEDA" at the bottom. There are also some asterisks and a small arrow in the stamp.

Vytautas Lygnugaris

Renaldas Vyšniauskas

Irmantas Burokas

The prospectus was drawn up in Vilnius, May 2007

## II. INFORMATION ABOUT THE ISSUER'S AUTHORIZED CAPITAL AND ISSUED SHARES

### 7. *The issuer's authorized capital and structure.*

#### 7.1. *registered capital*

In December 31, 2006, the issuer's authorized capital was equal to 109 450 664 LTL, encompassing 109 450 664 ordinary shares, the par value of each being 1 LTL. Shareholders having ordinary shares have a right to one vote at the General Meeting of Shareholders and a right to get dividends, which are regularly announced.

The structure of the Limarko Shipping Company AB authorized capital according to the share type:

Type and class of shares	The number of authorized shares	Nominal value (currency)	Total nominal value	The part of the authorized capital	The number of fully paid up shares	Total nominal value of fully paid up shares (NIS)
Ordinary registered shares	109,450,664	1,00	109,450,664	100%	109,450,664	109,450,664
<b>Total:</b>	<b>109,450,664</b>	<b>-</b>	<b>109,450,664</b>	<b>100%</b>	<b>109,450,664</b>	<b>109,450,664</b>

All shares of the company are paid up.

#### 7.2. *information about the projected increase of the authorized capital in connection with conversion or exchange of convertible debt securities, exchangeable debt securities or derivative securities issued*

Not intended.

### 8. *Major shareholders.*

Total number of Company's shareholders on the record day of the last general meeting of shareholders (13 April 2007) was 479.

Shareholders, who held more than 5% Company's authorized capital on 13 April 2007:

Shareholder's names and surnames of natural persons, names of enterprises	The number of shares	The percentage of the authorized capital	The percentage of votes
Limarko, Ltd. Address: Daukanto 2-2 str., Klaipėda Code: 4076537	99 469 279	90,88%	90,88%
Skandinaviska Enskilda Banken, Sergels Torg 2, 10640 Stockholm Code: 502032908101	6 327 335	5,78%	5,78%

### 9. Main data about the shares being issued for public offering.

Securities name	Security registration, date	Securities amount	Nominal value, LTL	Total value, LTL
Ordinary registered shares	AB – 2359 1995 06 30	44.739.216	1	44.739.216
Ordinary registered shares	AB – 3233 1996 05 31	41.238.320	1	41.238.320
Ordinary registered shares	AB – 3831 1997 04 25	14.749.082	1	14.749.082
Ordinary registered shares	AB – 4221 1998 04 03	18.068.568	1	18.068.508
Ordinary registered shares	AB – 4543 1999 05 07	12.000.000	1	12.000.000
Ordinary registered shares	AB – 962 2003 12 04	-21.344.522	1	-21.344.522
Total:	-	<b>109.450.664</b>	<b>1</b>	<b>109.450.664</b>

Methods of shares issued for public trading and cancellation of shares:

1. Share issue AB-2359 was issued to form the authorized capital according to 26 August 1994 government resolution No. 787. Ordinary shares were distributed publicly through privatization offices.
2. The rest four issues were issued to increase authorized capital from company's own means by indexing shares respectively:
3. In 1996 according to Public Company Law of Republic of Lithuania article 44, company's authorized capital was increased from company's own means, therefore owned shares have been indexed using ratio 1,63640065;
4. In 1997 according to Public Company Law of Republic of Lithuania article 44 and 26 March 1997 resolution of General Meeting of Shareholders the company's authorized capital was increased from profit reserves of year 1996. Indexing ratio used was 1,1715457799;
5. In 1998 according to Public Company Law of Republic of Lithuania article 44 and 20 March 1998 resolution of General Meeting of Shareholders the company's authorized capital was increased from profit reserves of year 1997. Indexing ratio applied was 1,179382;
6. In 1999 according to Public Company Law of Republic of Lithuania article 44 and 9 April 1999 resolution of General Meeting of Shareholders the company's authorized capital was increased from profit reserves of year 1998. Indexing ratio used was 1,1010142.

7. 3. General Meeting of Shareholders of Klaipėda transport fleet AB on the 6<sup>th</sup> of October 2003, passed the resolution to reorganize the company, merging Limarko Shipping Company UAB and after the first reorganization on the 10<sup>th</sup> of November 2003 General Meeting of Shareholders of Klaipėda transport fleet AB (currently Limarko Shipping Company) passed the resolution to decrease authorized capital from LTL 130 795 186 to LTL 109 450 664, canceling own shares acquired during reorganization.

***10. Main data about the shares registered and issued for private offering.***

Were not issued.

***11. Main data about the issued depository certificates representing shares.***

Were not issued.

***12. Main data about debt securities registered and issued for public offering.***

Were not issued.

***13. Main data about debt securities registered and issued for private offering.***

Were not issued.

***14. Securities not representing capital.***

Were not issued.



### III. INFORMATION ABOUT SHARES ISSUED IN SECONDARY MARKET

#### 15. Securities listed on stock exchange.

On 22 May 2000 the Issuer's shares were admitted to the lists of Vilnius Stock Exchange. Presently the VSE Current List of trading contains 109,450,664 ordinary registered shares of AB "Limarko Shipping Company" at par value of one LTL each. The ISIN code of these securities is LT0000119646.

#### 16. Data about trades with company's securities.

Prices and turnovers of Limarko Shipping Company AB Ordinary shares during last 8 quarters:

Period		Price			Turnover (LTL)			Last Session's date	Turnover (LTL)	
From	Till	Max.	Max.	Last Session	Max.	Min.	Last Session		(units)	(LTL)
2005 01 01	2005 03 31	1,56	0,81	1,35	426 814	0	0	2005 03 31	1 980 270	1 365 315
2005 04 01	2005 06 30	1,68	1,24	1,58	6 014 855	0	0	2005 06 30	27 990 136	6 911 817
2005 07 01	2005 09 30	2,15	1,53	2,15	178 415	0	32 955	2005 09 30	1 276 792	2 265 845
2005 10 01	2005 12 31	2,22	1,90	2,07	208 924	0	38 093	2005 12 30	922 174	1 898 299
2006 01 01	2006 03 31	2,23	1,90	1,94	138 861	0	22 795	2006 03 31	785 751	1 583 715
2006 04 01	2006 06 30	1,98	1,30	1,50	190 440	0	0	2006 06 30	793 001	1 466 059
2006 07 01	2006 09 30	1,84	1,27	1,76	50 174	0	15 422	2006 09 29	402 222	659 842
2006 10 01	2006 12 31	1,84	1,44	1,55	84 157	0	11 196	2006 12 29	831 226	1 346 875

Except Vilnius Stock Exchange the trades with Company's shares are not executed at any other stock exchange.

#### 17. Capitalization.

Capitalization of issuer's securities is given in the table below:

Period		Capitalization (LTL)
From	Till	
2005 01 01	2005 03 31	147,758,396
2005 04 01	2005 06 30	172,932,049
2005 07 01	2005 09 30	235,318,928
2005 10 01	2005 12 31	226,562,875
2006 01 01	2006 03 31	212,334,288
2006 04 01	2006 06 30	164,175,996
2006 07 01	2006 09 30	192,633,169
2006 10 01	2006 12 31	169,648,529

**18. OTC trades.**

Period		Settled in Cash						Settled in kind		Total amount (units)
		Price (LTL)			Amount (units)	Amount (units)	Number of trades	Amount (units)	Number of trades	
From	Max	Max	Max	Av.						
2005.01.01	2005.03.31	0,89	0,70	0,82	28 450	23 369	2	-	-	28 450
2005.04.01	2005.06.30	-	-	-	-	-	-	-	-	-
2005.07.01	2005.09.30	-	-	-	-	-	-	-	-	-
2005.10.01	2005.12.31	0,75	0,75	0,75	10 270	7 679	1	-	-	10 270
2006.01.01	2006.03.31	-	-	-	-	-	-	-	-	-
2006.04.01	2006.06.30	-	-	-	-	-	-	-	-	-
2006.07.01	2006.09.30	1,10	0,97	1,03	20 398	21 086	2	4 390	1	24 788
2006.10.01	2006.12.31	-	-	-	-	-	-	-	-	-

**19. Data about the issuer's buying up of its shares.**

Company haven't bought out its own shares.

**20. Submission of a tender offer.**

There were no tender offers to buy issuer's shares submitted in 2006.

**21. The issuer's payment agents.**

The company has no agreements with any payment agent.

**22. Agreements with intermediaries of public trading in securities.**

On 29 April 2003 the Company signed the Issuer's Service Agreement with the bank AB SEB Vilniaus bankas, represented by the Trading and Capital Markets, located at the address Gedimino pr. 12, Vilnius, tel. (8 5) 268 2687, fax (8 5) 262 6043.

## IV. DATA ABOUT THE ISSUER'S ACTIVITIES

### 23. Legal basis for the issuer's activities.

Limarko Shipping Company AB activities are based on:

- Law on Securities of the Republic of Lithuania;
- Law on Markets of Financial Instruments of the Republic of Lithuania;
- Law on Companies of the Republic of Lithuania;
- Public Company Law of the Republic of Lithuania;
- Law on the Register of Enterprises of Republic of Lithuania;
- Other laws of Republic of Lithuania and regulatory enactments of Government;
- Company's statute and its revisions.

### 24. Membership in associated structures.

- ❖ BIMCO (The Baltic and International Maritime Council) – the biggest in the world association of shipping companies.
- ❖ Lithuanian Association of the ship owners (Lietuvos laivų savininkų asociacija - LLSA) – represents interests of the association members and propagate their activities; arrange projects of laws, resolutions, and other legal acts that are of importance to the members of the association as well as submit comments and propositions for the projected legal acts.
- ❖ Lithuanian Confederation of Industrialists – unify the largest Lithuanian companies. Represents interests of the association members and propagate their activities; arrange projects of laws, resolutions, and other legal acts that are of importance to the members of the association as well as submit comments and propositions for the projected legal acts.

Limarko Shipping Company AB engages in these organizations only as a member and pays the membership fee. The issuer does not participate in the capital of any of these organizations. Other members of these organizations do not participate in issuer's authorized capital.

### 25. Brief description of the issuer's historical background.

Enterprise as an independent economic operator was created on the 1<sup>st</sup> of January, 1987, after reorganization of Klaipėda refrigerator shipping base. At that time, the company existed under its original name of Klaipėda Transport Fleet AB Company.

In 1995 Klaipėda Transport Fleet AB company was reorganized into a public company, Limarko Shipping Company AB. Reorganization was based on the Law of Companies, article 50 section 3 and Lithuanian Government's resolution No. 787, 26 August, 1994. Limarko Shipping Company was registered on 20 April, 1995. After the date of registration the company took over Klaipėda Transport Company's claims and obligations.

Limarko Shipping Company AB has not changed its activities after the registration.

Limarko Shipping Company AB has increased its authorized capital 4 times.

In 2003, the investor UAB Limarko Shipping Company successfully participated in the privatisation of Klaipėda Transport Fleet AB and acquired 80.89 percent of company's capital. After the tender offer implementation on the 28<sup>th</sup> of July, 2003, there was bought 16 466 592 shares from minority shareholders and the total amount of controlled shares by Limarko Shipping Company UAB has risen to 122 266 817. According to 6<sup>th</sup> of October, 2003 reorganization project approved by Klaipėda Transport Fleet AB and UAB Limarko Shipping Company on the 10<sup>th</sup> of November 2003, shareholders of UAB Limarko Shipping Company exchanged this company's shares in to Klaipėda Transport Fleet AB shares. The reorganization process was finalized on the 27<sup>th</sup> of February, 2004 after signing out the statute of UAB Limarko Shipping Company and registering Limarko Shipping Company AB statue, where the authorized capital was reduced from LTL 130 795 186 to LTL 109 450 664 nullifying the part of company's own shares (LTL 21 344 522). On the 14<sup>th</sup> May, "Klaipėda Transport Fleet" title has been changed into "Limarko Shipping Company" AB.

## 26. Characteristics of production.

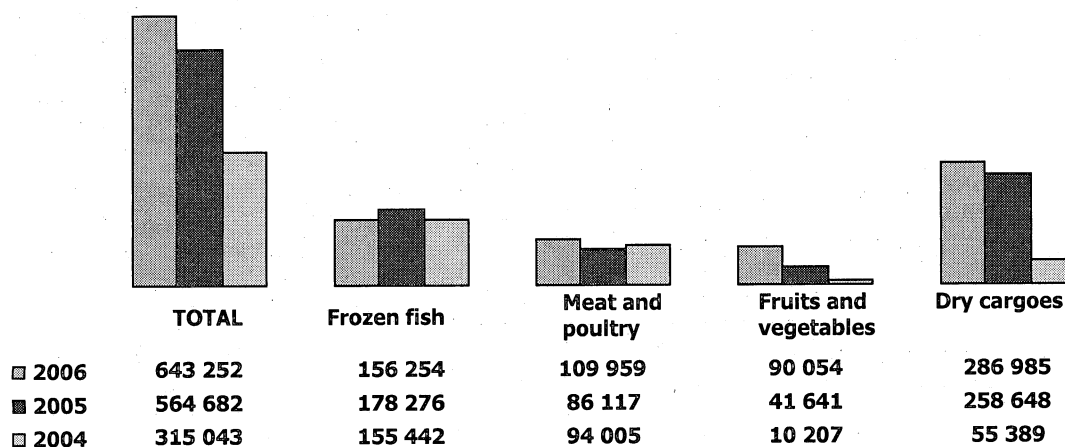
The core activity of Limarko Shipping Company AB is worldwide sea cargo transport service. In the earlier years the company was engaged only in frozen cargo transportation services. However in 2004, the Board of Limarko Shipping Company AB decided to diversify the company's main activity by entering into the dry cargo segment.

On 31 December, 2006 Company's owned 13 ships – refrigerators, one container carrier „Serenada“ as well as one dry cargo ship for rent. In January, 2006 Limarko Shipping Company AB bought two sisters ships „Pluto“ and "Uranus“, and in summer they sold motor ship „Orionas“. In the year 2006, Company's investments into shipping modernization were higher than 57 million litas.

### *Limarko Shipping Company's income (LTL) from transported cargoes in 2004–2006:*

Services	2004	2005	2006
Transported cargoes, LTL	62,208,038	88,290,584	115,673,241

Cargoes transported by the company in 2006 comprised 643 thousand tons (in that number 55 percent were frozen or iced foodstuff, and the other 45 percent – dry cargoes. The number of transported cargoes increased by 14 percent (comparing with the same period of the previous year):



*Limarko Shipping Company's volumes of transported cargoes (in thousand tons):*

Services	2004		2005		2006	
	Thousand tons	%	Thousand tons	%	Thousand tons	%
Fish products	155,4	49,3%	178,28	31,6%	156,25	24,3%
Meat and poultry	94,0	29,8%	86,12	15,2%	109,96	17,1%
Fruits and vegetables	10,2	3,3%	41,64	7,4%	90,05	14,0%
Other cargoes	55,4	17,6%	258,65	45,8%	286,99	44,6%
<b>TOTAL:</b>	<b>315,0</b>	<b>100%</b>	<b>564,7</b>	<b>100%</b>	<b>643,25</b>	<b>100%</b>

## Main financial indicators characterizing the company's activities:

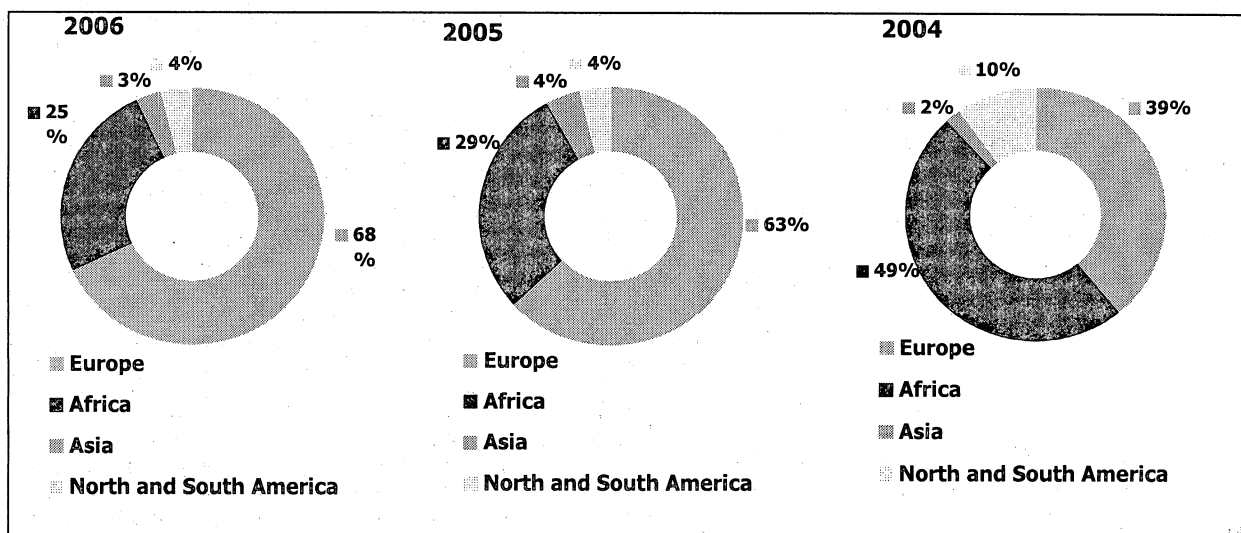
Indicator	2004	2005	2006
Earnings per share, Lt	0,05	0,14	0,09
Share book value, Lt	0,77	0,92	1,01
Net profit	8,2%	17,4%	8,3%
Total profit	13,2%	26,0%	10,6%
Return on average assets, ROA	4,2%	10,1%	5,1%
Return on average equity, ROE	2,2%	16,5%	9,1%
Liquidity ratio	0,9	1,3	0,86
Quick ratio	0,8	0,8	0,7
Debt ratio	0,37	0,40	0,47
Liabilities-equity ratio	0,58	0,68	0,89
Total asset turnover	0,56	0,52	0,46

**27. Sales market.**

The primary regions of fleet's navigation have encompassed Europe and Africa (68 percent and 25 percent respectively). Fleet volumes to North and South America reached 4 percent, and to Asia –3 percent.

Volumes of transported cargoes by regions during 2004 – 2006 (relative expression):

Region	2004	2005	2006
Africa	49%	29%	25%
Europe	39%	63 %	68 %
Asia	2%	4%	3%
North and South America	10%	4%	4%
<b>TOTAL</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100%</b>



Limarko Shipping Company AB operates in the worldwide market. The Company's vessels work under international agreements. Vessels in connection with their work organization are divided into three service submission groups:

- Vessel management department is taking care of employment of vessels working under one time agreements. According to these contracts, the transportation price is determined to each trip separately. Company pays all vessel exploitation fees itself. Transportation contract is signed through a broker, which acts as an intermediary between cargo sender and ship owner. At the end of 2006, there were 7 vessels working on the basis of such contract.
- Vessels employed in the POOL system. German company Alpha Reefer Transport (ART), whose 20 percent of shares belongs to Limarko Shipping Company AB, manages the POOL system. POOL provides vessels with cargoes, in the name of owner pays for fuel, harbour fees, commission fees to brokers and other fees, takes care of charters, penalties for downtime and payments of other income. Moreover, ART workers negotiate prices of cargo transportation. At the end of 2006 there were 7 company's vessels working in the ART POOL system.
- Vessels working on the basis of TIME CHARTER contracts. In accordance with this contract, the charter of the ship pays to the ship owner a fee depending on the time the ship was chartered. The charter price for a day or month is determined depending on a vessel's size, technical condition and other factors. The charter pays all fuel and harbour fees. At the end of 2006 there was 1 vessel working on the basis of such contract.

**28. Procurement.**

LSCo's procurement structure and volumes are determined by the demand of owned vessels. For the exploitation of vessels main resources are lubricants, spare parts, fuel, ship equipment and other supply such as paint, refrigeration and welding materials, hawser ropes, clothes etc.

Main material and services suppliers:

Materials and services	Supplier
Supply of lubricants	• SHELL International Trade. Oil (England);

According long term contracts	<ul style="list-style-type: none"> <li>• Castrol (Germany);</li> <li>• Famm (Poland)</li> </ul>
<u>Supply of spare parts and equipment</u>	<ul style="list-style-type: none"> <li>•Nippon Diesel Service (Germany);</li> <li>• Osaka Technik Service (Japan);</li> <li>• Industrial and marine suppliers (Singapore);</li> <li>• Christian Bindemann (Germany);</li> <li>•Thimes Diesel Injetion (Great Britain);</li> <li>•York Deutschland Gmdh. (Germany)</li> <li>•United Machineries Ltd. (Greece)</li> <li>•Marine Tech&amp;Logistics (Japan);</li> <li>•Fuji Trading (Japan);</li> <li>•Proref (Germany);</li> <li>•Teximor (Poland);</li> </ul>
<u>Other supplies</u> Dye, welding materials, hawser ropes, clothes etc.	<ul style="list-style-type: none"> <li>•Namibia Ship chandler (Namibia);</li> <li>•Maymar Marine Supply (USA, Pascagoula);</li> <li>• Chugoku (Japan);</li> <li>•Mara (Russia);</li> <li>•Unimars (Russia)</li> <li>•E.&amp; A.Papageorgiou S.A. (Greece);</li> <li>•Prins Supply B.V. (Belgium);</li> <li>•Barwil Unitor (Norway);</li> <li>•Hempel (Poland);</li> </ul>
<u>Fuel supply</u> Alpha Reefer Transport is responsible for the fuel supply for those ships that work in POOL.  LSCo bought fuel only for vessels, which are managed by Vessel administration department. In rare cases for other vessels (before repair or after it)  Fuel purchase is determined according to requisitions received from vessels and different pricing in particular harbours.	<ul style="list-style-type: none"> <li>•Aegean Marine Petroleum S. A. (Cyprus);</li> <li>•Empting Mineralole (Germany);</li> <li>•Timwell-Bunkering L.L.C., (Latvia);</li> <li>•A.Anuzio prekybos imone "Gindana" (Lithuania);</li> <li>•O.W.Bunker Germany GmbH, (Germany);</li> <li>•Fratelli Cosulich(HK) Ltd, (Italy).</li> </ul>

There are no limits on supply of resources to any of the LSC's ships that are being exploited.

### 29. Immovable property and other main facilities.

Company doesn't own land property; it rents 2 land plots in Klaipėda city:

Object, Address	Territory m <sup>2</sup>	Tenant	Land usage base	Rent term
Domestic – administrative building, Nemuno str. 155	1 918	KSSA	Rent Contract No. 20-38 / 2001ž.	Till 16 <sup>th</sup> of March, 2012
Carpark, Nemuno – Sulupės str.*	32 749	KM	Rent Contract No. 21 / 94 - 0010	25 years (from 28 <sup>th</sup> of September, 1994)

KSSA – Klaipėda State Seaport Authority, KM – Klaipėda city municipality,

\* - This land plot is subrented based on the 14<sup>th</sup> of November 1994 Contract with Gloksinija UAB.

Company's tangible assets on 31<sup>st</sup> of December, 2006 (in LTL'000)

No.	Fixed assets	Acquisition value, LTL	Accumulated Depreciation, LTL	Residual value, LTL
1.	Land and buildings	2,898	917	1,981
2.	Machinery and equipments	-	-	-
3.	Vessels and cars	235,480	54,843	180,637
4.	Other assets	998	715	283
5.	Under construction	3,108	-	3,108
	<b>TOTAL:</b>	<b>242,484</b>	<b>56,475</b>	<b>186,009</b>

Core land and buildings on 31<sup>st</sup> of December, 2006:

No.	Core building,	Residual value, LTL	Being exploited since	Condition
	Functional purpose			
1.	Domestic-Administrative building	1,590,914	1994	Good

## Company's fleet on 31 December, 2006:

Title	Country producer	Year of producing
TR „Tukanas“	Japan	1982
TR „Vega“	Japan	1982
TR „Saturnas“	Japan	1982
TR „Igalina“	Germany	1983
TR „Argo“	Japan	1985
TR „Seda“	Germany	1985
TR „Siuita“	Great Britain	1986
TR „Uranus“	South Korea	1988
TR „Pluto“	South Korea	1989
TR „Marsas“	Japan	1989
TR „Andromeda“	Japan	1989
TR „Astra“	Japan	1990
TR „Lyra“	Japan	1991
TR „Libra“	Japan	1991
TR „Serenada“	Holland	1999

Substantial changes in company's fleet in 2006:

- On the 5<sup>th</sup> January, 2006 LSC acquired m/v "Uranus" (1989)
- On the 13<sup>th</sup> January, 2006 LSC acquired m/v "Pluto" (1988)
- On the 6<sup>th</sup> June, 2006 LSC sold m/v „Orionas“ (1979)

**30. Risk factors related to issuer's activities.**

**Economic risk factors.** The vessels of AB "Limarko Shipping Company" are operating in the international market of sea cargo transportation, and the quality of its rendered services conforms to the international requirements. Upon evaluation of the Enterprise's competitiveness it may be asserted that the potential of employees and vessels in possession allow at present to successfully operate in this market; nevertheless, in order to maintain the competitiveness of our services in the



future, it is indispensable to pay attention to the renewal of the fleet, the implementation of which is sought by selling old vessels that require large operation costs and by acquiring newer ones.

The Enterprise's services realization volume depends on the situation in the international market. It is not dependant on monopoly consumers.

Procurement opportunities – of raw materials, consumables, manufacturing areas, workforce and financial resources – are unlimited. Raw materials and services are bought from diverse suppliers; consequently, the Company is not dependant on particular suppliers.

In the market of frozen cargo transportation there exists the influence of seasonality, which manifests itself in the decrease of transportation prices in the summer season.

**Political risk factors.** The main political risk factor is the frequent alteration of laws and other normative acts effective in the Republic of Lithuania that regulate the commercial and economic activity of enterprises. This hampers the planning of a long-term company activity strategy. This factor is characteristic of the activity of practically all enterprises in Lithuania.

A positive factor is the fact that according to the nature of its activity the Company's relations with companies from other countries are also regulated by the norms of the international maritime law, which are stable.

Although in the year 2006 the European Commission permitted Lithuania to use the privilege of replacing the profit tax of shipping enterprises by a tonnage tax for ten years period, however, no law amendments confirming the same have been adopted. There is an expectation that amendments to the Law on Profit Tax will be adopted and shall come into force and effect retroactively from the beginning of January 2007. Then, already for the year 2007 shipping enterprises could pay a tonnage tax.

**Social risk factors.** The average salary in the Enterprise exceeds the average salary in Lithuania, and there are no problems concerning the payment thereof. Part of the Enterprise's employees belongs to the trade-union of AB "Limarko Shipping Company".

**Technical-technological risk factors.** The technical condition of the Enterprise's vessels is supervised by classification companies authorized by the national supervisory authority in charge of the technical condition of vessels. These companies certify that vessels conform to the international standards for the technical condition of vessels, that they may be operated and that no obstacles are applied to them in ports. The Enterprise's vessels undergo scheduled maintenance works, as well as dock repair works every 2-3 years in ship-repair enterprises in Lithuania and abroad.

**Ecological risk factors.** According to the nature of its activity, the Company releases no pollution into the environment; therefore, no fines for environment pollution had to be paid. There is no possibility of suspending the Company's activity due to the negative impact on the environment.

The main ecological risk factor is related to the operation of the Company's vessels – there exists a possibility that the negative impact on the environment may be done in the case of a vessel's incident. However, the Company's vessels are insured in respect of incidents and consequences thereof, so in these cases the damage to the environment would be indemnified and fines would be paid by the insurance company, and such incidents and consequences thereof would have no impact on the Company's financial status.

**Bank loans.** Total value of company's loans had on the 31<sup>st</sup> of December, 2006 amounted LTL 79,317 thousands:

Lending institution	Ref	Principal amount	Balance at 31/12/2005	Balance at 31/12/2004
AB Vilniaus Bankas	a)	5,600 tUSD	10,521	13,969
AB Vilniaus Bankas	b)	6,000 tEUR	18,127	20,717
AB Vilniaus Bankas	c)	6,200 tUSD	13,941	18,043
AB Hansabankas	d)	16,281 tUSD	36,723	0
Nordea Finance Leasing	e)		5	76
Total liabilities			79,317	52,805
Less: current portion			-13,168	-7,608
Total long term portion of net liabilities			66,149	45,197

a) The loan was received to finance the acquisition of the vessel "Andromeda". The loan should be repaid by 31 December 2011 in quarterly payments. The loan is secured by pledging the vessel "Andromeda".

b) The loan was received to finance the acquisition of the vessel "Serenada". The loan should be repaid by 11 August 2012 in quarterly payments. The loan is secured by pledging the vessel "Serenada".

c) The loan was received to finance the acquisition of the vessel "Libra". The loan should be repaid by 23 October 2012 in quarterly payments. The loan is secured by pledging the vessel "Libra".

d) A loan was received to finance the acquisition of the vessels "Pluto" and "Uranus". It should be repaid by 3<sup>rd</sup> January, 2013 in quarterly payments. The loan is secured by pledging the vessels "Pluto", "Uranus" and "Lyra".

e) Liabilities to Nordea Finance Leasing comprise leasing of several transport vehicles

The effective interest rate for the period was between 4% and 6% per annum.

### ***31. Termination and reductions of production that have exercised or are exercising material impact upon the performance of the issuer during the last two financial years.***

There was no termination or decrease of service provision which had significant impact upon the performance of the company.

### ***32. Patents, licenses, contracts.***

LSCo AB has a licence No. 22-022 issued by Water Transport Department of Ministry of Transport and Communication of Republic of Lithuania on the 13<sup>th</sup> of March, 2007, which allows the company to carry cargo and passengers by ships by international routes

The company does not have any other patents or licenses.

### ***33. Court proceedings.***

Court proceedings that could make or make any impact on Limarko Shipping Company's financial status did not occur in 2006.

### 34. Staff.

On December 31, 2006 Limarko Shipping Company AB had 430 employees of whom 390 were seafarers and 40 administration employees.

Implementing human resources policy, Company has an objective to increase employees' qualification. Employees attended intensive English language course, which was organized by association of Lithuania ships owners. 170 Limarko Group employees attended this project.

Employee group	Average listed figure			Education									Average monthly pay in litas		
				High			Special secondary			Secondary					
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Managers	6	6	6										13 193	16 509	14 664
Specialists	221	214	222	59	87	94	187	160	174	183	165	160	1 751	2 504	2 689
Worker	202	192	200										788	947	1 006
<b>Total:</b>	<b>429</b>	<b>412</b>	<b>428</b>	<b>59</b>	<b>87</b>	<b>94</b>	<b>187</b>	<b>160</b>	<b>174</b>	<b>183</b>	<b>165</b>	<b>160</b>	-	-	-

#### Collective contract

On the 22 of March, 2007 during the conference of LSCo worker's trade union was ratified company's workers' collective contract for the years 2007 and 2008. This contract was signed by company's president and company's staff represented by LSCo workers' trade union. In this contract were stated these points:

- ❖ Crew working time on the ship was short – timed till 5 months (+/-1 month);
- ❖ Increased payments for trainees;
- ❖ Provided payments for a child birth;
- ❖ Increased allowance to cover funeral expenditures;
- ❖ Provided a tropical gear for those crews that are working in tropical latitude.

### 35. Investment policy.

LSCo AB has 20 percent of the shares of German company Alpha Reefer Transport. This company manages the POOL, which provide vessels with cargoes. At the end of 2006 there were 7 company's vessels working in this POOL system.

There are no companies where issuer's part comprised more than 30 percent of their authorized capital.

In the year 2006 LSCo made investments, which comprised more than 10 percent of its authorized capital. Two new vessels were acquired:

Investment	Amount in litas	Percentage of authorized capital
Acquisition of to new vessels	57 million	52 %

In 2007 the investments into fleet renewal can reach 70 million litas.

### **36. Competitors.**

Since LSCo operates in international markets, competitors are companies from all over the world, which operate in frozen cargoes transportation by sea. Company doesn't have any competitors in Lithuania, since there are no other companies, which are engaged in the same activities as LSCo and has the specialized fleet.

Main competitors abroad – Seatrade (US), Green Reefers (Norway), Star Reefers (Norway), NYK LauritzenColl (Tokyo, Japan) etc.

### **37. Dividends.**

Company has not paid any dividends over the last 5 years.

## V. FINANCIAL STATUS

### 38. Financial statements.

Data presented in all financial statements are expressed in Lithuanian Litas (LTL).

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

#### 38.1. Balance sheets for the last three years and interim balance sheet

	2006	2005	2004
			LTL'000
<b>ASSETS</b>			
<b>Long - term assets</b>			
Intangible assets	96	122	102
Property, plant and equipment	186,009	145,899	119,170
Other investment	331	331	331
Long term receivable	49	75	254
<b>Total non-current assets</b>	<b>186,485</b>	<b>146,427</b>	<b>119,857</b>
<b>Current assets</b>			
Inventories	3,464	3,008	1,233
Receivables	10,439	13,966	6,190
Cash and cash equivalents	7,804	5,576	7,450
<b>Total current assets</b>	<b>21,707</b>	<b>22,550</b>	<b>14,873</b>
<b>TOTAL ASSETS</b>	<b>208,192</b>	<b>168,977</b>	<b>134,730</b>
<b>EQUITY</b>			
Issued capital	109,451	109,451	109,451
Reserves	6,597	6,597	6,597
Retained earnings	-5,664	-15,265	-30,660
<b>Total equity</b>	<b>110,384</b>	<b>100,783</b>	<b>85,388</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	66,149	45,197	29,492
Deferred tax liabilities	6,400	6,198	3,225
<b>Total non - current liabilities</b>	<b>72,549</b>	<b>51,395</b>	<b>32,717</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	13,168	7,608	8,770
Trade and other payables	12,091	9,191	7,855
<b>Total current liabilities</b>	<b>25,259</b>	<b>16,799</b>	<b>16,625</b>
<b>Total liabilities</b>	<b>97,808</b>	<b>68,194</b>	<b>49,342</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>208,192</b>	<b>168,977</b>	<b>134,730</b>

**38.2. Income statements for the last three years and interim income statement**

	2006	2005	2004
			LTL'000
<b>Revenue</b>	115,673	88,291	62,208
Cost of sales	-103,368	-65,332	-54,340
<b>Gross profit</b>	<b>12,305</b>	<b>22,959</b>	<b>7,868</b>
Other operating income, net	4,837	6,704	2,416
Distribution expenses	-23	-160	-68
Administrative expenses	-6,181	-6,368	-5,287
	<b>10,938</b>	<b>23,135</b>	<b>4,929</b>
<b>Operating profit before financing costs</b>			
Financial income	5,769	240	1,713
Financial costs	-4,996	-5,007	-993
<b>Net financial costs/ income</b>	<b>773</b>	<b>-4,767</b>	<b>720</b>
<b>Profit before tax</b>	<b>11,711</b>	<b>18,368</b>	<b>5,649</b>
Income tax expense	-2,110	-2,973	-275
<b>Profit for the year</b>	<b>9,601</b>	<b>15,395</b>	<b>5,374</b>
Basic earning per shares (Litas)	0.09	0.14	0.05
Diluted earnings per share (Litas)	0.09	0.14	0.05

**38.3 Cash Flow statements for the last three years and interim Cash Flows**

LTL'000	2006	2005	2004
<b>Cash flows from operating activities</b>			
Profit before tax	11,711	18,368	5,649
Adjustments for:			
Depreciation	16,825	12,380	12,843
Amortization	66	55	6
Gain on sales of non-current assets	-4,520	-6,482	-1,369
Written off non-current assets	7	4	227
Investment income	0	-22	-19
Interest expense, net	4,635	1,544	898
<b>Net cash flows from ordinary activities before any changes in working capital</b>	<b>28,724</b>	<b>25,847</b>	<b>18,235</b>
Change in inventories	-456	-1,775	-74
Change in debtors	3,553	-7,598	-72
Change in trade and other payables	992	1,137	2,092
<b>Net cash generated from ordinary activities</b>	<b>32,813</b>	<b>17,610</b>	<b>20,181</b>
Net interest paid/received	-4,635	-1,344	-899
<b>Net cash from operating activities</b>	<b>28,178</b>	<b>16,266</b>	<b>19,282</b>
<b>Cash flows from investing activities</b>			
Acquisition of tangible non-current assets	-61,502	-53,548	-35,334
Acquisition of intangible non-current assets	-40	-75	-102
Proceeds from sale of tangible non-current assets	9,080	20,916	3,415
Dividends received	0	22	19
<b>Net cash from investing activities</b>	<b>-52,462</b>	<b>-32,684</b>	<b>-32,002</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	46,949	38,499	22,177
Repayment of borrowings	-13,631	-28,740	-7,536
Payment of finance lease liabilities	-71	-67	-87
<b>Net cash from financing activities</b>	<b>33,247</b>	<b>9,692</b>	<b>14,554</b>
Net increase in cash and cash equivalents	2,228	-1,875	1,834
Cash and cash equivalents at 1 January	5,576	7,450	5,616
<b>Cash and cash equivalents at 31 December</b>	<b>7,804</b>	<b>5,576</b>	<b>7,450</b>

**38.4 Consolidated Statements of Changes in Equity (in thousand litas)**

	Skares capital	Own shares	Legal reserve	Retained earnings	Total
At 1st January 2004	130,795	-9,823	6,597	-47,555	80,014
Gross profit for 2004				5,374	5,374
Decrease in share capitals	-21,344	9,823	0	11,521	0
At 31st December 2004	109,451	0	6,597	-30,660	85,388
At 1st January 2005	109,451	0	6,597	-30,660	85,388
Gross profit for 2005				15,395	15,395
At 31st December 2005	109,451	0	6,597	-15,265	100,783
At 1st January 2006	109,451	0	6,597	-15,265	100,783
Gross profit for 2006				9,601	9,601
At 31st December 2006	109,451	0	6,597	-5,664	110,384

**39. Comments on the financial statements.**

Comments on the financial statements (notes to the financial statements) are submitted together with this prospectus.

**40. Report prepared by the managing board of the issuer or any other managing body performing its functions**

In this part Company's annual report is given. Company's report about Control Codex is given with this annual report and it is inseparable part of the annual report.

**1. The reporting cycle for which the annual report was drawn up**

The annual report was drawn up for the year 2006; all numbers were presented are as of 31 December 2006, unless otherwise indicated. In the report AB "Limarko Shipping Company" may be designated as Enterprise, Company or Issuer.

**2. Issuer and its contact information**

Issuer name:	AB "Limarko Shipping Company"
Legal and organizational form:	Public Limited Liability Company
Authorized capital:	109,450,664 LTL
Date and place of registration:	9 September 1991, Board of Klaipėda City
Registration certificate:	No. AB 95 - 114
Company code:	140346648
VAT payer's code:	LT403466412
Enterprise register:	Register of Legal Persons of the Republic of Lithuania
Office address:	Naujoji Uosto str. 8, LT-92125 Klaipėda, Lithuania



Telephone number:	8 46 340001
Fax number:	8 46 341195
E-mail address:	<a href="mailto:info@limarkoshipco.lt">info@limarkoshipco.lt</a>
Website address:	<a href="http://www.limarko.lt">www.limarko.lt</a>

### 3. The Nature of the Issuer's Main Activity

The main activity of AB "Limarko Shipping Company" is transportation of cargo by water (sea) transport. In previous years the Company was mainly operating in the market of frozen sea cargo transportation. On 17 November 2004 the General Shareholders Meeting resolved to expand the fleet by acquiring dry-cargo vessels. The main activity of AB "Limarko Shipping Company" became split into two fields: transportation of frozen and dry sea cargo.

The Company may engage in other activities provided for in the Articles of Association.

### 4. Agreements with Intermediaries of Public Trading in Securities

On 29 April 2003 the Company signed the Issuer's Service Agreement with the bank AB SEB "Vilniaus bankas", represented by the Department of Finance Markets, located at the address Gedimino pr. 12, Vilnius, tel. (8 5) 268 2687, fax (8 5) 262 6043.

### 5. Information about trading in the Issuer's securities on regulated markets

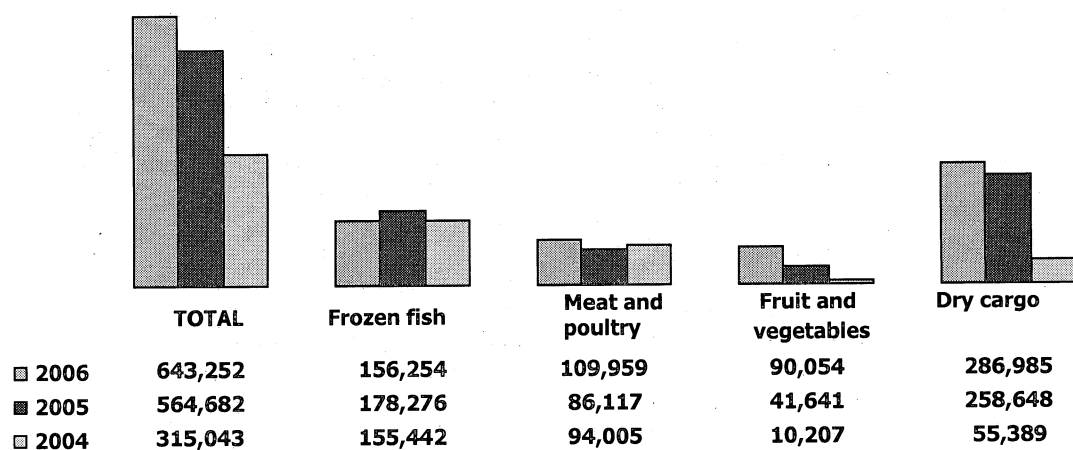
On 22 May 2000 the Issuer's shares were admitted to the lists of Vilnius Stock Exchange. Presently the VSE Current List of trading contains 109,450,664 ordinary registered shares of AB "Limarko Shipping Company" at par value of one LTL each. The ISIN code of these securities is LT0000119646.

### 6. The objective review of the Company's state, activity performance and development; the description of the main risk types and uncertainties encountered by the enterprise

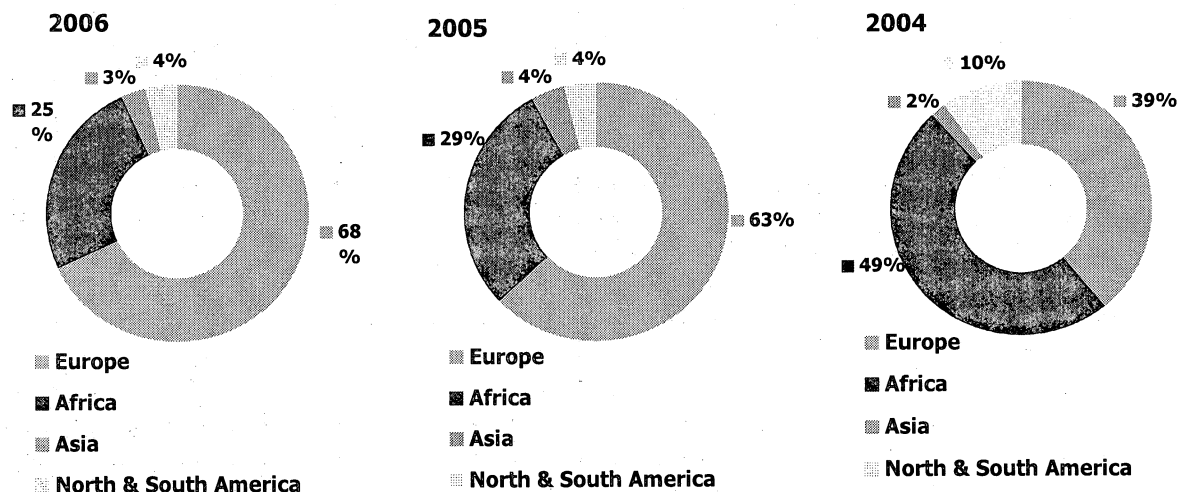
On 31 December 2006 the Enterprise's fleet consisted of 13 own reefer-vessels, one container vessel "Serenada" and a chartered dry-cargo vessel.

In January 2006 AB "Limarko Shipping Company" acquired two sister motor vessels "Pluto" and "Uranus", and sold motor vessel "Orionas" in summer. In 2006 total investments in the modernization of the fleet exceeded the level 57 million LTL.

In 2006 AB "Limarko Shipping Company" had transported 643 thousand tons of cargo in total, whereof 55 percent were accounted for by frozen or chilled food products, and the remaining 45 percent were accounted for by dry cargo. On the year over year basis the amount of cargoes transported by the Enterprise had increased by 14 percent:



The main operation regions of the vessels controlled by the Company remain the continents of Europe and Africa, which respectively accounted for 68 and 25 percent of all transported cargoes. Transportations in the region of North and South America constituted 4 percent, while in Asia 3 percent of all transportations:



In the spring of 2006 in the United Kingdom there was founded the company "Limarko UK Limited". Its objective is to increase the sales and further strengthen the Enterprise's positions in the reefer market.

Risk factors related to the Issuer's activity:

**Economic risk factors.** The vessels of AB "Limarko Shipping Company" are operating in the international market of sea cargo transportation, and the quality of its rendered services conforms to the international requirements. Upon evaluation of the Enterprise's competitiveness it may be asserted that the potential of employees and vessels in possession allow at present to successfully operate in this market; nevertheless, in order to maintain the competitiveness of our services in the future, it is indispensable to pay attention to the renewal of the fleet, the implementation of which is sought by selling old vessels that require large operation costs and by acquiring newer ones.

The Enterprise's services realization volume depends on the situation in the international market. It is not dependant on monopoly consumers.

Procurement opportunities – of raw materials, consumables, manufacturing areas, workforce and financial resources – are unlimited. Raw materials and services are bought from diverse suppliers; consequently, the Company is not dependant on particular suppliers.

In the market of frozen cargo transportation there exists the influence of seasonality, which manifests itself in the decrease of transportation prices in the summer season.

**Political risk factors.** The main political risk factor is the frequent alteration of laws and other normative acts effective in the Republic of Lithuania that regulate the commercial and economic activity of enterprises. This hampers the planning of a long-term company activity strategy. This factor is characteristic of the activity of practically all enterprises in Lithuania.

A positive factor is the fact that according to the nature of its activity the Company's relations with companies from other countries are also regulated by the norms of the international maritime law, which are stable.

Although in the year 2006 the European Commission permitted Lithuania to use the privilege of replacing the profit tax of shipping enterprises by a tonnage tax for ten years period, however, no law amendments confirming the same have been adopted. There is an expectation that amendments to the Law on Profit Tax will be adopted and shall come into force and effect retroactively from the beginning of January 2007. Then, already for the year 2007 shipping enterprises could pay a tonnage tax.

Social risk factors. The average salary in the Enterprise exceeds the average salary in Lithuania, and there are no problems concerning the payment thereof. Part of the Enterprise's employees belongs to the trade-union of AB "Limarko Shipping Company".

Technical-technological risk factors. The technical condition of the Enterprise's vessels is supervised by classification companies authorized by the national supervisory authority in charge of the technical condition of vessels. These companies certify that vessels conform to the international standards for the technical condition of vessels, that they may be operated and that no obstacles are applied to them in ports. The Enterprise's vessels undergo scheduled maintenance works, as well as dock repair works every 2-3 years in ship-repair enterprises in Lithuania and abroad.

Ecological risk factors. According to the nature of its activity, the Company releases no pollution into the environment; therefore, no fines for environment pollution had to be paid. There is no possibility of suspending the Company's activity due to the negative impact on the environment.

The main ecological risk factor is related to the operation of the Company's vessels – there exists a possibility that the negative impact on the environment may be done in the case of a vessel's incident. However, the Company's vessels are insured in respect of incidents and consequences thereof, so in these cases the damage to the environment would be indemnified and fines would be paid by the insurance company, and such incidents and consequences thereof would have no impact on the Company's financial status.

## **7. Analysis of financial and non-financial activity results**

In the year 2006 the turnover of AB "Limarko Shipping Company" amounted to 115.7 million LTL and was by 31 percent larger than in the year 2005, when the Enterprise's turnover was 88.3 million LTL. The Enterprise's net profit in the year 2006 amounted to 9.6 million LTL.

The main financial results of AB "Limarko Shipping Company":

LTL	2006	2005
Income	115,673,241	88,290,584
EBITDA	22,991,925	28,865,526
<i>EBITDA margin</i>	<i>19.9%</i>	<i>32.7%</i>
EBIT	6,101,325	16,430,932
<i>EBIT margin</i>	<i>5.3%</i>	<i>18.6%</i>
Net profit (loss)	9,601,256	15,395,273
<i>Net profit (loss) margin</i>	<i>8.3%</i>	<i>17.4%</i>
Equity	110,384,776	100,783,519
Financial debts	79,317,601	52,805,061
Total assets	208,191,933	168,977,753
Efficiency indicators:		
Return on assets, ROA	4.6%	9.1%
Return on equity, ROE	8.7%	15.3%
Return on investment/Return on capital employed, ROCE	5.1%	10.0%

Although in the year 2006 the Company's income increased by 31 percent, still its activity, like that of all other shipping enterprises operating in the transportation market, was negatively influenced by high fuel prices and weak US dollar. These causes as well as the scheduled maintenance works of the majority of the fleet during the year 2006 had influence over the Company's profitability indicators. On the other hand, fuel prices that decreased at the end of 2006, favourable natural conditions and positive trends in the market at the beginning of the current year allow for a positive evaluation of the year 2007.

Total investments in the modernization of the fleet in 2006 exceeded the level of 57 million LTL. The Enterprise is planning investments in the vessels in accordance with the long-term company fleet renewal and expansion strategy, covering the period up to the year 2010. Concrete decisions depend on the situation in the world market. Currently in the global market of frozen cargo transportation there prevail favourable trends for vessel owners. The market of fruit, vegetables, frozen and chilled food products transportation is growing every year by 4 percent on the average, while the number of reefer vessels operating in the international market practically is not changing. Market experts forecast that this ratio between the demand and supply of reefer vessels that is favourable for vessel owners will remain in the proximate years.

On 31-12-2006 the Company employed 430 employees, whereof 390 worked in the fleet and 40 in the administration.

In implementing the human resources policy, the Company is seeking to continuously enhance the qualification of the Company employees. The Company employees participated in intensive English courses organized by the Lithuanian Ship Owners Association – the implementation of the project "Qualification and Skills Improvement for Employees of Members of the Lithuanian Ship Owners Association" was completed. During the project 170 employees of Limarko Group participated in English courses.

In the year 2006 the Enterprise had further carried on an active social activity. For the second year in turn it supported the participation of the yacht "Lietuva" in the regatta "The Tall Ships' Races".

It traditionally sponsored Klaipėda Sea Festival, Klaipėda Rowing Sport Centre, Lithuanian State Symphony Orchestra, and Klaipėda Castle Jazz Festival. By being a socially responsible Company, AB "Limarko Shipping Company" rendered assistance to Juozas Karosas Music School, to Liudvikas Stulpinas Basic School and to the community of large families.

#### **8. References and additional explanatory notes regarding the data presented in the annual financial accountability**

All financial data provided in this annual report are calculated according to the International Financial Accountability Standards and audited, unless indicated otherwise.

The Company's auditor – UAB "KPMG Baltics".

#### **9. Information about own shares acquired and owned by the enterprise**

During the reporting cycle the Company had acquired none of its own shares.

#### **10. Material events since the close of the previous financial year**

On 9 February 2007 AB "Limarko Shipping Company" acquired motor vessel "Capella". The motor vessel was built in 1993 in Japan. The maximum vessel speed is 18 knots. The vessel of 134 metres in length is designed for carriage of 3,450 standard Europalettes. Motor vessel "Capella" may carry fruit, vegetables, frozen or perishable food products (meat, fish). After completing the vessel acquisition deal, the total capacity of the refrigerators controlled by the Enterprise has increased by the tenth and now amounts to 4 million cubic feet.

#### **11. Plans and forecast for the enterprise's activity**

Considering the trends in the international market, in the year 2007 the Company is planning to earn about 12 million LTL of pre-tax profit and reach the turnover of 140 million LTL.

In the year 2007 approximately 70 million LTL are intended to be invested in the modernization of the fleet. In February of the current year the motor vessel "Capella" was already acquired. Given favourable conditions for the acquisition of vessels as well as an optimum ratio between the price and the quality, it is planned to acquire one more reefer-vessel and one dry-cargo vessel or a container vessel during this year.

#### **12. The Issuer's Authorized Capital Structure**

On 31 December 2006 the Enterprise's authorized capital constituted 109,450,664 ordinary registered shares at the par value of 1 LTL each.

The company shareholders have the following property rights:

- 1) To receive a share of the Company's profit (dividend);
- 2) To receive a share of assets of the Company under liquidation;
- 3) To obtain shares gratuitously if the authorized capital is being increased from the Company's funds, excluding exceptions established by the Law on Companies;
- 4) To acquire, with the right of priority, any shares issued by the Company or convertible bonds, unless the General Meeting resolves to revoke this right for all shareholders;
- 5) To devise all or part of shares to one or more persons;

- 6) To assign all or part of shares to other persons by the right of ownership;
- 7) To lend money in favour of the Company;
- 8) Other property rights established by the Company's Articles of Association.

The company shareholders have the following non-property rights:

- 1) To participate in General Shareholders Meetings;
- 2) To obtain all information regarding the Company's economic activity;
- 3) To appeal to a court against the decisions or actions taken by the General Meeting, the Board or the head of the administration. One or more shareholders are entitled, without a separate authority, to claim the indemnification of damage caused to the shareholders;
- 4) To conclude an agreement with an auditing firm for the inspection of the Company's activity and documentation;
- 5) Other non-property rights established by the laws and the Company's Articles of Association.

The structure of the authorized capital of AB "Limarko Shipping Company" according to the types of shares:

Type of shares	Number of shares	Par value	General Nominal value	Portion in authorized capital
Ordinary registered shares	109,450,664	1 LTL	109,450,664	100%

All shares of AB "Limarko Shipping Company" are paid-up.

### 13. Restrictions on assignment of securities

N/A.

### 14. Shareholders

The total number of shareholders of AB "Limarko Shipping Company" on 31 December 2006 was 460.

Shareholders who on 31 December 2006 owned more than 5% of the Company's authorized capital:

Shareholder's name, surname (enterprise name, form, office address, enterprise register code)	Number (units) of shares belonging to shareholders by the right of ownership	Owned portion of the authorized capital	Portion of votes granted by shares belonging by the right of ownership	Portion of votes belonging to a shareholder jointly with associated persons
UAB "Limarko" (Naujoji Uosto str. 8, Klaipėda, enterprise code 4076537)	99,671,379	91.07%	91.07%	91.07%
Skandinaviska Enskilda Banken (Sergels Torg 2, 10640 Stockholm, code 502032908101)	6,327,335	5.78%	5.78%	5.78%

### 15. Shareholders having special control rights & Description of such rights

N/A.

**16. All restrictions on voting rights**

N/A.

**17. All mutual agreements by shareholders, of which the Issuer is aware and due to which the assignment of securities and (or) voting rights may be restricted**

N/A.

**18. Employees**

	2006	2005
<b>Average number of employees:</b>	<b>428</b>	<b>400</b>
Managing personnel	6	6
On-shore employees	32	32
Seamen	390	362
<b>Education:</b>		
Higher	94	87
Special secondary (advanced vocational)	174	160
Secondary	160	165
<b>Average gross salary:</b>		
Managing personnel	14,664 LTL	16,509 LTL
On-shore employees	3,824 LTL	3,948 LTL
Seamen (with daily allowance)	3,893 LTL	3,556 LTL

**19. Procedure for the amendment of the Issuer's Articles of Association**

The Law on Companies of the Republic of Lithuania establishes that the amendment of the Articles of Association is an exclusive right of the General Shareholders Meeting.

The Company's Articles of Association stipulate that a decision concerning the amendment of the Articles of Association shall be taken by the majority, i.e. 2/3 of all votes cast by the shareholders entitled to vote and participating in the meeting.

**20. Issuer's bodies**

The Company's Articles of Association determine that the Company's bodies are the General Meeting, the Board and the Head of the Administration.

The Articles of Association state that the competence of the General Meeting is established by the Law on Companies.

The Company's Board is the Company's management body, comprised of 5 members, elected in the order established by the Law on Companies for the term of four years. The Board members shall be recalled in the order established by the Law on Companies.

The Company's Articles of Association establish that the Board solves the main production, organizational, financial and economic matters of the Company, analyzes and approves the activity strategy, the application of financial resources, approves the Company's organizational



and management structure, elects and recalls the head of the administration and the chief finance officer as well as performs other functions established by the Law on Companies.

The head of the administration – the president – is elected and recalled by the Board in the order established by the Law on Companies. The competence of the head of the administration is established by the Law on Companies - the head of the administration is responsible for the organization of the Company's activity, the implementation of its goals, is entitled to conclude deals in his sole discretion, excluding the cases established by the Law on Companies when the decision regarding the deal is to be adopted by the Board. While performing his activity, the head of the administration shall follow the decisions of the General Meeting and the Board.

## 21. Members of collegial bodies, the Company's chief executive officer, the chief finance officer

Personal status	Name, surname	Number of shares owned by the Issuer	Start date	End date
<b>Board:</b>				
Chairperson of the Board	Vytautas Lygnugaris	-	21-05-2003	21-05-2007
Board member	Igoris Uba	-	21-05-2003	21-05-2007
Board member	Sigitas Baltuška	-	25-07-2005	21-05-2007
Board member	Egidijus Bernotas	-	07-07-2004	21-05-2007
Board member	Paul Lawrence	-	27-12-2006	21-05-2007
<b>Head of administration and Director for Finance:</b>				
President	Vytautas Lygnugaris	-	07-10-2003	-
Director for Finance	Renaldas Vyšniauskas	-	17-02-2004	-

## 22. Information on compliance with the corporate governance code

In accordance with Article 21, part 3, of the Law on Securities of the Republic of Lithuania and Clause 20.5 of the Trading Rules of Public Limited Liability Company "Vilnius Stock Exchange", Public limited liability company "Limarko Shipping Company" shall disclose how it complies with the governance code of companies whose securities are traded on a regulated market and its specific provisions. The information is provided in Annex 1 to this Annual report.

## 23. Data on published information

In the year 2006 the Issuer published the following notices on material events:

- 01-02-2006 The sales of AB "Limarko Shipping Company" in the year 2005
- 23-02-2006 The activity result of AB "Limarko Shipping Company" in the year 2005
- 23-03-2006 General Shareholders Meeting
- 27-04-2006 Activity Results for the first quarter of 2006
- 28-04-2006 Decisions of the General Shareholders Meeting
- 31-07-2006 The Result for the first half-year of 2006
- 30-10-2006 The Result for the three-quarters of 2006
- 27-11-2006 General Shareholders Meeting



- 30-11-2006 Correction of the Activity Forecast for the year 2006
- 15-12-2006 Amendment to the Agenda of the Extraordinary General Shareholders Meeting
- 15-12-2006 Draft resolutions of the Extraordinary General Shareholders Meeting
- 27-12-2006 Decisions of the Extraordinary General Shareholders Meeting

All information concerning material events publicly announced in 2006 is available for familiarization at the office of AB "Limarko Shipping Company" at the address: Naujoji Uosto str. 8, Klaipėda, and on the Company's website [www.limarko.lt](http://www.limarko.lt).

All material events related to the Company's activity and information about the time and place of the General Shareholders Meeting and other notices to be served to the shareholders and other persons were published in Lithuanian daily newspaper "Lietuvos rytas" in the order established by the laws of the Republic of Lithuania.

#### ***41. Information about the audit.***

KPMG Baltics UAB have audited balance sheet of Limarko Shipping Company AB as at 31 December 2006 and the related income statement, statement of changes in equity and statement of cash flows for the year then ended.

Main data about the audit company:

- Company name: KPMG Baltics UAB
- Register code: 1114 94971
- Registered office: Vytauto str. 12, Vilnius, Lithuania
- Telephone number: + 370 (5) 210 2600
- Fax number: + 370 (5) 210 2659
- E-mail: [vilnius@kpmg.lt](mailto:vilnius@kpmg.lt)

Auditor's report for the year end at 31 December 2006 was signed on the 29<sup>th</sup> of March, 2007. The audit was performed and auditor's report was signed by member of ACCA and Lithuanian certified auditor Rokas Kasperevičius and Danish plenipotentiary accountant Stephen Young.

#### **Auditor's report to the shareholders of Limarko Shipping Company AB**

We have audited the accompanying balance sheet of Limarko Shipping Company AB as at 31 December 2005 and the related income statement, statement of changes in equity and statement of cash flows for the year then ended. These annual financial statements, as set out on pages 5-29, are the responsibility of the Company's management.

#### **Company's management's responsibility for the financial statement**

Company's management is responsible for the preparation of this financial statement and submission according to the International Reporting Standard, as adopted in EU. Management's responsibility includes: creating internal control system, its installation and maintenance, in order to ensure a true and fair view of the financial position of the Company, as well as choosing appropriate account principles and application.

### **Auditor's responsibility**

Our responsibility is to express our opinion about this financial statement in accordance with the audit we have made. We conducted our audit in accordance with International Standards of Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Choosing audit procedures depends on our conclusions, including risk of existing mistakes evaluation. In order to evaluate this risk, we analyze Company's internal controls, assigned to ensure correct preparation of the financial statement. On the other hand, the purpose of this internal control system analysis is to choose the most appropriate audit procedures, but not to express our opinion about Company's internal control effectiveness. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2006, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted in EU.

### **Conclusion about other legislative information**

We have read annual report for the year 2006, which is given in the 30-53 pages of prospectus of the Company for the year 2006 and did not noticed any discrepancies for the financial statement for 31st December, 2006.

## VI. INFORMATION ABOUT THE ISSUER'S MANAGING BODIES

### 42. *Members of the managing bodies.*

Members of LSC's managing bodies are:

- General meeting of shareholders;
- Company's Board (elected for 4 years and consists of 5 members);
- Head of Administration (The President).

#### THE BOARD (31 DECEMBER 2006)

**VYTAUTAS LYGNUGARIS** – President of the company and chairman of company's Board. In 2002 acquired the executive MBA at Baltic Management Institute, while in 1987 finished St. Petersburg Marine Academy. He is also a co-owner and director General of Limarko UAB, therefore he is a president of Lithuanian Association of the ship owners. He does not possess issuer's shares.

**IGORIS UBA** – member of company's Board. He is Limarko Marine Agency UAB director general. In 2004 acquired the executive MBA at Baltic Management Institute, while in 1984 finished St. Petersburg Marine Academy. He is also a co-owner of Limarko UAB. He does not possess issuer's shares.

**EGIDIJUS BERNOTAS** – member of company's Board, partner of lawyer office Bernotas & Dominas Glimstedt. He is also a member of Genčių Nafta Board, Adminiculum UAB Board, European Social, Legal and Economic Projects Board and Adminiculum SIA Board. Possess 100 percent of Donatelas UAB shares. He does not possess issuer's shares.

**SIGITAS BALTUŠKA** – member of company's Board. Has a higher education. He has finished Faculty of Economics at Vilnius University where has acquired speciality of economist. He has also finished Vytautas Magnus University where he has acquired Master of business administration, he has also finished Baltic Management institute where he has acquired executive MBA. He is a director of PR Company GCI. In 2000-2004 worked as a Coordinator of government public relations, late as a Representative of Government relations at Philip Morris Lietuva UAB. From 1994 till 2000 worked at Embassy of Denmark as a commerce advisor. He does not possess issuer's shares.

**PAUL LAWRENCE** – member of company's Board, director of Limarko Limited (UK) since 2006. Head of United Kingdom Shipping Company "United Reefers" till 1992. He does not possess issuer's shares.

On an General Meeting of Shareholders which was held on the 27<sup>th</sup> of December, 2006 instead of Renaldas Vyšniauskas was elected new company's Board member Paul Lawrence. His cadence ends in 2007.

On a General Meeting of Shareholders which was held on the 20<sup>th</sup> of April, 2007 for a 4 year cadence were re – elected members of the Company's board Vytautas Lygnugaris, Igoris Uba, Sigitas Baltuška, Paul Lawrence and Egidijus Bernotas. Their cadence starts in 20<sup>th</sup> of April, 2006 and ends in a year 2011.

**ADMINISTRATION (31 DECEMBER 2006)**

**VYTAUTAS LYGNUGARIS** – President and CEO of the company. In 2002 acquired the executive MBA at Baltic Management Institute, while in 1987 finished St. Petersburg Marine Academy. He is also is a co-owner and director General of Limarko UAB, therefore he is a president of Lithuanian Association of the ship owners. He does not possess issuer's shares.

**RENALDAS VYŠNIAUSKAS** – Chief Financial Officer Limarko Shipping Company. Has a higher education. He has finished Faculty of Economics at Vilnius University where has acquired speciality economist. In 2000 – 2002 worked as a senior financier at West Vessel Factory, in 2003-2004 head of finance and economics unit at Plungės kooperatinė prekyba UAB, from the year 2004 Chief Financial Officer Limarko Shipping Company AB. He does not possess issuer's shares.

Members of Limarko Shipping Company AB managing bodies have not been sued for crimes for property, finance and regulations of carrying out business operations.

**43. Information about payments and loans extended to the members of managing bodies.**

	Remuneration, in LTL'000	Tantiemes, in LTL'000	Other profit disbursements, in LTL'000	Loans, in LTL'000
To all board members (5) *	-			
To one board member (in average)	-			
To all administration workers (6)	1,056			49
To one administration worker (in average)	176			8.2

\* Two of the board members who are also administration workers received only remunerations in 2006. The rest of the board did not get a remuneration. Tantiemes and other profit disbursements were not paid in 2006.

**44. Transactions with persons concerned.**

Limarko Shipping Company AB is a daughter – enterprise of Limarko UAB. On the 31st December, 2006 Limarko possessed 91.07% Company's authorized capital.

Limarko Sea Agency UAB is Limarko UAB daughter - enterprise.

Related party transactions are as follows:

Thousand litas	31 <sup>st</sup> December, 2006			31st December, 2005		
	Receivables	Payables	Advance payment for buying ship	Receivables	Payables	Advance payment for buying ship
Limarko UAB	0	37	3 108	0	0	0
Limarko Sea Agency UAB	0		0	0	0	0
	<b>0</b>	<b>37</b>	<b>3 108</b>	<b>0</b>	<b>0</b>	<b>0</b>

Thousand litas	2006		2005	
	Sales	Purchases	Sales	Purchases
Limarko UAB	1	4 804	629	5 232
Limarko Sea Agency UAB	16	266		
	<b>17</b>	<b>5 070</b>	<b>629</b>	<b>5 232</b>

## VII. RECENT AND MATERIAL EVENTS IN ISSUER'S ACTIVITY AND PERSPECTIVE

### 45. Recent events in issuer's activities.

On the 9th of February, 2007 Limarko Shipping Company purchased motor – ship „Capella“. Motor – ship was built in 1993 in Japan. Maximum speed – 18 knots. Ship's length - 134 metres and it is adopted to carry 3 450 standard euro – palletes. Motor – ship „Capella“ can carry fruits, vegetables, frozen or perishable products (meat, fish). Ship's purchase was bankrolled by “Hansabankas” AB. Loan – 11 284 USD, repayment deadline – 31st December, 2013.

On the 20th of February, 2007 Company informed that pre – audited profit before taxes according to TFAS – 11,71 million litas (3,39 million euro). Limarko Shipping Company's AB pre – audited revenues for year 2006 according to TFAS – 115,67 million litas (33,50 million euro).

On the 20th of February, 2007 Company's Board affirmed forecasts for the year 2007 activities:

1. Sales – 140,7 million litas (40,8 million euro).
2. Profit before taxes – 10,0 – 12,0 million litas (2,9 – 3,5 million euro).
3. Investments into shipping modernization – 70,0 million litas (20,3 million euro).

On the 20th of April, 2007 during Limarko Shipping Company's AB General Meeting following issues were discussed:

1. getting acquainted with Company's annual report for the year 2006;
2. getting acquainted with auditor's report for the year 2006;
3. approving Company's financial statement for the year 2006;
4. approving the profit (loss) appropriation of the Company for 2006:
  - I. Undistributed profit (loss) in the beginning of the financial year - (15 264 259) litas ((4 420 835) EUR);
  - II. Net profit (loss) of the financial year - 9 601 256 litas (2 780 716 EUR);
  - III. Undistributed profit (loss) in the end of the reported period - (5 663 002) litas ((1 640 119) EUR);
  - IV. Shareholders' contributions – none;
  - V. Transactions from the reserves - none;
  - VI. Undistributed profit (loss) in the end of the financial year - (5 663 002) litas ((1 640 119) EUR).
5. Members of the Company's board were elected Vytautas Lygnugaris, Igoris Uba, Sigita Baltuška, Paul Lawrence and Egidijus Bernotas.

On the 26th of April, 2007 Company announced that Company's results for the 1st quarter of the year 2007 were not audited and were prepared according to the International Financial Statement standards. Company's revenues during the 1st quarter of the year 2007 reached 34,6

million litas (10,0 million euro). Comparing with the same period of the previous year, Company's revenues increased by 15 percent. Company's profit before taxes during the 1st quarter of the year 2007 reached 6,3 million litas (1,8 million euro). Comparing with the same period of the previous year, Company's profit before taxes increased by 59 percent.

**46. Material events in issuer's activity.**

**On the 2nd of February, 2006** Company announced that during the year 2005 Company's sales revenues reached 88,3 million litas (25,6 million EUR). Comparing with the same period of the previous year, Company's revenues increased by 42 percent. It is planned to reach 110 million litas (31,8 million EUR) sales revenues. Tentative pre – audited profit before taxes for the year 2005 will be announced in the end of February, 2006.

**On the 23rd of February, 2006** Limarko Shipping Company informed that Company's pre – audited net profit for the year 2005 is 15,84 million litas (4,59 million EUR) (according to the International Financial Statement Standards.

**On the 27<sup>th</sup> of April, 2006** Company announced that Company's pre – audited profit before taxes for the 1<sup>st</sup> quarter of the year 2006 – 4,0 million litas (1,16 million EUR). Sales revenues – 30,14 million litas (8,72 million EUR).

**On the 28<sup>th</sup> of April, 2006** Limarko Shipping Company AB general Shareholders' Meeting decided:

1. To affirm Company's activity report for the year 2005.
2. To consider auditor's report while affirming Company's financial statement for the year 2005.
3. To affirm Limarko Shipping Company AB financial statement for the year 2005 (net profit – 15,4 million litas).
4. To affirm Limarko Shipping Company AB profit (loss) distribution for the year 2005 (decided not to pay dividends).

**On the 31<sup>st</sup> of July, 2006** Company announced that its revenues for the first six months of the year was 63,1 million litas (comparing with the same period of the previous year Company's revenues increased by 34 percent). Pre – audited profit before taxes for the January – June 2006 was 10,2 million litas (comparing with the same period of the previous year it increased by 30 percent).

**On the 10<sup>th</sup> of October, 2006** company announced that Limarko Shipping Company AB revenues for the three – quarters of a year 2006 was 87,6 million litas (comparing with the same period of the previous year it increased by 32 percent). Pre – audited profit before taxes for the three – quarters of a year 2006 was 10,5 million litas.

**On the 27<sup>th</sup> of December, 2006** Limarko Shipping Company AB Extraordinary Shareholders' Meeting decided:

1. To affirm a new joint – stock company's statute;
2. To choose audit company "KPMG Baltics" UAB for the year 2006 - 2007, and to commit 50000 litas (without VAT) payment for the auditor's services;
3. To set Paul Lawrence as a member of the Company's Board;

4. To approve purchase of a motor ship "SIUITA" from Limarko UAB. This motor ship is now leasehold.

***47. Strategy of activity and its prospective changes during current and coming financial years***

Considering the trends in the international market, in the year 2007 the Company is planning to earn about 12 million LTL of pre-tax profit and reach the turnover of 140 million LTL.

In the year 2007 approximately 70 million LTL are intended to be invested in the modernization of the fleet. In February of the current year the motor vessel "Capella" was already acquired. Given favourable conditions for the acquisition of vessels as well as an optimum ratio between the price and the quality, it is planned to acquire one more reefer-vessel and one dry-cargo vessel or a container vessel during this year.