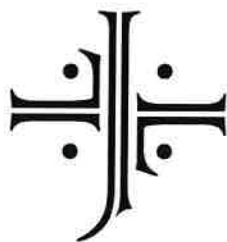


AKCINĖ BENDROVĖ
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

To: Lithuanian Securities commission
Konstitucijos pr.23,
LT-08105 Vilnius,
Lithuania

2011-02-26 Nr. (01)-5-50 EN
Klaipėda

! _____ 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 year ended 31 December 2010, drawn in accordance with the International Financial Reporting Standards, corresponds to the reality and properly reflects the assets, liabilities, financial state, profit or loss of Public Company "Lithuanian Shipping Company".

We hereby also confirm that, to the best of our knowledge, the report on business development and activities, Company's state and the description of the main risks and uncertainties encountered by the Company, as provided in the enclosed Interim Report for the year 2010, is correct.

Public Company "Lithuanian Shipping Company"
General Director

Arvydas Bogočionkas

Public Company "Lithuanian Shipping Company"
Chief Accountant

Arvydas Stropus



**PUBLIC COMPANY
LITHUANIAN SHIPPING COMPANY**

INDEPENDENT AUDITOR'S REPORT

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2010**

ANNUAL REPORT FOR 2010

Klaipėda, February 2011

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Public Company „Lithuanian Shipping Company“

Report on the Financial Statements

We have audited the accompanying on pages 3-21 set of financial statements of Public Company „Lithuanian Shipping Company“, which comprise the statement of financial position as at December 31, 2010 and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Public Company „Lithuanian Shipping Company“ as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with the Republic of Lithuania law on accounting and financial reporting, International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to a net loss of LTL 39,134 thousand, which the Company incurred during the year ended December 31, 2010 and, as of that date, the Company's current liabilities exceeded its current assets by LTL 23,084 thousand. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

We have read the accompanying on pages 23-46 Annual Report of Public Company „Lithuanian Shipping Company“ for the year ended at December 31, 2010 and have not noted any material inconsistencies between the financial information included in it and the financial statements of Public Company „Lithuanian Shipping Company“ for the year ended at December 31, 2010.

Auditor, member of the Board Laimė Jablonskienė

March 14, 2011

Taikos pr.52C/Agluonos str.1, Klaipėda

Auditor's certificate No. 000091

UAB „Rimess“, Goštauto str. 40B, Vilnius

Audit company's certificate No. 001332

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STATEMENT OF FINANCIAL POSITION
31 December, 2010

	Notes No.	2010-12-31	2009-12-31
Intangible assets	1	39	35
Tangible assets	2,3	239.279	283.920
<i>Total non-current assets</i>		<u>239.318</u>	<u>283.955</u>
Inventories	4	1.307	1.441
Prepayments	4	1.319	1.675
Trade receivables	5	1.333	955
Other amounts receivable	5	3.227	161
Term deposits		0	0
Cash and cash equivalents	6	2.067	1.242
<i>Total current assets</i>		<u>9.253</u>	<u>5.474</u>
<i>Total assets</i>		<u>248.571</u>	<u>289.429</u>
Authorized capital	7	200.901	200.901
Legal reserve	8	1.283	20.090
Other reserves	8	-	10.068
Retained profit		<u>(39.134)</u>	<u>(28.875)</u>
<i>Total equity</i>		<u>163.050</u>	<u>202.184</u>
Payables to credit institutions	9	53.184	62.595
<i>Total non-current liabilities</i>		<u>53.184</u>	<u>62.595</u>
Payables to credit institutions	9	22.818	10.874
Trade payables	13	986	5.921
Received prepayments	13	4.536	3.688
Employment related payables	11	1.850	2.708
Income tax liabilities	10	67	98
Provisions	12	1.620	848
Other amounts payable	13	460	513
<i>Total current liabilities</i>		<u>32.337</u>	<u>24.650</u>
<i>Total shareholders' equity and liabilities</i>		<u>248.571</u>	<u>289.429</u>

Explanatory notes on pages 7-23 are the integral part of the financial statements

General Director

Arvydas Bogočionkas

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STATEMENT OF COMPREHENSIVE INCOME
31 December, 2010

	Notes No.	During the year		During the 4th quarter	
		2010	2009	2010	2009
Revenue	14	62172	59181	18813	12978
Cost of sales	15	(79666)	(85977)	(19365)	(23229)
Gross profit		(17494)	(26796)	(552)	(10251)
Administrative expenses	16	(5121)	(4930)	(1016)	(1044)
Distribution expenses		(14)	(6)	(11)	(6)
Other operating income, net	17	(8019)	4608	5	3
Operating profit before financing cost		(30648)	(27124)	1574	(11298)
Financial income	18	-	620	-	(1226)
Financial expenses	18	(8421)	(2268)	(2739)	(356)
Net financial cost/income	18	(8421)	(1648)	(2739)	(1581)
Profit (loss) before tax		(39069)	(28772)	(4313)	(12880)
Income tax		(65)	(103)	(65)	-
Profit (loss) for the year		(39134)	(28875)	(4378)	(12880)
Other comprehensive income		-	-	-	-
Total comprehensive income, net of income tax		(39134)	(28875)	(4378)	(12880)
Profit per share (Litas)	19	(0,19)	(0,14)	(0,02)	(0,06)

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General Director

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STATEMENT OF CASH FLOWS
31 December, 2010

	Notes Nr.	31 December 2010	31 December 2009
Operating cash flows			
Net profit (loss)		(39.134)	(28.875)
Corrections due to:			
Depreciation and long-term repair	1, 2	29.610	33.540
Influence of foreign currency profit (losses)	18	6.171	(774)
Impairment of assets	2	-	
Income from investments	17	8.030	(4.566)
Interest expenses (net)	18	2.250	2.238
Current income tax		65	104
Changes in deferred income tax and provisions	12	772	(111)
Decrease (increase) in amounts receivable	5	(3.088)	576
Increase (decrease) in amounts payable	11, 13	(4.997)	4.040
Decrease (increase) in inventories		133	(429)
Operating income			
Paid income taxes		(102)	(6)
Paid interests	18	2.250	(2.268)
Net cash flows from operating activities		(2.540)	3.469
Cash flows from investing activities			
Acquisition of non-current assets	2	(3.098)	(4.002)
Transfer of non-current assets	17	10.093	6.042
Received dividends, interests	18		30
Cash flows from investing activities		6.995	2.070
Cash flows from financing activities			
Dividends paid to the shareholders		(2)	(5)
Received loans		-	
Returned loans	9	(3.628)	(9.350)
Cash flows from financing activities		(3.630)	(9.355)
Total net cash flows		825,0	(3.992)
Net cash and cash equivalents on 1 January		1.242	5.234
Net cash and cash equivalents on 31 December		2.067	1.242

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General Director

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STATEMENT OF CHANGES IN EQUITY
31 December 2010

	Authorized capital	Legal reserve	Other reserves	Retained profit (loss)	Total
<i>Balance as at 31 December 2007</i>	200.901	10.467	9.780	30.137	251.285
Comprehensive income for the reporting period				(19.727)	(19.727)
Dividends				(499)	(499)
Formed reserves		9.623	29.795	(39.418)	---
Used reserves		---	(9.780)	9.780	---
<i>Balance as at 31 December 2008</i>	200.901	20.090	29.795	(19.727)	231.059
Comprehensive income for the reporting period				(28.875)	(28.875)
Used reserves			(19.727)	19.727	---
<i>Balance as at 31 December 2009</i>	200.901	20.090	10.068	(28.875)	202.184
Comprehensive income for the reporting period				(39.134)	(39.134)
Used reserves		(18.807)	(10.068)	28.875	
<i>Balance as at 31 December 2010</i>	200.901	1.283		(39.134)	163.050

Explanatory notes on pages 7-23 are the integral part of the financial statements

General Director

Arvydas Bogočionkas

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Approved by general meeting of shareholders
 of 2011
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EXPLANATORY NOTES
General Information

AB "Lietuvos jūrų laivininkystė" (LJL) is a joint-stock company established after reorganizing AB "Lietuvos jūrų laivininkystė" (LISCO) by way of division. LJL was registered in the Registry of Legal Entities, certificate No. 027245. LJL registration date is 27 June 2001, its company code is 110865039. The address of LJL is Malunininku str. 3, Klaipeda. Main activities of the Company are cargo carrying by sea transport and lease of ships.

The Company's management bodies are general meeting of shareholders, supervisory board, board of directors and head of management.

On 31 December 2010 the Company had 366 employees, of which 46 in coast divisions and 320 on board.

On 31 December 2010 the Company's shareholders were:

	2010-12-31		2009-12-31	
	Number of shares	Ownership percent	Number of shares	Ownership percent
State Property Fund	9.235.145	4,6	9.596.998	4.78
Ministry of Transport and Communication	113.833.000	56,66	113.833.000	56,66
Swedbank AS (Estonia)	11.218.407	5,58	11.828.851	5,89
DFDS TOR LINE A/S	11.108.420	5,5	10.414.449	5,18
UAB koncernas "Ahemos grupe"	10.551.330	5,25	20.714.300	10,31
Other small shareholders	44.944.794	22,38	34.513.692	17,18

II. Accounting policy

Compliance with the Standards

Financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations, approved by the International Accounting Standards Board (IASB) as provided by the EU Regulation EC 1606/2002 on application of International Accounting Standards

Basis for Financial Statement Preparation

In the financial statements the figures are presented in Lit, which is the official currency of the Republic of Lithuania and functional currency of the Company. Annual financial statements are prepared on the basis of historic cost and accounting records managed in accordance with the laws and regulations of the Republic of Lithuania.

When preparing the financial statements according to IFRS, approved for application in the EU, the management has to make estimates and evaluations for the assumptions, which then influence the application of accounting policy and figures related to assets, liabilities, income and expenses. Evaluations and related assumptions are based on the historic experience and other factors, which correspond to the current conditions and on the basis of the results of which the conclusion on the residual values of assets

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and liabilities is made and which cannot be determined based on any other sources. Actual results may differ from the estimates.

Evaluations and related assumptions are reviewed constantly. The impact of the change in the evaluation is recognized in the period of evaluation review, if it has any impact to that period, or in the evaluation review period and future periods, if the evaluation influences both - the review and the future periods.

Changes in the Accounting Principles

The below stated accounting principles of the Company coincide with the accounting principles of the last year, except those that were replaced due to the amendments made in the former IFRS and adjustments in the new IFRS, effective from the 1st of January 2010.

Standards, standard adjustments and interpretations valid in 2010

The Company applies the following standards:

IAS 1 „Presentation of Financial Statements“ (revision), effective from the 1st of January 2009. The adjustment of the standard comprises different alterations, including the following: introduction of new definitions, modified procedure of own capital transactions disclosure in the Change of Own Capital Report and General Income report. The comparative information has been presented so that it could comply with the standard adjustments.

Application of IAS 23 „Borrowing Cost“ (revision) which was mandatory for reporting periods of the 1st of January 2009. The Company has applied this standard from the specified date; however, it did not influence the financial statements, because during the years 2009 and 2010 the Company had not recognized borrowing costs, which could have been subject to capitalization.

IAS 7 “Statement of Cash Flows” (revision), which is mandatory for the reporting periods from the 1st of January 2009 or later, had supplemented the disclosures of financial instruments’ actual value and risk assessment. The Company has applied this standard from the specified date to the extent it may be adjusted according to the Company’s activity.

The Company has applied the new IFRS 8 „Activity Segments”, which is mandatory for the reporting periods from the 1st of January 2009. This new standard sets out the requirements to disclose more information on segments, taking into consideration internal reports and statements, in order to assess the information on each business and geographical segment.

IAS 39 “Financial Instruments: Recognition and Measurement – Appropriate Risk Assurance Instruments” (revision) applies for the reporting periods from the 1st of July 2009 and later. The adjustment interprets application of standard principles in risk assurance relations, including: fines, related to the previous loan return; interpretations of exceptions applied on joint ventures; assurance by applying internal contracts; supplemented interpretations on cash flow assurance. The adjustments did not influence the financial statements of the Company.

The below stated standard adjustments and interpretations are due to be applied on the reporting periods starting on (or after) the 1st of January 2010, but not applicable to the activities of the Company:

IFRS 1 „First-time Adoption of International Financial Reporting Standards: Supplementary Exceptions” (revision)

IFRS 3 „Business Combinations” (revision).

IAS 27 „Consolidated and Separate Financial Statements” (revision).

32 IAS „Financial Instruments: Presentations – Classification of Rights Issues” (revision).

IFRIC 12 „Service Concession Arrangements” (interpretation).

IFRIC 17 „Distributions of Non-cash Assets to Owners” (interpretation).

IFRIC 18 „Transfers of Assets from Customers” (interpretation).

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Transactions in Foreign Currency

Transactions in foreign currency are evaluated in Litas on the basis of the official foreign currency exchange rate established by the Bank of Lithuania on the day of the respective transaction. Monetary assets and liabilities in foreign currency are evaluated in Litas regarding the foreign currency exchange rate on the day of the statement of financial position. All operations pursued in Euros were converted applying the fixed exchange rate announced by the Bank of Lithuania (1 EUR=3,4528 LTL) and the accounts in US dollars are recalculated applying the exchange rate where 1 USD=2,6099 LTL.

Differences in currency exchange rates, occurred after the operations were pursued, are recognized in the income statement. Non-monetary assets and liabilities in foreign currency and recognized at fair value are recalculated in Litas at the foreign currency exchange rate on the day of value determination.

Financial Instruments

Non-derivative Financial Instruments

Loans and amounts receivable as well as deposits are accounted in the Company on the date of their occurrence. Such financial assets are acknowledge at their actual value added the costs, directly related with the transaction in question. After the initial acknowledgment, loans and amounts receivable are estimated on the basis of their amortization cost value, applying actual interest calculation method and less the losses due to impairment.

Accounting of financial assets is terminated upon ending of contractual powers on cash flows generated by therein assets or upon transferring the right to receive the contractual cash flows related to financial assets together with all risks and benefits, related to the therein financial assets.

Non-derivative financial obligations are acknowledged on the day of transaction, when the Company becomes the party to the contract under the provisions of financial instrument transaction. Such financial obligations are acknowledged at their actual value added the costs directly related to the transaction in question. After their initial acknowledgement, financial obligations are evaluated at their amortization cost, applying actual interest calculation method

Accounting of financial obligation is terminated upon accomplishment, revoking or expiry of contractual obligations.

Derivative Financial Instruments

The Company did not apply any derivative financial instruments during the periods ended on December 31, 2010.

Statement of Financial Position

(a) Non-current Tangible Assets

In financials reports, all the economic resources as disposed by the company are acknowledged as property, if the company expects to gain profit from these resources and the latter ones have their value that can be credibly evaluated.

The long-term property, stated in the financial reports, is evaluated by the cost price of the actual acquisition or production of the property withdrawing the accumulated depreciation and the reduction of the property value.

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Depreciation is started to be calculated since the first day of the next month after the transference of the long-term property for the usage and is not calculated from the first day of the next month after its writing-off or selling, and when the whole value of the used long-term property (without the liquidation value) is transferred to the cost price of the production (works, services). The property is depreciated applying the directly proportionate method of the depreciation calculation.

Property groups	Average time of useful service (in years)
Ships	7 – 16
Machines and equipment	7 – 16
Transport means	6 – 10
Other equipment, devices, tools and facility	4

The authorities establish the time of the useful service of the long-term material property at the time of its acquisition, and later it is reviewed each year. The time of useful service is established following the experience of the past of similar property as well as the planned events in the future. That can have influence upon the time of useful service. It can be changed if there is enough ground to think that the service time remaining does not reflect the physical status of the property and its economic usage. The company reviews the liquidation value of the property each year.

The value of the repair works of the long-term material property that do not improve the useful qualities of the property (and the costs of the repair will not give income in the future), is included in the costs in the report period during which they are carried out.

The residual values of the long-term material property of the company are reviewed for the date of each annual financial reports seeking to establish whether there are signs showing their depreciation. If there are signs of depreciation, the dividend value of such property is calculated. The dividend value is calculated as the bigger one of the two values: the net realization or the property usage value. The loss due to the property depreciation is accounted when the residual value of the unit of the property exceeds the dividend value. The loss incurred due to depreciation is accounted in the report of general income.

The ships of the company are repaired on the regular basis according to the requirements of classification companies: every 5 years (SS) after the repair, the class of the ship is confirmed, after 3 years after the SS repair, the repair on the dock is carried out. The company capitulates and acknowledges the expenses of the repair for the confirmation of the class of the ship as expenditure during 3 years, the expenses of the repair on the dock are acknowledged as expenditure during 2 years.

(b) Non-current Intangible Assets

Computer software and other intangible assets with the limited period of use are stated at cost less the amortization and losses due to impairment. Amortization is calculated applying the direct method during the period of useful life. Non-current intangible assets are depreciated within the period of 3 years.

(c) Inventories

Inventories are recognized at the lower of the acquisition cost and net realizable value. In order to determine the cost of inventories, FIFO method is applied. Net realizable value is estimated as expected selling price less the expenses related to the sale.

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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 the purchase of the inventories, less the received discounts and rebates. When the amounts of inventory transportation and preparation for use are insignificant or constant for several reporting periods, they are written off to operating expenses rather than included into the cost of purchase.

(d) Amounts receivable

On recognition amounts receivable are measured at their fair value. Thereinafter, current amounts receivable are measured taking into account their impairment in value and non-current amounts receivable are measured at a discounted value less any impairment loss in value.

(e) Cash and Cash Equivalents

Cash comprises cash on hand and in bank accounts. Cash equivalents are liquid investments readily convertible into a known amount of cash. The term of these investments is up to three months and they are a subject to insignificant risk of changes in value. The Company has no cash equivalents currently.

In the statement of cash flows, cash and cash equivalents comprise cash on hand, in bank accounts, in current accounts and deposits. Income and losses, which are not realized and occurred due to the changes in foreign currency exchange rate, are not recognized as cash flows. However, influence of changes on the cash and cash equivalents, maintained or paid in foreign currency, is presented in the statement of cash flows in order to compare the cash and cash equivalents at the beginning of the period with the cash and cash equivalents at the end of the period. The amount of influence is presented separately from the operating, investing and financing cash flows and includes the differences of currency exchange, if such are present, which were determined in the cash flows at the end of the period.

(f) Borrowings

The borrowing expenses are acknowledged as expenditure as they are incurred, or capitalized depending on the aim of the borrowing. The company capitalizes the borrowing expenses that are directly ascribed to the acquisition of the property of long preparation, the construction or production, as the part of the cost price of the property.

In the company, the borrowings are acknowledged first of all by the real value of the gained means adding the costs of the contract. Later on they are calculated by the amortized value, and the difference between the gained means and the sum that will have to be paid during the borrowing term, are included into the profit or loss of the period. The borrowings are acknowledged as long-term if the financing agreement concluded till the date of the approval of the financial report proves that the commitment for the date of the report of the financial status in its nature was long-term.

Borrowing costs are recognized as expenses when they are incurred.

At the initial recognition, borrowings are stated at the fair value of received funds. Thereinafter, they are accounted for at amortized cost, and the difference between the funds received and amount payable within the period of the loan is included into the profit or loss for the period. Borrowings are recognized as non-current if the financing agreement signed before the date of the financial statements' approval confirms the liability is long-term in substance on the day of the balance sheet date.

(g) Provisions

Provisions on obligations are recognized when and only when the Company has a legal obligation or irrevocable commitment as a result of the past events; and it is probable that an outflow of resources embodying economic benefits will be required to settle it; and the amount of obligation can be measured reliably. Provisions are reviewed at each balance sheet date and adjusted to reflect the most accurate

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current estimates. When the time effect on the value of money is significant, the amount of provision is equal to the current value of outflows, which are expected to be required for the settlement of obligation. When the discounting is used, an increase in provision reflecting the past period is recorded as interest expenses.

(h) Income Tax

Calculation of income tax is based on the annual profit and is made in accordance with the requirements of the tax laws of the Republic of Lithuania. Deferred income tax is calculated on the basis of temporary differences in the carrying amounts of assets and liabilities in the financial statements and their tax bases. An amount of deferred income tax depends on expected useful lives of assets and future repayments of liabilities and expected tax rates of the corresponding periods. Deferred income tax assets and liabilities are not further calculated, because according to the Income Tax Law of the Republic of Lithuania no temporary differences occur.

Following the amendment and supplement to the Income Tax Law of the Republic of Lithuania on May 3, 2007, the Lithuanian Shipping Company chose to calculate a fixed rate income tax for the tax period beginning on 2007 and subsequent tax periods. The base of the fixed rate income tax is calculated for each 100 payload capacity units (CU) of a sea-going vessel by applying a fixed daily amount and multiplying the resulting amount by the number of days in a tax period of a shipping entity.

(j) Revaluation of Currency

In the accounting records transactions in foreign currencies are stated in the national currency, Litas (LTL), in accordance with the official exchange rate of Litas and foreign currency announced by the Bank of Lithuania at the transaction date, except for accumulated income and expenses, which are stated based on the official exchange rate of Litas and foreign currency announced by the Bank of Lithuania on the last day of the reporting period.

In the balance sheet currency entries are stated in accordance with the official exchange rate of Litas and foreign currency announced by the Bank of Lithuania at the date of the financial statements. The Company's owned cash in foreign currencies as well as all amounts receivable and payable in foreign currencies are considered to be currency entries.

Changes in currency entries, which occurred due to changes in the exchange rate of Litas and foreign currency announced by the Bank of Lithuania and arisen when performing currency transactions or revaluating currency entries registered earlier, are recognized as income or expenses from financing activities of the related reporting period.

(k) Payments to the Employees

The Company considers salaries, social security fees, holiday allowances, compensations for two first days of sickness, premiums, bonuses, grants, leave allowances, holiday accumulations to be the payments to the employees and they are recognized as expenses when an employee has fulfilled his duties in exchange to the received allowance.

(l) Transactions with Related Parties

The Company considers members of the board, general director, director for chartering, technical director, director for finance, chief accountant and their family members to be the related parties. The Company is not related to any legal parties.

STATEMENT OF COMPREHENSIVE INCOME

(a) Segments

Accountable segments are actively operating segments, which meet the stated criteria. The Company receives individual financial information on these segments and the management regularly reviews this information and makes decisions on evaluation of operating results on the basis of such information. Operating segments have separate segment liabilities, segment assets, particular income and expense item evaluations, gross profit (loss) and they are all corresponding to the financial statements of the Company. The Company operates in one market sector and therefore the operating segments are not distinguished.

(b) Income Recognition

The moment of rendering services is recognized as the moment of income earning. Transaction of service provision is completed when the buyer pays for the services at once or takes on an obligation to pay for them later without any significant additional conditions (when both parties sign a corresponding document: invoice, delivery note, etc.). Cash received as prepayment is recorded in the accounts as an increase in the Company's liabilities to trade partners. In this case, income is recognized when the services are rendered.

(c) Recognition of Expenses

The cost of rendered services is always connected with the services rendered during the reporting period. It comprises a portion of expenses incurred during the reporting period in order to render the services. When it is impossible to directly relate the expenses of the reporting period with the earning of the particular income and they are also not going to generate income in the future periods, they are recognized as income of the period when they are incurred.

GENERAL NOTES ON THE FINANCIAL STATEMENTS

(a) Use of Estimates in Preparation of Financial Statements

When preparing the financial statements, the management has to make certain assumptions and estimates, which influence the presented amounts of assets, liabilities, income and expenses and disclosures of contingencies. Significant accounts of these financial statements, which are influenced by the estimates, include depreciation, evaluations of impairment and provisions. Future events may influence the assumptions used to make the estimates. The results of such changes in estimates will be presented in the financial statements when they are determined.

(b) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed, except for the cases when it is hardly probable that the resources providing economic benefits will be lost.

Contingent assets are not recognized in the financial statements. They are disclosed in the financial statements when it is probable that income or economic benefit will be received.

(b) Events after the date of the conclusion of financial reports

Events that provide additional information about the position of the company on the day of the conclusion of the financial reports (the correcting events) are reflected in the financial reports. Other events after the date of the financial reports that are not correcting events, are described in the remarks if it is important.

(c) Factors of Financial Risk

Market insecurities

The long-running worldwide liquidity crisis resulted in lower liquidity levels in the economy, lower level of capital market funding and lower liquidity. Furthermore, the economy in Lithuania and the European Union experienced the slowdown, which influenced and might still influence the activities of the companies operating in shipping business. The financial statements provide management evaluations concerning the influence of worldwide and Lithuanian business environment on the activities and financial position of the Company. Further development in the business environment might differ from the evaluations by the management.

Losses of Impairment in Non-current Assets

The Company reviews the residual values of non-current assets at each date of the statement of financial position (balance sheet) to determine whether there are indications of impairment. If such indications are observed, the recoverable amounts of the assets are calculated. With the purpose to test the impairment in asset value, assets, which earn cash in the process of non-interrupted usage and generally do not depend on the net cash inflows generated by other assets or asset groups (units generating net cash), are grouped together into the smallest possible groups.

A recoverable amount is the higher of the net realizable value and the value in use. Asset value in use is calculated by discounting the future cash flows to the current value applying the pre-tax discount rate, which reflects the objective market assumptions on cash value in time and the risk related to the asset. The recoverable value of an asset, which does not generate cash inflows independently, is determined in line with the recoverable value of the unit, which generates the cash and to which the asset is attributable.

Losses of Impairment in Amounts Receivable

The Company reviews the amounts receivable at least once in a quarter of the year. In order to determine whether the impairment in value should be recognized in the income statement, the Company evaluates the existence or non-existence of the evidence, which prove the sufficient decrease in the future cash flows, related to the portfolio of amounts receivable, until the decrease of the particular amounts receivable in the portfolio is determined. Evidence might comprise information providing for the negative change in debt repayment status, economic conditions in the country or region, which influence the amounts receivable.

Following the historic experience on the losses, related to the amounts receivable and similar credit risk, the management evaluates probable cash inflows from the debtors. Methods and assumptions, applied when evaluating the amounts and the duration of future cash flows, are regularly reviewed in order to decrease differences between the calculated and actual amounts of losses.

Capital Management

In order to maintain the trust of the investors, creditors and other market participants, to support the future development of activities and correspond to the external capital requirements, the policy of the Company requires maintaining a significant amount of equity capital when compared to the borrowed funds. The capital comprises equity capital belonging to the owners.

The management also seeks to maintain the balance between the higher return, which could be acquired through the higher level of borrowed funds, and the security provided by the higher level of equity capital.

The Company manages the capital structure and corrects it regarding the changes in economic circumstances and the nature of operating risk. In order to maintain or correct the capital structure, the Company might correct dividend pay out to the shareholders, return the capital to the shareholders or issue new shares.

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 Financial statements for the period ended on 31 December 2010
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III. Explanatory Notes to Accounts

1. Non-current Intangible Assets

	Computer software
Acquisition cost	
31 December 2008	361
Acquisitions	-
Write-offs	-
31 December 2009	361
Acquisitions	27
Write-offs	-
31 December 2010	387
Accumulated amortisation	
31 December 2008	304
Calculated during the period	22
31 December 2009	326
Calculated during the period	22
31 December 2010	348
Carrying amount	
31 December 2008	57
31 December 2009	35
31 December 2010	39

Non-current intangible assets are depreciated within the period of 3 years.

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2. Non-current Tangible Assets, in thousand LTL

	Buildings and construction	Plant and machinery	Ships	Other transport means	Repairs	Other tangible assets	Total
Acquisition value							
31 December 2008	3.672	1.202	491.226	802	8.246	568	505.716
Acquired		2	1.019		2.943	38	4.003
Written-off(-)		(386)	(7.952)		(5.869)	(50)	(12.256)
31 December 2009	3.672	818	484.294	802	5.319	556	495.462
Acquired	-	21	211	60	2.766	13	3.071
Reclassifications	-	(26)	26				
Written-off(-)		(22)	(28.536)	(612)	(3.500)	(51)	(32.722)
31 December 2010	3.672	791	455.994	250	4.585	519	465.811
Reversed impairment							
31 December 2008			(61.407)				(61.407)
31 December 2009			(61.407)				(61.407)
31 December 2010			(61.407)				(61.407)
Accumulated depression							
31 December 2008	355	939	128.096	666		341	130.398
Accounted for the period	51	106	27.349	80		62	27.647
Written-off(-)		(38,6)	(7.480)			(44)	(7.910)
31 December 2009	406	659	147.965	746		358	150.135
Accounted for the period	50	95	25.861	22		57	26.085
Reclassifications		(26)	26				
Written-off(-)		(22)	(10.436)	(612)		(25)	(11.096)
31 December 2010	457	706	163.416	156		390	165.125
Carrying amount							
31 December 2008	3.317	263	301.723	136	8.246	227	313.911
31 December 2009	3.266	159	274.921	56	5.319	198	283.920
31 December 2010	3.215	85	231.171	94	4.585	129	239.279

Ships

Capital tangible asset of Lithuanian Shipping Company for the financial year ended included 11 vessels, administration building, vehicles, machinery and equipment. M/V "Svilas" was sold in January; M/V "Staris" was sold in February of 2010.

The vessels are mortgaged for the loans with SEB bankas (See Note 9).

All vessels, except M/V "Alka", were hired under long-term time charters, concluded for the period of 6 months with subsequent extensions. M/V "Alka" was hired under short-term voyage charters, since the company was operating the vessel by itself. In time charter, income is received in US dollars. In 2010, there were no cases of demurrage, except repair or emergency cases.

In 2010, current value of the vessels, in consideration of the technical condition, terms of handling of the vessels, and earnings, is correspondent with the market value and was not depreciated. In the beginning of the year, the cash flows, generated by the vessels, have reduced, however, since July the company has negotiated 20-30% higher freight rates, which measured up to the market conditions. In view of the above, there are no attributes affecting depreciation of the vessels.

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3. Ship Repairs

Ship repairs expenses of LTL 4585 thousand were recognized as assets.
 This amount will be transferred to expenses according to the table below:
 of which planned write-offs to expenses in:

2011 m.	-	LTL 2761 thousand
2012 m.	-	LTL 1657 thousand
2013 m.	-	LTL 168 thousand

4. Inventories and Prepayments

	31-12-2010	31-12-2009
Ships bunker	690	574
Spare parts	467	718
Food provision on ships	150	149
Prepayments	1319	1675
Total:	2626	3115

On 31-12-2010 690 thousand LT was paid for bunkers of the mv Alka under short term charter parties.

5. Amounts Receivable

	31-12-2010	31-12-2009
Trade debtors	1333	498
Amounts receivable from State budget	15	22
Prepayments to ships	120	128
Other amounts receivable	3.092	468
Total:	4560	1116

The debts of buyers as of 2010-12-31 increased due to the income not received by mtrl. „Alka“ at the end of December, 239 thousand LTL. The income was received in January.

In other receivable sums, the doubtful sums of 1305 thousand LTL as a deposit for mtrl. "Deltuva" arrest in Puerto-Rico in May, 2010, the sum is not disciplinary, the legal research is going on; 602 thousand LTL for the services of lawyers due to the arrest of mtrl. "Deltuva", the sum is disciplinary; 1117 thousand LTL for the insurance accidents of ships „Alka“, „Akvilė“, „Raguva“, 3 thousand LTL – the insurance events of mtrl. „Skalva“, other receivable sums are 27 thousand LTL.

6. Cash and Cash Equivalents

	31-12-2010	31-12-2009
Cash in national currency	136	14
Cash in banks in foreign currencies	1897	1190
LJL's cash in hand in national currency	7	4
LJL's cash in hand in foreign currencies	27	34
Total:	2067	1242

7. Capital

	Authorised capital	Share premiums	Total
31 December 2009	200901	-	200901
New emission of shares	-	-	-
Acquisition of own shares	-	-	-
31 December 2010	200901	-	200901

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On 31 December 2010 the Company's authorised capital consisted of 200 901 296 ordinary registered shares. With par value of LTL 1 for each share.

8. Reserves

	31-12-2010	31-12-2009
Compulsory legal reserves	1283	20090
Reserve for acquisition of ships	-	10002
Reserve for employees' bonuses	-	45
Reserve for social and cultural activities	-	21
Total:	1283	30158

Reserves in 2010 decreased after covering the loss of 2009.

9. Financial Liabilities (to credit institutions)

	31-12-2010	31-12-2009
Payable after one year	53184	62595
Payable within one year	22818	10874
total	76002	73469
Balance of loans at the beginning of the year	73469	83769
Loans received	-	-
Loans repaid	-3628	-9350
Effect of exchange rates	6161	-950
Balance of loans at 31 December 2010	76002	73469

All financial debts of Lithuanian Shipping Company to the bank are ensured with the asset. 11 vessels (M/V "Alka" and M/V "Skalva" were mortgaged in Q4) are mortgaged at the book value of 231171 thousand LTL. Total balance of the loan of AB SEB bankas for the year ended 31/12/2010 amounted to 76002 thousand LTL, whereof:

- 9.395 thousand LTL (3600 thousand USD) for acquisition of M/V "Romuva" and M/V "Voruta". Due date for redemption of the loan – 15/03/2011;
- 45.727 thousand LTL (17520,5 thousand USD) for acquisition of M/V "Venta". Due date for redemption of the loan – 27/02/2015;
- 20.879 thousand LTL (8000,0 thousand USD) for acquisition of M/V "Raguva" and M/V "Deltuva". Due date for redemption of the loan – 19/02/2012.

The loans are subject to variable interest rate related to 6 months LIBOR (USD). In 2010, the loans were partially restructured and fully translated to payment currency USD, since the company earns income in USD. Under the credit agreement, signed with SEB bankas, the company must comply with the following financial indexes: capital index and credit repayment coefficient. Cash flows have decreased in the beginning of 2010 due to economic crisis; it was the main reason of non-compliance with the indexes, established by the bank. Following increase in freight income in the end of 2010, the amendments to credit agreements were made after negotiations with the bank and in Q4 the company started repaying the agreed loan amounts as per approved schedule by installments.

10. Income Tax Liabilities

The company pays a fixed profits tax. For the year ended 2010, fixed profits tax payable amounted to 67 thousand LTL.

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11. Liabilities Related to Employment Relations

	31-12-2010	31-12-2009
Provision for annual leaves (salaries)	1144	1343
Provision for annual leaves (social insurance)	355	416
Payable salaries	-	586
Payable social insurance contributions	350	362
Amount payable to guarantee fund	1	1
Total	1850	2708

12. Provisions

	31-12-2010	31-12-2009
Provisions for not received invoices	1620	848

At the end of the report period, in the suspensions due to the arrest of mtrl. "Deltuva" at Puerto-Rico in May, 2010, where the legal research is going on, the return of the paid deposit (50 per cent) - 652 thousand LTL, for the services of lawyers 603 thousand LTL. For the ungained accounts - 322 thousand LTL, other sums – 23 thousand LTL, the audit expenditure - 20 thousand LTL.

13. Other Amounts Payable

	31-12-2010	31-12-2009
Debts to suppliers	986	5921
Prepayments from clients	4536	3688
Dividends payable	97	98
Accrued expenses	357	408
Other liabilities	6	6
Total	5982	10121

The company fully covered its former accounts payable after increasing its freight income in the second half of 2010.

14. Sales

Sales revenue, LTL thousand	31-12-2010	31-12-2009	%
Income from time charter	53872	53874	100,0
Other income from time charter	-	534	-
Income from short-term freight contracts	8146	4419	184,3
Other income	154	354	43,4
Total:	62172	59181	105,0

Freight income of short-term charter parties in 2010 increased by 84,3%, since the company has been operating M/V "Alka" by itself, earning any and all income.

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15. Cost of sales

	2010-12-31	2009-12-31	%
Crew expenses	17307	20616	83,9
Depreciation	25904	27393	94,5
Repair expenses	9514	11500	82,7
Spare parts	5719	6301	90,8
Ship functional expenses	3433	4858	70,7
Fuel	3446	2354	146,4
Lubricants	2394	2555	93,7
Insurance	3510	4116	85,3
Broker, address commission	2038	1827	111,5
Port charges and taxes	1196	710	168,5
Other ships expenses	5205	3747	138,9
Total:	79666	85976	92,7

Decrease in crew cost during the accounting period of 2010 as compared with 2009 was determined by a smaller number of the vessels as well as decrease cost minimization during crisis. Increase in fuel cost in 2010 was determined by the fact that M/V "Alka" was hired under short-term charter parties and that the company has been operating the vessel by itself.

16. Administrative expenses

	2010-12-31	2009-12-31	%
Employee expenses	3349	3388	98,8
Amortization and depreciation	204	277	73,8
Premise maintenance	104	99	105,5
Transport expenses	76	72	105,4
Business maintenance expenses	143	144	99,4
Communication services	100	135	74,2
Bank services	139	99	140,8
Consulting, legal services	45	66	68,0
Asset insurance and insurance franchise	592	384	154,1
Other expenses	369	266	138,6
Total:	5121	4930	103,9

Bank service cost in 2010 increased as a result of reformation of available credit liabilities.

17. Other operating income

	2010-12-31	2009-12-31	%
Income from sale of non current assets	10093	5042	-
Remaining value of sold tangible assets	(18123)	(476)	-
Net income from sale of non current assets	(8030)	4566	-
Other operating income, net	11	42	-
Total :	(8019)	4608	-

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18. Financing and Investing Activities

	31-12-2010	31-12-2009	%
Received interests	-	29	-
Positive effect of changes in currency exchange rates	-	590	-
Paid interests	(2250)	(2267)	-
Negative effect of changes in currency exchange rates	(6171)	-	-
Total:	(8421)	(1648)	-

19. Profit (Earnings) per Share

Profit per share is calculated by dividing net profit (loss) of the period, belonging to the holders of shares (39134177 LTL), by the number of ordinary shares – 200901296 – in the end of the period.

20. Cash Flow Statement

Cash for the period ended (31/12/2010) totaled 2067 thousand LTL and since the beginning of the year increased by 825,0 thousand LTL. Increase took place due to higher freight rates, signed in the second half of the year.

21. Statement of Changes in Equity

Owner's equity for the year ended 2010 amounted to 163050 thousand LTL and, as compared to the beginning of the period, decreased by 39134 thousand LTL due to 39134 thousand LTL loss in the accounting period.

22. Related Party Transactions

The persons associated with the company are members of board, general director, director of chartering department, technical director, financial director, chief accountant and their family members. 507,6 thousand LT of salaries in 2009 year and 455,8 thousand LT salaries in 2010 year were calculated to the above persons.

23. Segments

The Company operates in one business segment. Geographical segments are not separated.

24. Capital management policy

To manage and maintain the capital structure the Company might sell the assets in order to reduce the debts.

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Liability – equity ratio

	31.12.2010	31.12.2009
Total liabilities	85.521	87.244
Less the cash and cash equivalents	2.067	1.242
Liabilities in net amount	83.454	86.002
Total equity	163.050	202.184
Plus the subordinated debt instruments		-
Less the change in fair value of assurance instruments recognized in the equity		-
Adjusted equity capital	163.050	202.184
Liability – equity ratio	0,51	0,43

Liability – equity ratio increased slightly due to the decrease in the equity capital.

25. Financial means

Credit risk

Credit risk or risk of default of the partners is controlled by applying credit terms and procedure control. Residual value of financial asset reflects maximum credit risk, which as of the date of financial statement was as follows:

	31.12.2010	31.12.2009
Prepayments	1.319	1.675
Trade receivables	4.387	955
Accumulated income and other amounts receivable	173	161
Less the doubtful amounts receivable		
Cash and cash equivalents	2.067	1.242
TOTAL:	7.946	4.033

Liquidity risk

The company, with a view to avoid the liquidity risk, maintains sufficient flow of cash and cash equivalents or has financing through respective credit, planning in advance as well as controlling cash flows. The company has not approved a liquidity index to aspire to; however, the management shall aim at keeping the balance between unattractiveness and flexibility of financing. Liquidity indexes of the company are exhibited in Note 26. The company does not have financial asset.

Currency rate, interest rate, and other risks

Transactions of the company take place in Euros, US dollars, and Litas, therefore, there is a risk of currency rate fluctuation and exchange.

The loans of the company are taken in US dollars with a variable interest rate. Interest rate is not high and does not have major effect on the activities of the company.

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Future cash flows

Book value of the asset (vessels) currently covers any and all benefits in cash, since the asset (vessels) is prepared and continuously used to earn income (with the exception of scheduled repairs).

26. Financial indexes

	Calculation	31.12.2010	31.12.2009
Gross debt rate	$\frac{\text{Total liabilities}}{\text{total assets}}$	0,34	0,30
Gross solvency rate	$\frac{\text{Equity capital}}{\text{Total liabilities}}$	1,91	2,32
Gross profitability	$\frac{\text{Gross profit}}{\text{Sales and services}}$	-0,28	-0,07
Rate of gross current solvency (gross liquidity)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0,29	0,22
Number of times in turnover of accounts receivable	$\frac{\text{Sales and services}}{\text{Accounts receivable}}$	14,17	62,00

Maximum income risk constitutes risk of amounts receivable. The company has introduced the following income policy – the buyers shall pay in advance for shipping services.

The loan of the company constitutes the loans with a variable interest rate related to 6 months USD LIBOR.

27. Unclassified assets and liabilities

The legal research of the case due to the compensation of the material and non-material loss, the sum of the claim is 411 thousand LTL. The claim was started due to the death of the captain of the company J.Smirnov in 2005.

The company has not provided guarantees and vouchers.

General Director

Arvydas Bogočionkas



**PUBLIC COMPANY
LITHUANIAN SHIPPING COMPANY**

Annual report for 2010

Klaipėda, February 2011

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I ACCOUNTING PERIOD, FOR WHICH THE REPORT WAS PREPARED

The annual report was prepared for 2010. Herein, Public Company Lithuanian Shipping Company may also be referred to the Enterprise, Company, Issuer, LSC.

II ABOUT THE COMPANY

Name: Public Company Lithuanian Shipping Company.

Legal-organizational form: Public Company

Date and place of incorporation: 27 June 2001, Klaipėda.

Organization identification number: 110865039

Former organization identification number: 1086503

Head office: Malūnininkų g. 3, Klaipėda.

Phone number: + 370 46 393 105

Fax number: + 370 (46) 393 119

E-mail address: info@ljl.lt

Website address: www.ljl.lt

Mission

To provide our business partners with a flexible and reliable cargo transportation service and use it as a benchmark for nurturing a winning and long-lasting network of business contacts that will endure and provide lasting value both for our shareholders and partners.

Strategic objectives

- To solidify the activities through optimization of management of the company;
- To develop and introduce financial procedures and perform processes, which would ensure:
 - Sufficient capital of the company, necessary to cover the operating risk and ensure continuity of business,
 - Calculation of the need for capital and dye formation of the capital base,
 - Stable financial flows and repayment of credit;
- To find extra financial resources for acquisition or construction of vessels by pulling in private capital;
- To analyze the possibility to pull in the EU funds to optimize and develop the organization of the company;
- To enhance the human resource management and rebuild the company's appeal for the seafarers;
- To implement the organizational culture that would encourage initiative-taking and efficient activities;
- To enhance the position on the available market segment and diversify the activities;
- To maintain the environmental pollution prevention and ensure safe navigation.

Possibilities

1. To team up professionals.
2. To fulfill the Freight and Operational Department ambitions:
 - On the expiration of the time-charter, a possibility to start working on the tramp vessel market;
 - Using the available potential and being respectively prepared - to operate the vessels of bigger tonnage (*Handymax* /35,000 - 58,000/ and *Panamax* /65,000-80,000/ DWT);
 - To keep up on MPP (multipurpose vessels) market segment through acquisition of 7000-17000 DWT vessels with minimum 50 t cranes;
 - To discover cargo markets and establish as charterers for own and other's vessels, which would ensure stability and reliability of the company before the investors and owners of other vessels.
3. Possibilities for maritime career and ongoing vocational training for the personnel.
4. The company can develop and introduce financial procedures and perform processes, which would ensure efficient financial activities.
5. Synergy of LSC and Lithuanian maritime training institutions in sharing experience and attracting the youth for work at sea.
6. A more flexible attitude of the Maritime Safety Administration towards employment of foreign seafarers onboard the vessels sailing under a Lithuanian flag.

III NATURE OF MAIN ACTIVITIES OF THE ISSUER

Sea and coastal cargo water transport.

IV STRUCTURE OF THE AUTHORIZED CAPITAL

The amount of the authorized capital is equivalent to the sum of par value of all shares, subscribed by the company.

The authorized capital of the company is equivalent to 200 901 296 Litas.

The authorized capital of the company is divided into 200 901 296 Litas par value shares.

All shares of the company are of one class – ordinary registered shares.

ISIN code – LT0000125999.

Method of issuance of securities to the public securities issue – reorganization.

V INFORMATION ON THE AGREEMENTS WITH THE AGENTS OF PUBLIC ISSUE OF SECURITIES

On 1 November 2002, Public Company Lithuanian Shipping Company signed the Securities service agreement with UAB FMĮ Jūsų tarpininkas (subsequently AB FMĮ SNORAS - Jūsų tarpininkas of A. Mickevičiaus g. 29-3, 44245 Kaunas). As of reorganization of AB FMĮ SNORAS - Jūsų tarpininkas by merger, on 31 March 2010 any and all rights and duties of AB FMĮ SNORAS - Jūsų tarpininkas were taken over by AB FMĮ Finasta (number 122570630, head office at Maironio g. 11, Vilnius, Phone: 1813, E-mail: info@finasta.com), proceeding with the contractual obligations and managing the securities accounting of Public Company Lithuanian Shipping Company.

VI DATA RELATED TO TRADING IN SECURITIES ON THE REGULATED MARKETS

Since 9 July 2001, 200.901.296 ordinary registered shares of Public Company Lithuanian shipping company with nominal value of one Litas (total nominal value 200.901.296 LTL) have been quoted in Vilnius Stock Exchange (former National Stock Exchange) in the current sales list. Following the approval of the amendments to the trading rules of Vilnius Stock Exchange (VSE) by VSE Board on 18 May 2007, the current list of securities was changed to the Secondary list. New name of the exchange market – AB NASDAQ OMX Vilnius.

After new regulations of Vilnius Stock Exchange came into effect on 30/05/2005, direct deals are calculated as automatically handled deals (Appendix 2), together with other deals of central market. Data on trading in securities of the issuer outside the exchange market is given in the Appendix 3.

Trading in the issuer's securities on other exchange markets or other organized markets is not carried out.

None of the third parties submitted an official offer to acquire the issuer's securities.

The issuer has not submitted an official offer to obtain securities issued by a third party.

VII INFORMATION ON DIVIDENDS PAID

The company did not pay any dividends during the financial years 2009 and 2010.

VIII RESTRICTIONS OF TRANSFER OF SECURITIES

There are no restrictions of transfer of securities.

IX SHAREHOLDERS

For the year ended 31 December 2010 there were 2199 shareholders in the company. The biggest shareholders, holding over 5 percent of the authorized capital of the company, are given in Table 1 below:

Table 1

Name	Number	Address	Number of shares	Portion of ownership (%)
DFDS A/S	LJL1419471	Sundkrogsgade 11, DK-2100 Copenhagen	11.108.420	5,53
MINISTRY OF COMMUNICATION OF THE REPUBLIC OF LITHUANIA	188620589	GEDIMINO PR. 17, VILNIUS	113.833.000	56,66
SWEDBANK AS (ESTONIA)	10060701	LIIVALAIA 8, 15040 TALLINN, ESTONIA	11.218.407	5,58
UAB KONCERNAS ACHEMOS GRUPĖ	156673480	Jonalaukis Village, Jonava District	10.551.330	5,25
State Property Fund	110073154	Vilniaus g. 16, Vilnius	9.235.145	4,60

Other small-sized shareholders, who do not hold 5 % of ownership, own 22.38 % shares.

The shares of the company grant equal rights to the owners thereof (shareholders). The competence of the general shareholders' meeting, property and non-property rights of the shareholders, as well as implementation thereof, is provided in the Articles of Association of the company and the Law on Companies of the Republic of Lithuania.

The state owns 61,42 percent shares, whereof 56,66 percent is owned by the Ministry of Communication of the Republic of Lithuania.

During the accounting financial year 2010 the company did not acquire, did not transfer, and does not hold own shares.

X RESTRICTIONS OF VOTING RIGHTS

N/A

XI MUTUAL AGREEMENTS BETWEEN THE SHAREHOLDERS

Mutual agreements between the shareholders that the issuer is aware of and which may be subject to restriction of transfer of securities and (or) voting rights – N/A.

The company does not have any information of directly controlled LSC portfolios; no notifications of the same have been received.

Property rights of the shareholders of the company:

1. to receive a part of the company's profit (dividend);
2. to receive the company's funds when the authorized capital of the company is reduced with a view to paying out the company's funds to the shareholders;
3. to receive shares without payment if the authorized capital is increased out of the company funds, except in cases specified in the Law on Companies of the Republic of Lithuania;
4. to have the pre-emption right in acquiring the shares or convertible debentures issued by the company, except in the case when the general meeting of shareholders decides to withdraw the pre-emption right for all the shareholders according to the procedure specified by the Law on Companies of the Republic of Lithuania;
5. to lend to the company in the manner prescribed by law; however, when borrowing from its shareholders, the company may not pledge its assets to the shareholders. When the company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case, the company and shareholders shall be prohibited from negotiating a higher interest rate;
6. to receive a part of assets of the company in liquidation;
7. other property rights established by the Law on Companies and other laws of the Republic of Lithuania.

Non-property rights of the shareholders of the company:

1. to attend general meetings of shareholders;
2. to submit to the company in advance the questions connected with the issues on the agenda of the general meeting of shareholders;
3. to vote at general meetings of shareholders according to voting rights carried by their shares;
4. to receive information on the company in the manner specified in the Articles of Association of the company;
5. to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the manager of the company and board members of their duties prescribed by the Law on Companies and other laws of the Republic of Lithuania and the Articles of Association of the company as well as in other cases laid down by laws;
6. other non-property rights established by the Law on Companies and other laws of the Republic of Lithuania.

XII PERSONNEL

The number of employees

For the year ended 31/12/2010 there were 366 employees working for LSC: 320 seafarers as well as 46 shore-based employees, which respectively constitutes 87 percent and 13 percent (See Figure 1).

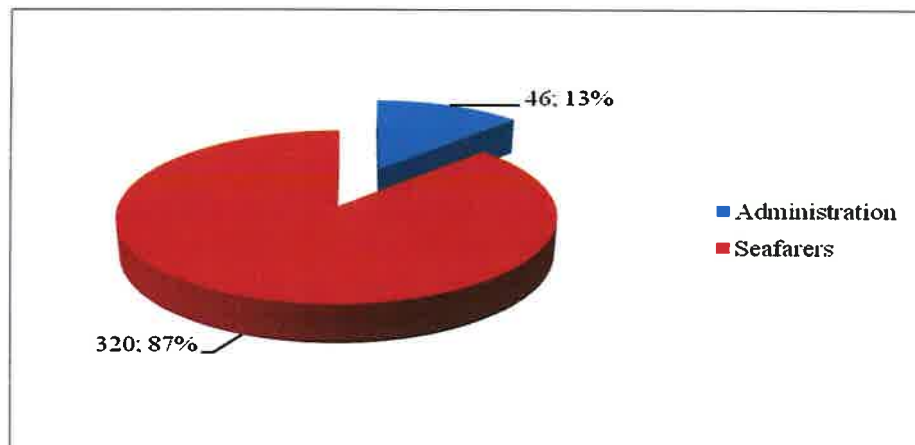


Figure 1. The number of LSC employees for the year ended 31/12/2010

Analysis of the changes in the personnel for the last five years (according to the data of 31 December 2007–2010) demonstrates an apparent decrease in the number of employees – both onshore and seafarers (Table 2).

Table 2

Variation in the number of LSC employees 01/01/2007 / 31/12/2010

	2007	2008	2009	2010
Number of vessels	18	15	14	11
Onshore personnel	62	54	50	46
Seafarers	453	400	376	320
In total	515	454	426	366

When comparing the Year 2009 and the Year 2010, in 2010 the number of onshore personnel decreased by 8 percent, whereas the number of seafarers – by 14,89 percent.

The decrease in the number of employees was **affected** by:

- the ambition to optimize the management expenses for the onshore personnel;
- the number of LSC vessels;
- emigration of employees, caused by many reasons.

Table 3

Structure of personnel of the company according to education for 2009-2010

Education	Number of employees			
	1 st half of 2009	2009	1 st half of 2010	2010
University	137	128	127	120
Special secondary (college)	182	180	167	149
Secondary	110	118	86	97

Table 4

Average listed number of employees and wages (LTL)

Personnel group	Average conditional number of employees				Average monthly wages (LTL)			
	1 st half of 2009	2009	1 st half of 2010	2010	1 st half of 2009	2009	1 st half of 2010	2010
Executives	9	9	9	9	6.861	6.755	6.039	6.275
Specialists	254	206	175	173	2.603	2.836	2.849	2.792
Workers	166	181	167	163	1.853	1.849	1.786	1.753
In total:	429	396	351	345	2.397	2.470	2.425	2.388

XIII PROCEDURE FOR AMENDING THE ARTICLES OF ASSOCIATION

The Articles of Association shall be amended by the general shareholders' meeting by a qualified majority of votes, which shall not be less than 2/3 of votes, granted by the shares of all shareholders attending the meeting. Following the decision by the general meeting of shareholders to amend the Articles of Association of the company, the full text of the amended Articles of Association shall be drawn up and signed by the person authorized by the general meeting of shareholders.

In cases, specified by the Law on Companies, the Articles of Association of the company shall be amended by the board of the company. In this case, the Articles of Association of the company as amended shall be signed by the chair of the board.

The company does not have any information of directly controlled LSC portfolios; no notifications of the same have been received.

XIV INFORMATION ON THE MANAGEMENT BODIES OF THE COMPANY**Management bodies of the company:**

- general shareholders' meeting,
- supervisory board,
- board,
- manager of the company.

General shareholders' meeting

The general shareholders' meeting is the highest body of the Company, holding an exclusive right to:

1. amend the Articles of Association of the company, unless otherwise provided for by the Law on Companies of the Republic of Lithuania;
2. change the head office of the company;
3. elect the members of the supervisory board;
4. remove the supervisory board or its members;
5. select and remove the firm of auditors for the carrying out of the audit of annual financial statements, set the conditions for auditor remuneration;
6. determine the class, number, nominal value and the minimum issue price of the shares issued by the company;
7. approve the set of annual financial statements;
8. take a decision on profit/loss appropriation;
9. take a decision on the formation, use, reduction and liquidation of reserves;
10. take a decision on the issue of convertible debentures;
11. take a decision on withdrawal for all the shareholders the right of pre-emption in acquiring the company's shares or convertible debentures of a specific issue;
12. take a decision on increase of the authorized capital;
13. take a decision on reduction of the authorized capital, except where otherwise provided for by the Law on Companies of the Republic of Lithuania;
14. take a decision for the company to purchase own shares;
15. take a decision on the reorganization or split-off of the company and approve the terms of reorganization or split-off;
16. take a decision on transformation of the company;
17. take a decision on restructuring of the company;
18. take a decision on liquidation of the company, cancellation of the liquidation of the company, except where otherwise provided for by the Law on Companies of the Republic of Lithuania;
19. elect and remove from office the liquidator of the company, except where otherwise provided for by the Law on Companies of the Republic of Lithuania.

The general meeting of shareholders may also decide on other matters assigned within the scope of its powers by the Articles of Association of the company, unless these have been assigned under the Law on Companies of the Republic of Lithuania within the scope of powers of other bodies of the company and provided that, in their essence, these are not the functions of the management bodies.

The general meeting of shareholders may not charge other management bodies to address the issues assigned to its sphere of competence.

The general shareholders' meeting of the company shall have an exclusive right to issue and buy in own shares.

Supervisory board

The supervisory board is a collegial body of the company supervising the company's activities. The supervisory board shall be elected by the general shareholders' meeting for a term of 4 years and shall consist of 5 members. The number of the terms of office of a member of the supervisory board shall not be limited. The supervisory board shall be managed by its chairman, who is elected by the supervisory board from the members thereof. The supervisory board shall:

1. elect the members of the board and remove them from office. If the company is operating at

- a loss, the supervisory board must consider the suitability of the board members;
2. supervise the activities of the board and the manager of the company;
 3. submit its comments and proposals to the general meeting of shareholders on the company's operating strategy, set of annual financial statements, draft of profit/loss appropriation and the annual report of the company as well as the activities of the board and the manager of the company;
 4. submit proposals to the board and the manager of the company to revoke their decisions which are in conflict with laws and other legal acts, the Articles of Association of the company or the decisions of the general meeting of shareholders;
 5. address other issues assigned to the scope of powers of the supervisory board by the Articles of Association of the company as well as by the decisions of the general meeting of shareholders regarding the supervision of the activities of the company and its management bodies.
 6. The supervisory board shall not be entitled to assign or delegate the functions assigned to the scope of its powers by the Law on Companies of the Republic of Lithuania and the Articles of Association of the company to other bodies of the company.
 7. The supervisory board shall be entitled to ask the board of the company and the manager of the company to submit the documents related to the activities of the company.
 8. Members of the supervisory board must keep the commercial (industrial) secrets and confidential information of the company which they obtained while holding the office of members of the supervisory board.

Data on the shares vary. The report refers to the data for the year ended 31 December 2010.

Members of management bodies

Members of the supervisory board as of 19 November 2009:

- Rolandas Bražinskis – elected as a chairman since 3 March 2010, does not hold LSC shares, an employee of the Ministry of Communication of the Republic of Lithuania;
- Ona Barauskienė, a member, does not hold LSC shares, an employee of the Ministry of Communication of the Republic of Lithuania;
- Kazimieras Gimbutis, a member, holds 2000 LSC shares or 0,0009 % votes;
- Helena Rogoža, a member, does not hold LSC shares, an employee of the Ministry of Communication of the Republic of Lithuania;
- Evaldas Zacharevičius, a member, holds 21081 LSC shares or 0,01 % votes.

Board members as of 3 March 2010:

- Arūnas Štaras, a chairman since 20/03/2009 (a member since 10/03/2009), does not hold LSC shares, an employee of the Ministry of Communication of the Republic of Lithuania;
- Jelena Antonevič, a member since 2005, does not hold LSC shares, an employee of the Ministry of Communication of the Republic of Lithuania;
- Juozas Darulis, a member since 10/03/2009, does not hold LSC shares, an employee of the Ministry of Communication of the Republic of Lithuania;
- Vidutė Šarkienė, a member since 2005, does not hold LSC shares, an employee of the Ministry of Communication of the Republic of Lithuania;
- Vytautas Petras Vismantas, a member since 2005, holds 16400 LSC shares or 0,01 % votes. On 8 April 2010, Vytautas Petras Vismantas resigned from LSC Director General's office and board members. He was paid 52,1 thousand LTL, payment whereof is governed on the expiration of employment relations.

By the decision of the board meeting of 18 May 2010 (Minutes No. 6) Arvydas Bogočionkas was elected to hold office of the Director General of Public Company Lithuanian Shipping Company through competition as of 24 May 2010.

By the decision of the supervisory board of 15 November 2010 (Minutes No. 2), Arvydas Bogočionkas was elected as LSC board member. He does not hold LSC shares.

CFO Arvydas Stropus, working for Public Company Lithuanian Shipping Company as of 27/06/2001, does not hold LSC shares.

Data on the shares vary; it is indicated for the year ended 31 December 2010.

Information on the amounts of money, calculated for the manager of the company, board member, and CFO during the accounting period of LSC, is given in Chapter XXI „**Calculated amounts of money**“ (See Table 9).

Other members, who are not the employees of the company and with whom the company has not concluded employment contracts, have not received any other benefits or bonuses from the company; the company has not transferred any property or granted any guarantees to them.

There are no agreements, providing for big compensations.

There are no committees constituted in the company.

Significant agreements, involving the company as a party, which would change and discontinue following the changes in the control of the issuer, as well as effect thereof.

AB SEB bankas shall be entitled to unilaterally terminate the credit contract in case, if the main shareholder of the company – Republic of Lithuania, holding 56,66 percent of shares of the company by the title of ownership, transfers any number of shares of the creditor and / or revokes its written obligation to not transfer such shares without the consent of AB SEB bankas.

Board of the company

The board is a collegial body of management as well as is made of 5 members. Members of the board are elected by the supervisory board for a term of four years. The board elects a chairman of the board from the members thereof. The number of the terms of office of the members and the chairman of the board shall not be limited.

The board shall consider and approve:

1. the operating strategy of the company;
2. the annual report of the company;
3. the management structure of the company and the positions of the employees;
4. the positions to which employees are recruited through competition;
5. regulations of branches and representative offices of the company;
6. the procedure of procurement of goods, works, and services.
7. The board shall elect and remove from office the manager of the company, fix his salary and set other terms of the employment contract, approve his job description, provide incentives for and impose penalties against him.
8. The board shall determine which information shall be considered to be the company's commercial (industrial) secret and confidential information. Any information which must be publicly available under the Law on Companies and other laws of the Republic of Lithuania may not be considered to be the commercial (industrial) secret and confidential information.
9. The Board shall take the following decisions:
 - 9.1. decisions for the company to become an incorporator or a member of other legal entities;
 - 9.2. decisions on the opening of branches and representative offices of the company;
 - 9.3. decisions on the investment, disposal or lease of the fixed assets the book value whereof exceeds 10 million Litas (calculated individually for every type of transaction);
 - 9.4. decisions on the pledge or mortgage of the fixed assets the book value whereof exceeds 10 million Litas (calculated for the total amount of transactions);
 - 9.5. decisions on offering of surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 10 million Litas;
 - 9.6. decisions on the acquisition of the fixed assets the price whereof exceeds 10 million Litas;
 - 9.7. decisions on restructuring of the company in the cases laid down by the Law on

Restructuring of Enterprises;

- 9.8. decisions to allow the manager of the company to conclude transactions (except for the transactions of financial derivatives, purchase-sale of currency, insurance of vessels, as well as maritime risk insurance of vessels), the value of which is more than 2 000 000 LTL (excluding tax) and transactions of procurement of the works, the value of which is more than 3 000 000 LTL (excluding tax).
- 9.9. other decisions assigned to the scope of powers of the board by the decisions of the general meeting of shareholders.
10. The Articles of Association provide that the board must obtain the approval of the general meeting of shareholders before adopting the decisions. The approval given by the general meeting of shareholders shall not release the board from responsibility for the decisions adopted.
11. The board shall analyze and evaluate the information submitted by the manager of the company on:
 - 11.1 the implementation of the operating strategy of the company;
 - 11.2 the organization of the activities of the company;
 - 11.3 the financial status of the company;
 - 11.4 the results of business activities, income and expenditure estimates, the stocktaking and other accounting data of changes in the assets.
12. The board shall analyze and assess a set of the company's annual financial statements and draft of profit/loss appropriation and shall submit them to the supervisory board and to the general meeting of shareholders together with the annual report of the company.
13. The board shall be responsible for the convening and organization of the general meetings of shareholders in due time.
14. Members of the board must keep commercial (industrial) secrets of the company and confidential information which they obtained while holding the office of members of the board.
15. The board shall organize the general shareholders' meetings in due time and ensure due organization thereof.
16. The board shall invite the manager of the company to every meeting, if he is not a member of the board, and enable him to familiarize with the information on agenda matters.

Manager of the company

The manager of the company – Director General – is a single-person management body of the company.

1. Director General shall organize daily activities of the company, hire and dismiss employees, conclude and terminate employment contracts therewith, provide incentives and impose penalties.
2. Director General shall define norms for calculation of the depreciation of assets.
3. Director General shall act on behalf of the company and shall be entitled to enter into transactions at his own discretion. Director General may conclude the transactions referred to in the Articles of Association of the company, provided there is a decision of the board of the company to enter into these transactions.
4. Director General shall be responsible for:
 - 4.1. organization of activities and implementation of purposes of the company;
 - 4.2. drawing up of the set of annual financial statements and drafting of the annual report of the company;
 - 4.3. conclusion of a contract with a firm of auditors;
 - 4.4. submission of information and documents to the general meeting of shareholders, the supervisory board and the board in the cases laid down in the laws or at their request;
 - 4.5. submission of documents and particulars of the company to the manager of the Register of Legal Entities;
 - 4.6. submission of the documents of a public limited liability company to the Securities Commission and the Central Securities Depository of Lithuania;

4.7. publication of the information referred to in the laws in the daily indicated in the Articles of Association;

4.8. submission of information to shareholders;

4.9. performance of other duties laid down in the laws and legal acts as well as in the Articles of Association and the staff regulations of the manager of the company (Director General).

XV SIGNIFICANT AGREEMENTS

There are no significant agreements between the issuer, issuer's managers, employees, and such other persons.

XVI EMPLOYMENT OF THE COMPANY'S VESSELS. SCOPE OF SERVICES. TYPES OF CARGO CARRIED

In the beginning of 2010, there were 13 vessels employed in the company, for the year ended 31/12/2010 – 11. In the beginning of 2010, the company sold 2 multipurpose 9650 DWT vessels „Starts“ and „Svilas“.

In the end of 2010 the company's fleet consisted of the following vessels:

- 1 bulk cargo (“Venta”) – 24202 DWT
- 2 general cargo (“Romuva”, “Voruta”) – 17504 DWT each
- 2 general cargo “Clipper” type (“Deltuva”, “Raguva”) – 16900 DWT each
- 1 general cargo (“Skalva”) – 9498 DWT
- 1 general cargo (“Alka”) – 7346 DWT
- 4 general cargo “Asta” type (“Asta”, “Akvilė”, “Daina”, “Audrė”) – 5820 DWT each

With a view to ensure stable and predictable result of operation of the fleet as well as minimize the risk of losses to maximum, LSC vessels are hired on time-charter basis in cooperation with the charterers with goodwill and able of ensuring their financial solvency. The managers of the Freight and Operational Department search for cargo and directly operate the vessel “Alka”. LSC vessels, except mv “Alka”, have been working under long-term time-charters. In 2010, the average time-charter equivalent (TCE) of the fleet per day – 14189 LTL or 4110 EUR, i.e. 30 % more than in 2009 (11141 LTL) (Figures 2, 3, 4).

Trade (services) characteristics

Total scope of services rendered during 2009 – 2010, thousand LTL

Title	1 st half of 2009	2009	1 st half of 2010	2010
Goods sold and services rendered	33.015,4	59.180,8	25.341,7	62.171,9

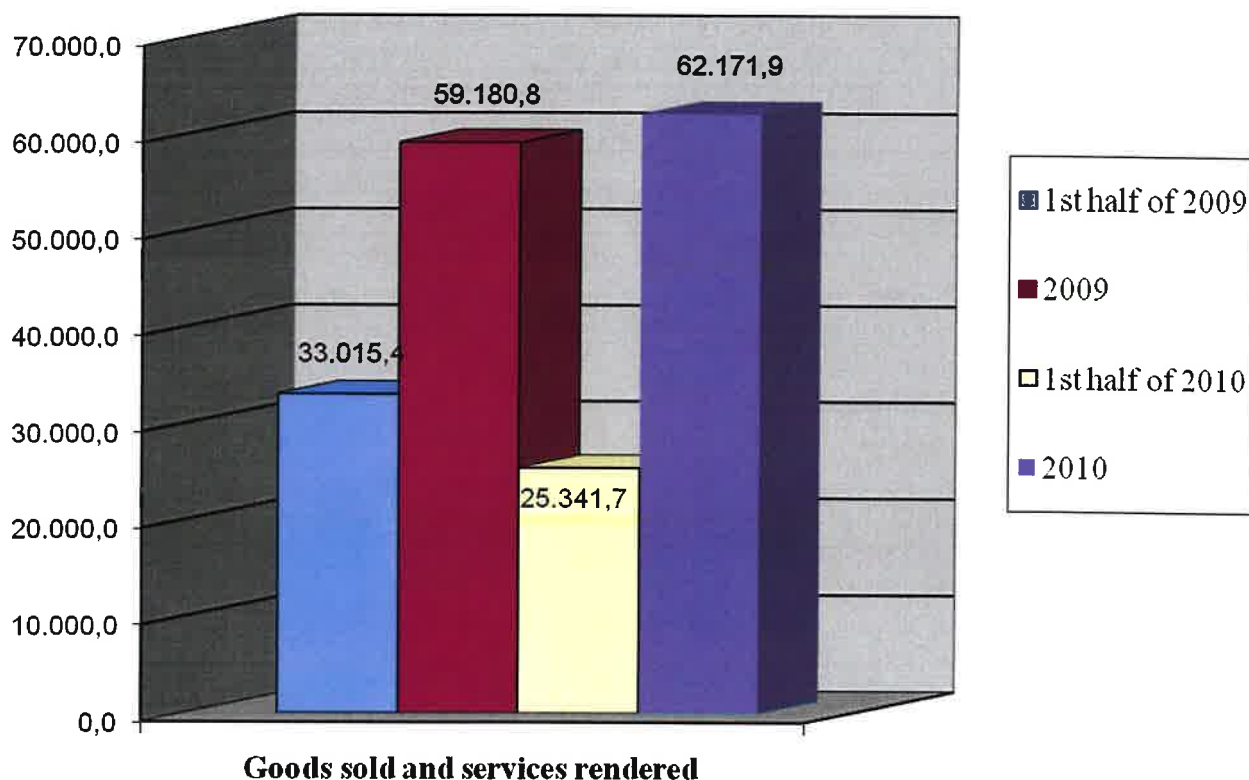


Figure 2. Goods sold and services rendered in 2009 -2010

Table 6

Employment of cargo vessels, average per year

Index	1 st half of 2009	2009	1 st half of 2010	2010
	In total	In total	In total	In total
Number of vessels employed	12,9	12,6	9,5	10
Deadweight, thousand t	156,5	154,6	136,8	135,17
Cargo carried, thousand t	708	1491	667	1429

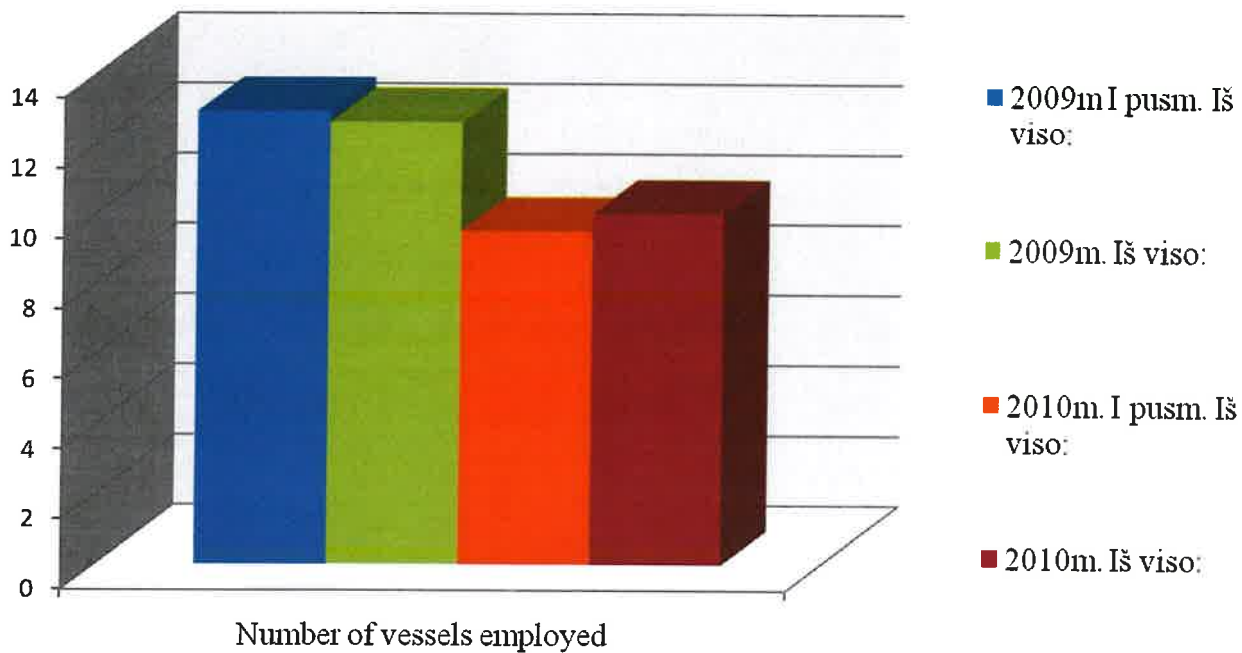


Figure 3. Number of vessels employed in 2009 – 2010

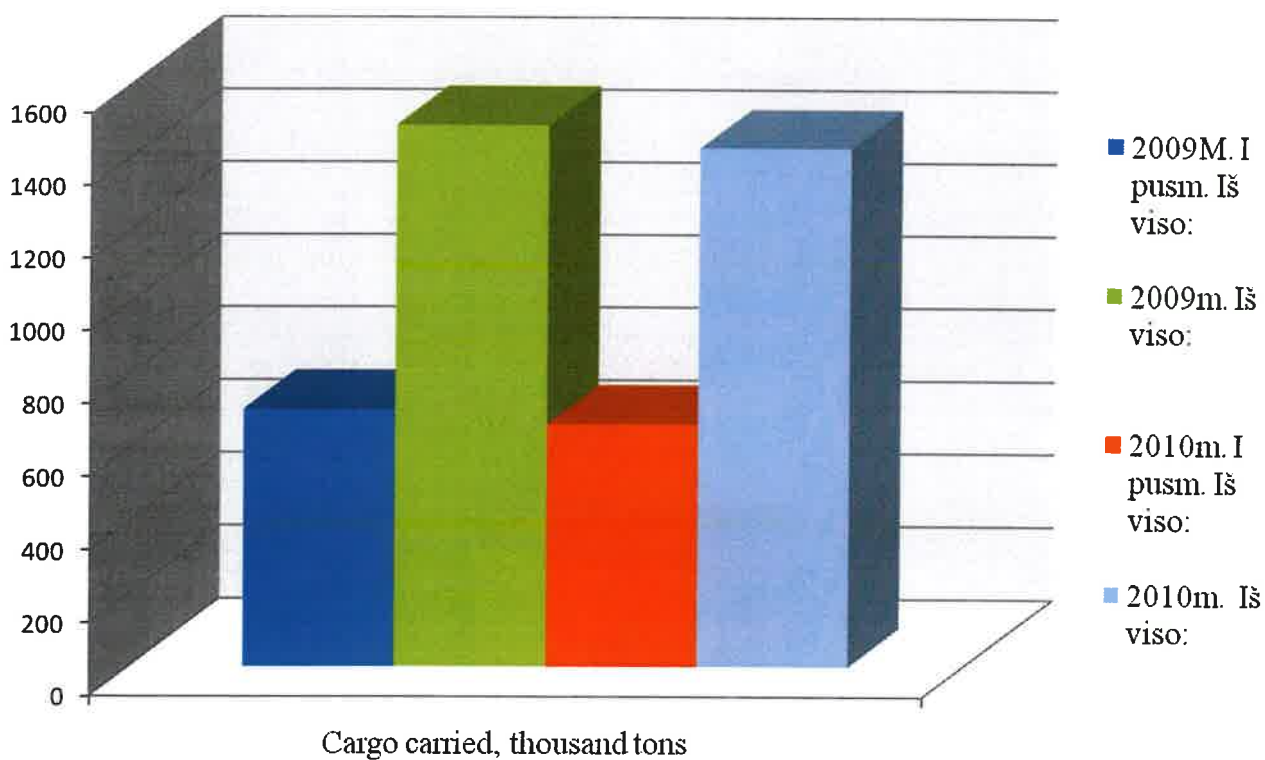


Figure 4. Cargo carried in 2009 – 2010

Types of cargo carried

Types of cargo carried	1 st half of 2009, percentage	2009, percentage	1 st half of 2010, percentage	2010, percentage
Bulk materials	42	42	42	42
Sawn timber	12	12	19	13
Metals	23	23	18	21
General cargo	18	18	18	17
Other cargo	5	5	3	7
In total:	100	100	100	100

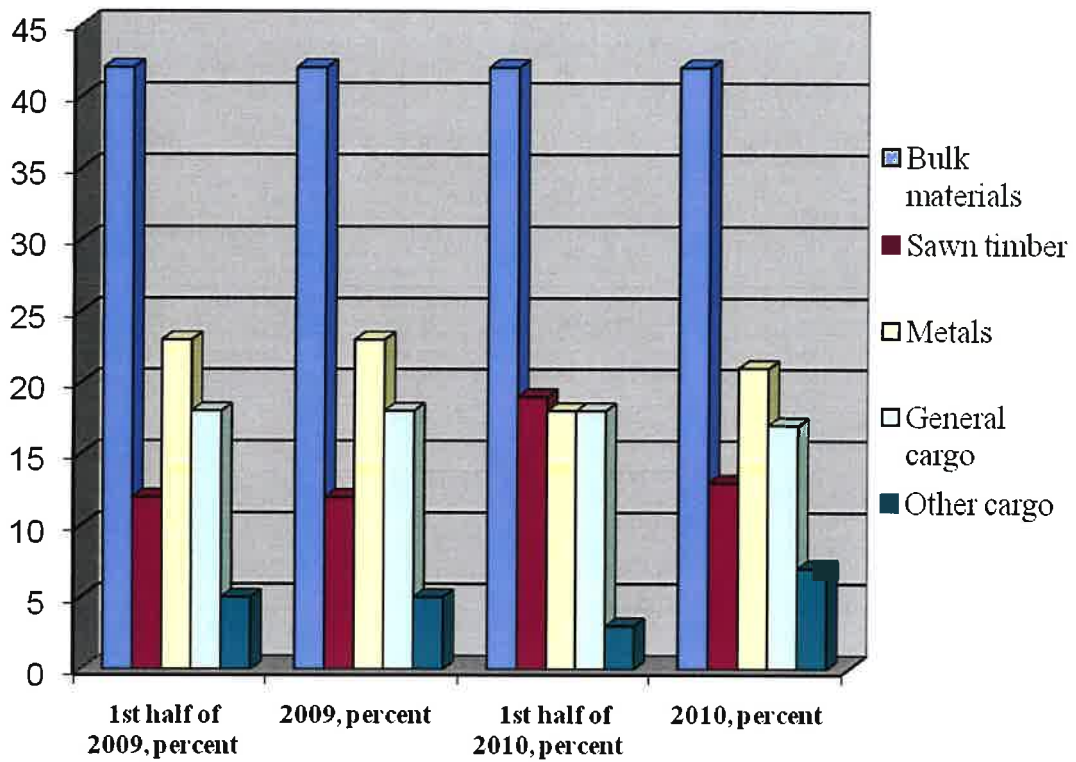


Figure 5. Cargo carried in 2009 – 2010

XVII MARITIME MARKET

Financial crisis has covered almost all countries of the world and fields of economy, without leaving shipping aside either. On 21/05/2008 *Baltic Dry Index* (hereinafter referred to BDI), reflecting the changes on the market of dry-bulk carriers, reached its peak at 11793 points. The consequences of financial crisis have apparently changed the situation and already after six months, on 4 November 2008, the index has dropped up to 884 points. In 2009-2010, BDI has been growing, but still was sufficiently low and unpredictable, whereas during the period from 24 May to 1 August, BDI has dropped another 51 percent. Notwithstanding this fact, during that period the company managed to negotiate 30 percent better time-charter rates based on the expectations of the charterers and brokers that the market will improve. On 25 November BDI was hardly +2213 points, i.e. approximately five times lower index than at the time, when the last and biggest (24000 DWT) LSC vessel was bought.

The following diagram of *Handysize* vessels (24000 – 35000 DWT) demonstrates changes in BDI: in the beginning of 2009 BDI was very low, in the end of the year it went up, but far from the values in 2007-2008.



Figure 6. Variation of the Baltic Dry Index

The slump of maritime market was affected by the bank crisis and standstill of trade in raw material resulting in suspension of production. This definitely reduced the demand of transportation services. At the same time the supply of tonnage has been respectively increasing. The construction of the vessels, which were ordered during the economy boom, are being finished now and commissioned to the owners of the vessels. It is forecasted that 30 percent of dry-bulk tonnage will appear on the market in 2011, which will have a negative impact on the freight of the vessels.

XVIII MAIN RISKS AND UNCERTAINTIES IN THE ACTIVITIES OF THE COMPANY

It could be possible to define a few main risks and uncertainties, which the company meets:

- US dollar exchange fluctuation;
- A risk to get into the area of war actions or be forayed by pirates;
- The creditor will not prolong the term of payment off the credit; low market or repeatable market fall will make sell vessels to cover credits;
- In case of unstable and low market it is impossible to employ profitably vessels with the aim to cover operational costs; increasing costs of fuel;
- Excess of 20.000 – 39.000 DWT newbuildings in the market disastrously decreases time-charter rate;
- Failure to raise funds for renewal of the fleet over the period of 3-4 years, which is a key factor for existence and future of the Lithuanian fleet;
- Detention of the vessels due to commercial, technical, as well as other claims in regard to one of the vessels of the company respectively decreases income and reduces credibility of the company before the partners;
- The lack of professionals and declining standing of maritime professions is directly dependent on possibility to receive competitive salary on the vessels sailing under a Lithuanian flag;
- *Force majeure* circumstances and reasons independent on the company's will, which can not be foreseen and avoided;
- Access of stowaways on a vessel; even though this risk is forbidden, nevertheless, income is not being received due to the lost time to carry out various procedures and due to referral and landing of stowaways.

As practice shows, not all the risks can be bypassed, even in case of insurance. Moreover, often not principles of partnership, but profit seeking function, especially under conditions of modern business.

XIX THE RESULTS OF ACTIVITY OF THE YEAR 2010

LSC during the year 2010 incurred loss of 39,1 million LTL instead of the planned one of 27,6 million LTL before taxation, in other words, the loss is in 11,5 million LTL higher than the planned one, from them because of negative foreign exchange fluctuation (it is not being planned) and higher than planned expenditure of the fleet.

After selling 2 vessels "Svilas" and "Staris" the company incurred the loss of 8,03 million LTL, which comprises 20,5 percent of loss before taxation.

Income

The fleet makes the main income of LSC. After selling the cargo transportation service, it was earned 62,2 million LTL or 86% of the company's income and in 6,8 million LTL more than it was planned in the budget. Sales in the year 2010 were higher in 3,0 million LTL than in the year 2009.

Vessels of LSC, excluding mv "Alka", worked under the long-term lease time-charters. Due to employment of the vessel "Alka" directly, not under the time-charter, the company earned more freight income 4,4 million LTL; however, the voyage cost was higher in 4,5 million LTL than the planned one in the budget.

The main income of the company comes in US dollars. The currency for vessel sales is US dollar. In the reporting period, average price of the US dollar was 2,6067 LTL. The company sold the service in average price of US dollar equal to 2,60 LTL. The planned price of the US dollar in

the budget was as 2,53 LTL. Due to imbalance of the actual price of the US dollar and the planned one, the received income during the period in average was higher in 1,7 million LTL.

Report of the general income (the reporting period from 1 January 2010 to 31 December 2010)

Items	31 December 2008	31 December 2009	31 December 2010
Sales	87.616.934	59.213.800	62.186.408
Costs	80.618.637	63.234.460	58.695.804
Profit before depreciation (EBITDA)	6.998.297	-4.020.660	3.490.604
Profit before interests (EBIT)	-12.609.806	-27.124.151	-30.647.663
Profit before taxes	-19.630.233	-28.772.266	-39.068.829
Net Profit (LOSS)	-19.726.790	-28.874.867	-39.134.177

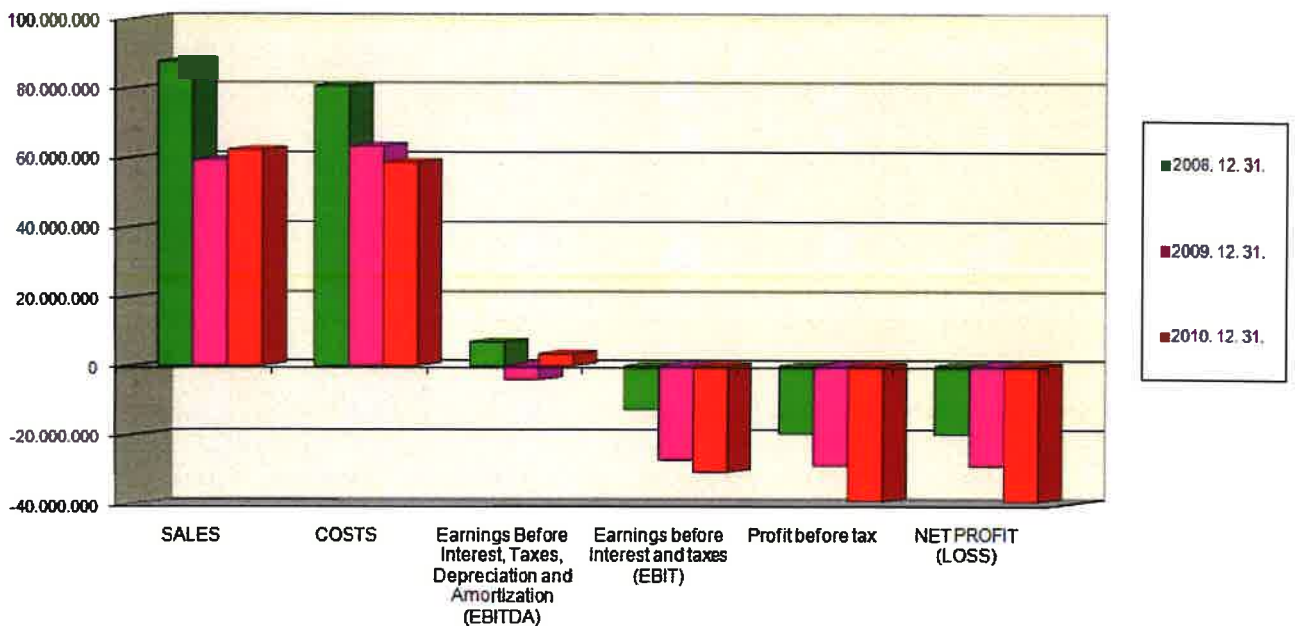


Figure 7. Report of the general income (the reporting period from 1 January 2010 to 31 December 2010)

Costs

The costs of the company for earning income comprised 111,4 million LTL. LSC costs as per respective costs items is specified in the gross income statement of the compilation of financial statements.

Table 9

LSC costs

Fleet	79,7 million LTL (71%)
General and administration	5,1 million LTL (5%)
Interest on credits for purchase of vessels	2,3 million LTL (2%)
Loss due to operations in foreign currency	6,2 million LTL (6%)
The result after selling of 2 vessels	-8,03 million LTL
• income	• 10,0 million LTL
• residual value of vessels	• 18,03 million LTL

Remote damages

Off-hire totals 3,1 million LTL, i.e. 3 % of costs of the fleet or 4 % of costs of LSC.

Information about credit

During the year 2010 the company covered 5,9 million LTL of the credit including interests to SEB bank, whereof 3,6 million LTL as the credit and 2,3 million LTL as interests. On 31 December 2010, arrears of the company to the bank for the loans provided for the period until 27 February, 2015 with the aim to purchase vessels comprised 76,0 million LTL. The major part of the loan, equal to 60 %, consists of the loan issued until 27 February 2015. The debt of the company to the banks for the credit to purchase 5 vessels in currency is 29,1 million US dollars. Interests in US dollars comprise 3,06 %. 11 vessels are mortgaged for bank loans, for account of the bank. Considering the existing market conditions, as far back as in 2009 the company applied to the bank regarding extension of repayment of a part of the credit and the credit was deferred until July 2010; later the terms were postponed to the later periods; repayment amount was reduced until May 2011.

The main business regions

Lithuania, Baltic States, Russia, EU, and USA.

The main business partners

Ingosstrakh Insurance Company LTD (Russia), Assuranceforeningen Skuld (Norway), Oy international Paint AB (Finland), A/S Tosmare Kugubūvetava (Tosmare Shipyard) (Latvia), Man diesel and Turbo SE (Germany), Onego Shipping B.V. (Netherlands), Aug. Bolten Wm. Miller's Nachfolger (Germany).

XX SUBSIDIARIES AND REPRESENTATIVE OFFICES

The company does not have any subsidiaries or representative offices.

XXI FINANCIAL REVIEW

In 2010, Public Company Lithuanian Shipping Company had its accounts in AB SEB bank, Danske Bank A/S Lithuania Branch, and AB DnB NORD bank. The main monetary turnover was being carried out through the bank AB SEB.

The company implements bank transactions on-line. The other currency than the obtained income (e.g. DKK, GBP, AUD, NOK, SEK, JPY, etc.), which is necessary for payments, is being bought, as LSC does not keep reserves in these currencies, i.e. it does not keep locked up expenditure, with the aim to bypass additional rate difference of these currencies. To carry out payments in Litas, the company sells the currency – US dollars, which income is obtained in.

Considering existing market conditions and insufficient monetary flows to pay off the loan, the company three times signed amendments of conditions of lending contracts with SEB bank in 2010. Every time, deferring partial repayment of the loan, SEB bank re- evaluated possibilities of accomplishment of the company's liabilities.

Payments for personnel are being made following the Collective Agreement of Public Company Lithuanian Shipping Company as of 30 March 2004, Regulations of Salary System for Onshore Employees and Inventory of the Order regarding Work Payment for the Director General, Directors and the Chief Accountant, approved by the decision of the Company Board as of 26 March 2010 (Minutes No. 2). In 2010 the personnel costs of the company totaled 20,8 million LTL, including 10,3 million LTL for salary with premiums. 78 % of it is wages for seafarers.

Three-year strategic activity plans of the company are being arranged (revised under the necessity), which are approved then by collegial management body – the Board and which is quarterly accounted for. Debts of freighters and payments conditions are being controlled. LSC soaks to stay reliable against its suppliers, as much as it depended on its efforts and being generated monetary flows. Turnover of debts to the suppliers comprised 4 days in 2010 (in 2006-2008, it did not exceed 5 days, and in 2009 it increased to 24 days). In 2010, the turnover of cash increased to 10 days from the former 7 days in 2009. Attention must be paid that the condition, which existed in 2009 due to the economic crisis, getting more aggressive business environment, legal system, its consistency and expedience, alternation, changes in taxes bases and often due to the lack of timely methodical material, what negatively affected both business and results of the company's activity, little by little comes back to the former positions.

Investments

Due to financial potential, the company did not acquire any vessels and minimized the investments in 2009-2010. In 2010, investment from own funds total 0,332 million LTL, as it was planned - 0,267 million LTL, thus, the investment plan was exceeded in 24 %. Investment consists of vessels modernization and purchase of a car in 0,271 million LTL, the rest part is purchase of software, computers and other assets for vessels (fridges, freezers, etc.).

Following the requirements raised for listed companies, the company provides information to the Stock Commission and Stock Exchange (Tables 10, 11).

Table 10

Counted monetary sums

	1 st half of 2009		2009		1 st half of 2010		2010	
	Salary	Average monthly salary	Salary	Average monthly salary	Salary *	Average monthly salary	Salary *	Average monthly salary
Director General (member of Management), Chief Accountant	122992	10566	220334	9736	97345	8112	202440	8256

*Including from profit – absent.

Table 11

The main financial results and indexes

Thousand Litas	2010	2009	2008
Income	62.186,4	59.213,8	87.616,9
EBITDA	3.490,6	-4.020,7	6.998,3
<i>EBITDA margin</i>	5,6%	-6,8%	8,0%
Gross profit	-17.494,3	-26.795,7	-15.267,4
<i>Margin of gross profit</i>	-28,1%	-45,3%	-17,4%
EBIT	-30.647,7	-27.124,2	-12.609,8
<i>EBIT margin</i>	-49,3%	-45,8%	-14,4%
Gross profit (loss)	-39.134,2	-28.874,9	-19.726,8
<i>Margin of gross profit (loss)</i>	-62,9%	-48,8%	-22,5%
Owners' property (own capital)	163.050,5	202.184,6	231.059,5
Financial debts	76.001,6	73.468,9	83.768,9
Total assets	248.571,3	289.427,8	323.582,3
Indexes of effectiveness:			
<i>Return on assets, ROA (annual estimate)</i>	-15,7%	-10,0%	-6,1%
<i>Return on property, ROCE (annual estimate)</i>	-24,0%	-14,3%	-8,5%
Indexes of liquidity:			
<i>Gross ratio of liquidity</i>	0,29	0,22	0,39
<i>Coverage ratio</i>	0,25	0,16	0,35
<i>Index of coverage in cash</i>	0,06	0,05	0,21
Market value indexes			
<i>P/E</i>	-1,72	-2,65	-3,25
<i>Profit (loss) a share (LTL)</i>	-0,19	-0,14	-0,10

Explanations:

- EBITDA = The gross profit, excluding results + interests + taxes + depreciation and amortization of other activity
- EBIT = The gross profit, excluding results + interests + taxes of other activity
- ROA = The gross profit, / The assets at the end of the reporting period
- ROCE = The gross profit / (The owners' property at the end of the reporting period + financial obligations)
- P/E = Market price of the share / profit (loss), falling for one share

Other non-financial information

Ecological factors are very significant to the company. Since 19/05/2006, in accordance with Annex VI of MARPOL Convention, the vessels, navigating in the Baltic and North Seas, shall operate using the fuel containing the amount of sulfur not exceeding 1,0 percent; due to this,

systems of fuel storage and preparation were modernized. Particular investment was necessary for it. The price of the fuel containing 1,0 percent of sulfur approximately increased in 30-40 percent, in comparison to the oil, containing 3,5 percent of sulfur. Possibilities to stock up with it in any port decreased. Starting 1 January 2010, vessels entering the harbor (leaving the harbor, harboring) of the European Union are bound to use diesel with the amount of sulfur not exceeding 0,1 percent.

Constant search of the market for better employment of vessels is the main objective for the Freight and Operational Department. It is planned to negotiate freights in 2011 and to achieve increase in 10 percent. If conditions of long-term charter will not satisfy or will be unfavorable, it is necessary to take over vessels and fix cargo. Moreover, to concentrate on the cargo market with a view to provide chartering services to other ship owners.

To keep the number of vessels. Financial plans of the company are made according to planned income from 11 owned vessels. Cash flow will decrease, if at least one of the vessels is sold, thereby reducing the possibility to start repaying the credits.

To develop contacts with foreign employment companies with the aim to ensure skilled specialists in recruitment. To create and introduce motivational system, which would encourage seafarers to work in the Lithuanian fleet.

To reduce the vessel repair and maintenance costs. To survive until revival of the market, it is essential to control strictly expenditure for maintenance (repairs, spare parts, etc.) of vessels:

- a) to plan repairs of vessels in the work area after analyzing thoroughly capabilities, prices, customs and other peculiarities, such as expedition of spare parts delivery or meteorological conditions, of shipyards;
- b) timely drafting of specification of repairs and submission of it to superintend allows more precise planning of scope and costs of repairs and better preparation for delivery of spare parts;
- c) to search for opportune cargo during the voyage to the shipyard, thus avoiding high costs caused from ballast voyage.

Safe navigation and work without vessels detention in foreign ports.

The aim that ensures high reputation of the company is to strengthen the image of the Republic of Lithuania, as a marine state, worldwide.

The company constantly seeks for these aims. Safety Management System has been implemented in LSC and it helps to ensure:

- accident-free navigation,
- environmental protection, avoiding pollution from vessels,
- safety of employees, removing risk factors that condition emergencies, traumas and injuries,
- technologies for safe cargo transportation, which help to avoid damage or loss of carried cargo.

XXII SIGNIFICANT EVENTS SINCE THE END OF PREVIOUS FINANCIAL YEAR

Information about significant events since the end of the previous financial year, which are not commercial secret of the company and which are purposeful to announce, has been provided in the Explanatory Document of Financial Reports.

XXIII SHAREHOLDERS, OWNING SPECIAL RIGHTS FOR CONTROL, AND THEIR DESCRIPTION

Absent

XXIV ACTIVITY PLANS AND FORECASTS

Plans

- To survive under the market conditions
- Continuous market research
- To keep the number of vessels
- To develop relations with foreign employment companies
- To reduce vessel repair and maintenance costs
- Safe navigation and operation without detention of vessels in ports.

Forecasts

Currently the fleet market is hard to predict, though more and more often, there are optimistic forecasts. Considering the prognosticated economical environment and spirit in the financial market, the company is not planning to purchase vessels in the years 2011-2013 and it limits to the minimum purchasing of other assets.

In the budgets of the years 2011-2013, purchasing of vessels has not been foreseen as well.

LSC does not forecast in its plans re-evaluation of vessels values.

The loss of 2,16 million LTL before taxes is forecasted in the draft of strategic activity plan for the year 2011.

Strategic action plans of the company for 2011-2013 are predicted in view of more optimistic perspectives of economical market. Predicted profit before taxes is 2,8 million LTL in 2012 and 5,8 million LTL in 2013.

XXV COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The disclosure of compliance with the Corporate Governance Code of Public Company Lithuanian Shipping Company, the stock of which is in trade in the regulative market, is in the Annex 1.

XXVI DATA ABOUT PUBLICLY ANNOUNCED INFORMATION

An issuer, accomplishing his liabilities, according to the legal acts regulating the stock market and being applied to him, publicly announced the following information in 2010:

A person's notice about his deprivation of voting rights (enclosed).

Ordinary general meeting of shareholders of Public Company Lithuanian Shipping Company.

Drafts of decisions of ordinary general meeting of shareholders of Public Company Lithuanian Shipping Company.

Approval by responsible persons of Public Company Lithuanian Shipping Company.

Financial reports and annual report as of 31 December 2009.

Management Code of Public Company Lithuanian Shipping Company.

A set of unaudited financial reports as of 31 March 2010 and approval by responsible persons of Public Company Lithuanian Shipping Company.

The outcome of six-month activity of the year 2010 of Public Company Lithuanian Shipping Company.

Unordinary general meeting of shareholders of Public Company Lithuanian Shipping Company.

Drafts of decisions of the meeting of shareholders as of 26 November 2010.

Person's notice regarding his purchase of the block of shares.

Drafts of specified decisions of unordinary general meeting of shareholders of Public Company Lithuanian Shipping Company.

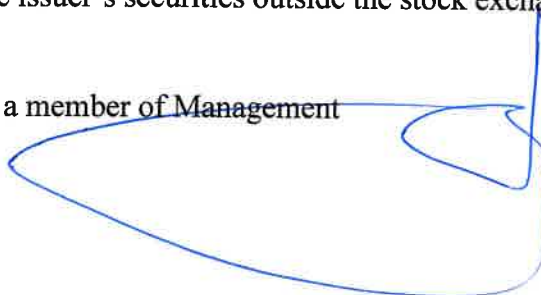
Interim information of nine months of the year 2010 of Public Company Lithuanian Shipping Company.

ENCLOSURE:

1. The report on disclosure of compliance with the Corporate Governance Code of Public Company Lithuanian Shipping Company, the stock of which is in trade in the regulative market, 2010, Appendix 1 (1-32 pages).
2. The results of securities, sold under automatic performance transactions, for the last 8 quarters (individually), Appendix 2.
3. Trading in the issuer's securities outside the stock exchange, Appendix 3.

The Director General, a member of Management

Arvydas Bogočionkas

A handwritten signature in blue ink, consisting of a large, sweeping loop that starts from the right side, goes down, then left, then up, and finally right, ending near the top right of the signature area.

The results of securities, sold under automatic performance transactions, for the last 8 quarters (individually)

Reporting period		Price			Turnover (LTL)			The date of the last session		General turnover	
From	Until	Max.	Min.	The last session	Max.	Min.	The last session	The date of the last session	(units)	(LTL)	
2008 01 01	2008 03 31	0,60	0,50	0,54	99.025	0	3.153	2008 03 31	1.861.381	998.559	
2008 04 01	2008 06 30	0,56	0,45	0,49	40.543	0	0	2008 06 30	1.333.941	689.458	
2008 07 01	2008 09 30	0,50	0,35	0,36	908.191	0	43.083	2008 09 30	9.154.554	3.936.928	
2008 10 01	2008 12 31	0,38	0,15	0,24	372.592	0	56.629	2008 12 30	14.805.954	3.187.381	
2009 01 01	2009 03 31	0,45	0,22	0,37	771959,86	0	145.207	2009 03 31	25.025.523	8.659.821	
2009 04 01	2009 06 30	0,42	0,34	0,40	833.606,4	0	45.617	2009 06 30	8.714.861	3.435.2567	
2009 07 01	2009 09 30	0,62	0,37	0,49	270.409,76	0	13.683,80	2009 09 30	3.710.373	1.651.775,67	
2009 10 01	2009 12 31	0,54	0,40	0,43	190.074,96	0	570,30	2009 12 30	1.584.703	755.933,11	
2010.01.01	2010.03.31	0,49	0,32	0,34	557.264	0	27.028	2010.03.31	14.540.135	5.306.615	
2010.04.01	2010.06.30	0,35	0,24	0,25	151.167	0	18.522	2010.06.30	5.545.214	1.633.435	
2010.06.30	2010.09.30	0,33	0,25	0,31	275 744,3	0	46035,46	2010.09.30	4 733 587	1 366 949,28	
2010.10.01	2010.12.31	0,31	0,26	0,28	227 155,52		122188,13	2010.12.30	5 522 309	1603575	

Trading in the issuer's securities outside the stock exchange

Period	1 st quarter of 2008	2 nd quarter of 2008	3 rd quarter of 2008	4 th quarter of 2008
Monetary payment				
Turnover, LTL	2.270.060	1.647.564	2.264.116	1.273.675
Turnover, units.	5.670.379	716.272	6.476.029	4.601.730
Minimum price, LTL	0,29	0,48	0,48	0,42
Maximum price, LTL	0,55	0,33	0,26	0,26
Non-monetary payment				
Turnover, units.	19.364	33.523	49.023	19.882
Period	1st quarter of 2009	2nd quarter of 2009	3rd quarter of 2009	4th quarter of 2009
Monetary payment				
Turnover, LTL	279.826,86	180.782,22	73.255,22	201.007,35
Turnover, units.	875.949	561.532	350.00	910.000
Minimum price, LTL	0,16	0,16	0,21	0,21
Maximum price, LTL	0,40	1,00	0,21	0,24
Non-monetary payment				
Turnover, units.	65.514	408.178	687.039	-
Period	1st quarter of 2010.	2nd quarter of 2010	3rd quarter of 2010	4th quarter of 2010.
Monetary payment				
Turnover, LTL	263.959,73	228.606,01	132.652.66	42,059.14
Turnover, units.	1.324.000	1.468.000	988,181	311,000
Minimum price, LTL	0,14	0,11	0,11	0,12
Maximum price, LTL	0,24	0,19	0,16	0,15
Non-monetary payment				
Turnover, units.	160.000	55.085	2,230,907	20,540

*Arranged with reference to the information about transactions outside the stock exchange during 2010, which is announced on www.csdll.lt.

Public Company Lithuanian Shipping Company
 Disclosure form concerning the compliance with the Governance Code for the
 companies listed on the regulated market

2010

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICAB LE	COMMENTARY
<p>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
<p>1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.</p>	<p>Yes</p>	<p>The portfolio of financial statements and annual (six months) reports of the company are the main source of information about the company. The development strategy and targets of the company are openly announced during the course of the annual (six months) reports of the manager as well as discussed during the course of the ordinary general shareholders' meeting. Approved financial statements and reports are published with the Register of Legal Entities, in the determinate order furnished to the Securities Commission as well as AB NASDAQ OMX Vilnius (a new name of AB Vilniaus vertybinių popierių birža), as well as placed on the web pages. In the manner prescribed by the main shareholder – Ministry of Communication of the Republic of Lithuania – the company works out the strategic plans of activities for the period of 3 years and reports the performance thereof every three months.</p>
<p>1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.</p>	<p>Yes</p>	<p>Otherwise the implementation of strategic objectives is impossible.</p>
<p>1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.</p>	<p>Yes</p>	<p>The manager is elected, revoked, as well as dismissed from service by the board of the company. The manager in his activities follows the Constitution of the Republic of Lithuania, Civil Code of the Republic of Lithuania, Law on Companies and other laws, resolutions of the Government of the Republic of Lithuania, other legal acts, Articles of Association of the company, as well as decisions of the bodies of the company – general shareholders' meeting, supervisory board, and board. The board discusses, confirms, analyses, assesses, and</p>

		accepts. The supervisory board elects, supervises, gives suggestions to the board and manager, as well as deals with the problems relevant to supervision of the activities of the management bodies of the company.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	
<p>Principle II: The corporate governance framework</p> <p>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</p>		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The company complies with this recommendation. Management bodies of the company are the general shareholders' meeting (supreme body), supervisory board (collegial body performing the supervision of activities of the company), board (collegial management body), as well as manager of the company – director general (sole management body of the company).
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The supervisory board is the collegial body performing the supervision of activities of the company. The board is the collegial management body of the company.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Irrelevant	Both the supervisory board and the board are constituted in the company.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body. ¹	Yes	

¹Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and

2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. ²	Yes / Irrelevant	The supervisory board comprises 5 members, the board - 5 members. The company has more than one collegial body, therefore, such recommended terms as "managing director", "director consultant" shall not be used.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The supervisory board of the company is elected by the general shareholders' meeting for the period of 4 years. The number of tenures of a member of the supervisory board is unlimited. The general shareholders meeting can revoke the entire supervisory board or single members thereof prior to expiration of tenure of the supervisory board. The members of the board are elected for the period of 4 years by the supervisory board. The number of members and chairman of the board is unlimited. The supervisory board can revoke the entire board or single members thereof prior to expiration of their tenure.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The company complies with this recommendation where implementing the provisions thereof in practice.
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting.</p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies³.</p>		

functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.6 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

² Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body. †

³ Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single person body of management, i.e. company's chief executive officer. This note shall apply in respect of item 3.1 as well.

<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>Yes</p>	<p>The general shareholders' meeting (GSM) elects the supervisory board. The representative of the small shareholders has been elected in the supervisory board.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report</p>	<p>Yes / Irrelevant</p>	<p>In the manner prescribed by the laws the annual report of the company is worked out and signed by the director general of the company as well as discussed and approved by the board of the company. The Ministry of Communication of the Republic of Lithuania – the main owner of the shares of the company (56,66 % shares) – represents the state as per the Rules of representation of the state in stock companies and joint-stock companies, approved by the Order of the Minister of Communication of the Republic of Lithuania No. 3-244 dated 30 June 2008, providing for the requirements, duties, and liability of the candidates to the members of the supervisory board, board, and manager's office of the company, raised by the owner of shares.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>Yes / No</p>	<p>The candidates to the elected bodies assume the obligation to notify the electing body of where and what office he/she holds, how his/her other activities are related to the company and other legal entities related to the company. The members of the supervisory board of the company are elected by the general shareholders' meeting, the supervisory board elects the members of the board, the board elects the manager of the company. The manager of the company – the director general – according to the competence, ascribed by the law, assumes responsibility for the preparation of the annual report, works out and signs the same. See Clauses 3.2. and 3.10.</p>
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	<p>Yes / Irrelevant</p>	<p>The main portfolio of the company is owned by the state, represented by the Ministry of Communication of the Republic of Lithuania (56,66 %) and number of shares (4,60 %) belongs to the State Enterprise State Property Fund. The personnel of the Ministry of Communication of the Republic of Lithuania comprise the supervisory board (3/5) as well as the majority of the board (4/5). Recommendations to form the committees according to their essence and nature are solely related to the supervisory board, and they are not applicable to the board of the company, the purpose and functions whereof are different within the framework of the Law on Companies. GSM, which took place on 26/11/2010 (Minutes Ni. 2), decided to suggest to the shareholders of the company to within two weeks as of the date of the general shareholders' meeting provide the supervisory board with the candidacies to the members of the audit</p>

		committee.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient ⁴ number of independent ⁵ members.	Yes	The small shareholders have their representative in the supervisory board.

⁴ The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

⁵ It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1; 5) He/she does not have and did not have any material business relations with the company 	<p>Yes</p>	<p>The main portfolio of the company is owned by the state, represented by the Ministry of Communication of the Republic of Lithuania (56,66 %) and number of shares (4,78 %) belongs to the State Enterprise State Property Fund. The personnel of the Ministry of Communication of the Republic of Lithuania comprise the supervisory board (3/5) as well as the majority of the board (4/5). The members of the supervisory board and board do not have any business relations with the company. In accordance with the enacted requirements of the documents of the Ministry of Communication of the Republic of Lithuania, the members of collegial bodies shall be deemed to be independent.</p>
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<p>or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	<p>Yes</p>	
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<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>Yes / No</p>	<p>See Clause 3.7.</p>
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>Yes</p>	<p>The main portfolio of the company is owned by the state, represented by the Ministry of Communication of the Republic of Lithuania (56,66 %) and number of shares (4,60 %) belongs to the State Enterprise State Property Fund. The personnel of the Ministry of Communication of the Republic of Lithuania comprise more than half of the supervisory board (3/5) as well as the majority of the board (4/5). The members of collegial body shall perform orally expressed criteria of independence.</p>
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds⁶. The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>No</p>	<p>This provision shall not apply to the company, managed by the Ministry of Communication.</p>
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance⁸</p>	<p>Yes</p>	

⁶ It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

⁷ See Footnote 3.

⁸ See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. company's chief executive officer.

<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	<p>According to the data available in the company, all members of the supervisory board and board act in good will in regard to the company, follow the interests of the company and not their own or of the third persons, trying to keep their independency while taking the decisions.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>The main portfolio of the company (61,44%) is owned by the state, represented by the Ministry of Communication of the Republic of Lithuania (56,66 %) and number of shares (4,60 %) belongs to the State Enterprise State Property Fund. The personnel of the Ministry of Communication of the Republic of Lithuania comprise more than half of the supervisory board (3/5) as well as the majority of the board (4/5). The company shall be informed of attendance of the members of collegial bodies at the meetings by the minutes of the meeting.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	<p>The procedure of submission of the documents and such other information of the company to the shareholders is established in the Articles of Association of the company.</p>

⁹ It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Irrelevant</p>	<p>There were no transactions.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies¹⁰. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>Yes / Irrelevant</p>	<p>The general shareholders' meeting shall elect a collegial body, performing the supervision of the activities of the company – supervisory board.</p>

¹⁰ In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees¹¹. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>Yes</p>	<p>The director general – sole management body of the company – is elected and revoked as well as dismissed from service by the board of the company, the board of the company also determines his remuneration, approves his job description, motivates, and penalizes him.</p> <p>The board considers and approves the management structure of the company and job descriptions of the personnel, as well as such job descriptions, where the employees are employed by competition.</p> <p>The director general organizes the day-to-day activities of the company, issues procuracies and commissions, employs and dismisses the employees, concludes and terminates the employment contracts with them, motivates and penalizes them. He is also responsible for organization of the activities of the company as well as implementation of objectives thereof.</p> <p>The company works in accordance with the Articles of Association as well as work regulations of the supervisory board and board.</p> <p>Recommendations to form the committees according to their essence and nature are solely related to the supervisory board, and they are not applicable to the board of the company, the purpose and functions whereof are different within the framework of the Law on Companies.</p> <p>G3M, which took place on 26/11/2010 (Minutes Nr. 2), decided to suggest to the shareholders of the company to within two weeks as of the date of the general shareholders' meeting provide the supervisory board with the candidacies to the members of the audit committee.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>Yes / No</p>	<p>The main portfolio of the company (61,44%) is owned by the state, represented by the Ministry of Communication of the Republic of Lithuania (56,66 %) and number of shares (4,60 %) belongs to the State Enterprise State Property Fund. The personnel of the Ministry of Communication of the Republic of Lithuania comprise more than half of the supervisory board (3/5) as well as the majority of the board (4/5).</p> <p>The company has the bodies, specified in the Articles of Association of the company, the functions whereof are strictly governed by the laws and standard acts. The duties of the Audit Committee, provided for in the Law on Audit of the Republic of Lithuania, are partially performed by the commission, constituted by the manager's order as per the Terms of the tender for selection of the auditor of Public Company "Lithuanian Shipping Company" as of 22/10/2001. The Securities</p>

¹¹The Law of the Republic of Lithuania on Audit (*Official Gazette*, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

		Commission of the Republic of Lithuania and AB NASDAQ OMX Vilnius has been informed of the same. GSM, which took place on 26/11/2010 (Minutes Ni. 2), decided to suggest to the shareholders of the company to within two weeks as of the date of the general shareholders' meeting provide the supervisory board with the candidacies to the members of the audit committee.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes / Irrelevant	See Clauses 3.4., 4.7., 4.8. The supreme body of the company – general shareholders' meeting – shall elect the supervisory board.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Irrelevant	See Clause 3.4., 4.8.

<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>Irrelevant</p>	<p>See Clause 3.4., 4.8.</p>
<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>Irrelevant</p>	<p>See Clause 3.4., 4.8. The nomination committee shall not be constituted.</p>

<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <p>1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</p> <p>2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total remuneration obtained by executive directors and members of the management bodies from the affiliated companies;</p> <p>3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;</p> <p>4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;</p> <p>5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</p> <p>7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p>	<p>Irrelevant</p>	<p>Remuneration as well as other benefits in the company are paid to the employees pursuant to the collective agreement and regulation of wages system of Public Company "Lithuanian Shipping Company" for the onshore personnel, description of payment procedure for the work of the director general, directors, and chief financial officer of Public Company "Lithuanian Shipping Company", as approved by the board.</p>
<p>4.13.2. In case, when it is necessary to solve the incentive matter relevant to the share option transactions or such other incentive means relevant to the shares, which may be applied to the directors or</p>	<p>Yes</p>	

<p>such other employees, the committee should:</p> <p>1) consider general policy of application of such incentive systems, granting extraordinary attention to the incentive relevant to the share option transactions, and provide the collegial body with relevant suggestions;</p> <p>2) consider the information, which is given on this matter in the company's annual report and the documents, intended for the shareholders' meeting;</p> <p>3) provide the collegial body with the suggestions as to an alternative of option transactions in subscribing shares or option transactions in buying shares, defining the reasons and consequences of allowance of such alternative.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>		<p>The right to attend the GSM is established by the Articles of Association of the company.</p>
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accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.

4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.

4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.

4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.

4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.

4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.

<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	<p>Yes / No</p>	<p>See Clauses 1.3., 3.10.</p>
<p>Principle V: The working procedure of the company's collegial bodies</p> <p>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</p>		
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	<p>Yes</p>	
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month¹²</p>	<p>Yes</p>	<p>The main portfolio of the company is owned by the state, represented by the Ministry of Communication of the Republic of Lithuania (56,66 %) and number of shares (4,60 %) belongs to the State Enterprise State Property Fund. The personnel of the Ministry of Communication of the Republic of Lithuania comprise more than half of the supervisory board (3/5) as well as the majority of the board (4/5). The company considers all matters subject to the collegial bodies. This is provided in the work regulations thereof.</p>

¹² The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>Yes</p>	
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	<p>Yes</p>	
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>Yes</p>	<p>Authorized capital of the company equals to 200 901 296 Litass.</p> <p>Total authorized capital of the company is divided into 200 901 296 ordinary registered shares of the part value of 1 Litass. The shares of the company are of one class – ordinary registered.</p>
<p>6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p>	<p>Yes</p>	<p>This is provided in the Law on Companies as well as Articles of Association of the company. Only the general shareholders' meeting has an exclusive right to determine the class, number, par value, and minimum issue price of the shares, issued by the company. The company shall publish of convening of the GSM in the manner prescribed in the Articles of Association.</p>

<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.¹³ All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.</p>	<p>Yes</p>	<p>It is provided in the Articles of Association that the board shall take decisions on investment, transfer, lease, pledge, mortgage, etc. of capital asset of the book value exceeding 10 million LTL, subject to the GSM's consent.</p>
<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.</p>	<p>Yes</p>	<p>The company informs about convening of the general shareholders' meeting openly in the manner prescribed by the laws.</p>
<p>6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>Yes</p>	<p>The procedure of convening of the general shareholders' meeting of the company, decision-making, as well as organization is established in the Law on Companies of the Republic of Lithuania as well as Articles of Association of the Company, followed by the company. Essential events, also covering the agenda, decisions of the shareholders' meeting, as well as drafts thereof, are published in Lithuanian and English by means of electronic communication via news distribution system, used by NASDAQ OMX Vilnius. This information is also placed on the webpage of the company.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	<p>This is provided in the Articles of Association of the company.</p>

¹³ The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorized capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>Yes / No</p>	<p>The company is planning to use modern technologies for voting at the shareholders' meetings without significant increase of costs and (or) input, which could violate the interests of the shareholders. At this stage such possibilities are limited.</p>
<p>Principle VII: The avoidance of conflicts of interest and their disclosure</p> <p>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</p>		
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>Yes</p>	<p>The members of the supervisory and management bodies of the company are aware of that.</p>
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>	<p>Yes</p>	
<p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>	<p>Yes</p>	<p>The members of the supervisory and management bodies of the company have not made any deals with the company. They are aware of that.</p>

7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
<p>Principle VIII: Company's remuneration policy</p> <p>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</p>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	Yes / No	The company announces the average number of employees as well as monthly wages in the manner prescribed by the Securities Commission of the Republic of Lithuania in the annual report of the Company. This information is available at the company (Malūnininkų 3, Klaipėda), the Securities Commission of the Republic of Lithuania (Konstitucijos pr. 23, Vilnius), NASDAQ OMX Vilnius (Konstitucijos pr. 7, Floor 15, Vilnius), as well as web pages of the last-mentioned companies, where information is made public and available for everybody.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Irrelevant	Not prepared, since the same is not provided for by the legal acts and Articles of Association of the company. As compared with the last financial year, the remuneration has been significantly cut down, which does not always have positive effect on the motivation of the employees, which the final result is very much subject to. It is complicated to review further perspective due to many reasons, such as formation of the policy of directors by the board subject to the resolutions of the Government of the Republic of Lithuania, economical crisis, consistency and stability, company's perspective as concerning privatization, etc.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the	Irrelevant	Extra retirement benefits are not allocated or early retirement scheme is not available, the rights to participate in the share option transactions, the right to the shares are not applicable.

<p>remuneration and performance;</p> <p>7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</p> <p>8) Sufficient information on the policy regarding termination payments;</p> <p>9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;</p> <p>10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</p> <p>11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned.</p> <p>12) A description of the main characteristics of supplementary pension or early retirement schemes for directors;</p> <p>13) Remuneration statement should not include commercially sensitive information.</p>		
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	Irrelevant	Not prepared, since the same is not provided for by the legal acts and Articles of Association of the company. Such policy has not been practiced in the company so far.
<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <p>1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</p> <p>2) The remuneration and advantages received from any undertaking belonging to the same group;</p> <p>3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</p> <p>4) If permissible by the law, any significant additional</p>	Irrelevant	See explanation to Clause 4.13. Such right to participate in the option transactions as per the shares is not provided.

<p>remuneration paid to directors for special services outside the scope of the usual functions of a director;</p> <p>5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</p> <p>6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points 1–5.</p> <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <p>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</p> <p>2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</p> <p>3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</p> <p>4) All changes in the terms and conditions of existing share options occurring during the financial year.</p> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <p>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</p> <p>2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</p> <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
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<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	<p>Yes</p>	<p>It is negative, since it is insufficient. Fixed part should be significantly higher in order to not substantially devalue the weight of the function and influence in relation to the subordinate functions, qualification and work quality of an employee. Transitory period, no less than provided for in the Labor Code of the Republic of Lithuania, should be applied (especially, if the payouts reduce). Where assessing the results of activities, the objective reasons, various prerequisites, requirements, work specifics, business environment, affecting competitiveness, should be as a matter of fact taken into consideration.</p>
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	<p>Yes</p>	<p>Variable component of remuneration is subject to the quarterly indexes, approved by the board, as well as results of fulfillment thereof.</p>
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.</p>	<p>No</p>	<p>To be paid where allocated, since the main principles are breached. Only the term "criterion of rationality" itself is non-specific and subject to interpretation.</p>
<p>8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.</p>	<p>Irrelevant</p>	<p>More than one collegial body is constituted in the company, therefore, such recommended terms as "managing director", "director consultant" shall not be used. Correct and certified data should be referred to.</p>
<p>8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.</p>	<p>Yes / No</p>	<p>Conditions, worse than provided for in the Labor Code of the Republic of Lithuania, should not be applied to the employees.</p>
<p>8.11. Termination payments should not be paid if the termination is due to inadequate performance.</p>	<p>Yes / No</p>	<p>The same is provided within the framework of the laws. Not in all cases bad results of activities take place through the fault of the employees. However, the effect of bad and unskilled work shall be objectively taken into consideration.</p>
<p>8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>	<p>Yes</p>	
<p>8.13. In case, where the remuneration is based on assignment of shares, shares should not vest for at least three years after their award.</p>	<p>Irrelevant</p>	<p>Remuneration is not based on the award of shares.</p>

<p>8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.</p>	<p>Irrelevant</p>	<p>Such rights are not conferred.</p>
<p>8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).</p>	<p>No / Irrelevant</p>	<p>Rights are not conferred, ownership should not be restricted, remuneration is inadequate to the level of global companies for implementation of this recommendation.</p>
<p>8.16. Remuneration of non-executive or supervisory directors should not include share options.</p>	<p>Irrelevant</p>	<p>Not provided for the in Articles of Association of the company.</p>
<p>8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.</p>	<p>Irrelevant</p>	<p>The main portfolio of the company is owned by the state, represented by the Ministry of Communication of the Republic of Lithuania (56,66 %) and number of shares (4,60 %) belongs to the State Enterprise State Property Fund. The personnel of the Ministry of Communication of the Republic of Lithuania comprise more than half of the supervisory board (3/5) as well as the majority of the board (4/5).</p>
<p>8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	<p>Irrelevant</p>	<p>The main portfolio of the company is owned by the state, represented by the Ministry of Communication of the Republic of Lithuania (56,66 %) and number of shares (4,78 %) belongs to the State Enterprise State Property Fund. The personnel of the Ministry of Communication of the Republic of Lithuania comprise the supervisory board as well as the majority of the board (4/5). Not provided for the in Articles of Association of the company.</p>
<p>8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	<p>Irrelevant</p>	<p>Not provided for the in Articles of Association of the company. Not subject to remuneration with shares.</p>

<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ol style="list-style-type: none"> 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. <p>Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>	<p>Yes / Irrelevant</p>	<p>Not provided for the in Articles of Association of the company.</p>
<p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		<p>Not provided for the in Articles of Association of the company. Such models are not applied.</p>
<p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	<p>Irrelevant</p>	<p>Participation as per schemes is not provided for in the Articles of Association.</p>

<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company’s website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company’s website.</p>	<p>Neaktualu</p>	<p>Not provided for the in Articles of Association of the company. Draft decisions shall be published and one can familiarize with the same prior to the GSM.</p>
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Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>Respective sanctions for breach thereof are provided for in the laws. The company aspires to avoid the conflicts of interests.</p>
<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.</p>	<p>Yes</p>	<p>The company acts as provided in the Law on Companies and Articles of Association of the company.</p>
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>	<p>Yes</p>	<p>Otherwise do not participate in the management process of the company.</p>

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material

information regarding the company, including the financial situation, performance and governance of the company.		
<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. 	Yes	<p>The same was disclosed in the reports on activities, handouts-reports of the company (annual, six months), since 2007 – in the annual reports.</p> <p>Information of how individual clauses hereof are complied with is disclosed pursuant to the procedure and terms, established by the laws, other standard acts, the Securities Commission of the Republic of Lithuania, and Stock Exchange AB NASDAQ OMX Vilnius, as well as procedure and practice, applicable in the company. Public interest of the shareholders is governed by the Law on Companies, Articles of Association of the company, documents and rules, governing the securities market, which the company must comply with and which the company complies with.</p> <p>The company discloses the information to the market in Lithuanian and English via NASDAQ OMX news distribution system by publishing essential events and presenting in the column for investors in the webpage of the company, thus ensuring equal opportunity to receive information about the company, the shares whereof are traded on the stock exchange, following which the shareholders can take decisions as concerning the purchase-sale of shares themselves.</p>
<p>10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p>	Yes	Group is not available.
<p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII</p>	Yes	See Clause 10.1.
<p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be</p>		<p>The availability of such relations is governed by the legal base, Articles of Association of the company, as well as assumed contractual obligations. The assumption of contractual obligations is aimed at avoiding the conflict of interests by providing the holders of interests with the right of option.</p>

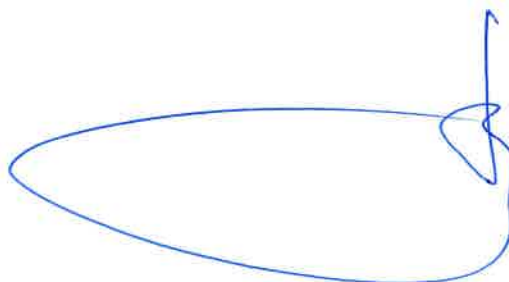
disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.

<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	<p>See Clause 10.1. However, first of all, the interests of the shareholders, main shareholder should not be violated against the interests of future investor.</p>
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	<p>See Clause 10.1.</p>
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>Yes</p>	<p>See Clause 10.1. Information of variation in prices of shares of the company is public and it is published on the web page of stock exchange (NASDAQ OMX Vilnius).</p>
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	<p>Yes / No</p>	<p>The audit of the annual financial statements is provided by the laws. Intermediate collection of financial statements is not checked by the independent audit company, because it is not provided by the laws.</p>
<p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	<p>Yes / No</p>	<p>The candidacy of the audit company is selected pursuant to the terms for selection of the auditor, approved by the board of the company. The winner of the tender is presented to the general shareholders' meeting for election as the auditor of the company. Pursuant to the Law on Companies of the Republic of Lithuania and Articles of Association of the company, only the general shareholders' meeting has an exclusive right to elect and revoke the audit company as well as establish the terms of payment for the audit services. Such proposition right is not provided within the framework of the laws.</p>

<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	<p>Yes / Irrelevant</p>	<p>The audit company has not received from the company any remuneration for services other than audit services. The manager of the audit company informs Public Organization Audit and Accounting Service as well as the company of the same in his letter of 10/01/2011 "Regarding the approval of independence of UAB Rimess" No. R-2011.002.</p>
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It should be noted that the Code of NASDAQ OMX Vilnius has been worked out based on the analysis of good business management practice and up-to-date recommendations of the European Union in the company management field and is of the referential nature – some of the provisions and terms vary from the regulation of the legal acts applicable in the Republic of Lithuania; disclosure of compliance therewith in the determinate order should be interpreted and taken into consideration from the last mentioned point of view.

Director General
Board Member



Arvydas Bogočionkas