

AKCINĖ BENDROVĖ  
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY  
"LITHUANIAN SHIPPING COMPANY"

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

2010-08-31

Nr.

(01)-5- 225

Klaipėda

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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 30 June 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 1<sup>st</sup> Half 2010, is correct.

Public Company "Lithuanian Shipping Company"  
General Director

Arvydas Bogočionkas

Public Company "Lithuanian Shipping Company"  
Chief Accountant

Arvydas Stropus

**“LIETUVOS JŪRŲ LAIVININKYSTĖ”**  
**(Limited Liability Company)**

**FINANCIAL STATEMENTS**  
**As at 30 June 2010**

**AB „Lietuvos jūrų laivininkystė“**  
**Company code 110865039, address Malūnininkų str. 3, LT-92264 Klaipėda**  
**Financial statements for the period ended on 30 June 2010**  
**(in thousands of Lit, if not stated otherwise)**

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**Explanatory Notes to the Financial Statements 30 June 2010**

**I. General Information.**

AB „Lietuvos jūrų laivininkystė“ (LJL) – limited liability company - established after reorganizing AB „Lietuvos jūrų laivininkystė“ (LISCO) by the means of division. LJL was registered in the Registry of Legal Entities, certificate No. 027245. LJL was registered on 27 June 2001 with the company code 110865039. The Company is residing on Malūnininkų str. 3, Klaipėda. Operating activities of the Company include cargo transportation with sea transport and lease of ships.

The managing bodies of the Company include the general meeting of shareholders, supervisory board, board of directors and head of management.

As at 31 June 2010 the Company employed 387 people, 52 of which worked in coast divisions and 335 aboard.

As at 31 December 2009 the shareholders of the Company included:

	30.06.2010		30.06.2009	
	Number of shares	Equity, %	Number of shares	Equity, %
State Property Fund	9.570.366	4,76%	16.619.317	8,27%
Ministry of Transport and Communication	113.833.000	56,66%	113.833.000	56,66%
Swedbank AS (Estonia)	11.079.041	5,51%	11.706.741	5,83%
DFDS TOR LINE A/S	11.108.420	5,53%	10.108.420	5,53%
UAB Concern „Achemos grupė“	12.360.009	6,15%	13.366.219	6,65%
Other small shareholders	42.950.454	21,39%	34.267.599	17,06%
Total	200.901.290	100,00%	200.901.296	100,00%

**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) and provided for application in the EU Regulation EC 1606/2002, concerning the application of international accounting standards.

**Basis for Financial Statement Preparation**

In the financial statements the numbers are presented in Lit. This currency is the 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 legal acts 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 numbers 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 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 influence of the change in the evaluation is recognized in the period of evaluation review, if it has any influence on that period, or in the

evaluation review period and future periods, if the evaluation influences both - the review and the future periods.

***Standards, standard adjustments and interpretations valid in 2009***

In 2009 the Company applied IAS 1 "Presentation of Financial Statements". The adjustment involves different changes including: introduction of new definitions, the changed methods for disclosing equity capital transactions and introduction of the new comprehensive income statement. The requirements, related to the presentation of the financial statements in the presence of the retrospective adjustments, were also changed.

The below stated standards, standard adjustments and interpretations are due to be applied on the reporting periods starting on (or after) the 1st of January 2009, but not applicable to the activities of the Company:

IFRS 1 „First-time Adoption of International Financial Reporting Standards“  
IFRS 2 „Share-based payment“  
IFRS 3 „Business Combinations (revised)“ and IAS 27 „Consolidated and Separate Financial Statements“ and the out coming adjustments made to IAS 7 „Statement of Cash Flows“, IAS 28 „Investments in Associates“ and IAS 31 „Interests in Joint Ventures“.  
IFRS 7 „Financial Instruments: Disclosures“  
IFRS 8 „Operating Segments“  
IAS 32 „Financial Instruments: Presentations“  
IAS 39 „Financial Instruments: Recognition and Measurement“  
IFRIC 12 „Service Concession Arrangements“  
IFRIC 13 „Customer Loyalty Programmes“  
IFRIC 14 „IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction“  
IFRIC 15 „Agreements for the Construction of Real Estate“  
IFRIC 16 „Hedges of a Net Investment in a Foreign Operation“  
IFRIC 17 „Distributions of Non-cash Assets to Owners“  
IFRIC 18 „Transfers of Assets from Customers“  
IAS 20 „Accounting for Government Grants and Disclosure of Government Assistance“  
IFRS 5 „Non-current Assets Held for Sale and Discontinued Operations“  
IAS 27 „Consolidated and Separate Financial Statements (revised)“  
IAS 38 „Intangible Assets“  
IAS 41 „Agriculture“

Adjustments made to the following standards have no significant influence on the financial statements: IAS 40 „Investment Property“, IAS 16 „Property, Plant and Equipment“, IAS 36 „Impairment of Assets“, IAS 12 „Income Taxes“, IAS 21 „Changes in Foreign Exchange Rate“, IAS 23 „Borrowing Costs“.

**Standards, standard adjustments and interpretations, which are not yet valid and the Company did not apply them before time**

Below stated standards, standard adjustments and interpretations are due to be applied on the reporting periods of the Company starting on or after the 1st of January 2010 or any later periods, but which the Company did not apply before time:

IAS 1 „Presentation of Financial Statements“ – the adjustment of a standard determines the presentation of convertible instruments in separate groups as current and non-current. Although it is not usual to classify the liabilities, issued as property securities, into current and non-current, but after supplementing the description of current liabilities with the assumption that if a party is allowed to not fulfil the liability for at least 12 months by transferring the property securities or paying in cash, the liability is recognized as non-current. The Company did not issue any such instruments, therefore the financial statements of the Company will not be influenced by the adjustment.

IAS 7 „Statement of Cash Flows“ – the adjustment states that only expenses, which are recognized as assets in the statement of financial position (balance sheet), are attributable to the investing activities.

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The Company assumes the previous recognition of expenses will not differ significantly from the current requirements.

IAS 17 “Leases” – the adjustment removes the differences for classifying the land and building lease. Following the criteria stated in IAS 17, it is determined that the land lease might be classified either as operating lease or finance lease. The validation of the adjusted standard will not influence the financial statements of the Company.

IAS 36 “Impairment of Assets” – the adjustment is related to interpretation, which states that when applying the goodwill impairment test, the unit creating the largest amount of income might be recognized as the operating segment as it is determined in paragraph 5 in IFRS 8, i.e. before the integration of similar segments. The adjustment is not relevant to the Company and therefore will have no influence of the financial statements of the Company.

IAS 38 “Intangible Assets” – the adjustments are related to the requirements in IFRS 3, concerning the accounting and fair value application of the intangible assets, acquired when joining the ventures. The adjustments are not relevant to the Company and therefore will have no influence of the financial statements of the Company.

IAS 39 “Financial Instruments: Recognition and Measurement” – the adjustment involves different changes, including: fines, related to the previous loan return, are recognized as related derivative instruments; interpretations of exceptions applied on joint ventures; assurance by applying internal contracts; supplemented interpretations on cash flow assurance. The adjustments will not influence the financial statements of the Company.

IAS 32 “Financial Instruments: Presentation” – the adjustment specifies the recognition criteria, which determine whether the financial instrument should be recognized as financial liability or as the equity instrument. The adjustment will not influence the financial statements of the Company significantly.

IAS 18 “Revenue” is supplemented with references on the subject of determining whether the Company operates as the main service provider or as the intermediate. The supplement will not influence the financial statements of the Company.

### ***Changes in the Accounting Principles***

The below stated accounting principles of the Company were systematically applied on all periods presented in the financial statements.

### ***Transactions in Foreign Currency***

Transactions in foreign currency are evaluated in Litas regarding the official foreign currency exchange rate announced by the Bank of Lithuania on the day of the 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=2,4052 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.

### ***Derivative Financial Instruments***

The Company did not apply any derivative financial instruments during the periods ended on December 31, 2009.

## STATEMENT OF FINANCIAL POSITION

### (a) Non-current Tangible Assets

In the financial statements all economic resources controlled by the Company are recognised as assets if the Company can reasonably expect to obtain future economic benefits from using the resources and they have a value which can be measured reliably.

Non-current assets presented in the financial statements are stated at the actual acquisition or production cost of the assets less the accumulated depreciation and impairment in value.

Depreciation is calculated from the first day of the next month after the non-current asset is started to be used. Calculations of depreciation are discontinued from the first day of the next month after the asset is written-off or sold and all the value of non-current asset in use (less the liquidation value) is transferred into the cost of products (goods or services). The assets are depreciated on the basis of the straight-line method.

Asset groups	Average period of useful life (in years)
Ships	7 – 16
Plant and machinery	7 – 16
Transport means	6 – 10
Other fixtures, fittings, tools and equipment	4

The management determines the useful life of an asset at the moment of acquisition, thereafter it is being reviewed every year. Useful life of assets is determined on the basis of past experience related to similar items as well as expected future events, which may affect the useful life. The Company reviews the liquidation value of the assets every year.

The value of repair works for non-current tangible assets is recognized as the expenses of the reporting period they were incurred in, if the repair works do not improve the beneficial features of the assets for a couple of years (and the repair expenses will not generate future income).

The asset evaluation amounts of the Company's assets are reviewed at each reporting date to determine whether there are indications of impairment. If such indications are noticed, the recoverable amounts of such assets are determined. A recoverable amount is the higher of an asset's expected net realisable value and its value in use. An impairment loss is recognised if the balance value of an asset is higher than the recoverable value. All losses related to impairment are presented in the income statement.

As the requirements of classification company state, the ships are repaired periodically: every five years the class of ship is confirmed after the repair (SS); three years after SS repairs dock repair works are carried out. LJL writes off repair expenses related to class-certification within 3 years, dock repairs – within 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 realisable value. In order to determine the cost of inventories, FIFO method is applied. Net realisable value is estimated as expected selling price less the expenses related to the sale.

When inventories are purchased from other parties, their acquisition cost is their purchase price combined with all purchase-related taxes (custom 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**

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 amortised 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 recognised 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 are recognised 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 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. Standard income tax rate of 15% is applicable to Lithuanian entities, but in 2007 the Company decide to pay the tonnage tax and calculates the income tax regarding the tonnage of owned ships. 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.

Regarding the amendment and supplement to the Income Tax Law of the Republic of Lithuania on May 3, 2007, AB „Lietuvos jūrų laivininkystė“ 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 recognised 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, 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 separate financial information on these segments and the management makes decisions on evaluation of operating results on the basis of this 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in the financial statements. They are disclosed in the financial statements when it is probable that the income or economic benefits will be received.

**(b) Events after the Balance Sheet Date**

Events after the balance sheet date, which provide additional information about the position of the Company at the balance sheet date (events leading to adjustment), are reflected in the financial statements. Events after the balance sheet date, which are not leading to adjustment are disclosed in the notes if they are significant.

**(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. 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 noticed, 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 realisable 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 emit new shares. No changes related to the goals, principles or processes in the financial year ended on December 31, 2009 and December 31, 2008 were present.

### III. Notes

#### 1. Non-current intangible assets

	Computer software
<b>Acquisition value</b>	
31 December 2007	301,2
Acquired	59,6
Written-off	-
31 December 2008	360,8
Acquired	
Written-off	
31 December 2009	360,8
Acquired	-
Written-off	-
31 March 2010	360,8
<b>Accumulated amortization</b>	
31 December 2007	293,9
Calculated for the period	9,6
31 December 2008	303,5
Calculated for the period	22,2
31 December 2009	325,7
Calculated for the period	10,3
31 June 2010	336,0
<b>Balance value</b>	
31 December 2007	7,3
31 December 2008	57,3
31 December 2009	35,1
30 June 2010	24,8

Computer software is amortized within the period of 3 years.

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2. Non-current tangible assets, thousands of Litas

	Buildings and constructions	Plant and machinery	Ships	Other transport means	Repair	Other tangible assets	Total
<b>Acquisition value</b>							
<b>31 December 2007</b>	3.737,4	5.444,9	419.754,1	801,8	3.510,2	560,6	433.809,0
Acquired	---	1.490	77.222,2	---	6.994,8	65,0	85.772,0
Written-off (-)	(65,0)	(512,7)	(10.970,5)	---	(2.259,2)	(58,1)	(13.865,5)
Reclassifications		(5.220,2)	5.220,2				---
<b>31 December 2008</b>	3.672,4	1.202,0	491.226,0	801,8	8.245,8	567,5	505.715,5
Acquired		2,2	1.019,4		2.942,8	38,3	4.002,7
Written-off (-)		(385,8)	(7.951,7)	---	(5.869,4)	(49,5)	(14.256,4)
<b>31 December 2009</b>	3.672,4	818,4	484.293,7	801,8	5.319,2	556,3	495.461,8
Acquired		1,6	44,6		1242,8		1289,0
Reclassifications (-)		4,3	(4,3)				
Written off (-)			(28533,0)		(1613,8)	(42,2)	(30189,0)
<b>30 June 2010</b>	3672,4	810,0	455879,2	801,8	5749,8	513,2	467426,4
<b>Revaluation/impairment</b>							
<b>31 December 2007</b>			(36.885,9)				(36.885,9)
Revaluated (+), impaired (-)			(24.521,0)				(24.521,0)
<b>31 December 2008</b>	---	---	(61.406,9)	---	---	---	(61.406,9)
<b>31 December 2009</b>	---	---	(61.406,9)	---	---	---	(61.406,9)
<b>Accumulated depreciation</b>							
<b>31 December 2007</b>	347,1	2.439,3	108.686,6	501,2		306,9	112.281,0
Calculated for the period	52,1	806,3	27.336,0	165,1		61,4	28.421,0
Written-off (-)	(43,8)	(393,0)	(9.840)			(27,5)	(10.304,3)

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Reclassifications		(1.913,6)	1.913,6				---
<b>31 December 2008</b>	355,4	939,0	128.096,2	666,3	---	340,8	130.397,7
Calculated for the period	50,6	105,7	27.349,3	80,0		61,7	27.647,3
Written-off (-)		(385,8)	(7.479,7)			(44,2)	(7.910,7)
<b>31 December 2009</b>	406,0	658,9	147.965,8	746,3		358,3	150.135,3
Calculated for the period	25,3	49,0	13.010,1	11,0		27,6	13.123,0
Reclassifications		(10,0)	(10,0)				(10.453,8)
Written off (-)			(10.434,6)			(19,2)	(10.453,8)
<b>30 June 2010</b>	431,3	679,3	150.551,3	757,3		366,7	152.804,5
<b>Balance value</b>							
<b>31 December 2007</b>	3.390,3	3.005,6	274.181,6	300,6	3.510,2	253,7	284.642,1
<b>31 December 2008</b>	3.317,0	262,9	301.722,8	135,5	8.245,8	226,7	313.910,7
<b>31 December 2009</b>	3.266,4	159,5	274.921,0	55,5	5.319,2	198,0	283.919,6
<b>30 June 2010</b>	3241,1	112,1	243.921,0	44,5	5.749,8	146,5	258.215,0

#### **Ships**

At the end of the financial year non-current tangible assets of AB "Lietuvos jūrų laivininkystė" comprised 11 ships, building for administrative purposes, transport means, plant and machinery. In January 2010 the Company sold the motor-ship "Svilas", in February m/v "Staris". 9 ships are pledged for the SEB bank loans (see Note 9).

### 3. Ship repair:

Repair expenses recognized as assets – LTL 5.749,7 thousand  
 Amounts, which will be transferred to the expenses:

2010	-	LTL 1.257,5 thousand
2011	-	LTL 2.707,5 thousand
2012	-	LTL 1.617,0 thousand
2013	-	LTL 167,6 thousand

### 4. Inventories and prepayments

	30.06.2010	31.12.2009
Fuel in the ships	274,4	574
Spare parts, materials	583,0	718
Food resources in the ships	101,0	149
Prepayments	781,0	917,8
Vessels repairs expected expenses	2.282,1	-
Advance amounts provided to agents	1.642,0	757,2
<b>Total</b>	<b>5.664,0</b>	<b>3.116</b>

### 5. Amounts receivable

	30.06.2010	31.12.2009
Received payments	-	450
Trade receivables	49,7	48
Doubtful debts	2.839,3	456
Amounts receivable from the state budget	11,9	22
Advances for the ships	114,8	128
Other amounts receivable	9,7	12
<b>Total:</b>	<b>3.025,4</b>	<b>1.116</b>

Doubtful debts include of LTL 1318,0 thousand relates to the matter of the mv Deltuva detention in San Juan ( Puerto Rico ). At the present time the criminal investigation has not been completed. The amount of LTL 1163,0 thousand covers the damage caused to shaft propeller of the mv ALKA. In July 2010 under the insurance policy the underwriters reimbursed partly the cost and expenses of the shaft propeller repairs.

### 6. Cash and cash equivalents

	30.06.2010	31.12.2009
Cash in bank LTL	5,5	14
Cash in bank in foreign currencies	1.632,0	1.190
Cash on hand LTL	3,9	4
Cash on hand in foreign currencies	9,9	34
<b>Total</b>	<b>1.651,3</b>	<b>1.242</b>

### 7. Capital

	Authorized capital	Share premium	Total
31-12-2009	200.901	-	200.901
New shares issued	-	-	-
Own shares acquired	-	-	-
30-06-2010	200.901	-	200.901

**AB „Lietuvos jūrų laivininkystė“**  
**Company code 110865039, address Malūnininkų str. 3, LT-92264 Klaipėda**  
**Financial statements for the period ended on 30 June 2010**  
**(in thousands of Litas, if not stated otherwise)**

As at 30 June 2010 authorized capital of the Company comprised of 200 901 296 ordinary registered shares. Par value of one share amounted to LTL 1.

**8. Reserves**

	30.06.2010	31.12.2009
Legal reserves	1.283,3	20.090
Reserves for acquiring the ships		10.002
Reserves for employee bonuses		45
Reserves for social cultural purposes		21
<b>Total</b>	<b>1.283,3</b>	<b>30.158</b>

Reserve for employee bonuses was not used in 2010.

**9. Financial debts (to credit institutions)**

	30.06.2010	31.12.2009
Loan balance at the beginning of the year	73.469	83.769
Received loans	-	-
Returned loans	(996,6)	(9.350)
Influence of currency rates	12.608,9	(950)
<b>Loan balance at the end of the period</b>	<b>85.081,3</b>	<b>73.469</b>

All of the loans received by the Company from the bank are guaranteed by the assets. The Company pledged 9 ships, balance value of which amount to LTL 223.704,8 thousand. The loan for ship acquisitions was received from AB SEB bank. The loan is due to be returned in 2015.

**10. Income tax liabilities**

	30-06-2010	31-12-2009
Income tax payable at the beginning of the year		
Calculated income tax	102,4	103
Income tax paid	(6,6)	5
<b>Income tax payable at the end of the year</b>	<b>95,8</b>	<b>98</b>

**11. Employment related liabilities**

	30.06.2010	31.12.2009
Payable salaries	575,6	586
Holiday accumulations (salaries)	1.245,3	1.343
Holiday reserve (social insurance)	385,8	416
Amount payable to social insurance fund	348,4	362
Amount payable to guarantee fund	0,9	1
Payable tax on income	7,8	-
<b>Total</b>	<b>2.563,8</b>	<b>2.708</b>

**12. Provisions**

	30-06-2010	31-12-2009
Provisions for the invoices, which were not received	1.424,5	848

**AB „Lietuvos jūrų laivininkystė“**  
**Company code 110865039, address Malūnininkų str. 3, LT-92264 Klaipėda**  
**Financial statements for the period ended on 30 June 2010**  
**(in thousands of Litas, if not stated otherwise)**

**13. Other amounts payable**

	30.06.2010	31.12.2009
Trade payables	5.250,5	5.921
Received prepayments	3.925,3	3.688
Payable dividends	97,4	98
Other liabilities concerning goods and services	384,6	344
Accumulated expenses	121,2	64
Other payables	9,7	6
<b>Total</b>	<b>9.788,7</b>	<b>10.121</b>

**14. Sales**

	30.06.2010	30.06.2009	%
Income from time charter	21.705,8	31.682,2	145,9
Other income from time charter		547,9	-
Income from short-term freight contracts	3629,3	760,7	21,0
Other income	6,6	24,6	372,7
<b>Total:</b>	<b>25.341,7</b>	<b>33.015,4</b>	<b>130,3</b>

In 2010 sales income decreased due to a smaller number of ships and of course the economic crisis, which influenced the decline in freight market.

**15. Employee recruitment expenses**

	30.06.2010	30.06.2009	%
Salary expenses	6995,0	7971,8	114,0
Daily allowances	2368,5	3173,9	134,0
Nutrition for the ship crew	467,7	685,2	146,5
Transport for changing the crew	279,5	625,0	223,6
Business trip expenses	121,4	163,2	134,4
Other employee recruitment expenses	130,8	120,2	91,9
<b>Total:</b>	<b>10.362,9</b>	<b>12.739,3</b>	<b>122,9</b>

The decrease in employee recruitment expenses, compared to the same period in 2010, was influenced by the smaller number of ships and cutting back on expenses during the crisis.

**16. Ship exploitation expenses**

	31.06.2010	30.06.2009	%
Address, broker commission	864,7	916,8	106,0
Supplying	122,5	161,8	131,9
Spare parts, materials	2827,0	2487,2	88,0
Lubricants	937,7	1387,7	148,0
Revision and maintenance of rescue and fire fight equipment	403,3	261,8	64,9
Ship appraiser services	434,7	1157,9	266,4
Maintenance of radio and navigational equipment, electronic systems	409,3	261,0	63,8
Insurance	1794,4	2165,5	120,7
Communication expenses	115,0	141,2	122,8
Fuel	1419,5	353,0	24,9
Other expenses	3351,0	1743,2	52,0
<b>Total:</b>	<b>12.679,1</b>	<b>11.036,9</b>	<b>87,1</b>

**AB „Lietuvos jūrų laivininkystė“**  
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**Financial statements for the period ended on 30 June 2010**  
**(in thousands of Litas, if not stated otherwise)**

Increase in fuel expenses in 2010 was incurred due to the fact that the motor ships „Alka“ worked under short-term contracts and the Company exploited the ships itself.

**17. Other administrative, sales expenses**

	30.06.2010	30.06.2009	%
Bank services	65,8	38,9	59,1
Car fuel and maintenance expenses	45,7	24,3	53,2
Computer program and computer network maintenance expenses	56,3	99,1	176,0
Telecommunication, mobile network and post office expenses	61,3	75,9	123,0
Utilities	54,8	56,1	102,4
Consulting and asset appraisal services	203,6	31,7	15,6
Asset insurance and insurance franchise	147,0	203,3	138,3
Other expenses	111,5	127,6	114,4
<b>Total:</b>	<b>746,0</b>	<b>625,2</b>	<b>83,8</b>

**18. Ship repair expenses**

Ship repair expenses include the part of ship class repair and dock repair expenses attributable to the reporting period, and current repair.

**19. Financing and investing activities**

	30.06.2010	30.06.2009	%
Income for time deposits	-	19,6	-
Received interests		9,8	
Positive effect of changes in currency exchange rates	-	-	-
Paid interests	(1036,6)	(1422,1)	-
Negative effect of changes in currency exchange rates	(12.102,5)	(803,1)	-
<b>Total</b>	<b>(13.139,0)</b>	<b>(2195,8)</b>	<b>-</b>

**20. Profit per share**

Profit per ordinary share is calculated by dividing the net profit (loss) of the period by the average weighing number of ordinary shares issued within the period. The Company owns no financial instruments potentially convertible in to ordinary shares; therefore the reduced profit per share is equal to the profit per ordinary share.

Profit (loss) per share is calculated by dividing the net loss of the period (LTL 37.563.394) owned by the shareholders by the number of ordinary shares – 200.901.296 shares – at the end of the period.

	30.06.2010	30.06.2009
Net profit (loss) of the year attributable to the shareholders of the Company (in thousands of Litas)	(37.563,4)	(10.229,9)
Number of ordinary shares (in thousands)	200.901,3	200.901,3
Profit per ordinary share, calculated on the basis of profit (loss) attributable to the shareholders of the Company (in Litas per share)	(0,019)	(0,05)

## 21. Statement of cash flows

At the end of the reporting period cash of the Company amounted to LTL 1.651,3 thousand and compared to the amount of cash at the beginning of the reporting period, the increase in cash amounts to LTL 409,6 thousand. Increase is due to funds received for the sold vessels.

## 22. Statement of changes in equity

At the end of 30 June 2010 equity capital of the Company amounted to LTL 164.621,2 thousand and compared to the amount of equity at the beginning of the period, the decrease in equity amounts to LTL 37.563,4 thousand due to the loss of the reporting period amounting to LTL -37.563,4 thousand.

## 23. Transactions with related parties

Related parties of the Company include the board members, general director, ship park management director, and technical director, chief of finance, chief accountant and their family members.

## 24. Segments

The Company operates in one business segment and does not distinguish geographic segments.

## 25. Liability – equity ratio

	30.06.2010	31.12.2009
<b>Total liabilities</b>	98.959,3	87.243,2
Less the cash and cash equivalents	1.651,3	1.241,6
<b>Liabilities in net amount</b>	97.308,0	86.001,6
<b>Total equity</b>	164.621,2	202.184,6
Plus the subordinated debt instruments less the change in fair value of assurance instruments recognized in the equity	-	-
<b>Adjusted equity capital</b>	164.621,2	202.184,6
<b>Liability – equity ratio</b>	<b>0,59</b>	<b>0,40</b>

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

## 26. Financial instruments

### Liquidity risk

In order to avoid the liquidity risk the Company maintains sufficient cash and cash equivalent flows or maintains financing through a respective credit by planning and controlling the cash flows.

### Other risks related to currency exchange rate and interest rate

Transactions of the Company are pursued in Euros, US dollars and Litas, therefore the risk related to currency exchange rate fluctuations exists.

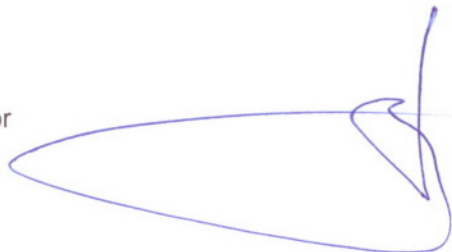
The highest credit risk includes risk of amounts receivable. The policy is implemented in the Company, providing the advance payments should be received when signing the contracts.

## 27. Contingent liabilities and assets

Business activities, possible losses and accidents are insured. The Company did not provide any guarantees or sponsors. The Company signed ship lease contracts with the term of 6 months and more.

28. Events after the balance sheet date. Amendments to credit contracts were made in January, 2010, which provide the credit return postponing to July 2010. Negotiations with the bank on postponement of bank credit repayment. are in progress.

General director

A handwritten signature in blue ink, consisting of a large, sweeping loop followed by a smaller, more intricate flourish.

Arvydas Bogočionkas

AB "Lietuvos jūrų laivininkystė"

(enterprise name)

110865039, Malūnininkų g.3, LT-92264 Klaipėda

(enterprise identification number, address, other information)

**PROFIT(LOSS) STATEMENT as of 30 June, 2010**

2010.01.01 - 2010.06.30

(reporting period)

LTL

(currency of financial statement)

No.	Items	Note No	30 June, 2010	30 June, 2009	01 April to 30 June, 2010	01 April to 30 June, 2009
<b>I.</b>	<b>SALES REVENUE</b>	<b>14</b>	<b>25.341.712</b>	<b>33.015.372</b>	<b>12.321.617</b>	<b>15.357.834</b>
<b>II.</b>	<b>EXPENSES</b>					
II.1.	Personnel expenses	<b>15</b>	10.362.866	12.739.317	5.035.207	5.504.660
II.2.	Ship maintenance expenses	<b>16</b>	12.679.052	11.036.908	6.087.051	4.898.464
II.3.	Ship repair expenses	<b>18</b>	4.686.875	7.132.854	1.122.685	1.697.116
II.4.	Other administrative and selling expenses	<b>17</b>	745.991	625.202	482.615	418.035
	<b>Total expenses</b>		<b>28.474.784</b>	<b>31.534.281</b>	<b>12.727.557</b>	<b>12.518.275</b>
	<b>Profit (earnings) before depreciation (EBITDA)</b>		<b>-3.133.072</b>	<b>1.481.091</b>	<b>-405.940</b>	<b>2.839.559</b>
III	Profit from sales of ships		-8.159.770	4.565.884	0	4.565.884
IV.1	Depreciation of ships		13.030.490	13.871.791	6.433.429	6.905.277
IV.2	Depreciation of other assets		102.743	171.282	50.887	78.399
	<b>Profit (earnings) before interest (EBIT)</b>		<b>-24.426.076</b>	<b>-7.996.098</b>	<b>-6.890.255</b>	<b>421.767</b>
V.1	Effect of changes in exchange rates (profit)	<b>19</b>	-12.102.499	-803.097	-7.776.479	3.700.491
V.2	Net interest expenses		1.036.496	1.392.802	549.153	617.592
	<b>Profit before tax</b>		<b>-37.565.071</b>	<b>-10.191.997</b>	<b>-15.215.888</b>	<b>3.504.666</b>
VI.	Income tax		-1.677	37.919	-1.677	37.919
	<b>NET PROFIT</b>		<b>-37.563.394</b>	<b>-10.229.916</b>	<b>-15.214.211</b>	<b>3.466.747</b>
	<b>Profit (earnings) per share, LTL</b>	<b>20</b>	<b>-0,1870</b>	<b>-0,0509</b>	<b>-0,0757</b>	<b>0,0173</b>

General Director

Arvydas Bogočionkas

**AB "Lietuvos jūrų laivininkystė"**

(enterprise name)

110865039, Malūnininkų g.3, LT-92264 Klaipėda

(enterprise identification number, address, other information)

**BALANCE SHEET as of 30 Juny 2010**

(date of formation of financial statements)

2010.01.01 - 2010.06.30

(reporting date)

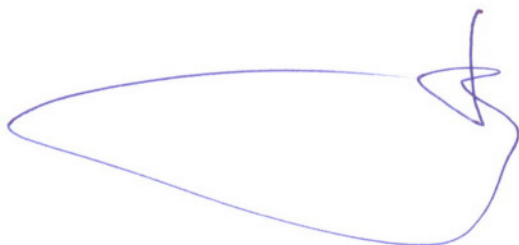
**LTL**

(currency of financial statement)

	<b>ASSETS</b>	<b>Note, No</b>	<b>2010 m. Juny 30d</b>	<b>2009 m. December 31d</b>
<b>A.</b>	<b>NON-CURRENT ASSETS</b>		<b>253.239.856</b>	<b>283.954.731</b>
<b>I.</b>	<b>INTANGIBLE ASSETS</b>	<b>1.</b>	<b>24.869</b>	<b>35.138</b>
I.1.	Development work			
I.2.	Goodwill			
I.3.	Licenses and patents			
I.4.	Computer software	<b>1.</b>	24.869	35.138
I.5.	Other intangible assets			
<b>II.</b>	<b>TANGIBLE ASSETS</b>	<b>2.</b>	<b>253.214.987</b>	<b>283.919.593</b>
II.1.	Land			
II.2.	Buildings and constructions		3.241.145	3.266.433
II.3.	Machinery		112.083	159.500
II.4.	Vehicles and other transport means		44.514	55.478
II.5.	Ships	<b>2.</b>	243.921.034	274.921.022
II.6.	Repairs	<b>3.</b>	5.749.722	5.319.171
II.7.	Other tangible assets		146.489	197.989
<b>III.</b>	<b>FINANCIAL ASSETS</b>			
III.1.	Investments in subsidiaries and associates			
III.2.	Loans to subsidiaries and associates			
III.3.	Amounts receivable after one year			
III.4.	Other financial assets			
<b>IV.</b>	<b>ASSETS OF DEFERRED INCOME TAX</b>			
<b>B.</b>	<b>CURRENT ASSETS</b>		<b>10.340.684</b>	<b>5.473.068</b>
<b>I.</b>	<b>INVENTORIES PREPAYMENTS and CONTRACTS IN PROGRESS</b>		<b>5.664.027</b>	<b>3.115.294</b>
I.1.	Inventories	<b>4.</b>	958.907	1.440.718
I.1.1.	Raw materials and components		958.907	1.440.718
I.1.2.	Work in progress			
I.1.3.	Finished goods			
I.1.4.	Goods for resale			
I.2.	Prepayments	<b>4.</b>	4.705.120	1.674.576
I.3.	Contracts in progress			
<b>II.</b>	<b>AMOUNTS RECEIVABLE WITHIN ONE YEAR</b>	<b>5.</b>	<b>3.025.400</b>	<b>1.116.132</b>
II.1.	Trade amounts receivable		2.893.374	954.720
II.2.	Receivable from subsidiaries and associates			
II.3.	Other amounts receivable		132.026	161.412
<b>III.</b>	<b>OTHER CURRENT ASSETS</b>		<b>0</b>	<b>0</b>
III.1.	Current investments			
III.2.	Time deposits			
III.3.	Other current assets			
<b>IV.</b>	<b>CASH and CASH EQUIVALENTS</b>	<b>6.</b>	<b>1.651.257</b>	<b>1.241.642</b>
	<b>TOTAL ASSETS :</b>		<b>263.580.540</b>	<b>289.427.799</b>

	<b>EQUITY AND LIABILITIES</b>	<b>Note No</b>	<b>2010 m. Jūny 30d</b>	<b>2009 m. December 31d</b>
<b>C.</b>	<b>EQUITY</b>		<b>164.621.240</b>	<b>202.184.634</b>
<b>I.</b>	<b>CAPITAL</b>	<b>7.</b>	<b>200.901.296</b>	<b>200.901.296</b>
I.1.	Authorised (subscribed)		200.901.296	200.901.296
I.2.	Subscribed uncalled share capital (-)			
I.3.	Share premium			
I.4.	Own shares (-)			
<b>II.</b>	<b>REVALUATION RESERVE (RESULTS)</b>			
<b>III.</b>	<b>REZERVES</b>	<b>8.</b>	<b>1.283.338</b>	<b>30.158.205</b>
III.1.	Legal reserve		1.283.338	20.090.130
III.2.	Reserve for acquiring own shares			
III.3.	Other reserves			10.068.075
<b>IV.</b>	<b>RETAINED PROFIT (LOSSES)</b>		<b>-37.563.394</b>	<b>-28.874.867</b>
IV.1.	Profit (loss) of the reporting year		-37.563.394	-28.874.867
IV.2.	Profit (loss) of the previous year			
<b>D.</b>	<b>GRANTS and SUBSIDIES</b>			
<b>E.</b>	<b>AMOUNTS PAYABLE and LIABILITIES</b>		<b>98.959.300</b>	<b>87.243.165</b>
<b>I.</b>	<b>NON - CURRENT AMOUNTS PAYABLE AND LIABILITIES</b>	<b>9.</b>	<b>72.314.914</b>	<b>62.594.626</b>
I.1.	Financial debts		72.314.914	62.594.626
I.1.1.	Leases and similar obligations			
I.1.2.	To credit institutions		72.314.914	62.594.626
I.1.3.	Other financial debts			
I.2.	Trade amounts payable			
I.3.	Amounts received in advance			
I.4.	Provisions			
I.4.1.	For covering liabilities and demands			
I.4.2.	For pensions and similar obligations			
I.4.3.	Other provisions			
I.5.	Deferred taxes			
I.6.	Other amounts payable and non-current liabilities			
<b>II.</b>	<b>CURRENT AMOUNTS AND LIABILITIES</b>		<b>26.644.386</b>	<b>24.648.539</b>
II.1	Current portion of non-current debts			
II.2.	Financial debts	<b>9.</b>	12.766.394	10.874.301
II.2.1.	To credit institutions		12.766.394	10.874.301
II.2.2.	Other debts			
II.3.	Trade amounts payable		5.250.547	5.921.109
II.4.	Amounts received in advance		3.925.336	3.687.903
II.5.	Profit tax liabilities	<b>10.</b>	95.847	97.524
II.6.	Liabilities related to employment relations	<b>11.</b>	2.563.844	2.707.923
II.7.	Provisions	<b>12.</b>	1.429.500	847.624
II.8.	Other amounts payable and current liabilities	<b>13.</b>	612.918	512.155
	<b>TOTAL EQUITY AND LIABILITIES :</b>		<b>263.580.540</b>	<b>289.427.799</b>

General director



Arvydas Bogočionkas

**AB "Lietuvos jūrų laivininkystė"**

(enterprise name)

110865039, Malūninkų g.3, LT-92264 Klaipėda

(enterprise identification number, address, other information)

**CASH FLOW STATEMENT as of 30 June, 2010**

2010. 01.01 - 2010.06.30

(reporting period)

LTL

(currency of financial statement)

No.	Items	Note No	30 June, 2010	30 June, 2009
<b>I.</b>	<b>Cash flows from operating activities</b>			
I.1.	Net profit (loss)		-37.563.394	-10.229.916
I.2.	Depreciation and amortisation expenses		13.133.233	14.043.073
I.3.	Decrease (increase) in amounts receivable after one year			
I.4.	Decrease (increase) in inventories		481.811	8.663
I.5.	Decrease (increase) in advance payments received		-3.030.544	891.780
I.6.	Decrease (increase) in contracts in progress			
I.7.	Decrease (increase) in trade receivables		-1.938.655	-227.806
I.8.	Decrease (increase) in amounts receivable from subsidiaries and associates			
I.9.	Decrease (increase) in other amounts receivable		29.386	-28.706
I.10.	Decrease (increase) in other current assets			158.320
I.11.	Increase (decrease) in non-current payables to suppliers and advance payments received			
I.12.	Increase (decrease) in payables to suppliers and advance payments received		-433.129	-200.225
I.13.	Increase (decrease) in payable profit tax		-1.677	0
I.14.	Increase (decrease) in liabilities to employees		-144.079	-171.079
I.15.	Increase (decrease) in provision		581.876	-429.500
I.16.	Increase (decrease) in other amounts payable and liabilities		100.764	135.307
I.17.	Elimination of results of financing and investing activities		1.004	1.460
	<b>Net cash flows from operating activities</b>		<b>-28.783.404</b>	<b>3.951.371</b>
<b>II.</b>	<b>Cash flows from investing activities</b>			
II.1.	Acquisition of non-current assets (excluding investment)		-112.345	-815.566
II.2.	Transfer of non-current assets (excluding investment)		17.693.987	1.734.380
II.3.	Acquisition of long-term investments			
II.4.	Transfer of long-term investments			
II.5.	Loans granted			
II.6.	Loans recovered			
II.7.	Dividends and interest received			
II.8.	Other increase in cash flows from investing activities			
II.9.	Other decrease in cash flows from investing activities			
	<b>Net cash flows from investing activities</b>		<b>17.581.642</b>	<b>918.814</b>
<b>III.</b>	<b>Cash flows from financing activities</b>			
III.1.	Cash flows related to the owners of enterprise:		-1.004	-1.460
III.1.1.	Issue of shares			
III.1.2.	Owner's contributions to cover losses			
III.1.3.	Purchase of own shares			
III.1.4.	Dividends paid		-1.004	-1.460

No.	Items	Note No	30 June, 2010	30 June, 2009
III.2.	Cash flows related to other financing sources		11.612.381	-8.759.159
III.2.1.	Increase in financial debts		12.608.981	590.973
III.2.1.1	Loans received		0	0
III.2.1.2	Issue of bonds		12.608.981	590.973
III.2.2.	Decrease in financial debts		-996.600	-9.350.132
III.2.2.1	Loans received		-996.600	-9.350.132
III.2.2.2	Issue of bonds			
III.2.2.3	Interest paid			
III.2.2.4	Payments of lease (financial lease) liabilities			
III.2.3.	Increase in other enterprise liabilities			
III.2.4.	Decrease in other enterprise liabilities			
III.3.	Other increase in cash flows from financial activities			
III.4.	Other decrease in cash flows from financial activities		-12.102.500	-803.097
	<u>Net cash flows from financing activities</u>		<b>-491.123</b>	<b>-9.563.716</b>
IV.	<b>Cash flows from extraordinary items</b>		0	0
IV.1.	Increase in cash flows from extraordinary items			
IV.2.	Decrease in cash flows from extraordinary items			
V.	<b>The effects of changes in foreign exchange rates on the balance of cash and cash equivalents</b>		<b>12.102.500</b>	<b>803.097</b>
VI.	<b>Net increase (decrease) in cash flows</b>		<b>409.615</b>	<b>-3.890.434</b>
VII.	<b>Cash and cash equivalents at the beginning of period</b>		<b>1.241.642</b>	<b>5.234.014</b>
VIII.	<b>Cash and cash equivalents at the end of period</b>		<b>1.651.257</b>	<b>1.343.580</b>

General director



Arvydas Bogocionkas

AB "LIETUVOS JŪRŲ LAIVININKYSTĖ"

(enterprise name)

110865039 Malūnininkų 3 LT-92264 Klaipėda

(enterprise identification number, address, other information)

**STATEMENT OF CHANGES IN EQUITY AS OF  
30 JUNE 2010**

2010.01.01 - 2010.06.30

(reporting period)

LTL

(currency of financial statements)

	Share capital	Reserves provided by the law		Other reserves	Retained earnings (losses)	Total
		Legal	Acquisition of own shares			
<b>Balance as of December 31, 2008</b>	200.901.296	20.090.130		29.794.865	-19.726.790	231.059.501
Net profit (loss) of the accounting period					-10.229.916	-10.229.916
Dividends						
Used reserves				-19.726.790	19.726.790	
<b>Balance as of 30 June, 2009</b>	200.901.296	20.090.130		10.068.075	-10.229.916	220.829.585
Net profit (loss) of the accounting period					-18.644.451	-18.644.951
Dividends						
Formed reserves						
Used reserves						
<b>Balance as of December 31, 2009</b>	200.901.296	20.090.130		10.068.075	-28.874.867	202.184.634
Net profit (loss) of the accounting period					-37.563.394	-37.563.394
Dividends						
Formed reserves						
Used reserves		-18.806.792		-10.068.075	28.874.867	
<b>Balance as of 30 June, 2010</b>	200.901.296	1.283.338			-37.563.394	164.621.240

General Director

Arvydas Bogočionkas

AKCINĖ BENDROVĖ  
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY  
"LITHUANIAN SHIPPING COMPANY"

31/08/2010 No. (01)-5-232

Klaipėda

Ref. No.

## SEMI-ANNUAL PROGRESS REPORT 2010

### I. GENERAL INFORMATION ABOUT THE ISSUER

Semi-annual report of Public Company "Lithuanian Shipping Company" is prepared for the period from 1 January 2010 to 30 June 2010.

Public Company "Lithuanian Shipping Company" (hereinafter referred to as LSC), company code 110865039, Malūnininkų g. 3, Klaipėda, Phone: + 370 46 393 105, Fax: + 370 (46) 393 119, E-mail: [info@ljl.lt](mailto:info@ljl.lt), was founded on 27 June 2001.

Legal organization form: legal entity - public company.

Details of registration in the company register:

Date of incorporation: 27 June 2001.

Manager of the register: State Enterprise Center of Registers

Company registration No.: BĮ 01 – 128

Company code: 110865039

Former company code: 1086503

Website: <http://www.ljl.lt>

Branch of economy – sea transport.

23 types of activities are provided in the Articles of Association of the company, whereof the main one is:

50.2. Sea and coastal cargo water transport (Chapter 50. Water transport, section H. Transport and storage – codes are given as per NACE codes).

The securities of the company have been included in the National Securities Exchange of Lithuania current sales list since 09/07/2001. The National Securities Exchange of Lithuania formerly Vilnius Stock Exchange, presently AB NASDAQ OMX Vilnius. After the board of Vilnius Stock Exchange approved amendment of the rules of sale of AB "Vilniaus vertybinių popierių birža" on 18 May 2007, the current sales list was changed to additional securities list. Thereon the company has been included in the additional securities list:

- the quantity of the issue – 200.901.296 units;
- nominal value - 1 LTL;
- total nominal value of the issue – 200.901.296,00 LTL;
- share category – ordinary registered shares;
- ISIN code - LT0000125999;
- Method of stock issue into public securities turnover – reorganization.

Total number of Public Company "Lithuanian Shipping Company" shareholders on 23 April 2010, i.e. the day of accounting of general shareholders' meeting, was 2224 shareholders.

Information about the shareholders, owning over 5 percent of the authorized capital of the company, is given in the General Part of explanatory letter of annual financial statement.

Since its establishment, the company has been participating in the activities of the Association of

Lithuanian Ship Owners and Association of Klaipeda Industrialists, it is a member of BIMCO (The Baltic and International Maritime Council).

1 general shareholders' meeting of the company, 1 supervisory board meeting, and 7 board meetings were held in 2010.

## II. DATA RELATED TO SALE OF LSC SECURITIES

The company, included in the regulated market trade list, shall meet particular terms and conditions, e.g. shall be of due size and have history of activities.

Since 9 July 2001, 200.901.296 ordinary registered shares of Public Company "Lithuanian Shipping Company" with nominal value of one Litas have been quoted in the current sales list of the National Stock Exchange of Lithuania, subsequently – in Vilnius Stock Exchange. After approval of the amendments to the trade terms of Vilnius Stock Exchange by the Board of Vilnius Stock Exchange on 18 May 2007, the current stock list was replaced with the supplementary stock list. Since then, the company has been included in the supplementary trade list.

New name of exchange – 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, together with other deals of central market.

### The results of the last 8 quarters (each separately) for securities sold by automatic handling deals\*

Reporting period		Price			Turnover (LTL)			Date of the last session	Total turnover	
From	To	Max	Min	Last session	Max	Min	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

### Sale of the issuer's securities outside the exchange\*

Period	2008 Q I	2008 Q II	2008 Q III	2008 Q IV
<b>Cash settlements</b>				
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
<b>Non-cash settlements</b>				
Turnover, units	19.364	33.523	49.023	19.882

Period	2009 Q I	2009 Q II	2009 Q III	2009 Q IV
<b>Cash settlements</b>				
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
<b>Non-cash settlements</b>				
Turnover, units	65.514	408.178	687.039	-

Period	2010 Q I	2010 Q II		
<b>Cash settlements</b>				
Turnover, LTL	263.959,73	228.606,01		
Turnover, units	1.324.000	1.468.000		
Minimum price, LTL	0,14	0,11		
Maximum price, LTL	0,24	0,19		
<b>Non-cash settlements</b>				
Turnover, units	160.000	55.085		

\* Prepared basing on information announced in topics on [www.csdl.lt](http://www.csdl.lt) on outside deals for 2010. Stock of the issuer is not traded on other exchanges or other organized markets.

The company did not acquire and did not transfer own shares over the financial year 2010.

There is no official offer of the third party for the acquisition of stock of the issuer.

The issuer has not submitted an official offer for acquisition of stock, issued by the third party.

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", A. Mickevičiaus g. 29-3, 44245 Kaunas). After affiliation of AB FMĮ "SNORAS – Jūsų tarpininkas", on 31 March 2010 any and all rights as well as duties of AB FMĮ "SNORAS – Jūsų tarpininkas" were taken over by AB FMĮ "Finasta" (code 122570630, registered office at Maironio g. 11, Vilnius, Phone: 1813, E-mail: [info@finasta.com](mailto:info@finasta.com)), continuing contractual obligations and managing the stock accounting of Public Company "Lithuanian Shipping Company".

### III. INFORMATION ABOUT THE MANAGEMENT BODIES OF THE COMPANY

**The company's management bodies are:**

- general shareholders' meeting;
- supervisory board;
- board;
- the director of the company.

#### ***General shareholders' meeting***

The General Shareholders' Meeting is the supreme body of the company, having the following exclusive rights:

1. to amend the Articles of Association of the company, unless otherwise provided for by the Law on Companies of the Republic of Lithuania;
2. to change the registered office of the company;
3. to elect the members of the Supervisory Board;
4. to remove the Supervisory Board or its members;
5. to 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. to determine the class, number, nominal value and the minimum issue price of the shares issued by the company;
7. to approve the set of annual financial statements;
8. to take a decision on profit/loss appropriation;
9. to take a decision on the formation, use, reduction and liquidation of reserves;
10. to take a decision on the issue of convertible debentures;
11. to 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. to take a decision on increase of the authorised capital;
13. to take a decision on reduction of the authorised capital, except where otherwise provided for by the Law on Companies of the Republic of Lithuania;
14. to take a decision for the company to purchase own shares;

15. to take a decision on the reorganisation or split-off of the company and approve the terms of reorganisation or split-off;
16. to take a decision on transformation of the company;
17. to take a decision on restructuring of the company;
18. to 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. to 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 shareholders' meeting 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 shareholders' meeting may not charge other management bodies to address the issues assigned to its sphere of competence.

### ***Supervisory board***

The supervisory board is a collegial body supervising the activities of the company. The supervisory board is elected by the general shareholders' meeting for the period of 4 years and consists of 5 members. The number of re-elections of a member of the supervisory board is not limited. The supervisory board is managed by its chairman. The supervisory board elects a chairman from its members.

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 for their office;
2. supervise the activities of the Board and the manager of the company;
3. submit its comments and proposals to the general shareholders' meeting 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 shareholders' meeting;
5. address other issues assigned to the scope of powers of the Supervisory Board by the decisions of the general shareholders' meeting 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.

### ***Board***

The board of the company is a collegial management body of the company, consisting of 5 members. The members of the board are elected by the supervisory board for the period of four years. The board shall elect its chairman from among its members. The number of re-elections of the members of the board of the company and the chairman is not 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. 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 of the Republic of Lithuania and other laws 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 110 million Litas;
  - 9.7. decisions on restructuring of the company in the cases laid down by the Law on Restructuring of Enterprises of the Republic of Lithuania;
  - 9.8. decisions to allow the company's director making deals (except of deals on derivative financial means, currency purchase-sale, insurance of ships and ships maritime risks) with the value exceeding 2.000.000 LTL (without taxes) and deals of change of works with the value exceeding 3.000.000 LTL (without taxes);
  - 9.9. other decisions assigned to the scope of powers of the Board by the decisions of the general shareholders' meeting.
10. It is provided in the Articles of Association that the Board must obtain the approval of the general shareholders' meeting before adopting the decisions. The approval given by the general shareholders' meeting shall not release the Board from responsibility for the decisions adopted.
11. The Board shall analyse 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 organisation 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 analyse 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 shareholders' meeting together with the annual report of the company.
13. The Board shall be responsible for the convening and organisation of the general shareholders' meeting 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 arrange 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 relevant to the matters on the agenda.

### ***Manager of the company***

Manager of the company – director general - is a single-person management body of the company.

1. The director general organise daily activities of the company, hire and dismiss employees, conclude and terminate employment contracts therewith, provide incentives and impose penalties.
2. The director general shall establish property depreciation calculation norms applied in the company.
3. The director general shall act on behalf of the company and shall be entitled to enter into transactions at his own discretion. The Articles of Association provide for the cases, where the director general may enter into transactions subject to the decision of the board of the company to enter into such transactions.
4. The director general shall be responsible for:
  - 4.1. organisation 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 shareholders' meeting, the Supervisory Board and the Board in the cases laid down by 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 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 (director general) of the company.

### **Members of management bodies**

The members of the supervisory board with the period of office going back to 19 November 2009, are as follows:

Rolandas Bražinskas, elected as the Chairman as of 3 March 2010, personal identification number 37004250160, does not hold LSC shares, employee of the Ministry of Communication of the Republic of Lithuania;

Ona Barauskienė, member, personal identification number 45601091010, does not hold LSC shares, employee of the Ministry of Communication of the Republic of Lithuania;

Kazimieras Gimbutis, member, personal identification number 33510290037, holds 1000 LSC shares or 0,0004 % of vote;

Helena Rogoža, member, personal identification number 45305120493, does not hold LSC shares, employee of the Ministry of Communication of the Republic of Lithuania;

Evaldas Zacharevičius, member, personal identification number 36212240630, holds 21081 LJC or 0,01 % of vote;

Data on shares varies and it is given in the end of the day of the general shareholders' meeting of 23 April 2010.

The members of the board with the period of office going back to 3 March 2010, are as follows:

Arūnas Štaras, Chairman since 20/03/2009 (member since 10/03/2009), personal identification number 35107020239, does not hold LSC shares, employee of the Ministry of Communication of the Republic of Lithuania;

Jelena Antonevič, member since 2005, personal identification number 45411010271, does not hold LSC shares, employee of the Ministry of Communication of the Republic of Lithuania;

Juozas Darulis, member since 10/03/2009, personal identification number 34501030651, does not hold LSC shares, employee of the Ministry of Communication of the Republic of Lithuania;

Vidutė Šarkienė, member since 2005, personal identification number 44504100521, does not hold LSC shares, employee of the Ministry of Communication of the Republic of Lithuania;

Vytautas Petras Vismantas, member since 2005, personal identification number 34707050308, holds 16400 LSC shares or 0,01 % of vote. Vytautas Petras Vismantas on 8 April 2010 resigned from the Director General and members of the board of LSC.

Data on shares varies and it is given in the end of the day of the general shareholders' meeting of 23 April 2010.

#### IV. 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, while in the end of the period - 11.

1. 1 general cargo ("Venta") – 24202 DWT.
2. 2 general cargo ("Romuva", "Voruta") – 17504 DWT each.
3. 2 general cargo "Clipper" type ("Deltuva", "Raguva") - 16900 DWT each.
4. 2 multipurpose ("Staris", "Svilas") – 9650 DWT each (*sold: "Svilas"- 13/01/2010, "Staris"- 25/02/2010*).
5. 1 general cargo ("Skalva") – 9498 DWT.
6. 1 general cargo ("Alka") – 7346 DWT.
7. 4 multipurpose "Asta" type ("Asta", "Akvilė", "Daina", "Audrė") – 5820 DWT each.

The scope of services rendered during the period from 2009 to 2010 is given in Table IV.1, employment of the vessels per year – in Table IV.2, and types of cargo carried – in Table IV.3 and diagrams attached thereto.

Table IV.1

#### Total scope of services rendered during the period from 2009 to 2010, LTL

Title	2009 1 <sup>st</sup> half	2009	2010 1 <sup>st</sup> half
Goods sold and services rendered	33,015,372	59,180,767	25,341,712

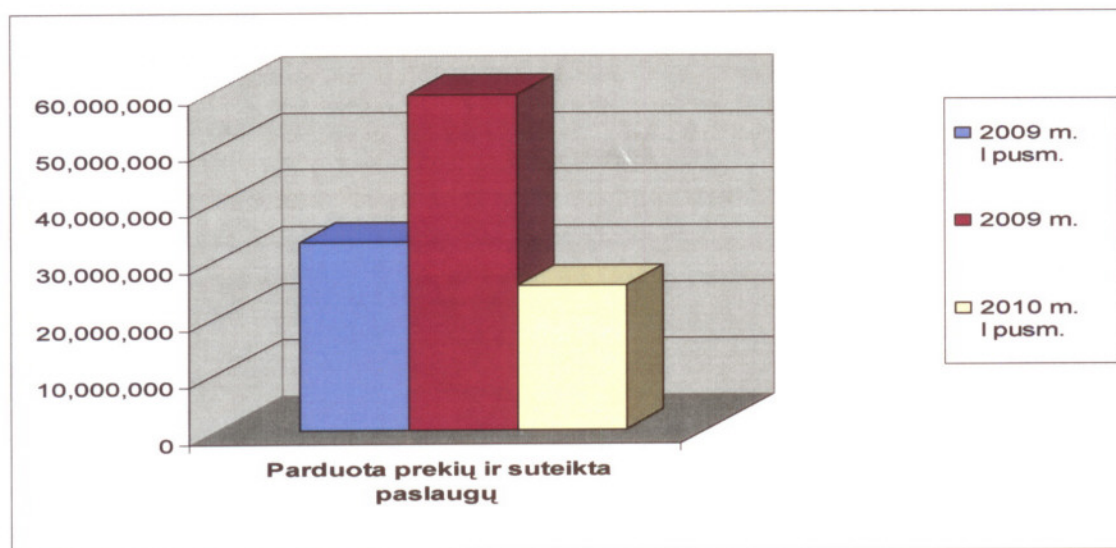
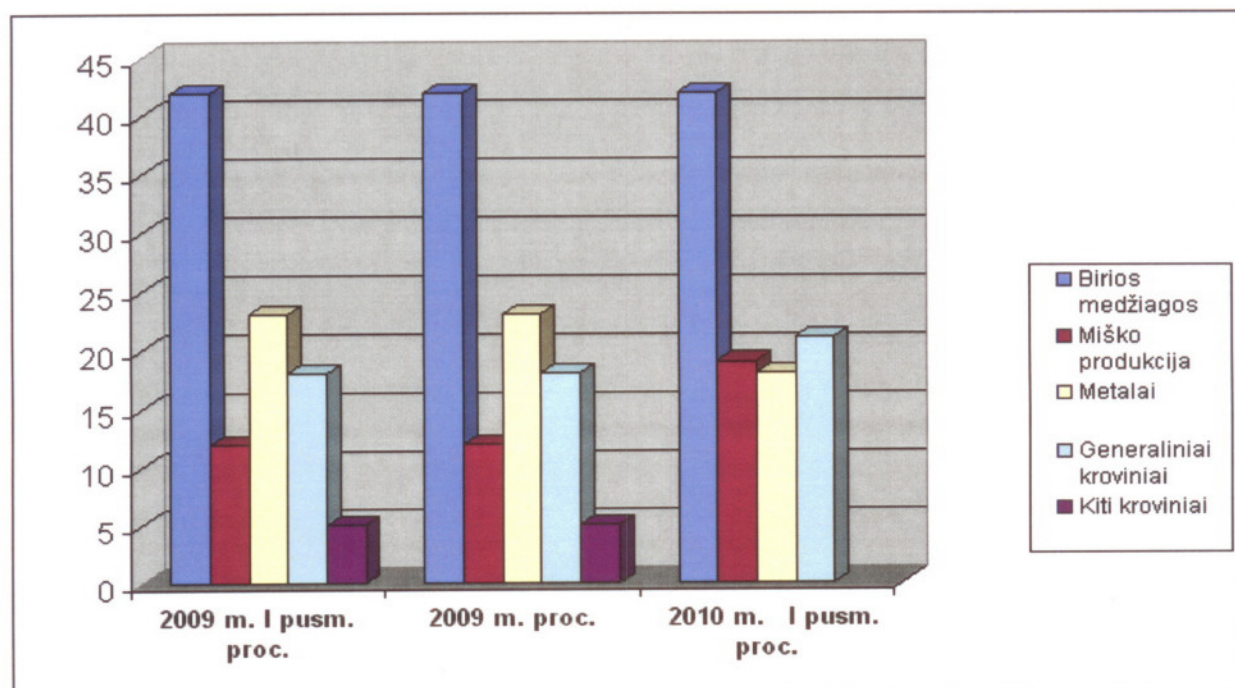


Table IV.3

### Types of cargo carried

Types of cargo carried	1 <sup>st</sup> half of 2009, percentage	2009, percentage	1 <sup>st</sup> half of 2010, percentage
Bulky goods	42	42	42
Wood products	12	12	19
Metals	23	23	18
General cargo	18	18	21
Other cargo	5	5	
<b>In total:</b>	<b>100</b>	<b>100</b>	<b>100</b>



### V. AVERAGE LISTED NUMBER OF EMPLOYEES AND WAGES, PERSONNEL STRUCTURE BY EDUCATION

On 30 June 2010 the company had 387 employees, including 52 onshore employees (in parallel on 30 June 2009 - 437 employees, including - 54 onshore). Comparing to the number of employees in the end of 2009 (426 employees) this number is less by 39 employees (9 %) due to decrease in the number of vessels.

During 6 months of 2010 the company dismissed 67 employees, including 3 masters, 5 chief mates, 6 mates, 20 AB sailors, 11 motorists, 2 cooks, 1 chief mechanic, 11 mechanics, 3 electrical engineers mechanics, 1 boatswain, 4 onshore employees.

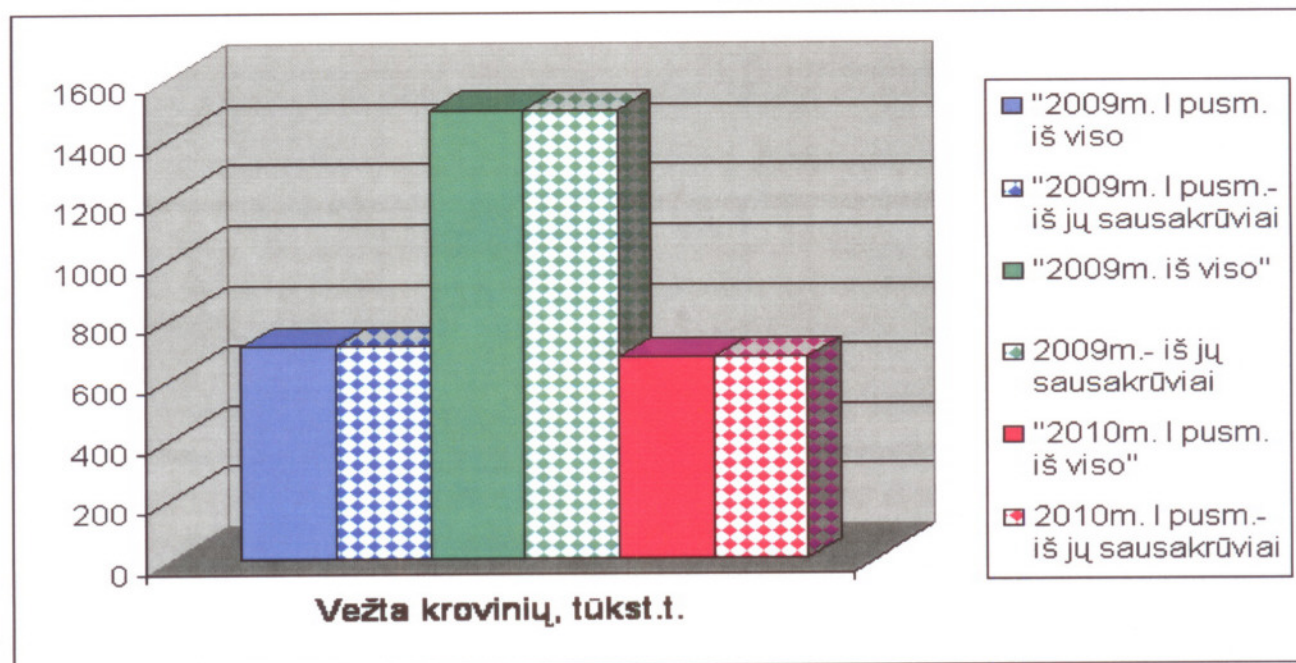
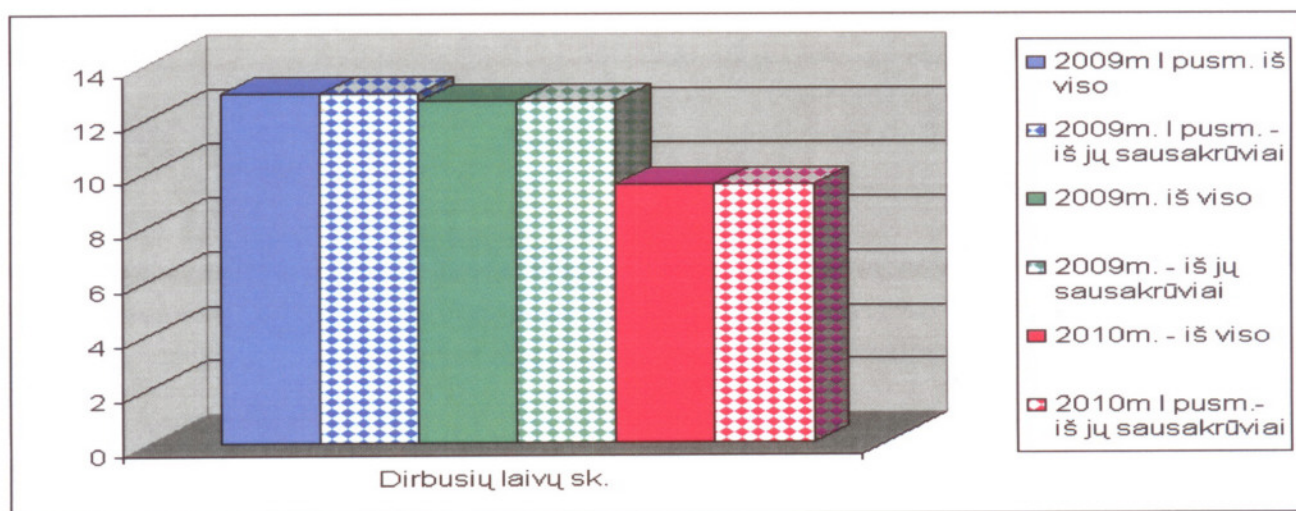
Reasons for dismissing the employees:

Article 124 of the Labor Code of the Republic of Lithuania (on decease of an employee) – 1; Article 125 of the Labor Code of the Republic of Lithuania (mutual agreement of the parties) – 2 employees; Article 126 of the Labor Code of the Republic of Lithuania (end of term of the contract) – 36 employees; Article 127(1) of the Labor Code of the Republic of Lithuania (at the initiative of the employee) – 22 employees; Article 136 of the Labor Code of the Republic of Lithuania (termination of employment contract without notice) – 6.

Table IV.2

### Employment of cargo vessels, average per year

Title of index	1 <sup>st</sup> half of 2009		2009		1 <sup>st</sup> half of 2010	
	In total	In including dry-cargo vessels	In total	In including dry-cargo vessels	In total	In including dry-cargo vessels
Number of vessels employed	12.9	12.9	12.6	12.6	9.5	9.5
Their deadweight, thousands of tons	156.5	156.5	154.6	154.6	136.8	136.8
Cargo carried, thousands of tons	708	708	1491	1491	667	667



During 6 months of 2010 the company hired 28 employees, including 4 of them onshore.

The company continually searches for new resources of skilled workforce due to the fact that the seamen are more and more hired by the foreign maritime companies, where their competence and experience is valued by higher wages than in Lithuania. The number of employees of pre-retirement age stayed in LSC after privatization: some of them have already left the company, but most of them are still employed in the company.

The number of employees of the company is influenced by specifics of the work, changes in work organization, number of vessels and need in crew subject to the number of vessels.

During 6 months of 2010 125 of the employees of the company were ill for 2062 days.

The money sums calculated for the director general and the chief financial officer of the company for 2009-2010 are given in V.1, the average listed number of employees and wages – in Table V.2, other information that needs to be revealed – Table V.3, company's personnel structure by education for the period from 2009 to 2010 – in Table V.4.

Table V.1

### Information on calculated sums

Title	1 <sup>st</sup> half of 2009		2009		1 <sup>st</sup> half of 2010	
	Wages*	Average monthly wages	Wages*	Average monthly wages	Wages*	Average monthly wages
Director General, Chief Financial Officer	122992	10566	110167	9736	97345	8112

\*whereof from the profit – N/A

Table V.2

### The average listed number of employees and wages (LTL)

Personnel group	Average conditional number of employees			Average monthly wages (LTL)*		
	1 <sup>st</sup> half of 2009	2009	1 <sup>st</sup> half of 2010	1 <sup>st</sup> half of 2009	2009	1 <sup>st</sup> half of 2010
Management	9	9	9	6,861	6,755	6,039
Experts	254	206	175	2,603	2,836	2,849
Workers	166	181	167	1,853	1,849	1,786
In total:	429	396	351	2,397	2,470	2,425

\* whereof from the profit – N/A

The company does not have any data on the amounts, calculated for the members of the supervisory board and the board of the company, who are not the employees of the company.

Table V.3

**Other information on director general and chief financial officer of Public Company “Lithuanian shipping company”:**

Name, surname	Position	Number of shares	Vote, percentage
Vytautas Petras Vismantas	Director General until 08/04/2010	16400	0,01
Arvydas Bogočionkas	Director General since 24/05/2010	-	-
Arvydas Stropus	Chief Financial Officer since 27/06/2001	-	-

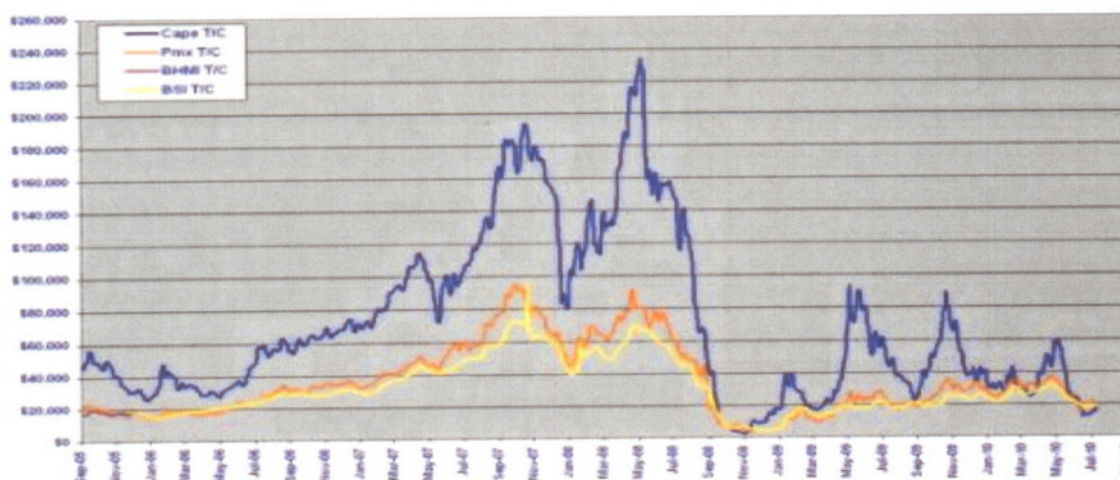
Table V.4

**Company’s personnel structure by education for the period from 2009 to 2010**

Education	Number of employees		
	1 <sup>st</sup> half of 2009	2009	1 <sup>st</sup> half of 2010
University	137	128	127
Special secondary (college)	182	180	167
Secondary	110	106	86

## VI. MARITIME MARKET

The maritime market has not been stable over the last few years; the hire rates have been continually fluctuating as well. The diagram below demonstrates that since the beginning of 2010 the market has been showing insignificant fluctuation, however, in May it reached the peak of the last few years. Unfortunately, the freight market recovered for a short time and already in June-July the indexes declined close to the level in 2008/2009.



The Year 2010 started optimistically. All analysts agreed that the beginning of the year was better than in 2009, when both the maritime economy and the economy of the whole world went through the crisis. It is estimated that the freight rates in the beginning of 2010 were approximately 30 % higher than during respective period of time in 2009. The scope of cargo has been continually increasing during the first six months, however, distinct abundance of vessels has remained – 2-3 vessels were offered to carry one cargo. This fact notwithstanding, the hire rates have been consistently increasing on *SPOT* (short-term contracts) market until April, to some extent enabling compensating increasing fuel costs as well as slightly increasing net income of the owners of the vessels. Quite times, characteristic to the summer season, started in June, when most of the European manufacturers and sellers are on vacation as well as the quantities of cargo carried significantly decrease.

The future of the maritime market remains hard to forecast. The number of small-sized dry-cargo vessels should not change on the market. It means that, as during the last few years, the freight rates in this segment will be affected by the scope of cargo on the market. Revival is expected in autumn after the summer vacation, when the carriage of grain cargo will start, however, there are quite a few negative signals as well: the fuel prices continue to increase, elements have a negative effect on the agricultural harvest (excess rainfall, flood, fire), and the global economies do not show significant recovery.

### ***Effect of the market changes on LSC operations***

Effect of crisis on LSC income is apparent, however, Q1 of 2010 can be referred to the period of stabilization – not only the slump in time-charter - hire rates was held up, but also the rates were increased by 29 % on an average (from minimum level in 2009, when total amount of hire rates was 41.800 USD per day, to 54.100 USD per day (excluding the MV „Alka“, which stood idle for 88 days during the first six months of 2010 due to breakdown). Taking advantage of the aforementioned upturn of the market in May (which, as it appeared later, was only temporary), LSC managed to prolong the time-charters during the negotiations with the charterers, which took place in the end of Q2, and close a bargain on higher rates. Since July 2010 („Venta“ – since 15/08/2010) the total average contractual amount of hire rates is 67.900 USD per day, i.e. the rates were increased by another 25% as compared to the beginning of 2010, or 62% higher than minimum rates in 2009.

One of major factors that could have effect on the results of activities is technical faults of the vessels. Considerable attention is given to maintenance of proper condition thereof, however, in the beginning of 2010 the company incurred losses as a result of detention of the vessels in foreign harbors („Deltuva“), off-hire, as well as extra costs due to various technical faults or breakdowns. Such circumstances can cause extra commercial losses, which have been avoided so far as a result of successful cooperation with reliable long-term partners and charterers.

It should be noted that following the recession on the market in July-August of 2010 as well as subject to prevailing negative climate as concerning the market recovery potential, LSC will manage to avoid the income slump during the next 6 or 12 months as a result of applicable new rates. For this period LSC is safe from such negative factors that could affect the net income of the vessels, as recovery of the fuel prices, increase in harbor expenses, autumn-winter weather conditions in the North Atlantic Ocean, etc.

## **VII. MAIN RISKS AND UNCERTAINTIES IN THE ACTIVITIES OF THE COMPANY**

LSC is a reliable and competitive company in terms of economics. The vessels have all valid necessary documents which allow shipping cargo with no limitations year round. There are no limitations set by the government for the activity. The company is founded for an unlimited period of time.

The company is a legal entity which can acquire on its own behalf and have rights and duties, be plaintiff or defendant, which in its activity follows the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, other laws, resolutions of the Government of the Republic of Lithuania, other legal acts, resolutions of the company's administration bodies and Articles of Association of the company.

The following several main risks and uncertainties the company faces can be distinguished:

- water pollution, especially with oil products and especially working in USA region. This risk factor is related to potential of vessel breakdowns. However, the vessels are insured for breakdowns and their consequences, therefore, the risk has no marked influence on financial results of the company;
- the risk to be in the zone of military actions or be attacked by pirates. Seeking to avoid this, the company lists non-navigation zones for the ships in vessel hire contracts or avoids such zones;
- illegal boarding. Although this risk is insured, yet, due to time lost for implementation of certain procedures and transfer and disembark the illegal aliens there is an income not received;
- raise in fuel prices – due to which amount of income received decrease when signing vessel hire contracts for the next period. The company's activity is sensitive to this type of risk which is very hard to control. Service rates in such case are increasing late with a slower scale. As a consequence the company has losses.
- working on the international market the company is especially sensitive to fluctuations of foreign currency rates, especially such of US dollar. In order to control the skid of currency rates the company sought to change to paying in Euros (did not happen in crisis conditions), balance in assuming long-term obligations and certain expenses. Changes taking place during this period of global crisis adjusted, in its own way, these company's goals, along with many other things. The company continues its negotiations with banks started in the beginning of the year on postponing credit refunds.
- age and technical condition of vessels. Seeking to maintain competitiveness of services, the company updated the fleet, where possible, although these actions in the period of economic crisis are undefined and unpredictable;
- vessel and cargo destruction. The company insures these risks in top insurance companies;
- *Force Majeure*, causes not subject to the company's will, which cannot be predicted and avoided (for example, the situation on economic and financial markets during the crisis with all the consequences it has, scales of need in consumption and shipment, economic growth rates, bankruptcy of companies, duration of the company's vessel repair, etc.).

As life shows, not all risks can be avoided, even when insured. Besides that, business, especially today, is operating on the basis of profit seeking at any cost rather than partnership principle.

## VIII. RESULTS OF ACTIVITIES IN 2010

*According to preliminary data not reviewed by auditors*, during 2010 the company had LTL 37.6 million loss, instead of estimated LTL 22.0 million before tax. The loss was greater by LTL 15.6 million compared to the estimated one, including LTL 12.1 million – due to negative change in foreign currencies exchange rate and fleet expenses increasing by LTL 4.4 million. The company's result of the period was affected by LTL 18.1 million residual value of 2 sold vessels "Svilas" and "Staris" (not planned).

In 2010, the company earned LTL 35.3 million income, including LTL 25.3 million from the fleet activities, LTL 10.0 million from sales of 2 vessels.

LSC earns its main income from fleet. After selling the fleet services 72 % of the company's sales were earned. Income earned was LTL 1.0 million more than planned in the budget. In 2010 the sales were smaller than in 2009 by LTL 7.6 million as the vessels worked less than 616 days (less of vessels), time-charter equivalent per day was smaller by LTL 528. During the first half it was planned to repair 4 vessels for 85 days. In practice, 5 vessels were repaired for 279 days (including unplanned emergency repair of MV "Alka"). During the first six months of 2010 "Alka", "Audrė", "Skalva", "Raguva", „Venta“ were repaired. Repair of MV „Akvilė“ was postponed (20 days planned). Repair of the vessels took longer than planned by 194 days, thus, the vessels did not earn LTL 2.9 million of planned income on the average. The company's activity results were also affected negatively by detention of vessel „Deltuva“ in San-Chuan Port (Puerto Rico, USA) which took one month. This cause LTL 0.5 million income not received and costs of legal advice increased. Monetary guarantee for USD 0.5 million was remitted for resolving the case and remove the attachment of the vessel. A 12 %

increase in vessel rent fee rates per day until 1 March 2010 and arrears received in 2009 partially compensated losses of the Company.

Vessels of the company, except of "Alka", worked according to time-charter contracts. By directly hiring "Alka" not according to time-charter contract, income earned increased. However, trip expenses were LTL 1.7 million bigger than planned in the budget. In 2010, income from vessels day rent (time-charter equivalent) amounted to EUR 3,572 (LTL 12,335). Time-charter equivalent comparing with the previous year period is smaller by EUR 153, or LTL 528, and is bigger by EUR 59, or LTL 204 comparing with the budget.

The Company earns the main income in USD. Currency of vessel sale is also USD. In 2010, US dollar on the average equaled to LTL 2,60 (in 2009 – LTL 2,4828, including in December 2009 - LTL 2,3616, in 2008 – LTL 2,36, including in December 2008 - LTL 2,56, in 2007 – LTL 2,52, including in December 2007 – LTL 2,37). The Company's services were sold at the average rate of LTL 2.57 at US dollar price. US dollar price planned in the budget is LTL 2,53. Due to the difference between the actual and the planned rate of US dollar, the Company received on the average LTL 0,409 million more income for the reporting period.

Expenditures of the Company on income earning amounted to LTL 72.9 million, including fleet expenditures - LTL 39.1 million (54 %), general and administrative expenditures - LTL 2,5 million (3 %), interests expenditures of loans for vessel purchase - LTL 1,0 million (1 %). LTL 12.1 million loss was incurred over the period from the transactions in foreign currency (similar, in 2009 – LTL 0.8 million), which totals 17 % costs of LSC. LSC expenditures also calculated LTL 18.1 million, i.e. residua values of 2 vessels sold, amounting to 25 % of total expenditures of the company.

The costs of LSC are given in the profit-and-loss appropriation account of LSC as per respective activities. LSC expenditures according to corresponding articles are allocated as follows: LTL 12.7 million (17 %) - vessels operating costs, LTL 4.7 million (6 %) – vessels repair, 0.7 (1 %) other administration and sales costs; LTL 10.4 million (14 %) - employees' expenses; LTL 13.1 million (18 %) - vessels and other property wear; LTL 1.0 million (1 %) - interests for loans for vessel purchase paid to the bank; LTL 12.1 million (17 %) – negative variation of foreign currency rate due to transactions in foreign currency. It should be noted that having sold 2 vessels with residual value of LTL 18.1 million for LTL 10 million, the loss of LTL 8.2 million was incurred.

Without covering all components of the Company's expenses, we will present a detailed review of several predominating and the most significant expenses.

In 2010, personnel expenses amounted to LTL 10.4 million (14 %) and were LTL 2.4 million less than in 2009.

LTL 13.1 million or 18 % of the company's expenses consist of depreciation expenses, LTL 2.0 million (3 %) – insurance expenses. This is practically fleet expenses. Those are less than or not exceeding the estimated.

In 2010, vessels repair and spare parts expenses amounted to LTL 7.9 million, which comprises 11 % of the company's expenses. Over the reporting period they were LTL 1.1 million higher than the planned ones because of spare parts expenses.

*Off-hire* (non-received rent due to vessel breakdown, failures, arrests, etc.) amounted to LTL 1.2 million, i.e. 3.0 % of the fleet, or 2 % of LSC costs. Causes of *off-hire* are technical (MV „Deltuva“ – LTL 0.5 million due to breakdown of cranes, rent, detention in San-Chuan Port, Puerto Rico, USA; “Skalva” – LTL 0.4 million due to cranes; “Audrė” – LTL 0.2 million – hatchway repair).

## IX. RISK CONTROL

Employees of LSC Maritime Safety Control Service implement preparation and processing of maritime safety and vessel regulative documents, internal accounting vessel safety, provision of vessels with necessary documents, examination of knowledge, certification of skippers for higher position, etc.

There is no separate internal control division or employee in LSC. Internal control functions are implemented by the heads of each division according to competence or, if necessary, implemented by order of the Director General, or specialized companies or physical persons are hired in separate cases.

Seeking to control administration of various types of risks, certain conditioning causes are analyzed, certain preventive means are implemented, on the basis of analysis guidelines are prepared, new requirements in internal documents and rules of the company are set, etc. In separate cases collegial decisions are made, commissions for certain actions or certain decision making or offering are formed.

Maritime Safety Control Service prepares and manages regulatory documents for maritime safety and vessels in the Company, implements internal audit of vessels, provides vessels with necessary document, examines knowledge and certificates navigators, etc.

## **X. SUBSIDIARIES AND REPRESENTATIONAL OFFICES**

The company has no subsidiaries and representational offices.

## **XI. FINANCIAL ACTIVITY**

In 2010 the Public Company "Lithuanian Shipping Company" had its accounts in the following banks: AB *SEB bankas*, AB *DnB NORD*, Danske Bank A/S, Lithuanian branch. The main turnover of money for the obligations undertaken with the bank went through AB *SEB bankas*.

In 2010 the company paid LTL 2.033 million of the credit together with interests to SEB bank, including credit – LTL 1.0 million and interests - LTL 1,036 million. The company's debt to the bank for the loans to acquire the ships on 27.02.2015 amounted to LTL 85.1 million as of 30.06.2010. The company refunded LTL 12.8 million (15 per cent) in 2010. The biggest part of the credit, i.e. LTL 49.8 million (59 per cent) is the credit provided until 2015. The company refunded the whole credit of USD 3,2 million provided for 4 "Asta" type vessels until 30.11.2010 before term and USD 4,0 million of the credit provided until 30.10.2009 for 2 "Clipper" type vessels before term using the monetary assets reserve which was accumulated in 2008. Interests in USD amounting to 2.6 % after the last fixation in July increase up to 2.95 %. 9 vessels were mortgaged for the bank loans. With consideration of market situation, in the beginning of 2009 the company applied to the bank for postponing a part of the loan. The refunding is postponed until July 2010.

Payments to the personnel are made in accordance with the Collective Agreement of March 30, 2004 of AB "Lithuanian Shipping Company", the Rules of the Work Pay System for Coast Employees and the Order of Payments for the Work of the Director General, Directors and the Chief Accountant. Special rights and obligations of employees or a part of them specified in the Collective Agreement are duration of sailor's work in sailing (amounting to 6-8 months in some cases), possible sailor's work in military action zones with sailing specificities, specificity of work and time-off as well as specifics in navigation company, compliance with requirements of international work organization conventions and other international regulative documents and legal statements, period for sailors in reserve, etc.

The Company pays considerable attention to its performance analysis, administration of process of its financial statements preparation and improvement of accounting procedures. The debts of freighters and the status of their settlement are under constant control. Due to changes in economic and financial condition of the company need in various reports and data to be furnished greatly increases.

### **Taxable profit**

For 2007 and later taxation periods the Company chose to apply a fixed income tax rate on its taxable profit.

### **Segments**

Information on LSC segments is specified in the (a) Segments section of Explanatory Letter of the financial reports for the period ended on 30 June 2010.

## **XII. SIGNIFICANT EVENTS AFTER FINANCIAL YEAR ENDS**

2 vessels sold.

## **XIII. SHAREHOLDERS HAVING SPECIAL CONTROL RIGHTS AND THEIR DESCRIPTION**

None.

## **XIV. LIMITATIONS OF VOTING RIGHTS**

None.

## **XV. SHAREHOLDERS AGREEMENTS**

Shareholders agreements which the company knows about and which can limit transfer of the securities and (or) the voting rights - None.

The company's shares are common inscribed shares of one category providing equal rights to their owners (shareholders).

One common inscribed share of the company provides its owner (shareholder) with the following property rights:

### **Property rights of the company's shareholders:**

1. To receive a part of the Company's profit (dividend);
2. To receive shares, when the authorized capital is decreased seeking to pay the Company's assets to the shareholders;
3. To receive shares for free, when the authorized capital is increased using the Company's assets, except of cases specified in the Law on Companies of the Republic of Lithuania;
4. Priority right to acquire shares or convertible bonds issued by the Company, except of the case when the general meeting of shareholders decides to annul priority right for all the shareholders;
5. To borrow money to the Company according to methods specified by the laws; however, while borrowing money from its shareholders the Company has no right to mortgage its property to the shareholders. When the Company is borrowing money from its shareholder, interests cannot exceed average interest rate of commercial banks located at residence or business place of the credit giver valid at the moment of making credit agreement. In such case the Company and the shareholders are not allowed to agree for a greater interest rate;
6. To receive a part of property of the Company being liquidated;
7. Other property rights specified by the Law on Companies of the Republic of Lithuania and other laws.

### **Non-property rights of the company's shareholders:**

1. To participate in general shareholders' meetings;
2. To submit questions related to questions in agenda of the general meetings of shareholders to the company in advance;
3. To vote during the general meetings of shareholders according to votes provided by the shares;
4. To receive information on the Company according to procedure specified in its Articles of Association;
5. To appeal to court with a lawsuit requesting to compensate damage done to the Company that originated due to failure to fulfill or improper fulfillment of obligations of the Company's director and members of the board specified in the Law on Companies of the Republic of Lithuania and other laws, and in other cases specified by the laws;
8. Other non-property rights specified by the Law on Companies of the Republic of Lithuania and

other laws.

## **XVI. SIGNIFICANT AGREEMENTS**

No significant agreements between the issuer, directors of the issuer, its employees and other persons were made.

## **XVII. LIMITATIONS OF TRANSFER OF THE SECURITIES**

Rights of disposal of 70806 shares of the company (1 legal and 1 physical persons) are limited due to arrest-of the shares.

## **XVIII. VESSEL REPAIR**

During the 1<sup>st</sup> half of 2010 planned repair of four vessels and emergency repair of MV "Alka" due to fractured propeller shaft were completed. Three ships were repaired in one of the dockyards closer to Klaipėda. This allowed controlling the course of repair more effectively and providing necessary assistance and support from the Fleet Maintenance Division of LSC. One of the ships was successfully repaired in China dockyard, which was cooperated with in repairing the company's ships previously as well. Choice of a dockyard is always conditioned by the region of the ships' navigation, experience of those dockyards in ship repair and reliable partnership.

For the purpose of saving money the company has formed a team of repairers of the best marine engineers who implement scheduled and emergency repair while the vessel is both in port and at sea.

## **XIX. INSURANCE AND CLAIMS**

Vessels of AB "Lithuanian Shipping Company" and accountability of the vessel's owner due to freight and other claims are insured in insurance companies and mutual insurance clubs.

### **Due to freight shipment**

As of 01.01.2010, LSC had 5 claims. As of 30.06.2010, 4 claims and 2 notification left together with new claims and notifications, including amount of 1 claim EUR 225,000 and of other 3 claims—USD 130,378.69.

In 2010, 3 claims were resolved until 30.06.2010, one amounting to USD 3,568.50 and 2 claims for EUR 7,317.48 and EUR 2,211 correspondingly.

### **Other claims**

As of 01.01.2010, LSC had 20 claims. As of 30.06.2010, 17 claims left, including new claims received. The following large claims were complied with during the reporting period:

1. MV. „Skalva“. Fire onboard on 03.01.2006. Insurance benefit received for USD 161,787;
2. MV „Romuva“. Vessel hull damage on 03.11.2008. Insurance benefit received for USD 30,551;
3. MV „Venta“. 4 refugees onboard on 12.01.2010. The refugees were unshipped in France and hand over them to the French authorities.

### **Coast claims**

As of 01.01.2010, LSC had 4 claims left. As of 30.06.2010, there were 4 proceedings still in process:

1. On 15.07.2008 Klaipėda Circuit Court received lawsuit of A. Zenkevičius regarding compensation of losses for the defendants Nijolė Žeimienė, UAB „Pamario Andova" ir the third party AB "Lithuanian Shipping Company". With its resolution dated 21 January 2009 Klaipėda Circuit Court

suspended the case until resolution in the civil case of Klaipėda District Court is passed and came into force.

2. On 23.03.2010 an appellate appeal of I. Smirnova in civil case was received. Claim amount is LTL 410,832.28 Lt. The case is still not assigned.

3. On 16.01.2009 the court made an order regarding exaction of LTL 2,984.05 debt from UAB „Eurohaus” (came into force on 11.02.2009). The debtor fails to comply with the bailiff’s orders; the debt is still not exacted.

4. On 27.11.2008 the court made an order regarding exaction of LTL 10,207.4 debt from UAB „Klaipėdos birža” (came into force on 09.01.2009). The debtor fails to comply with the bailiff’s orders; the debt is still not exacted.

## **XX. ACTIVITY PLANS AND ESTIMATES**

Strategic goals of the Company’s activity consist of two parts:

1. Financial goals – to optimize financial activity of the company, to stabilize income, to ensure the company against fluctuations in currency exchange rates.
2. Strategic goals – to increase profit of the shareholders even under unfavorable conditions of the market, – to optimize activity of the company, to reduce maintenance costs of the vessels and vessel repair costs, to secure maritime safety.

Lithuanian Shipping Company is a company well known on the navigation market and valued as a reliable partner. Seeking to continue operating with a due competitiveness, in the future LSC plans to update its fleet by acquiring new vessels with a greater cargo-carrying capacity. With global crisis affecting the vessel rent market negatively as well, LSC have made time-charter contracts ensuring stable income. A growth in the company’s income is expected for the nearest 12 months as the agreements specifying greater rates for the services will come into force.

LSC development plans will depend on global economics, navigation market, profit of the company and resolution of the Government of the Republic of Lithuania regarding the future of LSC.

## **XXI. INFORMATION ABOUT AUDIT OF FINANCIAL STATEMENTS**

The audit of 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.

## **XXII. DATA ON INFORMATION ANNOUNCED PUBLICLY**

Implementing its liabilities in accordance with applied legal statements regulating the securities market the, Company has publicly announced the following information during the period of January-June 2010:

### **Data**

31.05.2010- 15:33 LSC: Public Company "Lithuanian Shipping Company" 2010 three months progress information

27.05.2010- 15:12 LSC: Public Company "Lithuanian Shipping Company" 2010 three months activity results

19.05.2010- 10:17 LSC: Board of Public Company "Lithuanian Shipping Company" elected new Director General

03.05.2010- 11:05 LSC: Public Company "Lithuanian Shipping Company" 2008 annual information

03.05.2010- 10:08 LSC: Public Company "Lithuanian Shipping Company" decisions of meeting of shareholders taking place on 30.04.2010

09.04.2010- 13:54 LSC: Public Company "Lithuanian Shipping Company" drafts of decisions of general meeting of

**Data**

shareholders

09.04.2010- 08:57 LSC: Regarding appointment of Director General of the Public Company "Lithuanian Shipping Company"

07.04.2010- 09:27 LSC: Public Company "Lithuanian Shipping Company" routine general meeting of shareholders

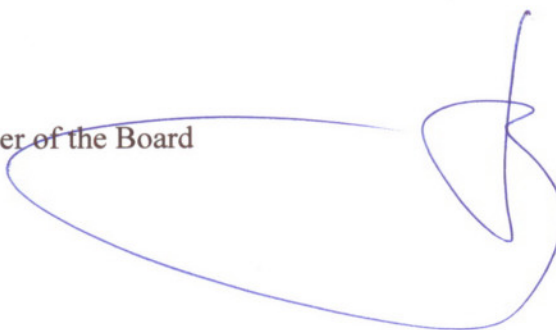
26.02.2010- 16:18 LSC: Public Company "Lithuanian Shipping Company" preliminary 2009 12 months semi-progress information

05.02.2010- 14:13 LSC: Announcement regarding deprivation of voting rights on 04.02.2010

25.01.2010- 13:32 LSC: Public Company "Lithuanian Shipping Company" preliminary 2009 activity results

Information on publicly announced significant events of 2010 can be accessed in the Public Company "Lithuanian Shipping Company", address: Malūnininkų 3, Klaipėda, office 311, chief accountant in charge Arvydas Stropus. Information is also announced on the company's web-site [www.ljl.lt](http://www.ljl.lt).

Director General, member of the Board



Arvydas Bogočionkas