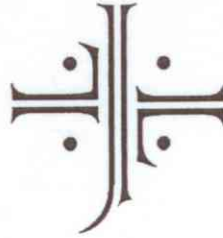


AKCINĖ BENDROVĖ
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

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

2012-03-16 Nr. (01)-5- 44
Klaipėda

l _____ Nr. _____

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

Following the Rules of Preparation and Submission of Periodic and Supplemental of the Securities Commission of the Republic of Lithuania as well as the Law on Securities of the Republic of Lithuania, Item 22, we hereby confirm that, to the best of our knowledge Financial statements for the year ended 31 December 2011, drawn in accordance with the International Financial Reporting Standards, corresponds to the reality and properly reflects the assets, liabilities, financial state, profit or loss and cash flows of Public Company "Lithuanian Shipping Company".

We hereby also confirm that, to the best of our knowledge, the report on business development and activities, Company's state and the description of the main risks and uncertainties encountered by the Company, as provided in the enclosed Interim Report for the year 2011, is correct.

Public Company "Lithuanian Shipping Company"
General Director


Arvydas Bogočionkas

Public Company "Lithuanian Shipping Company"
Chief Accountant


Arvydas Stropus

**Public Company Lithuanian Shipping
Company**

Financial statements for the
year ended 31 December 2011

Contents

Company details	1
Independent auditor's report to the shareholders of Public Company Lithuanian Shipping Company	2
Statement of financial position	5
Statement of comprehensive income	6
Cash flow statement	7
Statement of changes in equity	8
Notes to the financial statements	9
Annual report for the year ended 31 December, 2011	34

Company details

Public Company Lithuanian Shipping Company

Telephone: +370 46 393105

Telefax: +370 46 393119

Company code: 110865039

Address: Malūnininkų g. 3, Klaipėda

Supervisory Council

Tomas Karpavičius (Chairman)

Ona Barauskienė

Evaldas Zacharevičius

Kazimieras Gimbutis

Helena Rogoža

Board

Arūnas Štaras (Chairman)

Jelena Antonevič

Juozas Darulis

Rolandas Bražinskas

Arvydas Bogočionkas

Auditor

KPMG Baltics, UAB

Banks

AB SEB Bankas

AB DNB Bankas

Danske bank A/S Lithuanian branch



„KPMG Baltics“, UAB
Naujoji Uosto st. 11
LT-92121 Klaipėda
Lithuania

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Fax: +370 46 48 00 13
E-mail: klaipeda@kpmg.lt
Website: www.kpmg.lt

Independent auditor's report to the shareholders of the Public Company Lithuanian Shipping Company

Report on the financial statements

We have audited the accompanying financial statements of the Public Company Lithuanian Shipping Company (“the Company”), which comprise the statement of financial position as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 5-33.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified opinion

The Company has not reviewed the remaining useful lifetime and residual values of the vessels, the carrying amount of which amounted to 199 720 thousand LTL as at 31 December 2011, as prescribed by the International Financial Reporting Standards. Furthermore, the Company did not provide sufficient documentation substantiating correctness of the accounting of capitalised repair costs related to regular inspection of the vessels. By applying alternative audit procedures we could not obtain sufficient and appropriate evidence to ascertain that the accounting of the capitalised repair costs related to regular inspection of the vessels comply with the requirements of IAS 16. Consequently, we were not able to determine whether any adjustments might be necessary to the carrying amounts of the vessels, the result for the year and the equity recognised as at 31 December 2011.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 27 in the financial statements which describes that the Company incurred a net loss of 27 610 thousand LTL during the year ended 31 December 2011 and, as of that date, the Company's current liabilities exceeded its current assets by 41 762 thousand LTL. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

This auditor's report supersedes our previous auditor's report dated 8 March 2012 on the financial statements of the Public Company Lithuanian Shipping Company for the year ended 31 December 2011. In the previous auditor's report we expressed a qualified opinion on the mentioned financial statements. As disclosed in the note 25 of the accompanying financial statements, a Board meeting held on 12 March 2012 decided to return the financial statements for the year 2011 to the Company's management for revision.

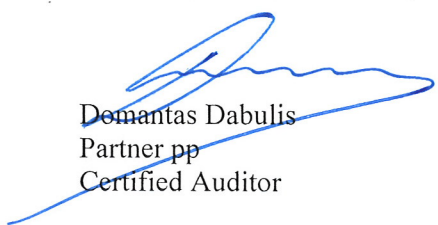
Other information

The financial statements of the Public Company Lithuanian Shipping Company for the year ended 31 December 2010 were audited by another auditor, who on 14 March 2011 issued an unqualified auditor's opinion on these financial statements with an emphasis of matter due to uncertainty associated with the Company's going concern.


Report on other legal and regulatory requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2011, set out on pages 34-69 of the financial statements, and have not identified any material inconsistencies between the financial information included in the Annual Report and the financial statements for the year ended 31 December 2011.

On behalf of KPMG Baltics, UAB



Domantas Dabulis
Partner pp
Certified Auditor



Mindaugas Bartkus
Certified Auditor

Klaipėda, Republic of Lithuania
16 March 2012

Approved by the annual general meeting of shareholders

On _____, 2012

STATEMENT OF FINANCIAL POSITION
31 December, 2011

	Notes No.	31-12-2011	31-12-2010
Intangible assets	2	15	39
Tangible assets	1	207.237	239.279
<i>Total non-current assets</i>		<i>207.252</i>	<i>239.318</i>
Inventories	3	2.437	1.307
Prepayments	3	1.432	1.319
Trade receivables	4	750	3.087
Other receivables	4	190	173
Cash and cash equivalents	5	1.793	2.067
<i>Total current assets</i>		<i>6.602</i>	<i>7.953</i>
<i>Total assets</i>		<i>213.854</i>	<i>247.271</i>
Share capital	6	200.901	200.901
Legal reserve	7	-	1.283
Other reserves	7	-	-
Retained profit (loss)		(65.461)	(39.134)
<i>Total equity</i>	19	<i>135.440</i>	<i>163.050</i>
Payables to credit institutions	8	30.050	53.184
<i>Total non-current liabilities</i>		<i>30.050</i>	<i>53.184</i>
Payables to credit institutions	8	36.553	22.818
Trade payables	11	5.468	1.306
Received prepayments	11	3.266	4.536
Employment related payables	10	2.130	1.850
Profit tax liabilities	9	66	67
Other payables	11	881	460
<i>Total current liabilities</i>		<i>48.364</i>	<i>31.037</i>
<i>Total shareholders' equity and liabilities</i>		<i>213.854</i>	<i>247.271</i>

The notes set out on pages 9-33 form an integral part of these financial statements.

Chief Executive Officer

Arvydas Bogočionkas

Approved by the annual general meeting of shareholders

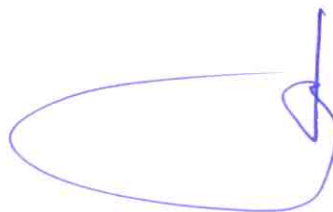
On _____, 2012

STATEMENT OF COMPREHENSIVE INCOME
31 December, 2011

	Notes No.	31-12-2011	31-12-2010
Sales	12	78.169	62.172
Cost of sales	13	(96.553)	(80.258)
Gross result		(18.384)	(18.086)
Administrative expenses	14	(5.847)	(4.529)
Distribution expenses		(22)	(14)
Other operating income	15	143	23
Other operating expenses	15	(3)	(8.040)
Operating result		(24.113)	(30.648)
Financial income	16	5	-
Financial expenses	16	(3.436)	(8.421)
Net financial expenses	16	(3.431)	(8.421)
Profit (loss) before tax		(27.544)	(39.069)
Income tax expense		(66)	(65)
Profit (loss) for the year		(27.610)	(39.134)
Other comprehensive income, net of income tax		-	-
Total comprehensive income		(27.610)	(39.134)
Basic and diluted earnings (loss) per share (in litas)	17	(0,14)	(0,19)

The notes set out on pages 9-33 form an integral part of these financial statements.

Chief Executive Officer



Arvydas Bogočionkas

Approved by the annual general meeting of shareholders
On _____, 2012

CASH FLOWS STATEMENT
31 December, 2011

Articles	Notes No.	31-12-2011	31-12-2010
Cash flows from operating activity			
Profit (loss) for the period		(27.610)	(39.134)
Adjustments for:			
Depreciation and amortization	1,2	27.323	31.367
Effects of exchange rate changes on loans	8	938	6.161
Gain (loss) on disposal of property, plant and equipment	15	(7)	8.030
Impairment loss on vessels	1	9.072	-
Interest expenses, net	16	2.071	2.250
Income tax expense		66	65
Changes in deferred tax and provisions		-	-
Operating cash flows before changes in working capital		11.853	8.739
Decrease (increase) in receivables	3,4	2.207	(2.635)
Increase (decrease) in payables	10,11	3.028	(4.678)
Decrease (increase) in inventories	3	(1.130)	134
Cash flows generated from operating activities		15.958	1.560
Income tax paid		(65)	(96)
Interest paid	16	(2.076)	(2.250)
Net cash flows from operating activities		13.817	(786)
Cash flows from investing activities			
Acquisitions of non-current assets	1,2	(3.815)	(4.855)
Disposals of non-current assets	15	57	10.095
Received dividends and interests	16	5	-
Net cash flows from investing activities		(3.753)	5.240
Cash flows from financing activities			
Dividends paid to shareholders		(1)	(2)
Repayments of loans	8	(10.337)	(3.627)
Net cash flow from financing activities		(10.338)	(3.629)
Change in cash and cash equivalents		(274)	825
Cash and cash equivalents at 1 January		2.067	1.242
Cash and cash equivalents at 31 December		1.793	2.067

The notes set out on pages 9-33 form an integral part of these financial statements.

Chief Executive Officer

Arvydas Bogočionkas

Public Company Lithuanian Shipping Company

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

Financial statements for the year ended 31 December 2011 (thousands of litas, if not indicated otherwise)

Approved by the annual general meeting of shareholders

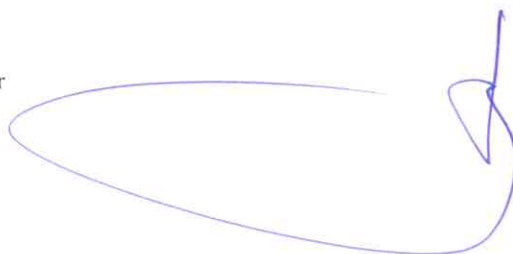
On _____, 2012

STATEMENT OF CHANGES IN EQUITY
31 December, 2011

	Share capital	Legal reserve	Other reserves	Retained profit (loss)	Total
<i>Balance as at 31.12.2009</i>	200.901	20.090	10.068	(28.875)	202.184
Comprehensive income for the period				(39.134)	(39.134)
Used reserves		(18.807)	(10.068)	28.875	
<i>Balance as at 31.12.2010</i>	200.901	1.283		(39.134)	163.050
Comprehensive income for the period				(27.610)	(27.610)
Used reserves		(1.283)		1.283	
<i>Balance as at 31.12.2011</i>	200.901			(65.461)	135.440

The notes set out on pages 9-33 form an integral part of these financial statements.

Chief Executive Officer



Arvydas Bogočionkas

Notes to the financial statements

I. Reporting entity

Public Company Lithuanian Shipping Company (LJL) is a joint-stock company established after reorganizing Public Company Lithuanian Shipping Company (LISCO). LJL was registered in the Registry of Legal Entities, certificate No. 027245. LJL registration date is 27 June, 2001, company code is 110865039. The address of LJL is Malūnininkų g. 3, Klaipėda. Main activities of the Company are cargo carrying by sea transport and lease of ships.

Management bodies of the Company are general meeting of shareholders, supervisory board, board and Chief Executive Officer.

At the end of the year 352 employees were employed in the Company, 37 of them worked in management divisions and 315 as seafarers.

The shareholders of the Company were on 31 December, 2011:

	31-12- 2011		31-12- 2010	
	Number of shares	Ownership percent	Number of shares	Ownership percent
State Property Fund	-	-	9.235.145	4,6
Ministry of Transport and Communication of the Republic of Lithuania	113.833.000	56,66	113.833.000	56,66
Swedbank AS (Estonia)	11.360.607	5,65	11.218.407	5,58
DFDS TOR LINE A/S	11.108.420	5,53	11.108.420	5,53
Concern Achema Group	-	-	10.551.330	5,25
Other small shareholders	64.599.269	32,16	44.954.994	22,38
Total:	200.901.296		200.901.296	

II. Significant accounting policies

(a) Statement of compliance

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

(b) Basis of measurement

The figures in financial statements are presented in litas which is the official currency of the Republic of Lithuania and the functional currency of the Company. The major part of income of the Company is received in USD, however a significant proportion of costs are in litas and euro which is related to litas at a fixed rate. All reports to shareholders, board, management, state institutions (State Tax Inspectorate, Sodra and Department of Statistics) must be provided in national currency. In addition, in order to protect against currency exchange risk the Company is considering going to work on euro in near future. Therefore, litas is the functional currency of the Company currently.

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

II. Significant accounting policies (continued)

(c) Use of estimates and judgements

The preparation of financial statements in accordance with IFRS as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

- Impairment losses on vessels

The carrying amounts of the Company's vessels are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Fair value is determined basing on valuation reports prepared by independent evaluators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable value.

- Useful lives of vessels

Asset useful lives are assessed annually and changed when there is reason to believe that the remaining live does not reflect the technical condition, economic exploitation and physical condition of the assets concerned.

- Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

II. Significant accounting policies (continued)

(c) Use of estimates and judgements (continued)

- Impairment of financial assets (continued)

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

- Impairment of non-financial asset

The carrying amounts of the Companys non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The below stated accounting principles of the Company coincide with the accounting principles of the previous year, except those that were adopted due to the amendments made in the former IFRS and amendments in the new IFRS, as approved from 1 of January, 2011.

II. Significant accounting policies (continued)

(d) Determination of fair values

A number of the Company's accounting policies and disclosures require determination of fair value, for both financial and non-financial assets and liabilities. Fair value is defined as the estimated amount for which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(e) Transactions in foreign currencies

Transactions in foreign currencies are evaluated in litas on the basis of the official foreign currency exchange rates established by the Bank of Lithuania at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are evaluated in litas regarding exchange rates at the end of year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are converted into litas at the exchange rate at the date that the fair value was determined. At the end of current year all operations denominated in Euros were converted applying the fixed exchange rate announced by the Bank of Lithuania (1 EUR = 3,4528 LTL) and the amounts in US dollars were converted applying the exchange rate where 1 USD = 2,6694 LTL.

Foreign exchange differences generated due to change of currency rate between litas and foreign currency determined by the Bank of Lithuania and appeared when executing currency operations or by revaluation of previously registered currency items are recognized as incomes or expenses of financial activity in the accounting period in which they appeared.

(f) Financial instruments

- Non-derivative financial instruments

Loans and receivables as well as deposits are accounted in the Company on the date that they are originated. Such financial asset is recognized at its fair value added the costs directly related to the transaction. After the initial recognition, loans and receivables are presented on the basis of their amortised cost value applying effective interest calculation method and less impairment losses.

Accounting of financial asset is terminated upon ending of contractual powers on cash flow generated by therein asset or upon transferring the right to receive the contractual cash flow related to financial asset including all risks and benefits related to therein financial asset. Any benefit created or maintained by the Company related to the transferred financial asset is accounted as separate asset or liability.

All other financial assets and obligations are acknowledged on the day of transaction when the Company becomes the party of the contract under the provision of financial instrument transaction. Such financial obligations are recognized at a fair value by adding any costs directly related to the transaction. After initial recognition, financial obligations are presented at amortised cost using effective interest method.

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

II. Significant accounting policies (continued)

(f) Financial instruments (continued)

- Non-derivative financial instruments (continued)

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

- Derivative financial instruments

Derivative financial instruments are initially recognized at their fair value; attributable transaction costs are recognized in profit (loss), when incurred. After initial recognition, derivatives are valued at fair value and resulting changes accounted in profit (loss).

The Company did not use any financial instruments of this category during the reporting period.

Statement of financial position

(a) Non-current tangible assets

In financial statements all the economic resources of the Company are recognised as assets if the Company expects to obtain benefits from these resources and the later ones have their value that can be determined reliably.

Tangible non-current assets in the financial statements are evaluated by the cost price of the actual acquisition or production of the assets less the accumulated depreciation and impairment losses. The cost price of Company's self-constructed asset includes the cost price of materials, direct labor and appropriate proportion of indirect labor.

Lease when the Company assumes all the risk and benefit related to the asset is accounted as finance lease. Owner's asset acquired through financial leasing is presented at present value at the beginning of lease of minimum lease payments less accumulated depreciation and impairment losses.

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

II. Significant accounting policies (continued)

Statement of financial position (continued)

(a) Non-current tangible assets (continued)

Depreciation is calculated since the first day of the next month after transfer of the asset for the usage and is not calculated from the first day of the next month after its writing-off or selling, and when the whole value of the used asset (without the liquidation value) is transferred to the cost of the production (works, services). Tangible non-current assets are depreciated applying the straight line method of the depreciation calculation.

Property groups	Useful lives (in years)
Vessels	20 after acquisition
Machines and equipment	7 – 16
Capitalised expenses of vessels inspections and overhauls	2-3
Buildings and constructions	68
Other vehicles	6-10
Other tangible assets	4

The management establishes useful lives of the long-term assets at the time of its acquisition, and later it is being reviewed each year. The time of useful service is being established following the experience of past of similar assets as well as the planned events in the future that can have influence upon the time of useful service. It can be changed if there is enough ground to think that the remaining service time does not reflect physical status of the asset and its economic usage. The Company reviews the residual value of the asset each year.

(b) Non-current intangible assets

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

(c) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities), that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

II. Significant accounting policies (continued)

Statement of financial position (continued)

(d) Inventories

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

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

(e) Receivables

Receivables of the Company are not traded in an active market. Receivables are included in current assets except for maturities greater than 12 months. Trade receivables are initially recognized at fair value. Loans and other receivables are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method, excluding impairment losses, if any. Short-term receivables are not discounted.

(f) Cash and Cash Equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. The Company has no cash equivalents currently.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash and call deposits held at banks. Income and loss, which is not realized and has occurred due to changes in foreign currency exchange rate, is not recognized as cash flow. However, influence of changes on cash and cash equivalents maintained or paid in foreign currency is presented in the statement of cash flow 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 flow and includes the differences of currency exchange if such are present which were determined in the cash flow at the end of the period.

(g) Borrowings

Borrowing expenses are recognised as costs as they are incurred or capitalized depending on the aim of borrowing. The Company capitalizes borrowing expenses which are directly attributable to the acquisition of the assets of long preparation, the construction or production as the part of cost price of the asset.

In the Company the borrowings are initially recognised at the fair value of the funds received adding the costs of the transaction. Later on they are stated at amortised cost and the difference between funds received and the amount that will have to be paid during the borrowing term is included into profit or loss of the period. The borrowings are presented as long-term if the financing agreement concluded till the date of the financial statements proves that the commitment at the date of the financial statements in its nature was long-term.

II. Significant accounting policies (continued)

Statement of financial position (continued)

(h) Dividends

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

(j) Provisions

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

(k) Employment related payments

Short-term payments to the employees are recognized as a current expenses in the period during which the employees render services. The Company considers wages, social security contributions, paid vacations, compensations for two first days of sickness, premiums, bonuses, grants, leave allowances, vacation reserves 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

Members of the board, general director, director for chartering, technical director, director for finance, chief accountant and their family members are considered as Company's related parties. The Company is not related to any legal persons.

Statement of comprehensive income

(a) Segments

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

(b) Sales

The income earning moment is the moment of supplying services when it is probable that the Company will receive the economic benefit related to the agreement, and the amount of income can be evaluated reliably. Incomes received by selling goods and services are recognized at fair value less returns and allowances, trade discounts and volume rebates. Services are considered as granted if the buyer pays for them immediately or without substantial additional conditions undertakes to pay later (when both parties sign the contract document: invoice, bill of lading, etc.). Money received from advance payments for services are recorded in accounting as increase of Company's obligations to customers. In this case incomes are recognized only after supplying services.

II. Significant accounting policies (continued)

Statement of comprehensive income (continued)

(b) Sales (continued)

Sales from vessel charter contracts are recognized according to the percentage of completion method: the percentage of completion is calculated by the proportion of actual time to the total estimated duration of a ship voyage.

(c) Cost of sales

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

Cost of sales includes costs related to the cash-generating unit depreciation, salaries and other expenses incurred in earning income.

(d) Distribution and administrative expenses

Expenses in accounting are recognized basing on an accrual basis in the accounting period when the related incomes are being earned regardless of the time when money was spent. In cases when during the reporting period costs incurred can not be directly attributed to the specific income and they will not produce income in future periods these expenses are recognized as costs in the period when it was incurred.

Distribution and administrative expenses consist of costs related to administrative staff, management, office expenses, depreciation, etc.

(e) Other operating income and expenses

Other operating income and expenses consist of the gains and losses from sale of vessels and other non-current assets, rental and other income and expenses which are not directly related to Company's primary activities.

(f) Financial activity's income and expenses

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

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

II. Significant accounting policies (continued)

Statement of comprehensive income (continued)

(g) Income tax

Calculation of profit 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 between the carrying amounts of assets and liabilities in the financial statements and their tax bases. An amount of deferred income tax depends on expected manner of realisation of assets and future settlements of liabilities and expected tax rates of the corresponding periods.

Following the amendments and supplements to the Income Tax Law of the Republic of Lithuania on May 3, 2007, the Company chooses to calculate a fixed rate profit tax for the tax period beginning on 2007 and subsequent tax periods. The base of the fixed rate profit 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 shipping entity. The fixed profit tax is payable in respect of activities relating to shipping. The profit tax for other activities not related to Company's vessels is payable in accordance with normal profit tax rate.

(h) Basic and diluted earnings (loss) per share

Basic earnings per share is calculated by dividing net profit attributable to ordinary equity holders by the weighted average number of ordinary shares. As there are no instruments that dilute equity, the basic and diluted earnings per share do not differ.

Other general notes on the financial statements

(a) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed except for the cases when probability, that the recourses providing economic benefit will be transferred, is remote.

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

(b) Subsequent events

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

(c) Financial risk factors

Credit risk

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

II. Significant accounting policies (continued)

(c) Financial risk factors (continued)

Credit risk (continued)

<u>In thousand LTL</u>	<u>31-12-2011</u>	<u>31-12-2010</u>
Prepayments	1.432	1.319
Trade receivables	750	3.087
Other receivables	190	173
Cash and cash equivalents	1.793	2.067
Total:	4.165	6.646

The major part of receivables consists of amounts due from Euro zone countries. Ageing of receivables is presented in note 4.

Liquidity risk

The Company in order to avoid the liquidity risk maintains sufficient flow of cash and cash equivalents or has financing through respective credit planning in advance as well as controlling cash flow. The Company has not approved a liquidity rate to aspire to; however the management shall aim at keeping the balance between unattractiveness and flexibility of financing. Liquidity rates of the Company are provided in Note 23.

The following are the contractual maturities of financial liabilities, including the estimated interest payments:

<u>Financial liabilities, in thousand LTL</u>	<u>31-12-2011</u>	<u>31-12-2010</u>
Carrying amount	66.603	76.002
Contractual cash flows	69.183	80.992
6 months and less	32.352	15.632
6-12 months	5.478	9.468
1-3 years	31.353	49.110
More than 3 years		6.782
Trade and other payables, in thousand LTL	31-12-2011	31-12-2010
Carrying amount	9.615	6.302
Contractual cash flows	9.615	6.302
6 months and less	9.615	6.302
6-12 months		
1-3 years		
More than 3 years		

Currency rate risk

Currency risk relates to sales and receivables, purchases and payables, borrowings and borrowing costs denominated in currencies other than litas and euro.

II. Significant accounting policies (continued)

(c) Financial risk factors (continued)

Currency rate risk (continue)

The Company's currency exchange risk was concentrated in the following items of the statement of financial position:

<u>In thousand USD</u>	<u>31-12-2011</u>	<u>31-12-2010</u>
Prepayments	349	413
Trade receivables	52	1.174
Other receivables	27	25
Cash and cash equivalents	653	752
Trade payables	(1.043)	(156)
Financial liabilities	(24.951)	(29.121)
Net currency exposure	(24.913)	(26.913)

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

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

<u>In thousand LTL</u>	<u>31-12-2011</u>	<u>31-12-2010</u>
Increase of currency exchange rate	10%	10%
Profit (loss)	6.650	7.000
Decrease of currency exchange rate	(10%)	(10%)
Profit (loss)	(6.650)	(7.000)

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

The functional currency of the Company is litas which is pegged to the euro at a fixed rate so exchange rate risks faced by the Company is related to purchases and sales expressed in other currencies than euro.

Interest Rate Risk

The company's loans are subject to variable interest rates related to LIBOR which is determined in every 6 months. The average effective interest rate in 2011 varied from 2.90 to 3.33 percent.

If average effective interest rate applicable to the Company's liabilities with variable interest rate in 2012 and in subsequent years would decrease or increase then until the final repayment date the interest expense would change as indicated in table:

II. Significant accounting policies (continued)

(c) Financial risk factors (continued)

Interest rate risk (continued)

Interest rate changes	Payable interests, thousand USD	Profit decrease / increase, thousand USD
At current interest rate	966,4	0
If the interest rate decreases 0,5 percent	811.9 (-16 percent)	154.5
If the interest rate increases 0,5 percent	1 120.9(+16 percent)	(154.5)
If the interest rate increases 1 percent	1 275.5 (+32 percent)	(309.1)
If the interest rate increases 2 percent	1 584.6 (+64 percent)	(618.2)

The evaluation was carried out by the current credit repayment schedules. The most likely changes in interest rate options were tested.

(d) Capital Management

The Company's policy is to keep the shareholders equity over borrowings at the level to maintain the confidence of investors, creditors and the market and to fund business development opportunities in the future 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 Company also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security offered by a sound capital position.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

(e) Yet Not Effective New IFRS Standards and Interpretations

The applicable accounting policies are consistent with the accounting principles of previous year. The new / modified IFRS and their interpretations which have come into effect in 2011 are not applicable to the activity of the Company except for disclosures of related party transactions with public authorities. The Company has decided not to disclose transactions with public authorities as allowed under the provisions of the revised IAS 24.

It was published several new and revised International Financial Reporting Standards and interpretations that will be necessary in preparing Company's financial statements for reporting periods beginning on 1 January, 2012 and later. The Company has decided not to apply the new standards and interpretations earlier. Below there are presented evaluations made by Company's management regarding possible impact of new and revised standards applying for the first time.

Amendments of IFRS 7 "Financial Instruments: Disclosures" are related to transfer of financial asset. The amendments are effective for annual reporting periods beginning on 1 July, 2011 or after and apply prospectively. Previous application is possible. The amendments require disclosure of information which enables users of financial statements to: understand the relationship between the transferred financial asset the accounting of which is not completely stopped and the related liabilities; and to evaluate the nature and risks of Company's ongoing relationship with financial asset the accounting of which is stopped.

The amendments define “ongoing relationship” for the purposes of the disclosure requirements. The Company does not expect that the amendment of IFRS 7 will have a significant impact on the financial statements due to Company's activity nature and type of financial assets.

III. Explanatory notes to accounts

1. Non-current tangible asset

Indicators In thousands LTL	Buildings and constructions	Machines and equipment	Vessels	Other vehicles	Capitalised expenses in vessels inspections and overhauls	Other tangible assets	Not finished Capitalised expenses in inspections and overhauls	Total
Acquisition costs								
Balance at 31 December 2009	3.672	818	484.294	802	11.862	556		502.004
Acquisitions		21	211	60	4.524	13		4.829
Reclassifications		(26)	26					
Disposals (-)		(22)	(28.536)	(612)		(51)		(29.221)
Balance at 31 December 2010	3.672	791	455.995	250	16.386	518		477.612
Acquisitions		34	284	165	3.125	21	751	4.380
Disposals (-)				(118)		(2)		(120)
Reclassifications		(18)	18					
Balance at 31 December 2011	3.672	807	456.297	297	19.511	537	751	481.872
Impairment losses								
Balance at 31 December 2009			(61.407)					(61.407)
Balance at 31 December 2010			(61.407)					(61.407)
Impairment losses (-)			(9.072)					(9.072)
Balance at 31 December 2011			(70.479)					(70.479)
Accumulated depreciation								
Balance at 31 December 2009	406	659	147.965	746	6.543	358		156.677
Charged for the period	51	95	25.861	22	5.258	57		31.344
Reclassifications		(26)	26					
Disposals (-)		(22)	(10.436)	(612)		(25)		(11.095)
Balance at 31 December 2010	457	706	163.416	156	11.801	390		176.926
Charged for the period	51	70	22.662	28	4.435	53		27.299
Disposals (-)				(68)		(1)		(69)
Reclassifications		(20)	20					
Balance at 31 December 2011	508	756	186.098	116	16.236	442		204.156
Carrying amounts								
At 31 December 2009	3.266	159	274.921	56	5.319	198		283.919
At 31 December 2010	3.215	85	231.171	94	4.585	129		239.279
At 31 December 2011	3.164	51	199.720	180	3.275	96	751	207.237

1. Non-current tangible asset (continued)

The Company's non-current tangible assets at the end of financial year comprised 11 vessels, administration building, vehicles, machinery and equipment. The depreciation of vessels, equipment and machinery and other tangible assets in vessels was recognised in cost of sales. The depreciation of buildings, vehicles, equipment and machinery and other tangible assets on office was recognised in administrative expenses.

In thousands LTL	31-12-2011	31-12-2010
Depreciation (with capitalised expenses of vessels inspections and overhous) recognized under cost of sales	27.141	31.162
Depreciation recognized under administrative expenses	158	182
Amortization of intangible asset recognised in administrative expenses	24	22
Total:	27.323	31.366

The acquisition cost of completely depreciated assets which still are used in Company's activity at 2011-12-31 in vessels was 1,369 thousand LTL, in office – 1.281 thousand LTL, at 2010-12-31 in vessels – 341 thousand LTL, in office – 1.031 thousand LTL.

Impairment of vessel's value was recorded at 31 December, 2004 and 31 December, 2008 in financial statements based on market values established by independent evaluators. The information regarding impairment of vessel's value and accounting is presented in the tables below:

Vessel, thousands LTL	Carrying amount 2004.12.31 (before impairment accounting)	Date of impairment accounting	Amount of impairment	Carrying amount 2004.12.31 after impairment accounting
Skalva	17.221	31.12.2004	0	17.221
Akvilė	34.787	31.12.2004	8.925	25.862
Asta	31.799	31.12.2004	7.591	24.208
Audrė	35.715	31.12.2004	9.872	25.843
Daina	37.829	31.12.2004	10.498	27.331
Total	157.351		36.886	120.465

Vessel, In thousands LTL	Carrying amount 2008.12.31 (before impairment accounting)	Date of impairment accounting	Amount of impairment	Carrying amount 2008.12.31 after impairment accounting
Akvilė	18.296	31.12.2008	0	18.296
Alka	15.287	31.12.2008	0	15.287
Asta	17.133	31.12.2008	0	17.133
Audrė	18.549	31.12.2008	0	18.549
Daina	19.940	31.12.2008	0	19.940
Deltuva	31.318	31.12.2008	0	31.318
Raguva	29.229	31.12.2008	0	29.229
Romuva	35.302	31.12.2008	0	35.302
Skalva	9.970	31.12.2008	0	9.970
Venta	73.644	31.12.2008	24.521	49.123
Voruta	34.362	31.12.2008	0	34.362
Total	303.030		24.521	278.509

1. Non-current tangible Asset (continued)

As at 31 December 2011 the Company performed an evaluation with the purpose to determine whether the value of the vessels, presented in the statement of financial position as at 31 December 2011, is not impaired.

During the evaluation, the value in use of the vessels was calculated applying the discounted cash flows method. The main assumptions applied are presented below:

- (a) Cash flows are forecasted for each vessel individually for the seven-year period at the end of which the residual value of vessels is determined. This value is calculated using the linear method taking into account the change in market value over the remaining technical service life of the vessel.
- (b) Income from vessels is calculated using the actual historical data, many years of experience and economists' forecasts. In 2012 projected freight income decrease compared to 2011, in 2013-2015 projected income increase of approximately 5-15 percent per year which should be affected by the increase of freight margins. Since 2015 lower income growth is expected for lower tonnage vessels (up to 10,000 DWT) or even income reduction, larger vessels (from 10,000 DWT) are expected to provide annual growth up to 10 percent.
- (c) Number of working days: 5 days of off-hire per year are intended for all vessels where repair is not planned, if the vessel is in inspection of SS (called special survey) – 30 days off-hire, if the vessel is in inspection of DS (called dock survey) – 25 days off-hire.
- (d) In 2012 the vessel costs are calculated based on actually incurred vessel costs in 2011. In subsequent years, according to economists from Drewry publishing research forecasts – 2.5 to 3 percent increase of costs per year.
- (e) No additional investments related to vessels are planned, except for vessel maintenance costs.
- (a) Discounting of cash flows is based on the weighted average capital cost rate assuming that the proportion of equity and borrowings over the forecasted period will be 65% and 35% respectively. Therefore, the calculated weighted average capital cost rate is 7.6%.

The results of calculations have showed that asset impairment loss should be recorded for four vessels of smaller tonnage (up to 10,000 DWT) (13 to 21 percent from the carrying amount of these vessels or approximately 9.072 million LTL), the Company has recognised this impairment loss in financial statements of 31 December, 2011. In group of larger vessels (from 10,000 DWT) recoverable amount have exceeded the carrying amount therefore no impairment loss should be recorded for these vessels.

Calculation of recoverable amount is especially reliant on the amount of the forecasted income. If each year's forecasted income decreased by 5%, the value in use of certain vessels would become lower than their carrying amount in the financial statements at 31 December 2011, and the Company would have to recognize higher impairment loss.

Sensitivity analysis of value in use is presented below:

Decrease in estimated vessels income for 2012-2017 years	Estimated approximate impairment loss
Decrease by 5 percents	12.4 million LTL
Decrease by 10 percents	22.8 million LTL
Decrease by 15 percents	34.2 million LTL
Decrease by 20 percents	38.8 million LTL

1. Non-current tangible asset (continued)

The vessels are pledged for loans received from SEB Bank (see note 8).

The residual value of vessels from the date of entry into exploitation

The residual value of vessel is considered to be realizable value of the vessel at the end of its depreciation period. The amount of residual value of acquired vessels is determined from 1% to 10% of purchase price considering the metal scrap prices and similar type of vessel sale prices when the vessel is over 25 year age. The residual values have been established as follows:

Vessel	Residual value 31-12-2011	
MV Asta	4.013.080 LTL	10% from purchase price
MV Akvilė	4.268.551 LTL	10% from purchase price
MV Audrė	4.264.695 LTL	9% from purchase price
MV Daina	4.387.319 LTL	9% from purchase price
MV Alka	2.256.458 LTL	10% from purchase price
MV Skalva	1.812.720 LTL	10% from purchase price
MV Deltuva	3.176.933 LTL	10% from purchase price
MV Raguva	3.159.545 LTL	10% from purchase price
MV Venta	7.631.510 LTL	10% from purchase price
MV Romuva	919.858 LTL	2% from purchase price
MV Voruta	866.959 LTL	2% from purchase price

The residual values of M/V Romuva and M/V Voruta are lower because of technical condition of the vessels. The residual values of all vessels are approved by the Act of Vessel Exploitation Confirmation. The liquidation values of the vessels haven't been amended since the acquisition of vessels.

Vessel depreciation periods as from 01/10/2011

The Company applies directly proportional (linear) method for calculation of vessels depreciation.

The vessel depreciation normative is determined considering the useful life period which is 23-39 years of technical age depending on the quality and profitability of the vessel. Before 01-10-2011 vessels were applicable to 9-15 years of depreciation period from the acquisition, from 01-10-2011 all vessels are applicable the depreciation period of 20 years from the date of acquisition, and in this case the period from the vessel's building year to the end of depreciation will be as follows:

MV Akvilė	24 years
MV Asta	25 years
MV Audrė	24 years
MV Daina	23 years
MV Deltuva	33 years
MV Raguva	32 years
MV Romuva	27 years
MV Voruta	28 years
MV Venta	33 years
MV Skalva	39 years
MV Alka	31 years

2. Non-current intangible asset

Indicators In thousand LTL	Software
Acquisition value	
At 31 December, 2009	361
Acquisitions	27
Disposals	-
At 31 December, 2010	387
At 31 December, 2011	387
Amortization	
At 31 December, 2009	326
Amortization for the period	22
At 31 December, 2010	348
Amortization for the period	24
At 31 December, 2011	372
Carrying amounts	
At 31 December, 2009	35
At 31 December, 2010	39
At 31 December, 2011	15

Intangible asset is amortized over 3 years.

Amortization of intangible asset is recorded in the administrative expenses of comprehensive income.

3. Inventories and prepayments

In thousand LTL	31-12-2011	31-12-2010
Fuel	1.899	690
Spare parts, materials	374	467
Food stocks in vessels	164	150
<i>Total of inventories:</i>	<i>2.437</i>	<i>1.307</i>
Prepayments	1.432	1.319
Total:	3.869	2.626

The 1.899 thousand LTL amount of fuel at 31-12-2011 is due to MV Alka, MV Voruta, MV Romuva, which were chartered under short-term contracts. There were no inventories for write-down to net realization value on 31-12-2011 and 31-12-2010. Prepayment amount of 245 thousand LTL at 31-12-2011 consist of advance payments (for spare parts, supply, repairs), 516 thousand LTL – other advances (for insurance, subscriptions, etc.), 671 thousand LTL – advances to vessel agents.

4. Trade receivables and other receivables

In thousand LTL	31-12-2011	31-12-2010
Trade Receivables	1.889	3.087
Impairment loss of trade receivables (-)	(1.139)	-
Net trade receivables	750	3.087
Receivables from State Budget	31	15
Prepayments to fleet	143	120
Other receivables	16	38
<i>Total receivables</i>	<i>190</i>	<i>173</i>
Total:	940	3.260

4. Trade receivables and other receivables (continued)

At the end of the reporting year 1.113 thousand LTL from the total amount of trade receivables consisted of charterer Pacific Bulk Carriers unpaid freight for MV Venta services. Although the debt collection is still being carried out based on findings of Thomas Cooper International representing the Company for legal services, the Company should recover the debt in 2012. The freight had not been paid on the date of approval of financial statements. 100% impairment loss has been recorded for this amount in 31-12-2011 financial statements (1.113 thousand LTL has been recorded in administrative costs). The additional impairment loss of 26 thousand LTL recorded for other debts have been included into cost of sales.

In thousand LTL	Total	Trade and other receivables not past due an impairment allowance on which is not recognized	Trade receivables past due an impairment allowance on which is not recognized			
			Less than 30 days	31 - 60 days	61 - 90 days	More than 91 days
31-12-2011	750	675	-	75	-	-
31-12-2010	3.087	1.252	12	29	677	1.117

5. Cash and cash equivalents

In thousand LTL	31-12-2011	31-12-2010
Cash in bank in LTL	32	136
Cash in bank in foreign currencies	1.732	1.897
Cash in hand in LTL	4	7
Cash in hand in foreign currencies	25	27
Total:	1.793	2.067

Under the conditions of credit agreement with SEB Bank 100 percent of banking turnover must be carried out through accounts opened in this credit office. In addition, all existing and future funds in all currencies in these accounts are pledged to the bank by signing the contract of bank account pledging.

6. Share capital

In thousand LTL	Share capital	Share premiums	Total
31-12-2010	200.901	-	200.901
The new issue of shares	-	-	-
Purchased own shares	-	-	-
31-12-2011	200.901	-	200.901

The authorized capital of the Company at 31-12-2011 comprised 200,901,296 ordinary shares. Nominal value of one share is equal to 1 LTL. All shares are fully paid. Holders of ordinary shares have one vote per share at the general meeting of shareholders of the Company and are entitled to receive dividends when they are declared and the right to return the capital in case of capital reduction. The shares of the Company are quoted by PC NASDAQ OMX Vilnius.

7. Reserves

In thousand LTL	31-12-2011	31-12-2010
Legal reserve	-	1.283
Total:		1.283

In 2011 reserves were used to cover the losses accumulated for 31-12-2010.

8. Payables to credit institutions

In thousand LTL	31-12-2011	31-12-2010
Non-current payables	30.050	53.184
Current payables	36.553	22.818
Total:	66.603	76.002
Balance of loans at the beginning of the year	76.002	73.469
Received loans	-	-
Repaid loans	(10.337)	(3.628)
Influence of currency exchange rate	938	6.161
Total:	66.603	76.002

All loans of the Company to bank are secured by assets. 11 vessels are pledged with the carrying amount of 208,792 thousand LTL. At 31-12-2011 the total loans amount was 66,603 thousand LTL and consists of:

- 44.367 thousand LTL (16.621 thousand USD) for MV Venta. Loan repayment term 27-02-2015;
- 15.296 thousand LTL (5.730 thousand USD) for MV Raguva and for MV Deltuva. Loan repayment term 2012-03-31;
- 6.940 thousand LTL (2.600 thousand USD) for MV Romuva and for MV Voruta. Loan repayment term 2012-03-31.

The interest rate of loans is variable because is related to 6-months LIBOR (USD). The effective interest rate ranged from 2.9% to 3.33% in 2011. Due to fallen shipping market in II half of 2011 cash flows have reduced and repayment schedule has been restructured. In 2011 all repayment were carried out according to approved schedules.

In I and II quarters of the year 2011 the Company did not comply with debt service coverage ratio (DSCR) provided in the credit agreement with Bank, however, in III-IV quarters of 2011 the Company has executed all contractual obligations and received approval by the Bank that it will not require the Company to repay credit or part of it before specified date regarding breach of contract terms in the first half of the year.

9. Profit tax liabilities

The Company pays fixed profit, i.e., tonnage tax. At the end of 2011 the amount of 66 thousand LTL was recognised as fixed payable profit tax, at the end of 2010 - 67 thousand LTL.

10. Employment related payables

In thousand LTL	31-12-2011	31-12-2010
Wages payable	415	-
Vacation reserve (wages)	1.046	1.144
Vacation reserve (social security part)	324	355
Payable social security contributions	344	350
Payable amount to Guarantee fund	1	1
Total:	2.130	1.850

Public Company Lithuanian Shipping Company

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

Financial statements for the year ended 31 December, 2011

(thousands of litas, if not indicated otherwise)

11. Other payables

In thousand LTL	31-12-2011	31-12-2010
Trade payables	5.468	1.306
Received prepayments	3.266	4.536
Payable dividends	96	97
Accrued expenses	115	357
Other payables	670	6
Total:	9.615	6.302

The amount of trade payables consists of current debt for repairs and technical supply, 2,045 thousand LTL from them – for fuel and lubricants. Other debts 536 thousand LTL consist of voyage debts of vessels employed on short-term charters.

12. Sales

In thousand LTL	31-12-2011	31-12-2010
Time-charter sales	46.713	53.872
Other Time-charter sales	525	-
Voyage-charter sales	30.488	8.146
Other sales	443	154
Total:	78.169	62.172

In 2011 income from short-term freight charters has increased as the Company has exploited MV Alka, MV Romuva, MV Voruta and Venta by itself, while in 2010 it was only MV Alka.

13. Cost of Sales

In thousand LTL	31-12-2011	31-12-2010
Depreciation	-27.141	-35.418
Crew costs	-17.344	-17.307
Fuel	-12.083	-3.446
Impairment loss of vessels	-9.072	-
Port dues	-5.056	-1.196
Spare parts	-4.874	-5.719
Insurance	-3.863	-3.510
Repair of vessels	-3.852	-388
Commissions	-2.720	-2.038
Vessel's functional expenses	-2.716	-3.045
Lubricants	-2.277	-2.394
Other vessel costs	-5.555	-5.797
Total:	-96.553	-80.258

In 2011 port dues and fuel costs had increased due to increased number of vessels working on short-term charters. The cost of repair also increased due to the increased incidental, navigation and unforeseen with radio aids repairs which amounted to 3,852 thousand LTL. At the 31-12-2011 the carrying amount of MV Asta, MV Audre, MV Akvilė and MV Daina was impaired according to calculations of impairment loss of 9,072 thousand LTL. Depreciation expenses decreased due to changed terms of vessels' useful lives.

Other expenses: 1,039 thousand LTL – services of classification societies, 663 thousand LTL – inspection and maintenance of salvage and fire equipment, 218 thousand LTL - charts and navigational material, 170 thousand LTL - sludge and debris.

14. Administrative expenses

In thousand LTL	31-12-2011	31-12-2010
Employee expenses	-3.244	-3.349
Impairment loss of trade receivables	-1.113	-
Amortization and depreciation	-181	-204
Consultation and legal services	-170	-45
Business maintenance expenses	-148	-143
Bank services	-140	-139
Communication services	-137	-100
Transport expenses	-114	-76
Maintenance of premises	-94	-104
Other expenses	-506	-369
Total:	-5.847	-4.529

In 2010 the corrections were made after reclassification of administrative expenses - 592 thousand LTL of insured events was transferred to cost of sales. Impairment loss of trade receivables that included 1,113 thousand LTL not received freight for services of MV Venta was calculated in administrative expenses for the year 2011.

15. Other operating income/expenses

In thousand LTL	31-12-2011	31-12-2010
Gain on disposal of non-current assets	7	-
Other income	136	23
<i>Total other operating income:</i>	<i>143</i>	<i>23</i>
Loss on disposal of non-currents assets	-	(8.032)
Other expenses	(3)	(10)
<i>Total other activity expenses:</i>	<i>(3)</i>	<i>(8.040)</i>
Total:	140	(8.019)

16. Financial income/expenses

In thousand LTL	31-12-2011	31-12-2010
Interest income	5	-
Gain of currency exchange rate	-	-
<i>Total financial activity income:</i>	<i>5</i>	<i>-</i>
Interest expenses	(2.076)	(2.250)
Loss of currency exchange rate	(1.360)	(6.171)
<i>Total financial activity expenses:</i>	<i>(3.436)</i>	<i>-</i>
Total:	(3.431)	(8.421)

17. Basic and diluted earnings (loss) per share

Basic earnings per share is calculated by dividing net profit attributable to ordinary equity holders by the weighted average number of ordinary shares. As there are no instruments that dilute equity, the basic and diluted earnings per share do not differ.

Loss / reduced loss per share was 0.19 LTL in 2010 and in 2011 – 0.14 LTL.

18. Cash flows statement

Cash at the end of the reporting period amounted to 1,793 thousand LTL and has decreased to 274 thousand LTL from the beginning of the year.

19. Statement of changes in equity

Equity in at the end of 2011 amounted to 135,440 thousand LTL and compared with the beginning of the period decreased 27,610 thousand LTL due to loss suffered in the reporting period.

20. Related parties

Members of the board, general director, director for chartering, technical director, director for finance, chief accountant and their family members are considered as Company's related parties. The wages totaling 503.6 thousand LTL were calculated for these persons in 2011, in 2010 - 455.8 thousand LTL. There were no other transactions with related natural or legal persons in 2011 and in 2010.

21. Segments

The Company operates in one business segment.

The Company has three customers, income from which in 2011 amounted to more than 10% of total Company's income. Income received from these customers accounted for 58% of total income in 2011.

The Company had three customers, income from which in 2010 amounted to more than 10% of total Company's income. Income received from these customers accounted for 77% of total income in 2010.

Company's main activity markets are:

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

22. Capital management policy

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

Debts – equity ratio

In thousand LTL	31-12-2011	31-12-2010
<i>Total liabilities:</i>	78.414	84.221
minus cash and equivalents	1.793	2.067
<i>Net amount of liabilities:</i>	76.621	82.154
<i>Total equity capital:</i>	135.440	163.050
Plus subordinated debt instruments	-	-
minus change in fair value of the recognized hedging instrument in equity	-	-
<i>Corrected equity capital</i>	135.440	163.050
debts – equity ratio	0,57	0,50

23. Financial ratios

	Calculation	31.12.2011	31.12.2010
Gross debt ratio	$\frac{\text{Total liabilities}}{\text{total asset}}$	0,37	0,34
Gross solvency ratio	$\frac{\text{Total equity}}{\text{Total liabilities}}$	1,73	1,94
Gross profitability	$\frac{\text{Gross profit}}{\text{Sales and services}}$	-0,24	-0,29
Current ratio	$\frac{\text{Current asset}}{\text{Current liabilities}}$	0,14	0,26
Receivables turnover	$\frac{\text{Sales and services}}{\text{Accounts receivable}}$	104,2	20,13

The maximum income risk is made from the risk of the receivable amounts. The income policy was established that customers pay in advance for ship services by making contracts.

24. Contingent assets and liabilities

The judicial proceedings are being carried out currently for pecuniary and non-pecuniary damage, the amount of claim for the Company is 411 thousand LTL. The claim was raised for the death of Company's captain J. Smirnov in 2005.

The Company has not granted any guarantees and warranties for other persons.

In December of 2010 the incident of MV Asta had occurred, which was liquidated in the beginning of 2011 by repairing. The motor vessel was insured; therefore the investigation of claim with the insurance company is currently taking place regarding the size of accident reasons and costs which should be offset by the insurance company. The preliminary amount of insurance, which the Company expects to receive, is 1,430 thousand LTL. One more emergency repair of MV Asta took place in the middle of 2011; the negotiation is also being carried out with the insurance company regarding the insured event. The preliminary amount of insurance for the event is 751 thousand LTL. These amounts are not recognised in the financial statements of 31-12-2011.

For compensation of expenses incurred during MV Deltuva detention in 2010 the negotiations are being carried out with the insurance company. The preliminary amount of the compensation is 697 thousand LTL. This amount is not recognised in the financial statements of 31-12-2011.

The tax office has not carried out a full tax inspection of the Company for the period from 2007 to 2011. Under current law the tax authorities may check company's books and records for 5 years proceeding the reporting period, and can calculate the additional tax and penalties at any time. The management of the Company is not aware of any circumstances in which the Company may be charged significant additional tax liabilities.

25. Subsequent events

Since 1 January, 2012 the negotiations has been started with the main creditor of the Company the SEB Bank regarding new repayment schedule. The Company requests the bank to extend the repayment term and setout new repayment schedule. If supported by the bank than the amount of credit repayment during 2012 would be around 6.24 million LTL. Due to such correction the short-term liabilities' amount should be reduced to 18.1 million LTL and the liquidity ratio would increase from 0.14 to 0.36.

Meeting of the Board of Public Company Lithuanian Shipping Company has been carried out on 12 March, 2012, which has decided to return financial statements for the year 2011 to Company's management for adjustment. On these financial statements the auditor has expressed qualified opinion in his auditor's report of 8 March, 2012 regarding not recorded 9.1 million LTL of vessels impairment loss, not overviewed vessel depreciation periods and residual values, correctness in accounting of vessel repair and valuation of 1.1 million LTL receivables.

The Company, taking into account the decision of the Board to amend the financial statements of 2011, in these financial statements recognised impairment loss of vessels in amount of 9 072 thousand LTL (see Note 1) and recognised impairment loss of 1 139 thousand LTL for doubtful trade receivables (see Note 4)

26. The fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

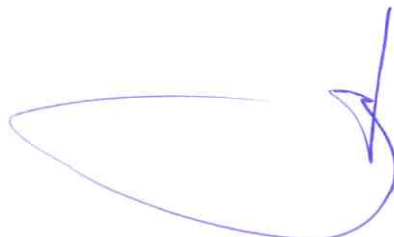
The Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, non-current and current borrowings. The management of the Company is of the opinion that the carrying amounts of trade and other receivables, trade and other payables approximate their fair value due to their short-term nature, as well as borrowings approximate their fair value due to re-pricing based on the Libor interest rate in regular intervals and other financial assets and liabilities are short-term therefore the volatility of their fair value is not significant.

27. Going concern

In I and II quarters of the year 2011 the Company did not comply with debt service coverage ratio (DSCR) provided in the credit agreement with Bank, however, in III-IV quarters of the year 2011 the Company has executed all contractual obligations and received approval by the Bank that it will not require the Company to repay credit or part of it before specified date regarding breach of financial covenant in the first half of the year.

In financial statements as of 31 December, 2011 current liabilities exceed current assets in amount of 41.8 million LTL but as indicated in Note 25 the new repayment schedule is being negotiated with the bank currently, according to which the amount of loan repayments would reduce from 36,6 million LTL to 6,24 million LTL during 2012. In this way current liabilities would exceed current assets for 11,4 million LTL. The Company is going to compensate this working capital deficit by the expected growth of income influenced by recovery in the markets and cost reduction, which will ensure the financial stability of the Company and business continuity.

Chief Executive Officer



Arvydas Bogočionkas



**PUBLIC COMPANY
LITHUANIAN SHIPPING COMPANY**

**ANNUAL REPORT
FOR THE YEAR 2011**

Klaipėda, January 2012

Contents

I. GENERAL COMPANY INFORMATION	37
1.1. Accounting Period of Annual Report.....	37
1.2. Company Contact Information	37
1.3. Company Shareholders	37
1.4. Information on Agreements with Agents of Public Circulation of Securities	38
1.5. Data Related to Trading of Securities on Regulated Markets	38
1.6. Structure of Authorized Capital	38
1.7. Information on Restrictions of Transfer of Securities.....	38
1.8. Information on Restrictions on the Voting Rights	38
II. INFORMATION ON COMPANY'S ACTIVITIES	39
2.1. Company's Mission, Operating Strategy, and Purposes	39
2.2. Company's Activities and Services Rendered	39
2.3. Company's Operating Markets and Competitors	42
2.4. Company's Customers and Their Main Groups.....	45
2.5. Information Related to Personnel Matters	46
2.6. Information Related to Environmental Issues	49
2.7. Events of Financial Year of Essential Significance on Company's Activities	50
2.8. Company's Investment Projects	55
2.8.1. Investing into long-term assets during the accounting year.....	55
2.8.2. Major financial projects in progress and target financial projects	55
2.9. Plans and Forecasts of Activities of the Company	55
2.10. Assessment of Company's Status and Performance of Activities.....	59
2.11. Description of Main Types of Risks and Uncertainties (SWOT Analysis).....	60
2.12. Financial Risk Management Measures.....	61
2.13. Branch Establishments and Representative Offices	61
2.14. Important Events since the End of Previous Financial Year	61
2.15. Company's R&D Activities	62
2.16. Company's Social Initiatives and Policy.....	62
2.17. Information on Compliance with Provisions of Transparency Policy.....	62
3. INFORMATION ON COMPANY'S SHARES AND SHAREHOLDERS	63
3.1. Company Shareholders' Rights	63
3.2. Agreements Between Shareholders.....	64
3.3. Purchase of Own Shares.....	64
3.4. Dividend Policy	64

4. INFORMATION ON COMPANY'S MANAGEMENT BODIES	64
4.1. Supervisory Board	64
4.2. Board	65
4.3. Management.....	67
4.4. Other Information on Management Bodies	68
4.5. Procedure for Amending Company's Articles of Association	68
5. OTHER COMPANY INFORMATION.....	68
5.1. Information on Detrimental Transactions Concluded on Issuer's Behalf over Accounting Period	68
5.2. Data on Published Information	69



I. GENERAL COMPANY INFORMATION

1.1. Accounting Period of Annual Report

The Annual Report was prepared for 2011. In addition to the Annual Report, the Company prepared a Set of Financial Statements for 2011, which includes the Statement of Financial Status, the Statement of Comprehensive Income, the Cash Flow Statement, the Statement of Changes in Equity and Notes to the Financial Statements (Explanatory Notes). Herein, the Public Company Lithuanian Shipping Company may also be referred to as the Enterprise, the Company, the Issuer, Lithuanian Shipping Company.

1.2. Company Contact Information

Table 1

Name	Public Company Lithuanian Shipping Company
Legal form	Public Company
Date and place of registration	27 June 2001, Klaipėda
Organization identification number	110865039, former organization identification number 1086503
Head office address	Malūnininkų str. 3, Klaipėda
Phone number	+ 370 46 393 105
Fax number	+ 370 46 393 119
E-mail address	info@ljl.lt
Website address	www.ljl.lt

1.3. Company Shareholders

As of 16 November 2011 there were 2378 shareholders in the company. The shareholders that own or hold over 5 percent of the authorized capital of the company are listed in the Table 2.

Table 2

Name	Identification number	Address	Number of shares	Portion of ownership (%)
DFDS TOR LINE A/S	LJL1419471	Sundkrogsgade 11, DK-2100 Copenhagen	11.108.420	5,53
MINISTRY OF TRANSPORT AND COMMUNICATIONS OF THE REPUBLIC OF LITHUANIA	188620589	GEDIMINO PR. 17, VILNIUS	113.833.000	56,66
SWEDBANK AS (ESTONIA)	10060701	LIIVALAIA 8, 15040 TALLINN, ESTONIA, TALLINN	11.360.607	5,65

The shares of the company grant equal rights to the owners thereof (shareholders). The competence of the General Shareholders' Meeting, property and non-property rights of the

shareholders, as well as implementation thereof, is provided in the Articles of Association of the company and the Law on Companies of the Republic of Lithuania.

The state owns 56.66 percent of shares which are held by the Ministry of Transport and Communications of the Republic of Lithuania.

1.4. Information on Agreements with Agents of Public Circulation of Securities

On 1 November 2002 Public Company Lithuanian Shipping Company signed an Agreement on handling securities with UAB FMI Jūsų tarpininkas (hereinafter- AB FMI SNORAS - Jūsų tarpininkas, A. Mickevičiaus g. 29-3, 44245 Kaunas). After AB FMI SNORAS – Jūsų tarpininkas was reorganized by merge, on 31 March 2010 AB FMI Finasta (code 122570630, address: Maironio g. 11, Vilnius, phone.: 1813, e-mail: info@finasta.com) took under the rights and obligations of AB FMI SNORAS - Jūsų tarpininkas, which continues to fulfill contractual commitments and handles Public Company Lithuanian Shipping Company securities accounting.

1.5. Data Related to Trading of Securities on Regulated Markets

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

After the new regulations of Vilnius Stock Exchange came into effect on 30/05/2005, the direct deals are calculated as automatically handled deals (Appendix 1), together with the other deals of central market. Data on trading securities of the issuer outside the exchange market is provided in the Appendix 2.

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

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

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

1.6. Structure of Authorized Capital

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

The authorized capital of the company is equivalent to 200,901.296 litas.

The authorized capital of the company is divided into 200,901.296 litas par value shares.

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

ISIN code – LT0000125999.

The method for issuance of securities to the public securities is reorganization.

1.7. Information on Restrictions of Transfer of Securities

There are no restrictions on the transfer of securities.

1.8. Information on Restrictions on the Voting Rights

There are no restrictions on the voting right.

II. INFORMATION ON COMPANY'S ACTIVITIES

2.1. Company's Mission, Operating Strategy, and Purposes

The Company's mission is to provide modern world-class dry cargo shipping and ship management services that meet the needs of all the shareholders. Lithuania has a long tradition as a maritime country and the Lithuanian shipping Company exists to maintain that tradition and enhance the reputation of Lithuanian maritime flag.

Company's strategic objectives:

1. *Growth:*
 - Investments into the fleet renewal.
 - Search for new markets.
2. *Perfect reputation:*
 - Ensured transparency of the activity.
 - Accurate and advanced analysis of financial ratios.
3. *Fulfillment of the financial expectations of our shareholders and partners:*
 - Increase the revenue by personally managing the vessels and by working directly with the cargo brokers.
 - Strict control of the budget and expenses.
 - Prevention policy for technical vessel service.
4. *Improvement in Work Efficiency:*
 - Company's activity optimization.
 - Enhancement of human resources management.

2.2. Company's Activities and Services Rendered

The main activity of the company is sea and coastal water transport. Company's field of activity is described in the Articles of Association, approved at the Public Company "Lithuanian Shipping Company" General Shareholders' Meeting on 30 April 2010. The Company's code of activity corresponds to those indicated in the Classification of Economic Activities.

For the year ended 2011, 11 vessels were employed in the company (Table 3):

Table 3.

General information about the vessels.

Item No.	Vessel	Year built	DWT
1	Asta	1996	5820
2	Audrė	1997	5820
3	Akvilė	1997	5820
4	Daina	1998	5820
5	Alka	1994	7346
6	Skalva	1985	9498
7	Raguva	1995	16883
8	Deltuva	1994	16906
9	Romuva	1998	17504
10	Voruta	1998	17504
11	Venta	1995	24202

Asta-type vessel group. The group includes such motor vessels as *Asta*, *Audrė*, *Akvilė*, and *Daina*. These are the vessels that can hardly compete on the market because of their economically inefficient speed and high level of fuel consumption. In most cases these vessels are employed under time-charter contracts for a slightly lower freight rates.

Motor vessel Alka is designed for wood cargo transportation. The tonnage of the vessel is relatively high, the fuel consumption is also high, and however, the company has its niche in this segment. This vessel is very sensitive to any market changes.

Motor vessel Skalva – a vessel of optimal structural features for a partial cargo transportation whose competitiveness is not influenced by its age, i.e. the company is forced to invest more resources for the maintenance and repairs of this vessel.

The remaining motor vessels, such as *Raguva*, *Deltuva*, *Romuva*, *Romuva*, and *Venta* form a group of vessels which generates the biggest profit to this day and demonstrates the best results in comparison to the cargo flow, client regularity and the amount of freight. The segment taken over by the group is less sensitive to market changes, the ration of revenue to cost is easier to predict and the profit margin is higher. That is why the company sees this group of vessels as its main target for the future.

Table 4 illustrates the variations in cargo vessels employment and in volumes of carried cargo for the period of 2009-2011. We can see that over the analyzed period, the number of vessels and their deadweight, as well as the amount of the cargo carried, have decreased. The only significant change during the accounting year, in comparison with the previous year, was the decrease of cargo flow (-3.5%), which is relevant to the general situation in world economy.

Table 4.

Employment of cargo vessels and the amount of cargo carried, average per year

Indicator	2009	2010		2011	
	Value	Value	Variation	Value	Variation
Number of vessels employed	12,6	10	-20,6%	10,3	+3%
Deadweight, thousand tons	154,6	135,17	-12,6%	133,4	-1,3%
Cargo carried, thousand tons	1491	1429	-4,2%	1379	-3,5%

The world's vessel-carried cargo market is divided on the average as follows: liner vessels carry 30% of cargo and 70% of cargo goes to trampers, i.e. non-liner vessels. The ship-owners that operate in the trampers segment employ the vessels under the time-charter or voyage-charter lease contracts. 5 to 7% of trampers are employed by searching cargo in the SPOT market.

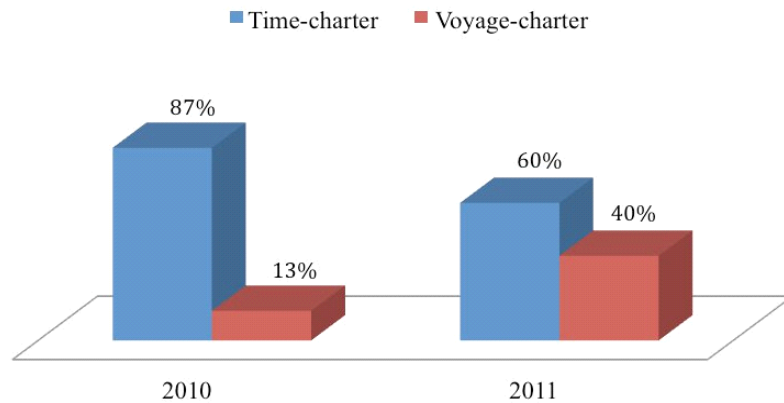
The company seeks to maintain the most optimal balance between the time-charter and voyage-charter contracts on the vessel employment market. Time-charter contracts ensure stability and guarantee the planned cash flow. Voyage-charter contracts allow the feeling of the movement of the market and increasing the opportunity to reach better profits on freight rates that have increased during a particular period.

In 2011, 7 of company's vessels were employed under time-charter contracts and carried the cargo of freight companies that have contracts with cargo suppliers or manage the cargo flows.

Lithuanian Shipping Company fleet freight and management body employees have searched the free market for the cargo for the remaining four vessels (*Venta*, *Voruta*, *Romuva*, *Alka*).

Figure 1

Sales according to groups 2010-2011



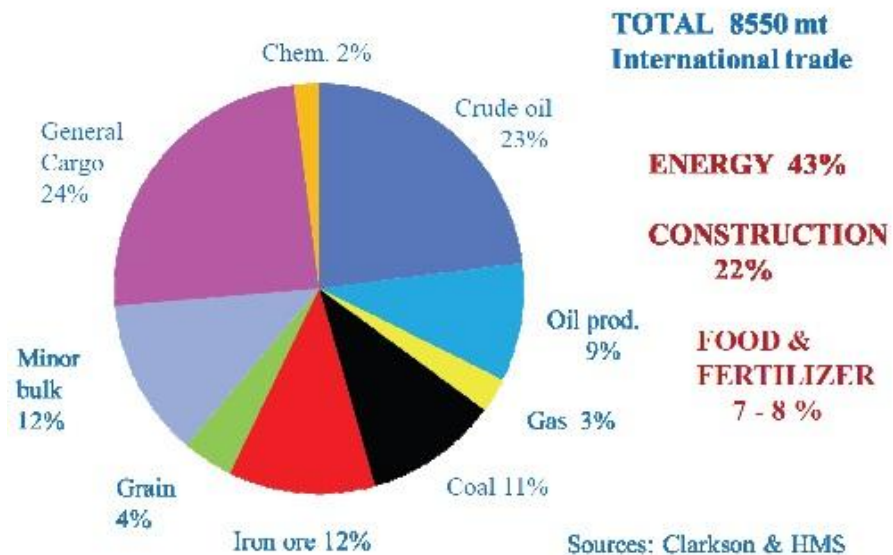
A comparison of the structure in 2010-2011 shows that the voyage-charter contract sales have increased: from 13% in 2010 to 40% in 2011 (Figure 1). There are two main reasons for this change:

1. a significant decrease of time-charter rates for some vessels due to increasing competition intensity;
2. the opportunity to generate more income by searching for cargo on the free market.

Different cargo is carried via shipping routes. The main cargo flows are composed of energy resources (43%), construction materials (22%), food, and fertilizer (7-8%) transportation (Figure 2):

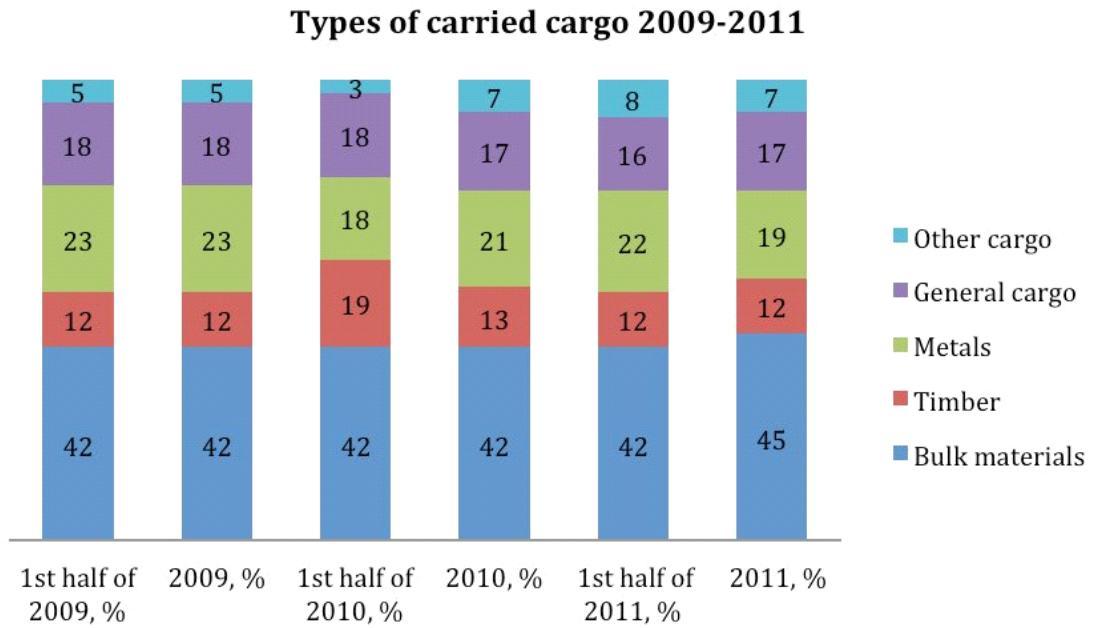
Figure 2

WORLD SEABORNE TRADE 2010



Company's vessels can carry about 65% of all cargo types of the world, such as general cargo, grain, coal, iron ore, and chemical products.

The structure of cargo carried is presented in Figure 3:



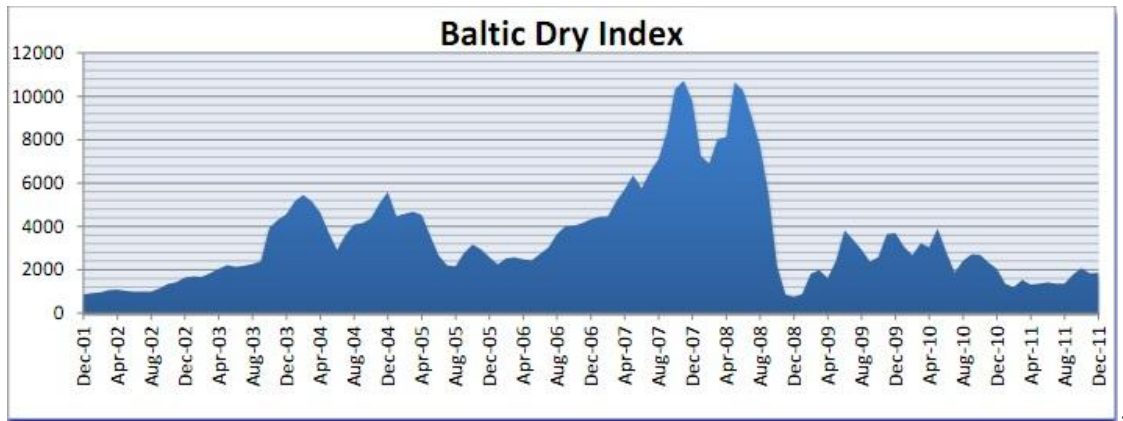
The major portion of the cargo flow consists of bulk cargo and metals (64% in total). No significant changes during the period analyzed were identified.

2.3. Company’s Operating Markets and Competitors

The company mainly operates on the following markets:

1. Trans-Atlantic market, where steel and nonferrous metals, ferroalloys, and fertilizers are carried from Europe to the USA, Latin, and South America. The cargo flow on the return voyage consists of grain, coil, aluminum, and fluorite.
2. North Europe-North America market, where wood in the rough, sawn wood and paper cargo is carried from North Europe and Scandinavian countries to the countries of the Mediterranean seacoast. The cargo flow on the return voyage consists of fertilizers, ore, steel coils, and minerals.
3. The Caribbean market, where miscellaneous goods are carried from the USA and the Caribbean Sea as well as the countries of Central America.

The financial crisis has affected all of the business regions and economic fields, including the marine sector. *Baltic Dry Index* (hereinafter referred to as BDI) reflects the dry-bulk carriers market. Figure 4 demonstrates the BDI trend in 2001-2011. On the peak of business cycle stage in 2007-2008 the BDI has exceeded the limit of 10000 points; in 2011 the limit of 2000 points was barely reached. Hopefully, the BDI is getting more stable and it is not likely to drop in the nearest future. This period should also last in 2012; therefore, a significant market recovery is not expected. This period has some positive aspects - this year, the new fleet will replace the old one, and the old vessels in particular will be removed from the market and utilized.

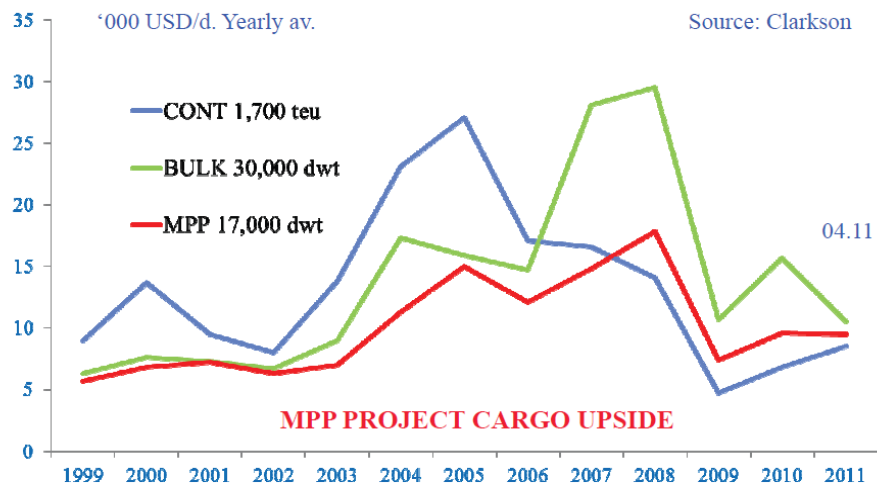


Source: Athenian shipbrokers S.A.

The BDI changes are being reflected by the freight cost trends (Figure 5). The company covers the multipurpose vessels market segment, and the ship freights, as shown in the figure below, were among the most stable ones. That was influenced by the “flexibility” of the vessels, i.e. their structural features and technical specifications, cargo cranes, twin-decks in holds, the capability to place different cargo which is intended for the seaports with lesser navigation possibilities, and an ensured cargo for the return voyage.

Figure 5

MPP Market More Robust. 1-year T/C Rates



Source: Clarkson

Hammer Maritime Strategies

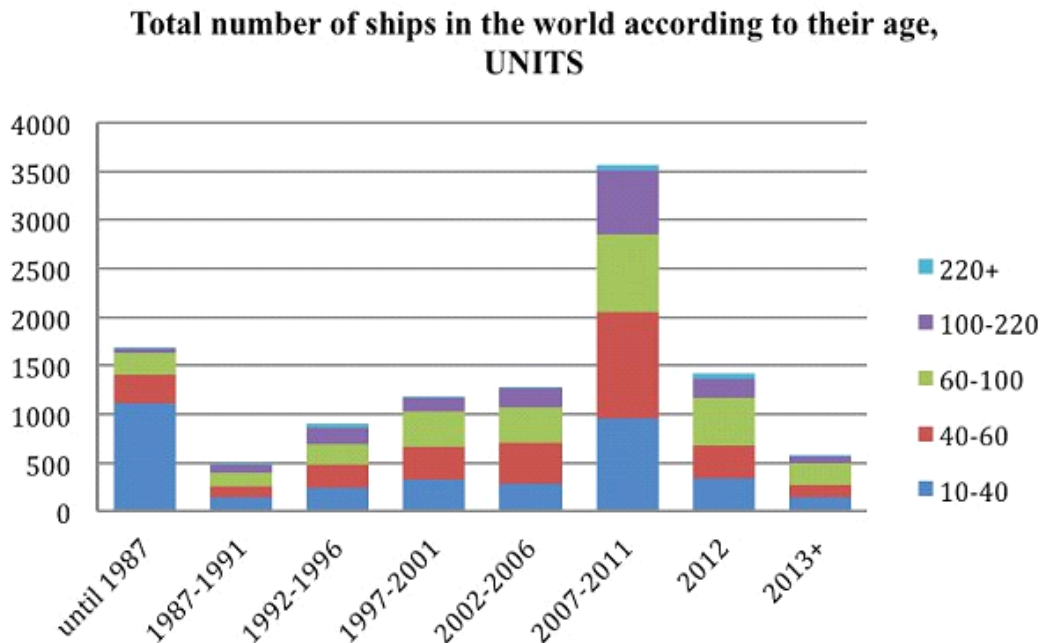
November 2011

Dominant factors for the 2011 freight and shipping market drop were the following:

- Surplus of new-tonnage ships on the market. For the year ended 2011 the company’s 10-39,999 DWT (*Handysize*) market vessel sector was supplemented by 231 vessels or 7,413.292 thousand DWT.
- Very low vessel demolition rate. For the year ended 2011, 96 vessels or 202,233 tons DWT were utilized. Tonnage surplus – 135 vessels or 4,998.296 thousand DWT.
- Vessel conversion. Upon the container market drop some vessels were converted to conventional bulk carriers.
- Vessel lay-up.

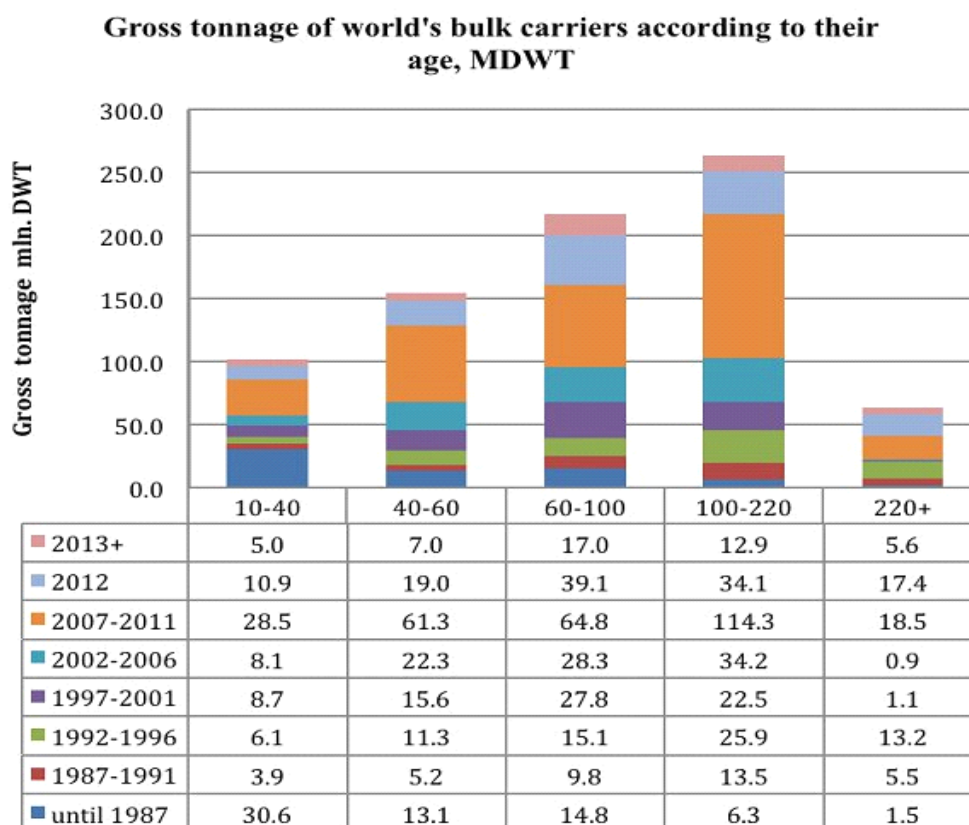
In 2007 – 2008, when the ship freights were at their highest, a lot of new vessels were ordered. These vessels have reached the market in 2010-2011, at the time of the recession. This period has been the most difficult for the largest ship market. When analyzing the data provided in Figure 6 a conclusion may be drawn that 10 - 40 thousand DWT vessels have survived the market fluctuations and that market segment would have the highest growth potential in the future, because that particular segment contains the world's oldest fleet, i.e. 36% of the ships are older than 25 years and should be removed from the market in the near future (Figure 6). In 2012 - 2013, 491 ships should reach the market, but after 2014 and in later years the number of orders is very low.

Figure 6



Source: The world Bulk Carriers fleet, end of October, 2011, SSY.

According to the gross tonnage of the vessels, as provided in the Table 7, the number of 10 - 40 thousand DWT vessels is the lowest compared to the other ships (9,5% from total vessel million DWT). In addition, the slowing economy entails a higher demand for smaller ships. That is why this business niche has the largest potential.



Source: The world Bulk Carriers fleet, end of October, 2011, SSY.

The other advantage of this segment is that there are no large companies controlling a major part of the market. On the markets where a company carries the cargo, it usually operates 4 - 7 vessels of the dimensions similar to those of Lithuanian Shipping Company that allow naming the competition, existing on such markets as a “perfectly competitive”. The main company’s competitors, that have vessels of similar type and age, are the following (data processed according to the brokers’ information and the World Ship Registry):

1. “Wagenborg” – Netherlands, 16 15000-20000 DWT MPP expensive and specially equipped vessels, that can carry containers and non - standard cargo;
2. “BBC Chartering” – Germany, 23 15000-25000 DWT MPP vessels that can carry non - standard, large – gauge, and heavy weight cargo;
3. “Spliethoff” – Netherlands - 28 15000-20000 DWT MPP vessels that can carry containers, non – standard, and semi-heavy loads;
4. “Hansa Heavy Lift”, Germany – 12 15000-17000 DWT MPP vessels that can carry cargo of non - standard size and weight.
5. Hellas Marine Services Ltd – 8 18000 DWT vessels that are very similar to the company’s owned vessels.

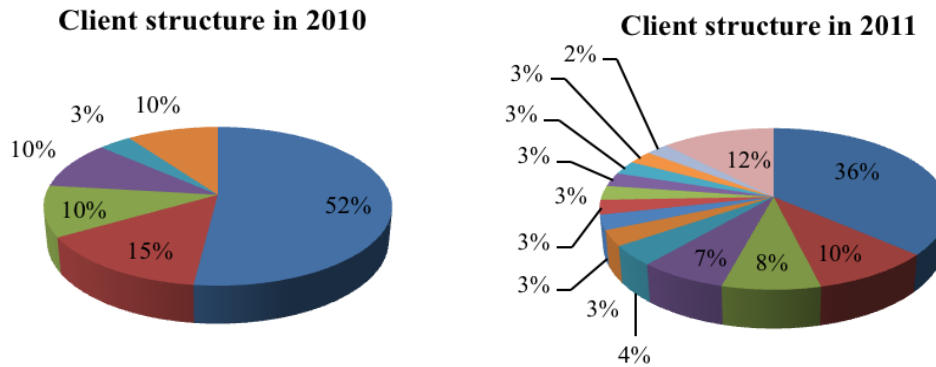
The other companies carry cargo in the other markets, where the company does not operate and therefore are not considered as competitors.

2.4. Company’s Customers and Their Main Groups

The main clients of the company are the charterers that the company is working with under the long-term time-charter agreements. In the diagrams below there is presented the change in client structure in 2010-2011. The names of the enterprises are not listed for confidentiality reasons, but the general trend may be pointed out. In 2010 the company had 13 clients, 4 of which have made 87% of all sales. In 2011 we cooperated with 28 clients, 4 of which have made 61% of the sales. A

change in the sales strategy has influenced these variations, since we have switched to working under voyage-charter agreements, as well as general the redistribution of the market. This can be evaluated as a positive change as the company diversified the client portfolio more and it is less dependent on a few larger clients.

Figures 8, 9



In the company, the clients may be grouped according to the types of agreements, i.e. into time-charter and voyage-charter clients. In 2011 the time-charter made up 62% (29% less than in 2010), and the voyage-charter- 38% of all clients.

2.5.Information Related to Personnel Matters

The management structure as at the end of accounting year is presented in Figure 10.

Figure 10

The Management Structure

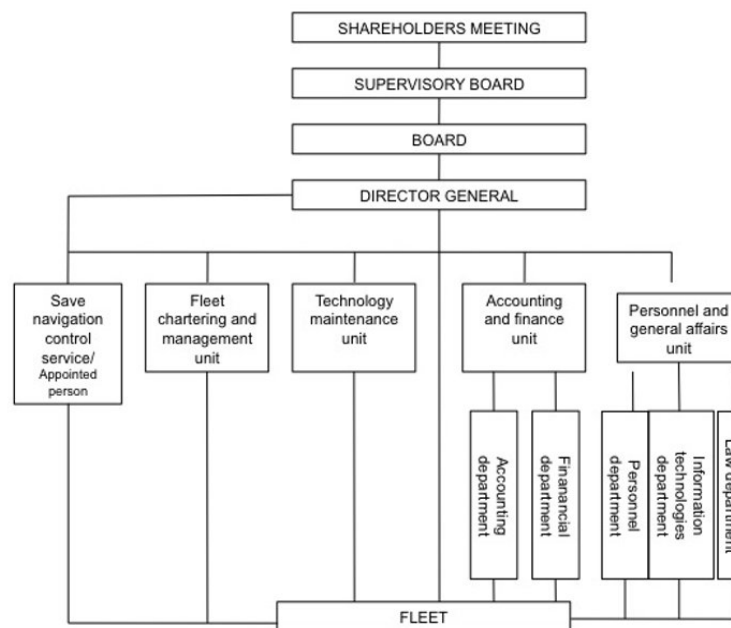
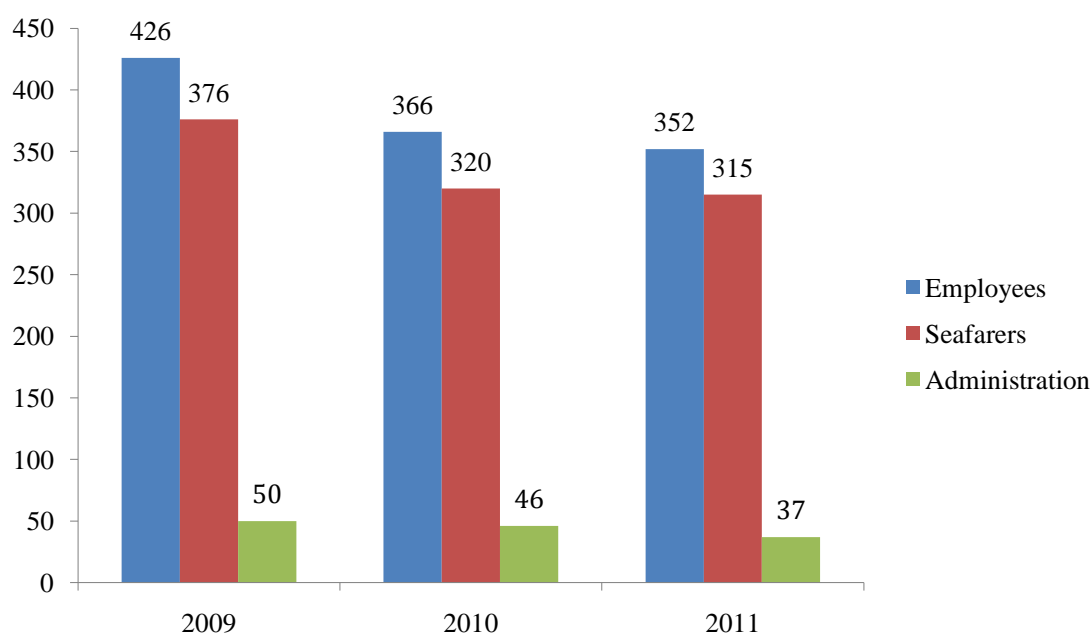


Figure 11

Variation in the number of employees in 2009-2011



When comparing the year 2009 and 2010, the number of seafarers has decreased by 14.9% (by 56 employees) and that substantially influenced the general trend of decrease (-14.1%) (Figure 11). In 2010, 2 vessels have been sold. In addition, the company has released some of seafarers in order to optimize the fleet activity by distributing the job functions. In 2010 the number of administration employees has decreased by 8% (by 4 employees) due to the fleet reduction and management structure reorganization.

When comparing the number of employees in the accounting year of 2010, no significant changes were noted (decrease by 3.8%). The number of seafarers has changed insignificantly – it has decreased by 5 employees, the number of administration employees has decreased by 19.6% and that lead to the increase in work efficiency, as the company was able to manage the fleet of equal dimensions with less administration employees, i.e. it has been improving the company's activity. Number of administration employees in the total number of employees: in 2009 – 11.7%, in 2010 – 12.6%, in 2011 – 10.5%.

Employee grouping:

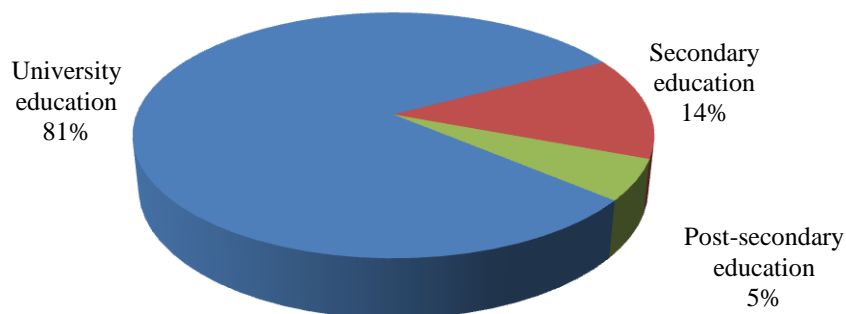
1. Due to education:

Table 5

Structure of personnel of the company according to education for 2010-2011

Educational background	Percentage of employees		
	2009	2010	2011
University education	31,4	32,1	32,6
College education	1,9	2,5	2,2
Secondary education	27,6	26,6	29,0
Maritime academy	9,0	9,6	9,2
Post-secondary education	30,1	29,2	27,0

Distribution in education of onshore employees, 31/12/2011



According to the data presented in Table 5, the number of employees with higher education makes up one third of all employees and has not changed significantly during the period analyzed (it has been increasing by approx. 0,5% per year). No other significant changes were determined. The distribution of education of onshore employees is illustrated in Figure 12, according to which 81% of employees have higher level of education.

2. Due to amounts payable to employees:

Table 6

Group of employees	Annual amounts payable to the employees fund, LTL				
	2009	2010		2011	
	Amount, LTL	Amount, LTL	Variation, %	Amount, LTL	Variation, %
Executives	663.830	704.153	6,07	807.419	14,67
Specialists	4.084.995	3.693.305	-9,59	3.311.590	-10,34
Workers	7.357.837	5.943.366	-19,22	5.881.221	-1,05
Total	12.106.662	10.340.824	-14,59	10.000.230	-3,29

The annual employee amounts payable fund has been decreasing each year. A significant change has been determined while comparing years 2010 and 2009, when it has decreased by 14.59%. Substantially, it has influenced the trend in variation of number of employees, as 14.1% of employees have been discharged. During the accounting year the employee amounts payable have decreased by 3.29%, because some additional positions were dismissed while improving company's activity.

3. Due to the average registered number of present employees and their average wages:

Table 7

Group of employees	Average conditional number of employees			Average earnings per month, LTL		
	2009	2010	2011	2009	2010	2011
Executives	9,0	9,0	9,3	6.755	6.275	6.793
Specialists	206,0	173,0	157,2	2.836	2.792	3.034
Workers	181,0	163,0	153,2	1.849	1.753	1.862
Total	396,0	345,0	310,5	2.470	2.388	2.492

During the accounting year, the average monthly wage has increased by 4.4% compared to 2010, mostly due to increased wage of employees of professional category.

4. Due to the average wages in subdivision:

Table 8

Subdivision	Average earnings per month, LTL				
	2009	2010		2011	
	Amount, LTL	Amount, LTL	Variation, %	Amount, LTL	Variation, %
CEO unit	6.449	9.372	45,32	6.142	-34,46
Fleet management department	10.481	7.477	-28,66	6.129	-18,03
Technical management department	4.952	5.031	1,60	6.606	31,31
Safety management department	5.358	4.647	-13,27	4.632	-0,32
Information technologies department	4.959	3.621	-26,98	4.824	33,22
Accounting and finance department	3.168	3.213	1,42	3.835	19,36
Personnel department	2.217	2.268	2,30	3.068	35,27
Fleet	2.109	1.953	-7,40	2.038	4,35

Average monthly wages of employees on the vessels have varied insignificantly during the analyzed period. The most significant variations are recorded in the group of onshore employees. In 2010, the remuneration to the CEO unit has increased only because of the final payment to the previously employed CEO. The largest average decline has been recorded in the fleet management department, largest increase - in the fleet maintenance unit and in personnel department.

2.6. Information Related to Environmental Issues

In 2011, the planned inspections of the six company vessels were carried out by the inspectors of the Safe Navigation Control Service in accordance with the ISM code requirements. The Vessel Safety Management Certificate was renewed, while the company was issued with a new 5-year Compliance Document. No significant remarks regarding the environmental protection on ships were made.

In 2011 the company's vessels have not experienced any environmental incidents, the environment has not been polluted, and the vessel use is performed in accordance with MARPOL convention requirements No. 73/78.

In 2011 no remarks in foreign seaport were made regarding environmental security on company's vessels, no vessels have been detained and none of them have experienced demurrages.

Environmental projects undertaken and pending during and after the accounting year are the following:

1. From 1 January, 2011 a separate system - piping / pump to be installed on each vessel after repairs for the piping of the accumulated separated oil waste – sludge and drop off at the seaports' reception facilities.
2. Seeking to decrease the NOx emissions, the MAN B&W engine S50MC modernization method was approved on 12 August, 2011, whereof the International Marine Organization (IMO) was informed. After 12 August, 2012 the first International Atmosphere Pollution Prevention (IAPP) certificate renewal survey to be conducted, that equipment to be installed on the vessel in accordance with the IMO-approved engine modernization method. Engines of this type are on M/V Raguva, Deltuva, and Venta. Their engine modernization according to the (IMO) approved Method to be performed in 2014 - 2015. The approximate cost of modernization of a single engine is about 10.000 EUR.
3. From 1 January, 2011 the International Marine Organization approved an Oil Operations Record Book of the new example. It is kept on the company's vessels already.

The period of 2012-2014 will include very important environmental factors, as the new International marine organization MARPOL requirements shall enter into effect:

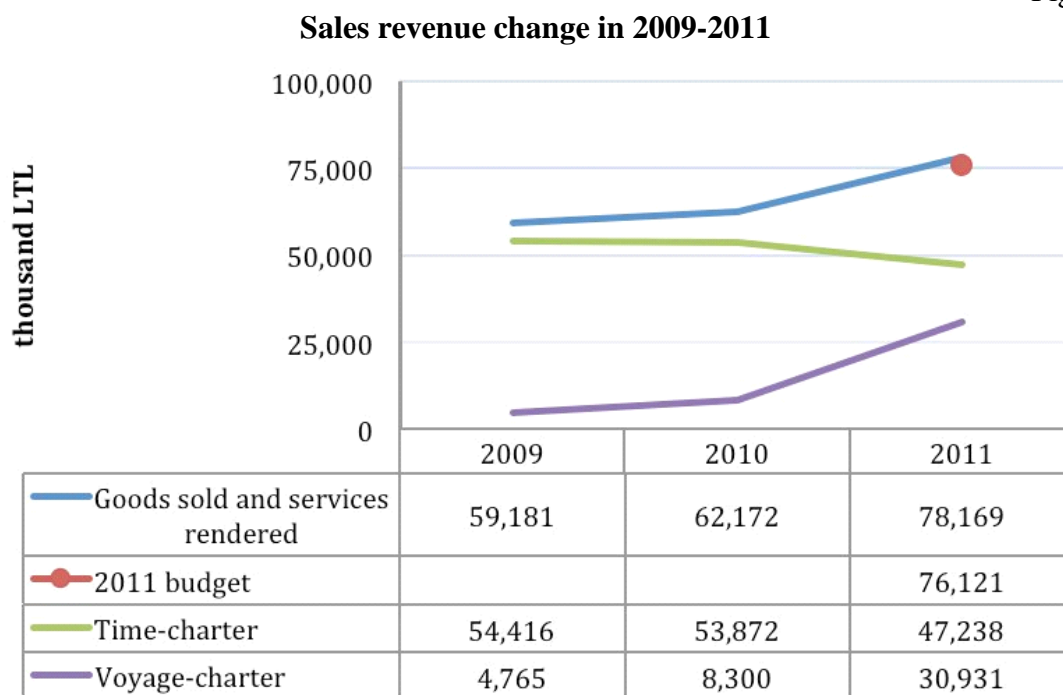
1. Starting 1 August, 2012 the quantity of sulphur in the fuel in the North American control area should not exceed 1.0%.
2. Starting 1 January, 2012, on the global scale, where other restrictions are not applied, the quantity of sulphur in the fuel should not exceed 3.5%. At this time the sulphur concentration allowed is of 4.5%, but this kind of fuel is scarcely used. From 1 January, 2014, USA dominions in the Caribbean region (Puerto Rico, Virgin Island) have been announced as an exceptional area of protection. Starting 1 January, 2015 the sulphur quantity in fuel on this territory should not exceed 0.1%. Depending on the bunker port, 1.0% fuel is about 20 – 50 USD/ton more expensive than the fuel with 3.5% sulphur.
3. It is likely that starting 1 January, 2013 a new waste disposal requirement will enter into force, provided that all kinds of waste disposal into the sea are prohibited with an exception of particular reservations (food waste, cargo leavings, water after bilge/deck wash including detergents). The requirements for the waste arrangement plans are being changed as well as the Waste operations record book form.
4. It is believed that starting 1 January, 2013 during the first renewal or an interim survey, the International Energy Efficiency Certificate should be issued, as a new amendment to Annex VI has been approved during the 62 MEPC session; aiming to reduce the amount of emissions of gases from the vessels that cause the greenhouse effect, a new amendment to Annex VI has been approved regarding the efficient energy use on vessels. A requirement for the adoption of Ship Energy Efficiency Management Plan (SEEMP) has been adopted. However, the Administration can reschedule the effect of such requirement to a 4 year period.

2.7. Events of Financial Year of Essential Significance on Company's Activities

In order to objectively assess the financial situation of the company, the variations in the sales revenue are being analyzed first. Figure 13 illustrates that in 2009 - 2011 the sales have been increasing: in 2010 - by 5% and in 2011 - by 25.7%. This increase was mainly influenced by the company's decision to employ some vessels under voyage-charter agreements, i.e. to personally managing the vessels. This decision was dictated by the market itself, as long-term freights, proposed by clients, could not meet the company's expectations. Four vessels have been employed in this form during the accounting year. Separately the time-charter and voyage-charter sales variation presented clearly illustrates this situation, i.e. time-charter's part of revenue has been decreasing, whereas the voyage-charter's has been increasing.

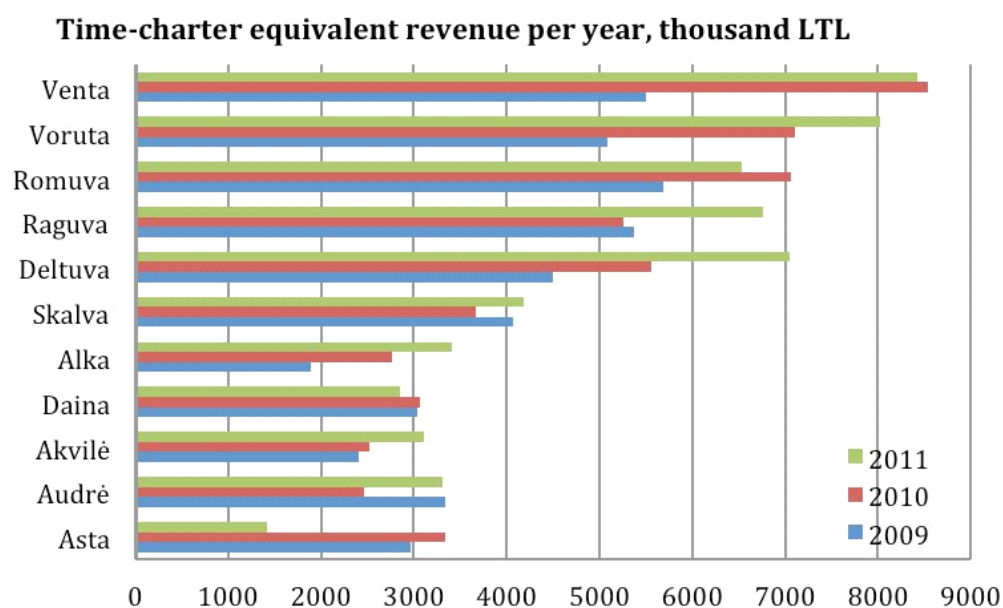
The red dot indicated in Figure 13 represents the sales budget of 2011. The company has fulfilled and exceeded the sales plan. However, due to reduced number of freights and increased expenses, this result is not satisfactory still so the company could finish the year with results planned.

Figure 13



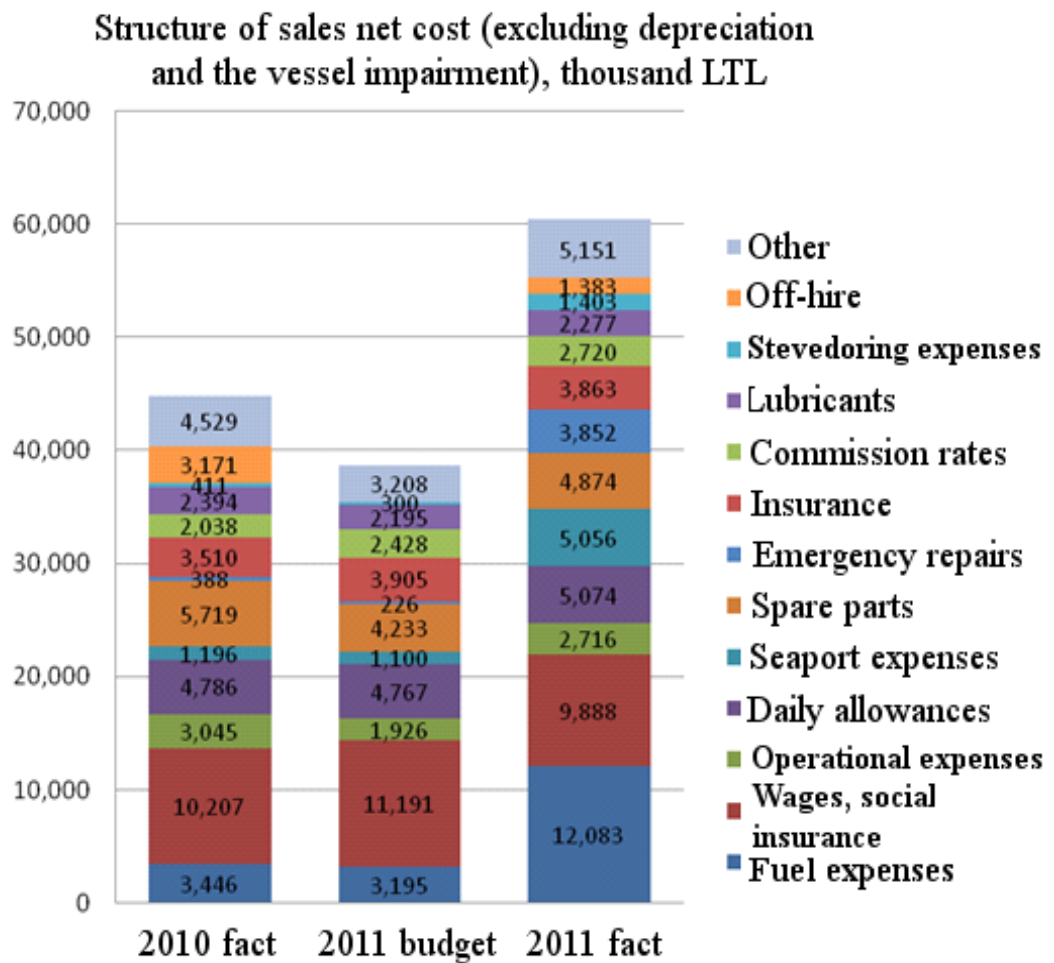
In order to assess the sales structure according to the vessels, it is best to make the comparison according to time-charter equivalent level of revenue. Figure 14, presented below, demonstrates the sales revenue variations in 2009-2011 according to the vessels. In addition, the contribution of every vessel to general sales result is clearly visible. The compared revenue weight of vessels Deltuva, Raguva, Romuva, Voruta, and Venta is higher than of the other vessels. Furthermore, practically all of the vessels in this group have generated more revenues than last year. The fluctuations are higher in the group of smaller vessels that consists of Skalva, Alka, Daina, Akvilè, Audrè, and Asta. It should be noted that the revenues from vessel Asta have decreased this way due to long demurrages, which have been influenced by emergency repairs in 2011.

Figure 14



While analyzing the actual changes of the sales costs in 2010-2011 and comparing them to the 2011 annual budget, a sharp increase in expenses in 2011 is clearly visible. Table 15 reveals this situation. During the accounting year, the expenses (excluding wear and tear and depreciation of vessels, which totaled 36.213 thousand LTL) were larger by 34.6 percent compared to 2010; that was influenced by sales, which increased by 25.7%, and by the changed service rendering structure, when the company employed more vessels on its own and because of that larger revenues were received, larger expenses incurred, that consisted of commission, seaport, stevedoring, and fuel expenses. We can see that this particular group of expenses in 2011 was the fastest growing compared to the results of 2010. However, the company has managed to reduce such expenses as the off-hire (more efficiently operated vessel repair and maintenance process) and wages of the employees (reduced number of employees).

Figure 15



However, when comparing the actual data of 2011 with the numbers planned we can note a significant increase in the operating cost. This was mostly influenced by the rise in fuel prices, which is illustrated in Figure 16:

Variation of fuel prices



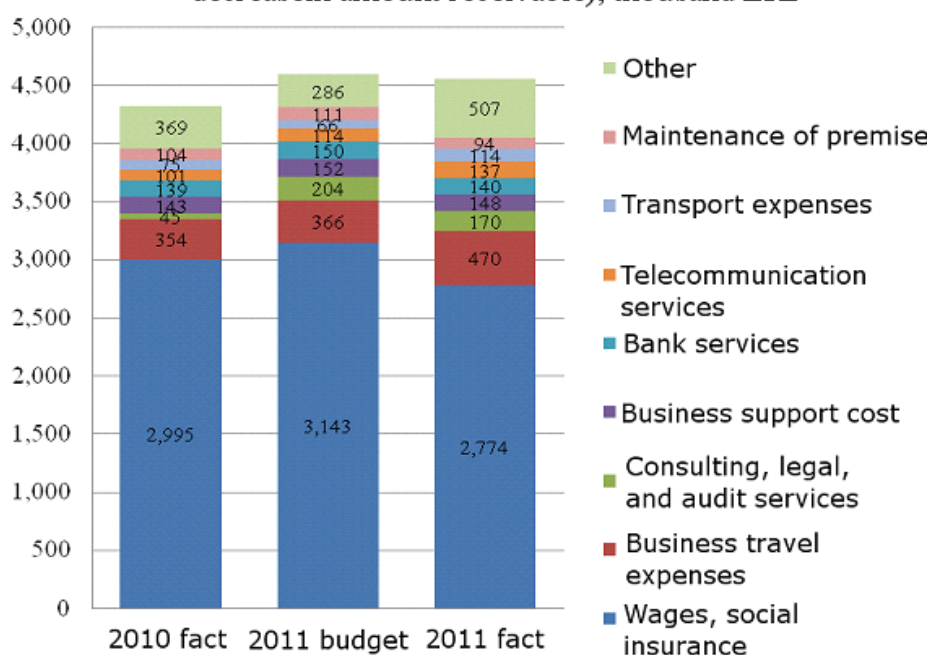
Source: www.bunkerworld.com

We can see that in certain months the fuel prices have exceeded the December, 2010 prices (when the budget was approved) by over 40%. That was influenced by the Libyan conflict, which interrupted the high-quality fuel supply and the production of low-sulphur fuel from lower quality crude oil is more expensive. That is why we have a rise in prices and no assumptions for their fall until Libya restores the supply of oil.

The figure presented below illustrates the structure of activity cost. No significant changes in this group of expenses were determined. The company aims to use the resources more efficiently and to optimize its activity, therefore in 2011 activity cost excluding the accounting of depreciation of amounts receivable totaled 5.8 percent of sales, whereas in 2010 – 7 percent of total sales amount.

Figure 17

Structure of operating expenses (excluding depreciation and decrease in amount receivable), thousand LTL



The increased net cost in 2011 did not allow to fulfill the EBIDTA and the net profit (loss) plan, that is why the results are worse in comparison with planned results, however, they are very close to the fact of 2010 (see Figure 18). Increased amounts of fuel and other expenses have not allowed reaching the target net result value, however, the loss was almost 30 percent less than in 2010.

Figure 18

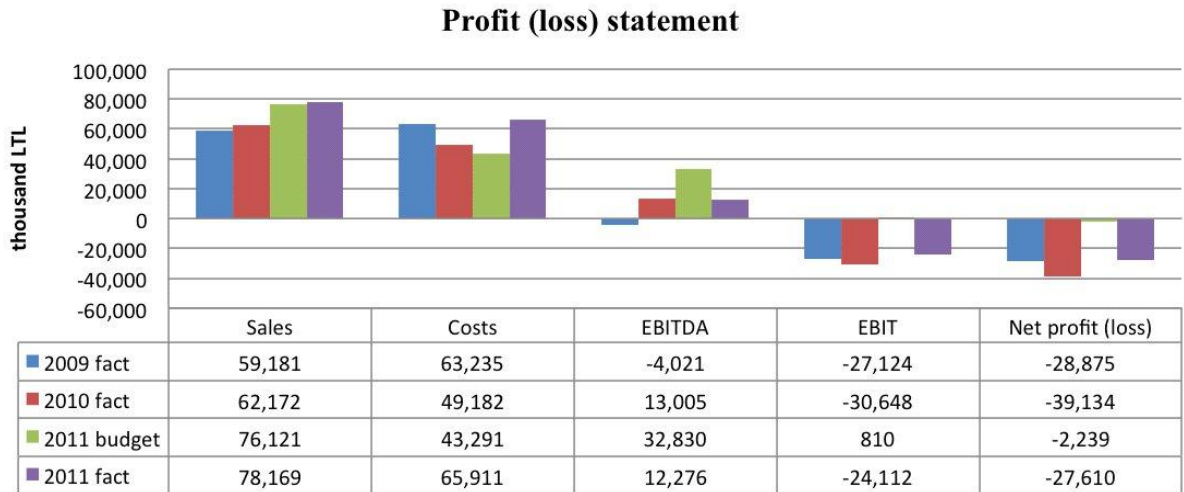
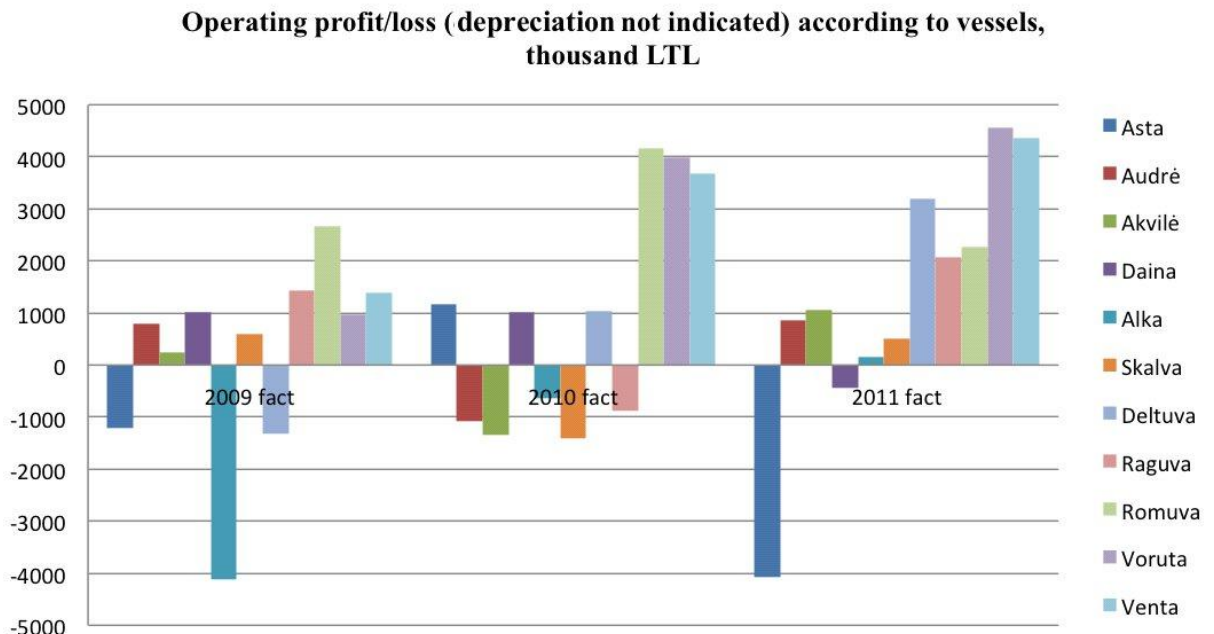


Figure 19 below illustrates the operating profit (loss), i.e. the variation of financial results before wear and tear and depreciation of vessels, according to the vessels. It is obvious that the group of larger vessels is more profitable. The only impact on decrease in certain periods was the repairs planned, which increased expenses on vessel demurrage and repairs. Smaller vessels generate less profit; furthermore, the result of vessel Asta in 2010 was extremely poor due to emergency repairs, which are not yet recognized as an incident covered by insurance. If this will be done in 2012, a part of vessel repairs expenses will be compensated; however, expenses incurred from lay-ups will not replace the amount of vessel revenues for 2011.

Figure 19



2.8. Company's Investment Projects

2.8.1. Investing into long-term assets during the accounting year

Due to limited financial capabilities, the company did not acquire any vessels in 2011 and the investments were reduced to minimum. The investment from own resources in 2011 make up 4.380 thousand LTL, whereof 3.876 thousand LTL are for repairs and unfinished vessel repairs, 292 thousand LTL – for vessel modernization, the remaining part – for acquisition of software, computers, and other assets (refrigerators, freezers etc.) for the vessels.

2.8.2. Major financial projects in progress and target financial projects

Currently, no investment projects are undertaken, but various fleet renovation options are being discussed with an objective to find a source of financing. A potential interested investor may be provided with more detailed calculations and forecasts.

2.9. Plans and Forecasts of Activities of the Company

According to the World Bank forecasts for 2012 - 2013 presented below, we may see the stabilization period forecasted for the world economy. After a sharp downturn in 2009, when the gross domestic product ratio has decreased significantly compared to the previous year, the recovery is forecasted only for certain countries for the period until the end of 2013. Most part of economies should maintain the 2010 growth rate.

Table 9

GDP growth in world economies

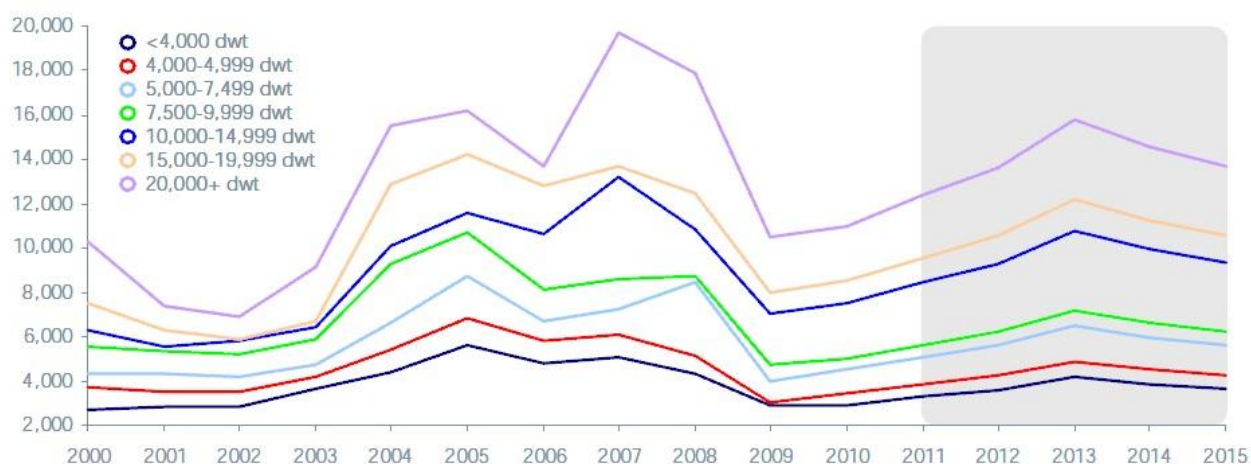
GDP growth	2009	2010	2011	2012P	2013P
Eurozone	-4,1	1,7	1,7	1,8	1,9
USA	-2,6	2,8	2,6	2,9	2,7
China	9,1	10,3	9,3	8,7	8,8
India	9,1	8,8	8,0	8,4	8,5
Japan	-6,3	4,0	0,1	2,6	2,0
OECD* countries	-3,5	2,6	2,1	2,6	2,5
World	-2,2	2,8	2,2	3,6	3,6

* Members of the Organization for Economic Co-operation and Development

Source: World Bank, www.worldbank.org

In present situation no major changes in the shipping sector are expected. Forecasts presented in Table 20 reflect the general situation in the world economy. Substantially, the shipping freights should experience a minor increase due to the number of vessel breakage and the vessel production rate.

Figure 4.7 Forecast development of timecharter rates (\$ per day)

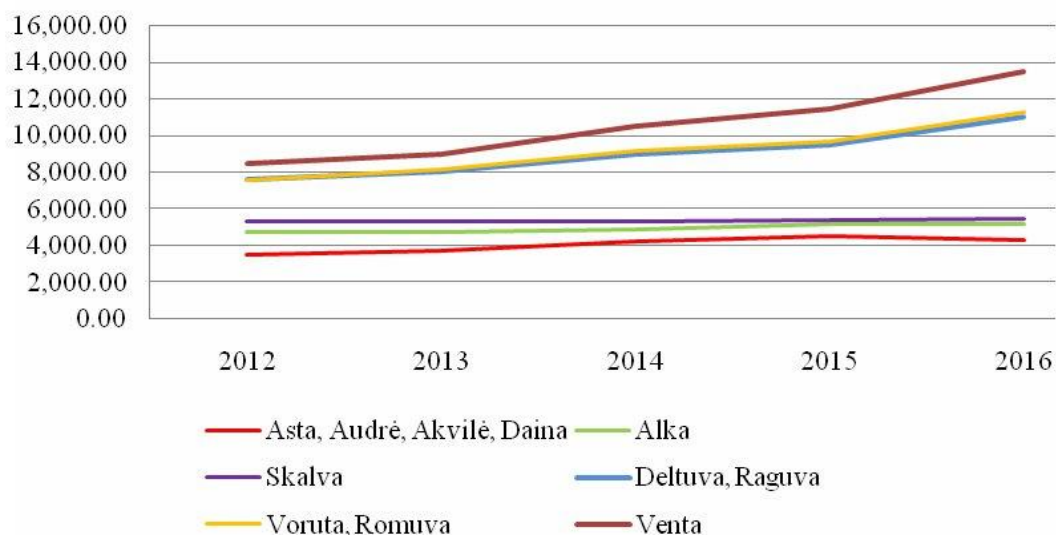


Source: Drewry Maritime Research

The ongoing economic crisis and specially, the escalation of the financial situation in the European Union, as well as low freight rates have affected company's activity. The forecasts for the company's freight margins are slightly moderate than those of Drewry Maritime Research economists, as in 2013 the businesses do not forecast a more significant recovery (Figure 21).

Figure 21

Forecasted net "Time-charter" equivalent according to vessel groups, USD



Currently, these are the main objectives of the company:

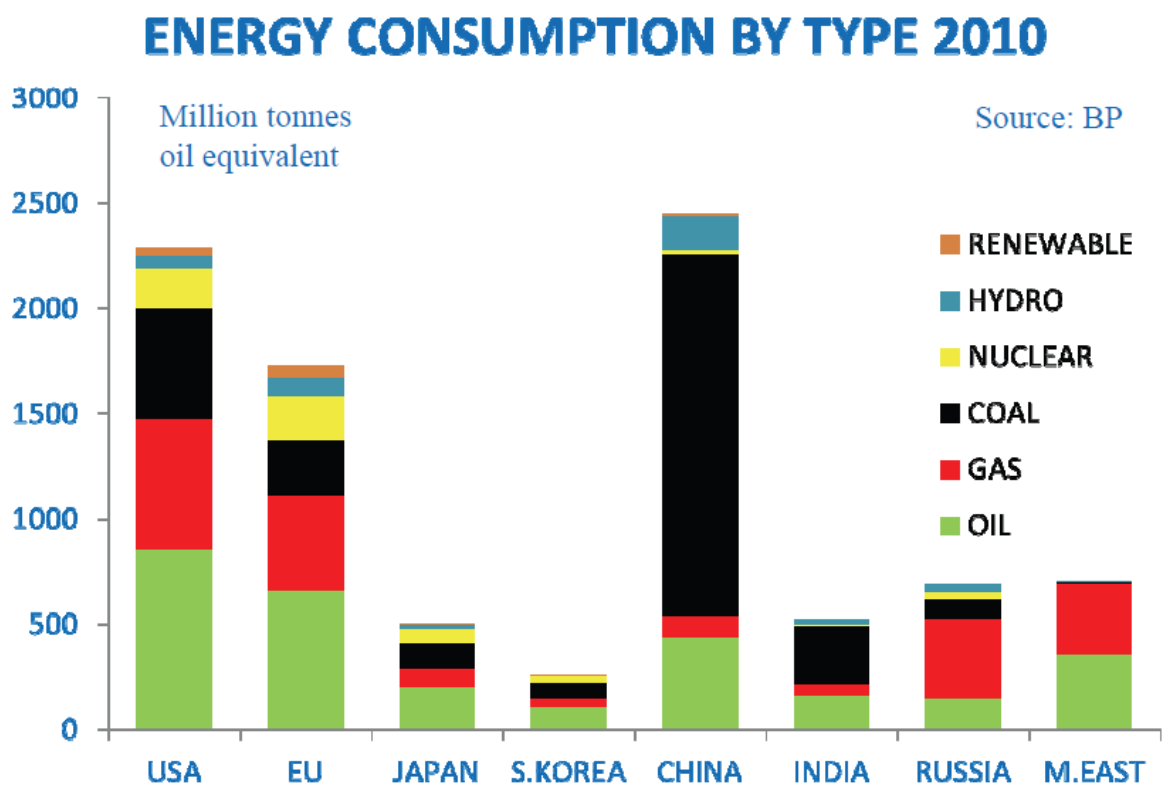
Search for the new markets.

In March 2011, the company started to freight vessels on the market on its own, which surprised the cargo and broker companies. Since 1969 the company has been employing ships under the time-charter agreements and has searched very little for cargo flows on its own. A "state owned enterprise" image was created on the market as it was possible to take vessels for a price which was lower than on the market.

During the accounting year some contacts have been established with major chartering companies in Germany, England, and the Netherlands, and the globally recognized companies that perform market analysis. The vessels and the crew, the cargo and the freight loss are insured by the most reliable global-level insurance clubs and companies. The vessels are employed under the voyage-charter agreements and highest market rates are thus available.

In spite of the fact that company's vessel chartering and management unit works with clients via vast broker network, a major part of cargo flows in the world, which are considered as standard, are not stable. Figure 22 presents BP information, according to which the largest part of globally consumed energy is coal, oil, and gas energy and the indicators of trends for the nearest future will not vary. For this reason, having a dry-bulk carrier fleet, it is attempted to find access to China, India, and the USA markets' coal and other materials for bulk cargo transportation.

Figure 22



Taking into consideration the conditions mentioned above, the company has the following objectives:

1. to form a reliable broker and freighter network with 15-25 people from reliable companies with intended long-term work perspectives;
2. to establish a reliable ship owner's reputation amongst the largest group of freighters;
3. to maintain the fleet's technical condition in line with RIGHTSHIP highest rating;
4. to find and employ motor-vessels ROMUVA and VORUTA in cargo flows which would be most suitable for them and where their economic productivity would be the highest;

Attract the investors for the renovation of the fleet.

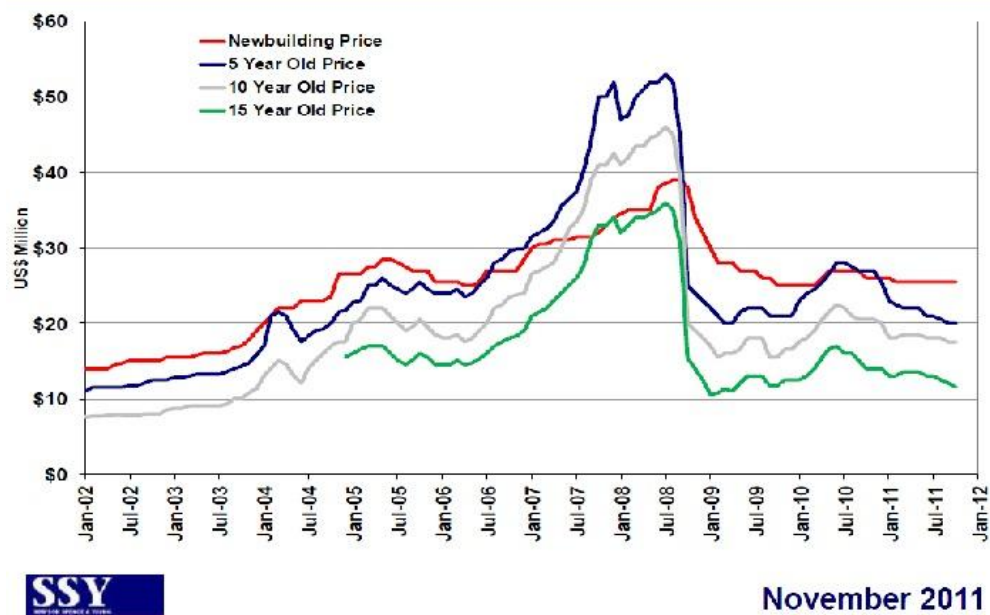
At this moment the company is actively searching for opportunities to attract an investor for the renovation of the fleet, various strategic development options are being discussed. It is planned

to sell several vessels that generate a lower net profit and to acquire 2-3 vessels of 15-25 thousand DWT, and to focus even more on one market segment and the type of vessels in order to reinforce our position on the market and to react to the market changes in a more flexible and prompt way.

The current situation is very favorable, as the vessel prices have dropped (Figure 23).

Figure 23

handysize asset values



When in the nearest future the freight margins go up, the vessel prices will also rise significantly. At this moment there are very little orders on the vessels, but when the vessel demand rises, the producers will not be able fulfill such a demand instantly, as the vessel construction orders are completed only in 2-3 years. For this reason, the price of the vessels used previously will rise in this period. The company plans on acquiring the vessels that were employed previously of 2-12 years of age.

Broaden relations with the foreign crewing companies to form a crew of highly qualified specialists. To create and establish a motivational system, that would encourage seafarers to work in the Lithuanian fleet.

Reduce vessel repairs and maintenance expenses. During such a difficult economic period a strict control of the vessel maintenance (repairs, spare parts) expenses is crucial, it is intended to plan vessel repairs in the work region after an accurate analysis of the shipyards capacity, prices, traditions, and other features; to optimize the conditions for the delivery of parts;

- a timely preparation and presenting of a repair manifest allows a more accurate planning of the scope and costs of repairs and a better preparation for the delivery of the spare parts;
- while proceeding to the repair yard it is intended to search for an additional cargo to avoid large expenses during ballast voyage without any cargo.

Safe shipping and working without detention of the vessels in foreign seaports.

Lithuanian Shipping Company has a Safety Management System installed (hereinafter referred to as SMS), which helps to ensure:

- accident-free shipping,
- environmental protection, avoiding pollution from vessels,

- safety of employees, elimination of the risk factors that condition emergencies and injuries,
- technologies for the safe cargo transportation, which help to avoid damage or loss of cargo carried.

2.10. Assessment of Company's Status and Performance of Activities

The analysis of the financial ratios that best reflect the company activity results and comments are provided in the Table 10.

Table 10

Financial ratio analysis

Title, thousand LTL	Fact			Comment
	2009	2010	2011	
Required (employed) capital	275.653	239.052	202.043	
Long-term tangible assets	283.955	239.318	207.252	
Net working capital	(8.302)	(266)	(5.209)	
Sources of financing	275.653	239.052	202.043	
Financial debt	73.469	76.002	66.603	About 30% of the employed capital is being financed by borrowed resources, and the other part - by own resources.
Grants and subsidies				
Provisions and deferred taxes				
Share capital	200.901	200.901	200.901	
Retained profit (loss) + reserves	1.283	(37.851)	(65.461)	
Sales	59.181	62.172	78.169	The financial data illustrates improving results, but that is not enough for the ratios to become positive.
Net profit (loss)	(28.875)	(39.134)	(27.610)	
EBITDA	(4.021,0)	13.005	12.276	
Interest expenses	2.238	2.250	2.071	
Scheduled credit repayments	9.350	3.628	10.337	
EPS, LTL	(0,14)	(0,19)	(0,14)	The situation is unsatisfactory as the company operates at a loss.
Net profit margin, %	(48,79)	(62,95)	(35,32)	
ROE, %	(14,28)	(24,00)	(20,38)	
ROA, %	(9,98)	(15,82)	(12,91)	
Liquidity ratio	0,22	0,26	0,14	The ratio value between 1.2 and 2.0 is considered acceptable. The liquidity ratio should be corrected and including the real expected credit repayments in 2012 could reach 0.36.
Gross debt ratio	0,30	0,34	0,37	The ratio value about 0.5 is considered normal (i.e. half of financial resources are borrowed). The situation in the company is better.
Debt-to-equity ratio	2,32	1,94	1,73	The ratio value below 0.5 is considered low, normal- about 1, high- above 2.
DSCR	(0,35)	2,21	0,99	Acceptable ratio value- above 1.

2.11. Description of Main Types of Risks and Uncertainties (SWOT Analysis)

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

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

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

The SWOT analysis is presented in the Table 11 below:

Table 11

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Good relations with freighters, cargo suppliers, insurers, and other company's partners. 2. Regular analysis of cargo changes and market monitoring. 3. Company's transition to vessel operation by its own resources in order to increase revenues. 4. Strong orientation on a particular market segment. 5. Flexibility, i.e. the opportunity to carry miscellaneous cargoes. 6. Solvency and stability of the company. 7. Transparent financial activity, modern accounting systems installed. 8. In 2011 the staff was renewed by many new, qualified, motivated professionals. The education level of most captains, chief engineers is high - they have many years of experience and good marine practice. 9. Low employee turnover. 10. An effectively operating renovated technical vessel management system. 	<ol style="list-style-type: none"> 1. A major part of cargo flows, which are considered as standard, are not stable. 2. An image of "state", dependant shipping company. 3. Main shareholder's political/strategic actions are impossible to forecast. 4. An aging fleet. 5. Large vessel repairs, the maintenance expenses. 6. Losses due to vessel detention in foreign seaports, vessel accidents/incidents. 7. Compared to other countries, in Lithuania a larger minimum number of seafarers on board is required. 8. Low wages of onshore seafarers compared to foreign companies' fleets- the company can experience a shortage of specialists. 9. Poor knowledge of foreign languages and computer literacy. 10. High average of the seafarers' age.

11. Compliance to environmental, technical requirements. 12. Establishing of an organizational culture that encourages the initiative and motivates for action.	
Opportunities	Threats
1. Improving reputation amongst major freighters. 2. Fleet renovation and remaining in the multipurpose vessel segment. 3. Attraction of a new investor. 4. Search for new markets, new cargo flows due to changes in world economy growth distribution. 5. Reduction of expenditure. 6. Installation and development of new technologies. 7. Increasing number of vessel breakage in the world due to their age and ineffectiveness. 8. Flows of the smaller-sized cargo on the market, therefore, smaller tonnage vessels will be of high demand. 9. Significantly decreased number of orders for new vessels, especially in the small-tonnage segment. 10. High potential of developing markets. 11. Eco-speed. 12. Rise in qualification of employees. 13. Attraction of young, active, motivated employees.	1. Decreasing freights. 2. Unstable USD rates. 3. Unstable international relations, conflicts in Arab counties, piracy. 4. Passive Government's fiscal policy. 5. Economic stagnation falls in consumption, pessimistic forecasts for recovery. 6. Further rising of fuel prices. 7. Stricter environmental requirements. 8. Vessel surplus on the market. 9. Low world fleet breakage number. 10. Vessel conversion (from containers to bulk carriers). 11. Trade protectionism.

2.12. Financial Risk Management Measures

The company pays exceptional attention to activity planning and performance monitoring and, therefore, preparing of annual budgets and the comparing of an actual monthly data with the planned data. The reasons for failed performance are being analyzed with an objective to eliminate. The company plans its turnover capital flows in order to avoid the illiquidity problem.

Largest part of vessels is employed under time-charter agreements. In such a case the company reduces the impact of fluctuations in freight rates and can plan the cash flow easily.

In 2011, the company has insured its civil liability as a ship owner (*Protection&Indemnity Insurance*) with Skuld Company, whereas all of the company's owned vessels were insured by Hull & Machinery insurance at Insurance Joint Stock Company Allianz. All of the companies providing marine insurance must meet the requirement of having at least B+ A. M. Best company rate and at least BBB STANDARD & POOR'S company rate or other similar rate. No specific companies for 2012 insurances were chosen.

No currency risk management derivatives are used.

2.13. Branch Establishments and Representative Offices

The company does not have any branch establishments or representative offices.

2.14. Important Events since the End of Previous Financial Year

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

2.15. Company's R&D Activities

The company did not perform any R&D activities during the accounting period.

2.16. Company's Social Initiatives and Policy

One of the main fields of social policy of the company is social partnership. Social partnership is a system of relationships among Lithuanian Shipping Company's employees and their partners, which is used to align the interests of individuals in labor relations.

The parties of social partnerships (social partners) are trade unions and company's representatives.

Social partnership is based on the following principals:

1. free collective negotiations;
2. volunteerism and autonomy by accepting the obligations that bound the parties;
3. non-violation of valid legal system;
4. real fulfillment of obligations;
5. objective information supply;
6. reciprocal control and responsibility;
7. equity of the rights of the parties, goodwill and respect for legitimate mutual interests.

Social partnership is implemented by informing, consultation, and collective negotiation procedures on equitable communication basis.

The basis for social initiative consists of support, which is granted by the decision of administration meetings. Every request for support is analyzed separately.

2.17. Information on Compliance with Provisions of Transparency Policy

The Company acts and complies with the Transparency policy provisions which have been approved by decision No. 1052, dated 14.07.2010 of the Government of the Republic of Lithuania "Regarding the approval of transparent activity of the state-regulated companies' description guidelines and the allocation of coordinating institution":

1. The Company acts in accordance with the provisions of the corporate governance code regarding the announcement of information.
2. The Company publicly announces the objectives, tasks, financial and other results of activity, current number of employees, annual wages fund, wages of the managers of the state-regulated company and those of their duties, acquisitions and investments that were made, are being made and those planned during the financial year.
3. The information announced by the company, including the annual reports prepared, activity statements, and interim six-month activity statements objectively reflect the nature of state company's activity, current and future activity directions, tasks and objectives, results of the activity and advances.
4. The information about the company is accessible to the public (it is announced on the company's website).
5. Company's accounting is in line with international accounting standards.
6. Company prepares interim (3, 6, 9 and 12 months) sets of Financial Statements.
7. The audit for the set of annual financial statements is in line with international audit standards.
8. All of the information on the website is published in accordance with the Transparency description procedures and terms.

3. INFORMATION ON COMPANY'S SHARES AND SHAREHOLDERS

3.1. Company Shareholders' Rights

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

Property rights of shareholders of the Company:

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

Non-property rights of shareholders of the Company:

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

One ordinary registered share of the Company with nominal value of 1 Litas grants one vote the General Shareholders' Meeting. The right to vote at the General shareholders' meeting is granted only by entirely paid-in shares. The right to vote at the General Shareholders' Meeting may be forbidden or limited under the cases determined in the Laws on Companies of the Republic of Lithuania and other laws or in case where the property right to a share is challenged. There are no shareholders with special control rights.

3.2. Agreements Between Shareholders

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

3.3. Purchase of Own Shares

During the 2011 accounting year the company did not acquire, did not transfer, and did not hold own shares. No authorizations for the issue or purchase of issuer's shares on behalf of issuer's managing bodies were given.

The General Shareholders' Meeting has the exclusive right to the issue and purchase of own shares.

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

3.4. Dividend Policy

The company did not pay any dividends during the financial years of 2010 and 2011.

4. INFORMATION ON COMPANY'S MANAGEMENT BODIES

4.1. Supervisory Board

Table 12

Members of the Supervisory board

Item No.	Full name	Lithuanian Shipping Company shares	Term of office	Field of activities
1	Tomas Karpavičius (Chairman)	N/A	Since 28/11/2011 Chairman since 22/12/2011	Employee of the Ministry of Transport and Communications of the Republic of Lithuania
2	Ona Barauskienė	N/A	Since 19/11/2009	Employee of the Ministry of Transport and Communications of the Republic of Lithuania
3	Evaldas Zacharevičius	21081 = 0,01% of vote	Since 19/11/2009	Employee of Lithuanian Maritime Safety Administration
4	Kazimieras Gimbutis	2000 = 0,0009 % of vote	Since 19/11/2009	Representative of the minority shareholders
5	Helena Rogoža	N/A	Since 19/11/2009	Employee of the Ministry of Transport and Communications of the Republic of Lithuania

Rolandas Bražinskas – member of the Supervisory board from 19.11.2009 until 28.11.2011, does not own Lithuanian Shipping Company shares, employee of the Ministry of Transport and Communications of the Republic of Lithuania.

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

3. submit its comments and proposals to the general meeting of shareholders on the company's operating strategy, set of annual financial statements, draft of profit/loss appropriation and the annual report of the company as well as the activities of the board and the manager of the company;
4. submit proposals to the board and the manager of the company to revoke their decisions which are in conflict with laws and other legal acts, the Articles of Association of the company or the decisions of the general meeting of shareholders;
5. address other issues assigned to the scope of powers of the supervisory board by the Articles of Association of the company as well as by the decisions of the general meeting of shareholders regarding the supervision of the activities of the company and its management bodies.
6. The supervisory board shall not be entitled to assign or delegate the functions assigned to the scope of its powers by the Law on Entities 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.

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.

4.2. Board

Table 13

Members of the Board

Item No.	Full name	Lithuanian Shipping Company shares	Term of office	Field of activities
1	Arūnas Štaras (Chairman)	N/A	Since 10/03/2009 Chairman since 20/03/2009	Employee of the Ministry of Transport and Communications of the Republic of Lithuania
2	Jelena Antonevič	N/A	Since 21/10/2005	Employee of the Ministry of Transport and Communications of the Republic of Lithuania
3	Juozas Darulis	N/A	Since 10/03/2009	Employee of the Ministry of Transport and Communications of the Republic of Lithuania
4	Rolandas Bražinskas	N/A	Since 22/12/2011	Employee of the Ministry of Transport and Communications of the Republic of Lithuania
5	Arvydas Bogočionkas	N/A	Since 15/11/2010	Employee of Public Company Lithuanian Shipping Company

Vidutė Šarkienė – member of the Board from 21.10.2005 until 22.12.2011, does not own Lithuanian Shipping Company shares, employee of the Ministry of Transport and Communications of the Republic of Lithuania until 2011.

The board is a collegial body of management as well as is made of 5 members. The supervisory board elects members of the board for a term of four years. The board elects a chairman of the board from the members thereof.

Only a natural person may be elected as the Chairman of the Board. Those who cannot be elected as the Chairman of the Board are the following: member and natural person of company's supervisory board, who cannot accept this office according to the Laws of the Republic of Lithuania.

The number of the terms of office of the members and the chairman of the board shall not be limited.

The board discusses and approves:

1. the operating strategy of the company;
2. the annual report of the company;
3. the management structure of the company and the positions of the employees;
4. the positions to which employees are recruited through competition;
5. regulations of branches and representative offices of the company;
6. the procedure of procurement of goods, works, and services.

The board elects and removes from the office the CEO of the company, sets his/her salary as well as the other terms of the employment contract, approves the job description, and provides incentives for and imposes penalties against him/her.

The board determines which information is considered to be the company's commercial (industrial) secret and confidential information. Any information, which must be publicly available under the Law on Entities and other laws of the Republic of Lithuania, may not be considered to be commercial (industrial) secret and confidential information.

The Board shall take the following decisions:

1. decisions for the company to become an incorporator or a member of other legal entities;
2. decisions on the opening of branches and representative offices of the company;
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);
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);
5. decisions on offering of surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 10 million litas;
6. decisions on the acquisition of the fixed assets the price whereof exceeds 10 million litas;
7. decisions on restructuring of the company in the cases laid down by the Law on Restructuring of Enterprises;
8. decisions to allow the manager of the company to conclude transactions (except for the transactions of financial derivatives, purchase-sale of currency, insurance of vessels, as well as maritime risk insurance of vessels), the value of which is more than 2 000 000 LTL (excluding tax) and transactions of procurement of the works, the value of which is more than 3 000 000 LTL (excluding tax).
9. the other decisions assigned to the scope of powers of the board by the decisions of the general meeting of shareholders.

The board shall analyze and evaluate the information submitted by the CEO of the company on:

1. the implementation of the operating strategy of the company;
2. the organization of the activities of the company;
3. the financial status of the company;
4. the results of business activities, income and expenditure estimates, the stocktaking and other accounting data of changes in the assets.

The board analyzes and assesses a set of the company's annual financial statements and draft of profit/loss appropriation and submits them to the supervisory board and to the General Meeting of Shareholders together with the annual report of the company.

The board is responsible for the convening and organization of the General Meetings of Shareholders in due time.

Members of the board must keep commercial (industrial) secrets of the company and confidential information that they obtained while holding the office of members of the board.

The board must organize the general shareholders' meetings in due time and ensure due organization thereof.

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

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

The latest version of Public Company's "Lithuanian Shipping Company" Articles of Association has been approved on the Public Company "Lithuanian Shipping Company" General Shareholder's Meeting which took place 30 April 2010.

4.3. Management

Table 14

CEO of the Company

Full name	Lithuanian Shipping Company shares	Term of office	Field of activities
Arvydas Bogočionkas	N/A	Since 24/05/2010	Chief Executive Officer

Table 15

CFO of the Company

Full name	Lithuanian Shipping Company shares	Term of office	Field of activities
Arvydas Stropus	N/A	Since 27/06/2001	Chief Financial Officer

The information about the amounts calculated over the accounting period at Lithuanian Shipping Company, as well as other assets transferred, and guarantees granted to the persons listed in the tables in general as well as average amounts, falling to a single member of the supervisory board or board member of the company, as well as to CEO, and CFO of the company is provided in the Table 16.

Table 16

Amounts payable for 2011

	Amount of remunerated money, LTL	Sold assets, LTL	Provided guarantees
Chief Executive Officer (Member of the Board), Chief Financial Officer	215789	-	-
Members of the Board	-	-	-

The other members, who are not employed by the company and with whom the company did not sign any work contracts, have not received any other payments, bonuses from the company; no assets have been transferred and no guarantees have been provided.

No agreements that provide large compensations exist.

4.4. Other Information on Management Bodies

1. On 21 July 2011, the Audit Committee of Lithuanian Shipping Company was formed on the basis of Supervisory Board Meeting Minutes No. 3, which includes three persons:
 1. Jonas Nazarovas, AB DFDS Seaways Managing Director;
 2. Ligita Mikienė, Deputy Director of Economy and Finance of Klaipėda Stevedoring Company – a company of Company Concern Achema Group;
 3. Dana Cemnolonskienė, Head at interim of Internal Audit Department of the State Property Fund.

No other committees are established in the Company.

2. AB SEB bankas is entitled to unilaterally terminate the credit contract in case, if the main shareholder of the company – Republic of Lithuania, holding 56.66 percent of shares of the company by the title of ownership, transfers any number of shares of the creditor and / or revokes its written obligation to not transfer such shares without the consent of AB SEB bankas.
3. There are no significant agreements between Lithuanian Shipping Company and its managing bodies, Lithuanian Shipping Company managers, employees that provide a compensation in case of recovery from office or dismissal without a valid reason, or if their work would be terminated due to Lithuanian Shipping Company control.
4. There are no transactions between related parties.

4.5. Procedure for Amending Company's Articles of Association

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

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

5. OTHER COMPANY INFORMATION

5.1. Information on Detrimental Transactions Concluded on Issuer's Behalf over Accounting Period

During the last period, no adverse transactions on behalf of Lithuanian Shipping Company, that had or would have negative influence on the activities and (or) results of activities of Lithuanian Shipping Company were made. No transactions were made in presence of conflict between the managers of Lithuanian Shipping Company, who control shareholders' or other related parties' office in Lithuanian Shipping Company, and their private interests and (or) other offices.

5.2. Data on Published Information

An issuer, accomplishing his liabilities, according to the legal acts regulating the stock market and being applied to him, publicly announced the following information in 2011:

1. The elections of the Supervisory board chairman and the member of the board
2. Extraordinary General Meeting of Shareholders of Public Company Lithuanian Shipping Company decisions, dating 28/11/2011
3. PC "Lithuanian Shipping Company" information regarding AB bank "Snoras"
4. Extraordinary General Meeting of Shareholders of Public Company Lithuanian Shipping Company amended agenda, dating 28/11/2011
5. Extraordinary General Meeting of Shareholders of Public Company Lithuanian Shipping Company decision project
6. Extraordinary General Meeting of Shareholders of Public Company Lithuanian Shipping Company amended agenda
7. Corrected interim information of nine months of the year 2011 of Public Company Lithuanian Shipping Company
8. Corrected interim information of nine months of the year 2011 of Public Company Lithuanian Shipping Company
9. Interim information of nine months of the year 2011 of Public Company Lithuanian Shipping Company
10. Activity results for nine months of the year 2011 of Public Company Lithuanian Shipping Company
11. Interim information of six months of the year 2011 of Public Company Lithuanian Shipping Company
12. Activity results for six months of the year 2011 of Public Company Lithuanian Shipping Company
13. Interim information of three months of the year 2011 of Public Company Lithuanian Shipping Company
14. Activity results for three months of the year 2011 of Public Company Lithuanian Shipping Company
15. Public Company Lithuanian Shipping Company 2010 annual information
16. General meeting of shareholders of Public Company Lithuanian Shipping Company decisions
17. General Meeting of Shareholders of Public Company Lithuanian Shipping Company decision projects
18. Interim information for 12 months for year 2010
19. Activity results for 12 months of the year 2010 of Public Company Lithuanian Shipping Company
20. Statement on loss of voting rights

The information is published on Public Company Lithuanian Shipping Company's website <http://www.ljl.lt/lt/akcininkams/esiminiai-ivykiai/>

The Corporate management code is provided in Appendix 1.

ENCLOSURE:

1. Securities sold by automatically matched transactions, results for last 12 quarters (for each one), 1 page.
2. Trading in the issuer's securities outside the stock exchange in 2009-2011, 1 page.
3. Public Company Lithuanian Shipping Company, whose securities are sold on the regulated market, management code compliance disclosure, 30 pages.

Chief Executive Officer



Arvydas Bogočionkas

**The Results of Securities, Sold under Automatic Performance Transactions, for
the Last 12 Quarters (Individually)**

Reporting period		Price			Turnover (LTL)			Last session date	General turnover	
From	Until	Max.	Min.	Last session	Max.	Min.	Last session		(units)	(LTL)
01.01.2009	31.03.2009	0,45	0,22	0,37	771.960	0	145.207	31.03.2009	25.025.523	8.659.821
01.04.2009	30.06.2009	0,42	0,34	0,40	833.606	0	45.617	30.06.2009	8.714.861	3.435.257
01.07.2009	30.09.2009	0,62	0,37	0,49	270.410	0	13.684	30.09.2009	3.710.373	1.651.776
01.10.2009	31.12.2009	0,54	0,40	0,43	190.075	0	570	30.12.2009	1.584.703	755.933
01.01.2010	31.03.2010	0,49	0,32	0,34	557.264	0	27.028	31.03.2010	14.540.135	5.306.615
01.04.2010	30.06.2010	0,35	0,24	0,25	151.167	0	18.522	30.06.2010	5.545.214	1.633.435
01.07.2010	30.09.2010	0,33	0,25	0,31	275.744	0	46.035	30.09.2010	4.733.587	1.366.949
01.10.2010	31.12.2010	0,31	0,26	0,28	227.156	0	122.188	30.12.2010	5.522.309	1.603.575
01.01.2011	31.03.2011	0,276	0,166	0,190	648.078,26	0	216.677,62	31.03.2011	20.424.203	4.023.284,79
01.04.2011	30.06.2011	0,193	0,162	0,173	152.392,10	0	22.640,87	30.06.2011	6.907.509	1.195.686,83
01.07.2011	30.09.2011	0,197	0,138	0,138	271.683,70	0	7.544,78	30.09.2011	10.684.969	1.726.476,76
01.10.2011	31.12.2011	0,142	0,110	0,124	144.735,61	0	3.895,10	30.12.2011	10.833.991	1.393.040,82

Source: information published in the <http://www.nasdaqomxbaltic.com> statistics column.

Trading the Issuer’s Securities outside the Stock Exchange for 2009-2011

Period	1st quarter of 2009	2nd quarter of 2009	3d quarter of 2009	4th quarter of 2009
Monetary payment				
Turnover, LTL	279.826,86	180.782,22	73.255,22	201.007,35
Turnover, units	875.949	561.532	350.00	910.000
Minimum price, LTL	0,16	0,16	0,21	0,21
Maximum price, LTL	0,40	1,00	0,21	0,24
Non-monetary payment				
Turnover, units	65.514	408.178	687.039	-

Period	1st quarter of 2010	2nd quarter of 2010	3d quarter of 2010	4th quarter of 2010
Monetary payment				
Turnover, LTL	263.959,73	228.606,01	132,652.66	42,059.14
Turnover, units	1.324.000	1.468.000	988,181	311,000
Minimum price, LTL	0,14	0,11	0,11	0,12
Maximum price, LTL	0,24	0,19	0,16	0,15
Non-monetary payment				
Turnover, units	160.000	55.085	2,230,907	20,540

Period	1st quarter of 2011	2nd quarter of 2011	3d quarter of 2011	4th quarter of 2011
Monetary payment				
Turnover, LTL	148.394,78	39.685,26	173.918,39	55.835,48
Turnover, units	1.171.719	371.362	5.897.237	695.496
Minimum price, LTL	0,09	0,08	0,02	0,07
Maximum price, LTL	0,16	0,13	0,13	0,12
Non-monetary payment				
Turnover, units	3.854.509	43.373	5.641.390	22.700

Source: information about transactions outside the stock exchange, published in the topicalities of www.csdl.lt

The disclosure of compliance with the Company Management Code of
Public Company Lithuanian Shipping Company,
 listed on the regulative market

2011

PRINCIPLES/ RECOMMENDATIONS	YES / NO NOT APPLICABLE	COMMENTS
<p>Principle I: The main provisions</p> <p>The main goal of the company should be meeting the interests of all the shareholders, ensuring a constant increase of the shareholders' property value.</p>		
<p>1.1. The company should prepare and publish the strategy and objectives of the company development, clearly stating the plan for acting in the shareholders' interests and increasing shareholders' property.</p>	<p>Yes</p>	<p>The company's financial report set, the annual (semi-annual) report is the source of information about the company. The company's strategy and objectives are published in annual (semi-annual) reports, made by the manager of the company, discussed at the general shareholders' meeting. Approved financial accounts and reports are publicly announced on the Register of Legal Entities, submitted to the Securities Commission as well as to AB NASDAQ OMX Vilnius according to defined procedures, they are also published on the internet sites. As per defined procedure of the main shareholder Ministry of communication of the Republic of Lithuania, the company prepares strategic activity plans for the coming 3 years and accounts for its implementation quarterly.</p>
<p>1.2. Activities of all company bodies should be focused on implementation of strategic goals, considering the need to optimize the shareholders' property.</p>	<p>Yes</p>	<p>Otherwise implementation of the strategic goals is impossible.</p>
<p>1.3. Supervisory and management bodies of the company should be in close cooperation, seeking for the highest benefits for the company and shareholders.</p>	<p>Yes</p>	<p>All company bodies aim at the highest possible benefits for the company and shareholders. The manager is elected, withdrawn and dismissed by the board of the company. The manager performs his activities, respecting the Constitution of the Republic of Lithuania, the Civil Code of the Republic of Lithuania, the law on Companies and other laws, resolutions of the Government of the Republic of Lithuania, other legal acts, the Articles of Association as well as the decisions of the general shareholders' meeting, the supervisory board and the board as the management bodies of the company. The Board is a collegial body of management, which analyzes, accesses submitted material, discusses, approves, and takes decisions. The supervisory board</p>

		elects the board members and removes them from office, supervises the activities of the board and the manager of the company, submits proposals and addresses other issues, assigned to the scope of power of the supervisory board. The supervisory board is elected by the general meeting of the shareholders. All the management bodies of the company, being in solid cooperation, aim at the highest possible benefits for the shareholders of the Company.
1.4. The supervisory and management bodies of the Company should ensure that a proper respect is given not only to the rights and interests of the company shareholders, but also of other persons, participating in the company activities or related to it (employees, creditors, suppliers, clients, local community).	Yes	
<p>Principle II: The Company management scheme</p> <p>The Company management scheme should ensure strategic management of the company, effective supervision of the company management bodies, proper balance and functional distribution among management bodies of the company, protection of the shareholders' interests.</p>		
2.1. Besides the indispensable bodies regarding the Law on Companies of the Republic of Lithuania – general meeting of shareholders and the manager of the company – it is recommended to form both collegial supervisory body and collegial management body in the company. Setting-up the bodies of collegial supervisory and management assures clear differentiation between the functions of management and supervisory in the company, accountability of the company manager and control. Such kind of formation, in turn, determines more effective and fair process of company management.	Yes	The Company respects this recommendation. Management bodies of the company are general shareholders' meeting (the supreme body), the supervisory board (the collegial supervisory body, supervising Company activities), the board (the collegial management body), manager of the company – Director General (a single-person management body of the Company).
2.2. Collegial management body is responsible for strategic management in the company, and it also pursues other essential functions of company management. The collegial supervisory body is responsible for effective supervision of work in relation to the bodies of company management.	Yes	The board is a collegial body of management of the Company.
2.3. If a company decides to form only one collegial body, it is recommended to form a supervisory body, i.e. supervisory board. In this case, supervisory board is responsible for effective function supervision exercised by a company manager.	Not applicable	There is the supervisory board as well as the board concluded in the Company.
2.4. Collegial supervisory body chosen by the general meeting of stockholders should be formed and should operate under the order stated in principles III and IV. If a company decides not to form collegial supervisory body, but forms collegial management body – the board instead, principles III and IV should be applied	Yes	

to the board to the extent, which does not contradict to the essence and purpose of this body. ¹		
2.5. The bodies of company management and supervision should be formed in a measured number of board members (executive managers) and supervisory board members (managers advisors), in order that a separate person or a small group of people could not dominate for these bodies in the process of making decisions. ²	Yes	The supervisory board consists of 5 members, the board is of 5 members. There is no reason to suppose that a single person or a small group of persons could not dominate in the decision taking process of these bodies.
2.6. Manager's advisors or supervisory board members should be appointed for a specific period of time, with a possibility to be reelected individually under the maximum range of legal acts of the Republic of Lithuania. This action is preceded in order to certify the necessary growth of professional experience and to reaffirm a quite frequent validation of their status. In addition, there should also be a retained possibility to discharge them. However, this procedure should not be easier than discharging executive manager or a member of the board.	Yes	Supervisory board of the company is elected by the general meeting of shareholders for 4 years. The chairman of the supervisory board is elected by the supervisory board members. There is no limitation of the term of office for a supervisory board member. General meeting of shareholders can cancel the whole supervisory board or its individual members, even if the term of office for the supervisory board is not over
2.7. The chairman of the collegial body, elected by the general meeting of shareholders, can be a person, whose present or past position is not a difficulty to pursue independent and fair supervision. When supervisory board is not organized in the company, but has an organized management, it is recommended that the chairman of the company management and the manager of the company would not be the same person. The former manager of the company should not be immediately appointed to the collegial body chairman post that is elected by the general meeting of shareholders. When company decides not to follow these recommendations, information about the means that are taken to assure supervisory fairness should be presented.	Yes	The Company respects this recommendation, implementing its provisions in practice.

¹ The regulations of the principles III and IV are more applied to those occasions, when the general meeting of stockholders selects supervisory board, i.e. body which, in fact, is formed in order to assure the supervision of company management and manager, and to stand for the company stockholders. However, if the supervisory board is not formed in the company, but has an organized management, many of the recommendations stated in principles III and IV become relevant and applicable to the management. Although, it is noted that some recommendations that are exclusively related to the supervisory board, according to their essence and nature (ex. the formation of committees), should not be applied to the management. Under the Law of Companies (Official Gazette, 2003, No. 123-5574), the purpose of this body and functions are different. For example, article 3.1 regarding body supervisory management is applied to the extent, which is related to the head of the company, but not to the management supervision itself; article 4.1 regarding the offering of recommendations to the management bodies is applied to the extent, which is related to offering recommendations to the head of the company; article 4.6 regarding the general meeting of stockholders selected by the collegial body independence from the bodies of company management, is applied to the extent, which is related to the independence from the head of the company.

² The concepts of *Executive manager* and *manager's advisor* are used in cases when only one collegial body is formed in the company.

III principle: Formation order of the collegial body, elected by the general meeting of shareholders.

The formation order of the collegial body, elected by the general meeting of shareholders, should ensure representing of interests of minority shareholders of the company. Accountability of this body towards the shareholders and objective supervision of the company activities and its management bodies³.

<p>3.1. The formation mechanism of the collegial body (hereinafter referred to as the collegial body), elected by the general meeting of shareholders, should ensure that an objective supervision of the company management bodies shall be executed. Also proper representation of the interests of minority shareholders.</p>	<p>Yes</p>	<p>General meeting of the shareholders (GMS) elects the supervisory board, which is a collegial body, executing supervision of the Company activities. One of the members of the supervisory board is a representative of the minority shareholders.</p>
<p>3.2. Names, surnames, education information, qualification, professional experience, current occupation, other important professional commitments and potential interest conflicts of the candidates to the members of the collegial bodies should be revealed to the shareholders of the company prior to the general meeting of the shareholders, giving enough time for the shareholders to decide which candidate to vote for. All circumstances, being able to affect candidate's independence, should also be revealed (a sample list is presented in recommendations 3.7). The collegial body should be informed about subsequent changes in the information, listed in this clause. The collegial body should annually accumulate the above mentioned information about its members and to present them in the annual report of the company.</p>	<p>Yes</p>	<p>In accordance with the laws, the annual report of the company, presenting the main information about the members of collegial bodies, is prepared and signed by the Director General of the company, discussed and approved by the board of the Company.</p>
<p>3.3. When it is proposed to appoint a member of the collegial body, the person's particular competence should be stated, which is in direct relation with the work in the collegial body. In order to enable the shareholders and investors to access whether this competence is still appropriate, the collegial body in each annual report of the company should provide information about the body's structure and about each single member's competence, directly related to his work in the collegial body.</p>	<p>Yes</p>	<p>Candidates to the elected bodies inform mandatory to the body, executing the election, where and what occupation he is on now, how his other activity is related to the Company and to other legal entities, related to the Company. The supervisory board members of the company are elected by the general meeting of the shareholders, the supervisory board elects the board members, the board elects the manager of the company. Manager of the company – Director General as per the legal scope of competence is responsible for drafting the annual report, prepares and signs it.</p>

<p>3.4. In order to maintain a proper balance of existing competence of the members of the collegial body, the composition of the collegial body should be determined with respect to the company structure and nature of activities and to be accessed periodically. The collegial body should ensure that its members, as an entire unit, would have versatile knowledge, opinions and experience for proper execution of given assignments. Members of the Auditing committee, as an entire unit, should have the latest knowledge and respective experience in the field of finance and accounting and (or) auditing of the companies, listed on the stock exchange. At least one of the members of the remuneration committee should have knowledge and experience in the field of remuneration policy.</p>	<p>Yes</p>	<p>The portfolio of the company is managed by the state, represented by the Ministry of Communication of the Republic of Lithuania (56,66 %). Employees of the Ministry of Communication of the Republic of Lithuania comprise the Supervisory board (3/5) and the majority of the board (4/5). Recommendations to form committees by nature and its essence is solely related to the supervisory board, and to the board of the company, having different purpose and functions as per the Law on Companies, it is not applicable.</p> <p>On July 21, 2001, at the meeting of the supervisory board, as documented in minutes of the meeting No. 3, the Auditing committee was formed of 3 members:</p> <ul style="list-style-type: none"> - Jonas Nazarovas, AB DFDS Seaways executive director; - Ligita Mikienė, deputy director of economics and finance at Klaipėda stevedoring company under Concern Achemos grupė; - Dana Cemnolonskienė, the acting head of the internal auditing division of the state enterprise State Property Fund.
<p>3.5. All new members of the collegial body should be offered an individually tailored program focused on introducing a member with the duties, the company organization and activities. The collegial body should conduct an annual review in order to identify the fields where its members need to update their skills and knowledge.</p>	<p>Yes</p>	
<p>3.6. In order to ensure that all essential conflicts of interests, related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient³ number of independent⁴ members.</p>	<p>Yes</p>	<p>Minority shareholders have their representative in the supervisory board.</p>

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

⁴ It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The main criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1) He is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of 	<p>Yes</p>	<p>The portfolio of the company is managed by the state, represented by the Ministry of Communication of the Republic of Lithuania (56.66 %). Employees of the Ministry of Communication of the Republic of Lithuania comprise the Supervisory board (3/5) and the majority of the board (4/5). Members of the Supervisory Board, of the Board are not in business relations with the company. Other data are not available to the Company. As per current requirements of the documents of the Ministry of Communication, members of the collegial bodies are considered to be independent.</p>
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<p>financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above sub-clauses 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The content of the concept of independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to certain personal or company-related circumstances.</p>	<p>Yes</p>	
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<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>Yes</p>	<p>Refer to clause 3.7.</p>
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>Yes</p>	<p>The portfolio of the company is managed by the state, represented by the Ministry of Communication of the Republic of Lithuania (56.66 %). Employees of the Ministry of Communication of the Republic of Lithuania comprise the Supervisory board (3/5) and the majority of the board (4/5). Members of the collegial body exercise independence criteria on verbal statements.</p>
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's means.⁶ The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>No</p>	<p>This provision is not applicable to the company under the Ministry of Communication.</p>

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

Principle IV: Duties and liabilities of a collegial body elected by the general meeting of shareholders

The company management system should ensure proper and effective functioning of the collegial body, elected by the general meeting of the shareholders, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company management bodies and protection of interests of all the company’s shareholders.

<p>4.1. The collegial body, elected by the general meeting of shareholders (hereinafter in this Principle referred to as the ‘collegial body’) should ensure integrity and transparency of the company’s financial statements and the control system. The collegial body should issue recommendations to the company’s management bodies and monitor and control the company’s management performance.⁸</p>	<p>Yes</p>	
<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefits and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	<p>To the best knowledge of the Company, all the members of the Supervisory board, of the Board act in good faith towards the Company, are guided by the company interests, and not the third party’s or their own, seeking to maintain their independence in decision making.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half⁸ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>The portfolio of the company is managed by the state, represented by the Ministry of Communication of the Republic of Lithuania (56.66 %). Employees of the Ministry of Communication of the Republic of Lithuania comprise the Supervisory board (3/5) and the majority of the board (4/5). Participation of the members of the collegial bodies in the meetings is documented and reported to the company in the minutes of the meetings.</p>

⁷ See Footnote 3. If collegial management elected by the General meeting of shareholders is board, it should provide recommendations to the company’s chief executive officer.

⁸ It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable company management.

<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	<p>The procedure of presenting company documents and other information to the shareholders is defined in the Articles of Association.</p>
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Not applicable</p>	<p>There were no transactions.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies⁹. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>Yes</p>	<p>The general meeting of the shareholders elects the supervision body of the company activities – Supervisory board.</p>

⁹ In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees¹¹. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>Yes</p>	<p>The board shall elect and remove from office the single-person management body of the company – Director general, fix his salary and set other terms of the employment contract, approve his job description, provide incentives for and impose penalties against him.</p> <p>The board discusses and approves the management structure of the company and the employees' positions, employment positions with a competition for employment.</p> <p>Director General organizes daily activities of the Company, issues procuracies and authorizations, employs and dismisses people, conclude and terminate employment contracts therewith, provide incentives and impose penalties. He is also responsible for organization of the activities of the Company as well as implementation of its goals.</p> <p>The Company operates according the Articles of Association, working regulations of the supervisory board and the board.</p> <p>Recommendations to form the auditing committee by nature and its essence is solely related to the supervisory board, and to the board of the company, having different purpose and functions as per the Law on Companies, it is not applicable.</p> <p>On July 21, 2001, at the meeting of the supervisory board, as documented in minutes of the meeting No. 3, the Auditing committee was formed of 3 members.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>Yes</p>	<p>The portfolio of the company is managed by the state, represented by the Ministry of Communication of the Republic of Lithuania (56,66 %). Employees of the Ministry of Communication of the Republic of Lithuania comprise the Supervisory board (3/5) and the majority of the board (4/5).</p> <p>The company has management bodies, which are provided for in the Articles of Association, and the functions of which are strictly regulated by law, legal acts. The duties of the Auditing committee as defined in the Auditing law of the Republic of Lithuania are partially exercised (Executed) by a committee, concluded as per the decree of the company manager, following the conditions of „Competition of PC Lithuanian shipping company for selection of the auditor“. The committee starts functioning 2001-10-22. The Securities Commission of the Republic of</p>

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

		<p>Lithuania as well as AB NASDAQ OMX Vilnius have been informed.</p> <p>On July 21, 2001, at the meeting of the supervisory board, as documented in minutes of the meeting No. 3, the Auditing committee was formed of 3 members.</p>
<p>4.9. Committees, established by the collegial body, should normally consist of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	<p>Yes</p>	<p>Refer to clauses 3.4., 4.7., 4.8.</p> <p>The supreme management body of the company – the general meeting of shareholders elects the Supervisory board.</p> <p>At the Supervisory board meeting on July 21, 2011, as documented in minutes of the meeting No. 3, the Audit committee, consisting of 3 members, was concluded.</p>
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its company management structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>Not applicable</p>	<p>Refer to clauses 3.4., 4.8.</p>

<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>Not applicable</p>	<p>Refer to clauses 3.4., 4.8.</p>
<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. The nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>Not applicable</p>	<p>Refer to clauses 3.4., 4.8.</p> <p>The nomination committee is not formed.</p>

<p>4.13. The remuneration committee.</p> <p>4.13.1. The main functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ol style="list-style-type: none"> 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the performance of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>	<p>Not applicable</p>	<p>The remuneration in the company as well as other payments are paid out in accordance with the Collective agreement, the employment agreement and the provisions of the remuneration system for the on-shore workers, set in the PC Lithuanian shipping company, also in accordance with the remuneration inventory for PC Lithuanian shipping company Director general, directors and senior accountant, as approved by the Board.</p> <p>The remuneration committee is not formed.</p>
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executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.

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

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

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

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

<p>4.15. Annually the collegial body should conduct the evaluation of its activities. The evaluation should include assessment of collegial body's structure, work organization and ability to perform as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	<p>Yes</p>	<p>Refer to clauses 1.3., 3.10.</p>
<p>Principle V: The working procedure of the collegial bodies of the company</p> <p>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</p>		
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	<p>Yes</p>	<p>Chairman of the Supervisory board – Tomas Karpavičius (since 2011-12-22), Chairman of the board of the company – Arūnas Štaras (since 2009-03-20).</p>
<p>5.2. It is recommended that meetings of the company's collegial bodies should be held according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential company management issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month¹² .</p>	<p>Yes</p>	<p>The company bodies discuss all the issues, assigned to them. It is provided for in their employment regulations.</p> <p>The frequency of the meetings of the bodies is defined by the topical issues. The board structures the plan of ordinary meetings. The agenda of the extraordinary meetings of the Board is defined by the persons, convening the meeting. The Supervisory board also structures a schedule for meetings. The Supervisory Board meetings are held at least once per quarter.</p>

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

<p>5.3. Members of a collegial body should be notified about the meeting being held in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>Yes</p>	<p>The Supervisory board structures a schedule for meetings, defines the main topical issues, assigns responsible persons and preliminary dates. The agenda of the meeting is available not later than 7 days prior to the meeting. The foreseen agenda can be changed only if all the members of the Supervisory board approve. The material of the meeting has to be made available to the members of the Board 5 days prior to the meeting.</p> <p>The Board structures a plan of ordinary meetings of the Board. The meeting agenda is defined by the persons, calling for the meeting. The prepared meeting material has to be presented to the chairman of the Board not later than 5 days prior to the Board meeting. The chairman of the Board calls for the board meeting by distributing invitations to the Board members as well as the material for the meeting 3 days prior to the meeting. The agenda can be supplemented irrespective of this term, if all the members of the Board are present, or, not all the members present, but the ones, who are absent, did not object with regard to such actions, and if none of the present Board members is against.</p>
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of company management. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	<p>Yes</p>	<p>The material on the issues, discussed by the Supervisory Board, is prepared by the Company staff, by members of the Board, and, if required, by members of the Supervisory Board, using the input of other persons. It is possible to invite persons, related to the issues under consideration, to the open meetings of the Supervisory Board.</p>
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The company management system should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The company management system should protect the rights of the shareholders.</p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>Yes</p>	<p>The Statutory capital of the company amounts to 200,901,296 litas. The statutory capital of the whole company is divided into 200,901,296 ordinary registered shares of one litas nominal value of each. The company's shares are of one class - ordinary registered shares, giving their owners equal rights.</p>

<p>6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p>	<p>Yes</p>	<p>It is foreseen in the Law on Companies and the Articles of Association of the Company. Only the General Meeting shall have the exclusive right to determine the class, number, nominal value and the minimal emission price of the company's issued shares. The company publicly announces about convocation of the Meeting in accordance with the Statutes.</p>
<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting¹³. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant company issues, including approval of transactions referred to above, are discussed.</p>	<p>Yes</p>	<p>Articles of Association of the Company say that the Board shall take the following decisions:</p> <ul style="list-style-type: none"> – 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); – 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); – decisions on offering of surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 10 million Litas; – decisions on the acquisition of the fixed assets the price whereof exceeds 10 million Litas; <p>only having received the approval of the General Meeting of shareholders.</p>
<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.</p>	<p>Yes</p>	<p>The company informs publicly about convening of General Meeting of the shareholders in accordance with the Law on Companies (it is informed publicly no more than 21 day before the meeting).</p>

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

<p>6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>Yes</p>	<p>The order of convocation of General Meeting of shareholders of the company, procedure of decision making and organizational arrangements is determined by Law of the Republic of Lithuania on Companies and the Articles of Association of the Company, by which the company is guided. Key events involving also the meeting agenda and the decisions, their projects are announced publicly by electronic means through the news distribution system used by NASDAQ OMX Vilnius in Lithuanian and English languages. This information is also posted in the company's website.</p>
<p>6.6. Shareholders should be equipped with the opportunity to vote at the general meeting of shareholders in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	<p>These rights of shareholders are provided in the Law on Companies and in the Articles of Association.</p>
<p>6.7. Seeking to increase shareholders' opportunities to effectively participate in shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>Yes</p>	<p>The company would like to use modern voting technologies in shareholders' meetings, without significant increase of expenditures and (or) costs, which may prejudice the interests of the same shareholders. Currently possibilities are limited for it.</p>

Principle VII: The avoidance of conflicts of interest and their disclosure

The company management system should encourage members of the company bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the company bodies.

<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>Yes</p>	<p>The members of the company's supervisory and management bodies have been informed about that.</p>
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7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a company body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other company body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a company body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same company body or to the company body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	The members of the company's supervisory and management bodies have not had any transactions with the company.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
<p>VIII principle: Remuneration policy of the Company</p> <p>The Company's remuneration policy and procedure for approval, revision and disclosure of directors' remuneration should prevent potential conflicts of interest and abuse in determining remuneration of directors, it should also ensure publicity and transparency both of the remuneration policy in the company and remuneration of directors.</p>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual report as well as posted on the company's website.	Yes	The company announces average number of employees as well as monthly remuneration in the annual report as stipulated by the Securities commission of the Republic of Lithuania. This information is available in the Company (Malūnininkų 3, Klaipėda), as well as in the Securities commission of the Republic of Lithuania (Konstitucijos pr. 23, Vilnius), and at NASDAQ OMX Vilnius (Konstitucijos pr. 7, 15th floor, Vilnius), in addition it is posted on the websites of the latter companies, where information is open and available to everybody.

<p>8.2. The remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>	<p>Not applicable</p>	<p>The reports are not prepared, as it is not provided neither by legal acts, nor by the Articles of Association.</p>
<p>8.3. The remuneration statement should at least include the following information:</p> <ol style="list-style-type: none"> 1) An explanation and a ratio of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance evaluation criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance evaluation criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance evaluation criteria have been fulfilled; 5) Sufficient information on deferment periods with regards to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main criteria and justification for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regards to vesting periods for share-based remuneration, as referred to in clause 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the related company; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) The remuneration statement should not include commercially sensitive information. 	<p>Not applicable</p>	<p>The supplementary pension or early retirement schemes are not applicable, the right to participate in the share selection transactions, rights to shares are not applicable.</p>

<p>during the relevant financial year;</p> <p>2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</p> <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	Yes	<p>The remuneration of the manager of the company, the shipping management director, the technical director consists of a non-variable component and a variable component, up to 100 percent of the non-variable component. The remuneration of the financial director and senior accountant consists of a non-variable component and a variable component, up to 85 percent of the non-variable component. The variable part is subject to the results of every quarter.</p>
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	Yes	<p>The variable component of the remuneration depends upon the results of quarterly indicators and their performance, approved by the Board.</p>
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.</p>	Not applicable	<p>Earned remuneration is paid in accordance with the procedure and terms, set in the Company.</p>
<p>8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.</p>	Not applicable	
<p>8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.</p>	Yes	<p>Employees should not have worse conditions than provided for in the Labor Code of the Republic of Lithuania.</p>
<p>8.11. Termination payments should not be paid if the termination is due to inadequate performance.</p>	Yes	<p>This is provided for by laws. Not always bad performance of the company is due to malfunction of the company employees. However, the influence of poor, low quality work has to be evaluated on a subjective basis.</p>

8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	Yes	
8.13. Shares should not vest for at least three years after their award.	Not applicable	The remuneration is not based on the appointment of shares.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	Such rights are not granted.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	Rights are not granted, property should not be limited, in order to implement this recommendation the remuneration is not adequate to global level in the companies.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	Not provided in the Articles of Association of the Company.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	Not applicable	Not provided in the Articles of Association of the Company.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	Not applicable	Not provided in the Articles of Association of the Company.

<p>8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	<p>Not applicable</p>	<p>Not provided in the Articles of Association of the Company. No share-based remuneration.</p>
<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>	<p>Not applicable</p>	<p>Not provided in the Articles of Association of the Company. .</p>
<p>8.21. Should national law or Articles of Association of the company allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		<p>Not provided in the Articles of Association of the Company. Such models are not applicable.</p>
<p>8.22. Provisions of clauses 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the annual general meeting of the shareholders.</p>	<p>Not applicable</p>	<p>Participation in schemes is not provided for by law.</p>

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

The management system of the company should recognize the rights of shareholders as established by law and encourage active co-operation between companies and shareholders in creating the company’s prosperity, jobs and financial sustainability. For the purposes of this Principle, the concept “shareholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the specific company.

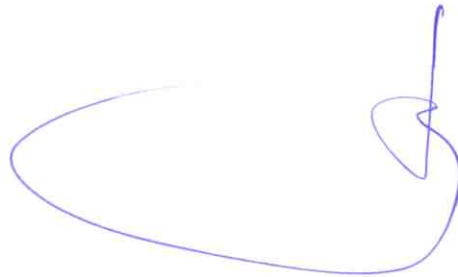
<p>9.1. The company management system should assure that the rights of shareholders which are protected by law are respected..</p>	<p>Yes</p>	<p>Laws provide for certain penalties for violation of it. The company aims at avoiding any conflicts of interests.</p>
<p>9.2. The company management system should create conditions for the shareholders to participate in company management in the manner provided by law. Examples of mechanisms of shareholder participation in company management include: employee participation in adoption of certain essential decisions for the company; consulting the employees on company management and other important issues; employee participation in the company’s share capital; creditor involvement in management in the context of the company’s insolvency, etc.</p>	<p>Yes</p>	<p>The company acts as provided by Law on Companies, the Articles of Association.</p>
<p>9.3. Where shareholders participate in the company management process, they should have access to relevant information.</p>	<p>Yes</p>	<p>Otherwise no participation in the company management process. The Articles of Association provide for this.</p>

<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	<p>Refer to clause 10.1. However, primarily the interests of shareholders, of the main shareholder should not be violated and (or) under violation with regard to the interests of the future investor.</p>
<p>10.6. Channels for distributing information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	<p>Refer to clause 10.1.</p>
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>Yes</p>	<p>Refer to clause 10.1. Information on the changes in the price of the company's shares is public, it is posted on the Stock Exchange (NASDAQ OMX Vilnius) website.</p>
<p>Principle XI: The selection of the audit firm for the Company The mechanism of selection of the company auditors should ensure independence of conclusion and opinion of the firm of auditors.</p>		
<p>11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	<p>Yes</p>	<p>Annual financial reports are audited as provided by law. An interim set of financial reports is not verified by an independent auditing firm as it is not provided by law.</p>
<p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	<p>Yes</p>	<p>The candidate auditing firm is selected in accordance with the provisions for the selection of an auditing firm, approved by the Board of the Company. The winner of the tender is presented to the general meeting of shareholders in order to approve the election the Company auditors. In accordance with the law on Companies of the Republic of Lithuania and the Articles of Association, only the general meeting of shareholders has an exclusive right to elect and to cancel the auditing firm, to define provisions for remuneration for the services rendered. Such a right to make proposals is not provided by law.</p>

<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	<p>Yes</p>	<p>The audit company has never received fees from the company for non-audit services. This information was stated in the letter, dated November 23, 2011, from the head of the company „Regarding confirmation of independence of UAB „KPMG Baltics“, addressed to the Authority of Audit and Accounting and the Company.</p>
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The attention of the readers is drawn to the fact that the Code of NASDAQ OMX Vilnius is prepared on the basis of the analysis of the global good practice in company management and the latest EU recommendations in the field of company management, and it is given as a guidance – in case some provisions and concepts are in conflict with the provisions of legal acts of the Republic of Lithuania, the disclosure of compliance as per set procedure, should be seen and assessed from the latter position.

Chief Executive Officer
Member of the Board



Arvydas Bogočionkas

Management's statement on the financial statements

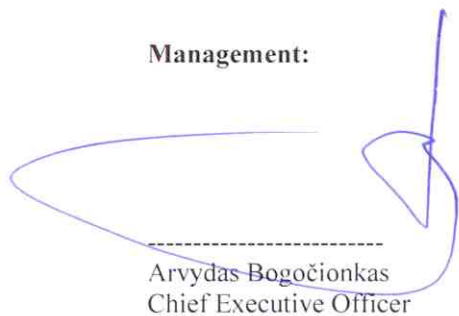
The Management has today discussed and authorized for issue the annual financial statements and has signed them on behalf of the Company.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by European Union. We consider that the accounting policies used are appropriate and that the annual financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

We recommend the separate annual financial statements to be approved by the annual General Meeting.

Klaipėda, 16 March 2012

Management:



Arvydas ~~Bogočionkas~~
Chief Executive Officer