

AKCINĖ BENDROVĖ
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

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

2011-08-17 Nr. (01)-5-200

Klaipėda

I _____ Nr. _____

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

Following the Rules of Preparation and Submission of Periodic and Supplemental of the Securities Commission of the Republic of Lithuania as well as the Law on Securities of the Republic of Lithuania, Item 22, we hereby confirm that, to the best of our knowledge Financial statements for the year ended 30 June 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 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 1st Half 2011, is correct.

Public Company "Lithuanian Shipping Company"
General Director

Arvydas Bogočionkas

Public Company "Lithuanian Shipping Company"
Chief Accountant

Arvydas Stropus

**LITHUANIAN SHIPPING COMPANY
(PUBLIC COMPANY)**

**FINANCIAL STATEMENTS
AS OF
30 JUNE 2011**

AB „Lietuvos jūrų laivininkystė“

Company code 110865039, address Malūnininkų str. 3, LT – 92264 Klaipėda

Financial statements for the period ended on 30 June 2011

(thousands of LTL if not otherwise stated)

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STATEMENT OF FINANCIAL POSITION
30 June, 2011

	Notes No.	2011-06-30	2010-12-31
Intangible assets	1	25	39
Tangible assets	2,3	225.912	239.279
<i>Total non-current assets</i>		<u>225.937</u>	<u>239.318</u>
Inventories	4	2.428	1.307
Prepayments	4	2.740	1.319
Trade receivables	5	1.998	1.333
Other amounts receivable	5	3.163	3.227
Term deposits		-	-
Cash and cash equivalents	6	611	2.067
<i>Total current assets</i>		<u>10.940</u>	<u>9.253</u>
<i>Total assets</i>		<u>236.877</u>	<u>248.571</u>
Authorized capital	7	200.901	200.901
Legal reserve	8	-	1.283
Other reserves	8	-	-
Retained profit		(39.104)	(39.134)
<i>Total equity</i>		<u>161.797</u>	<u>163.050</u>
Payables to credit institutions	9	48.933	53.184
<i>Total non-current liabilities</i>		<u>48.933</u>	<u>53.184</u>
Payables to credit institutions	9	15.471	22.818
Trade payables	12	2.124	986
Received prepayments	12	3.666	4.536
Employment related payables	10	2.229	1.850
Income tax liabilities		67	67
Provisions	11	1.000	1.620
Other amounts payable	12	1.591	460
<i>Total current liabilities</i>		<u>26.148</u>	<u>32.337</u>
<i>Total shareholders' equity and liabilities</i>		<u>243.336</u>	<u>248.571</u>

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

General Director

Arvydas Bogočionkas

**STATEMENT OF COMPREHENSIVE INCOME
 30 JUNE, 2011**

	Notes No.	During the year		During the II quarter	
		2011	2010	2011	2010
Revenue	13	36.061	25.335	18.178	12.318
Cost of sales	14	(39.096)	(39.111)	(20.288)	(17.838)
Gross profit		(3.035)	(13.776)	(2.110)	(5.520)
Administrative expenses	15	(2.487)	(2.495)	(1.271)	(1.370)
Distribution expenses		(3)	-	(2)	-
Other operating income, net	16	63	(8.156)	23	-
Operating profit before financing cost		(5.462)	(24.427)	(3.360)	(6.890)
Financial income	17	5.256	-	1.282	-
Financial expenses	17	(1.047)	(13.139)	(501)	(8.326)
Net financial cost/income	17	4.209	(13.139)	782	(8.326)
Profit (loss) before tax		(1.253)	(37.566)	(2.579)	(15.216)
Income tax		-	2	-	2
Profit (loss) for the year		(1.253)	37.564	(2.579)	(15.214)
Other comprehensive income		-	-	-	-
Total comprehensive income, net of income tax		(1.253)	(37.566)	(2.579)	(15.214)
Profit per share (Litas)	18	(0,006)	(0,19)	(0,013)	(0,08)

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General Director

Arvydas Bogočionkas

STATEMENT OF CASH FLOWS
30 JUNE, 2011

	Notes Nr.	2011-06-30	2010-06-30
Operating cash flows			
Net profit (loss)		(1.253)	(37.563)
Corrections due to:			
Depreciation and long-term repair	1, 2	13.455	15.376
Influence of foreign currency profit (losses)	9	(5.980)	12.609
Impairment of assets			
Income from investments			8.161
Interest expenses (net)	17	1.046	1.036
Current income tax		-	(2)
Changes in deferred income tax and provisions			
	11	(620)	582
Decrease (increase) in amounts receivable	5	(2.022)	(4.940)
Increase (decrease) in amounts payable	10,12	1.778	(475)
Decrease (increase) in inventories	4	(1.121)	(482)
Operating income			
Paid income taxes		-	-
Paid interests	17	(1.047)	(1.037)
Net cash flows from operating activities		4.236	(5.771)
Cash flows from investing activities			
Acquisition of non-current assets	2	(74)	(2.785)
Transfer of non-current assets	16	-	9.963
Received dividends, interests		1	-
Cash flows from investing activities		(73)	7.178
Cash flows from financing activities			
Dividends paid to the shareholders		(1)	(1)
Received loans		-	-
Returned loans	9	(5.618)	(997)
Cash flows from financing activities		(5.619)	(998)
Total net cash flows		(1.455)	409
Net cash and cash equivalents on 1 January			
		2.067	1.242
Net cash and cash equivalents on 30 June		611	1.651

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

General Director

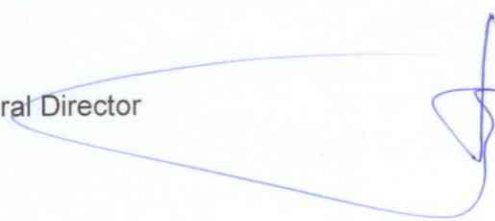
Arvydas Bogočionkas

STATEMENT OF CHANGES IN EQUITY
30 June, 2011

	Authorized capital	Legal reserve	Other reserves	Retained profit (loss)	Total
<i>Balance as at 2008.12.31</i>	200.901	20.090	29.795	(19.727)	231.060
Comprehensive income for the reporting period				(28.875)	(28.875)
Used reserves			(19.727)	19.727	-
<i>Balance as at 2009.12.31</i>	200.901	20.090	10.068	(28.875)	202.185
Comprehensive income for the reporting period				(37.563)	(37.563)
Used reserves		(18.807)	(10.068)	28.875	
<i>Balance as at 2010.06.30</i>	200.901	1.283	-	(37.563)	164.621
Comprehensive income for the reporting period				(1.571)	(1.571)
Used reserves	-	-	-	-	-
<i>Balance as at 2010.12.31</i>	200.901	1.283	-	39.134	163.050
Comprehensive income for the reporting period				(1.253)	1.253
Used reserves		(1.283)	-	1.283	-
<i>Balance as at 30 June, 2011</i>	200.901	-	-	(39.104)	161.797

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

General Director



Arvydas Bogočionkas

AB „Lietuvos jūrų laivininkystė“

Company code 110865039, address Malūnininkų str. 3, LT – 92264 Klaipėda

Financial statements for the period ended on 30 June 2011

(thousands of LTL if not otherwise stated)

EXPLANATORY NOTES

General Information

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

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

On 30 June 2011 the Company had 349 employees, of which 39 in coast divisions and 310 on board.

On 30 June 2011 the Company's shareholders were:

	2011-06-30		2010-06-30	
	Number of shares	Ownership percent	Number of shares	Ownership percent
State Property Fund	5.619.061	2,80	9.570.366	4,76
Ministry of Transport and Communication	113.833.000	56,66	113.833.000	56,66
Swedbank AS (Estonia)	11.362.607	5,66	11.079.041	5,51
DFDS TOR LINE A/S	11.108.420	5,53	11.108.420	5,53
UAB koncernas "Ahemos grupe"	3.278.086	1,63	12.360.009	6,15
Other small shareholders	55.700.122	27,72	42.950.454	21,39

II. Accounting policy

Compliance with the Standards

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

Basis for Financial Statement Preparation

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

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

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current conditions and on the basis of the results of which the conclusion on the residual values of assets and liabilities is made and which cannot be determined based on any other sources. Actual results may differ from the estimates.

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

Changes in the Accounting Principles

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

Standards, standard adjustments and interpretations valid in 2011

The Company applies the following standards:

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

Application of IAS 23 „Borrowing Cost“ (revision) which was mandatory for reporting periods of the 1st of January 2009. The Company has applied this standard from the specified date; however, it did not influence the financial statements, because during the years 2010 and 2011 the Company had not recognized borrowing costs, which could have been subject to capitalization.

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

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

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

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

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

IFRS 3 „Business Combinations“ (revision).

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

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

IFRIC 12 „Service Concession Arrangements“ (interpretation).

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

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

Transactions in Foreign Currency

Transactions in foreign currency are evaluated in Litas on the basis of the official foreign currency exchange rate established by the Bank of Lithuania on the day of the respective transaction. Monetary assets and liabilities in foreign currency are evaluated in Litas regarding the foreign currency exchange rate on the day of the statement of financial position. All operations pursued in Euros were converted applying the fixed exchange rate announced by the Bank of Lithuania (1 EUR=3,4528 LTL) and the accounts in US dollars are recalculated applying the exchange rate where 1 USD=2,4013 LTL.

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

Financial Instruments

Non-derivative Financial Instruments

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

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

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

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

Derivative Financial Instruments

The Company did not apply any derivative financial instruments during the periods ended on June 30, 2011.

Statement of Financial Position

(a) Non-current Tangible Assets

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

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

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

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

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

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

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

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

(b) Non-current Intangible Assets

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

(c) Inventories

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

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

(d) Amounts receivable

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

(e) Cash and Cash Equivalents

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

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

(f) Borrowings

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

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

Borrowing costs are recognized as expenses when they are incurred.

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

(g) Provisions

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

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

(h) Income Tax

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

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

(j) Revaluation of Currency

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

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

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

(k) Payments to the Employees

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

(l) Transactions with Related Parties

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

STATEMENT OF COMPREHENSIVE INCOME

(a) Segments

Accountable segments are actively operating segments, which meet the stated criteria. The Company receives individual financial information on these segments and the management regularly reviews this

information and makes decisions on evaluation of operating results on the basis of such information. Operating segments have separate segment liabilities, segment assets, particular income and expense item evaluations, gross profit (loss) and they are all corresponding to the financial statements of the Company. The Company operates in one market sector and therefore the operating segments are not distinguished.

(b) Income Recognition

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

(c) Recognition of Expenses

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

GENERAL NOTES ON THE FINANCIAL STATEMENTS

(a) Use of Estimates in Preparation of Financial Statements

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

(b) Contingencies

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

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

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

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

(c) Factors of Financial Risk

Market insecurities

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

Company. Further development in the business environment might differ from the evaluations by the management.

Losses of Impairment in Non-current Assets

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

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

Losses of Impairment in Amounts Receivable

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

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

Capital Management

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

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

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

III. Explanatory Notes to Accounts

1. *Non-current Intangible Assets*

	Computer software
Acquisition cost	
31 December 2008	361
Acquisitions	-
Write-offs	-
31 December 2009	361
Acquisitions	27
Write-offs	-
31 December 2010	387
Acquisitions	-
Write-offs	-
30 June, 2011	387
Accumulated amortisation	
31 December 2008	304
Calculated during the period	22
31 December 2009	326
Calculated during the period	22
31 December 2010	348
Carrying amount	14
Calculated during the period	363
30 June, 2011	
31 December, 2008	57
31 December, 2009	35
31 December, 2010	39
30 June, 2011	25

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

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2. Non-current Tangible Assets, in thousand LTL

Ships

<i>Acquisition value</i>	Bilding and construction	Plant and machinery	Ships	Other transport means	Repairs	Other tangible assets	Total
31 December 2008	3,672	1,202	491,226	802	8,246	568	505,716
Acquired		2	1,019		2,943	38	4,003
Written-off(-)		-386	-7,952	-2	-5,869	-50	-14,256
31 December 2009	3,672	818	484,294	802	5,319	556	495,462
Acquired	-	21	211	60	2,766	13	3,071
Written-off(-)		-23	-28,360	-612	-3,500	-51	-32,722
Reclassifications		-26	-26				
31 December 2010	3,672	791	455,994	250	4,585	519	465,811
Reversed impairment							
31 December 2008	-	-	-61,407	-	-	-	-61,407
31 December 2009	-	-	-61,407	-	-	-	-61,407
31 December 2010	-	-	-61,407	-	-	-	-61,407
Acquired	-	12	58		909	4	983
Written-off(-)					-1,380		-1,380
Reclassifications		-10	10				-
30 June 2011	3,672	793	456,062	250	4,113	523	465,413
<i>Accumulated depression</i>							---
31 December 2008	355	939	128,096	666	-	341	130,398
Accounted for the period	51	106	27,349	80		62	27,647
Written-off(-)		-386	-7,480			-44	-7,910
31 December 2009	406	659	147,966	746		358	150,135
Accounted for the period	51	95	25,861	22		57	26086
Reclassifications		-23	-10,436	-612		-25	-11,096
Written-off(-)		-26	-26				
31 December 2010	457	706	163,416	156		390	165,125
Accounted for the period	25	47	12,858	11		28	12,969
Reclassifications		-12	12				-
30 June 2011	482	741	176,286	167		418	178,094
<i>Carrying amount</i>							---
31 December 2008	3,317	263	301,723	136	8,246	227	313,911
31 December 2009	3,266	159	274,921	55	5,319	198	283,920
31 December 2010	3,216	85	231,171	94	4,585	129	239,279
30 June 2011	3,191	52	218,370	82	3,113	105	225,913

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Capital tangible asset of Lithuanian Shipping Company for the 2011-06-30 included 11 vessels, administration building, vehicles, machinery and equipment.

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

All vessels, except m/v "Alka" and m/v "Venta" (from the end of March 2011) were hired under long-term time charters, concluded for the period of 6 months with subsequent extensions. M/V "Alka" and m/v "Venta" was hired under short-term voyage charters, since the company was operating the vessel by itself. In time charter, income is received in US dollars. In 2011, there were no cases of demurrage, except repair or emergency cases..

3. Ship Repairs

Ship repairs expenses of LTL 4113 thousand were recognized as assets.

This amount will be transferred to expenses according to the table below:

of which planned write-offs to expenses in:

2011 m.	-	1380 thousand. Lt
2012 m.	-	2130 thousand. Lt
2013 m.	-	500 thousand. Lt
2014 m.		103 thousand. Lt

4. Inventories and Prepayments

	2011-06-30	2010-12-31
Ships bunker	1909	690
Spare parts	399	467
Food provision on ships	120	150
Prepayments	2740	1.319
Total:	5168	2.626

On 2011-06-30 1909 thousand LT was paid for bunkers of the mv "Alka" and mv „Venta" under short term charter parties. Prepayments have increased because of the ships working on short – term contracts ,paid in advance for the cost of port.

5. Amounts Receivable

	2011-06-30	2010-12-31
Trade debtors	1998	1.333
Amounts receivable from State budget	16	15
Prepayments to ships	122	120
Other amounts receivable	3025	3.092
Total:	5161	4.560

The trade debtors as of 2011-06-30 increased due to the income not received by m/v. „Venta" at the end of June, 1911 thousand LTL. The income was received in July.

In other receivable sums, 620 thousand LTL for the services of lawyers due to the arrest of mtrl. "Deltuva", 1913 thousand LTL for m/v "Asta", and "Daina" insurance of maritime accidents.

6. Cash and Cash Equivalent

	2011-06-30	2010-12-31
Cash in national currency	42	136
Cash in banks in foreign currencies	552	1.897
LJL's cash in hand in national currency	3	7
LJL's cash in hand in foreign currencies	14	27
Total:	611	2.067

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7. Capital

	Authorised capital	Share premiums	Total
2010-12-31	200901	-	200901
New emission of shares	-	-	-
Acquisition of own shares	-	-	-
2011-06-30	200901	-	200901

On 30 June 2011 the Company's authorised capital consisted of 200 901 296 ordinary registered shares. With par value of LTL 1 for each share.

8. Reserves

	2011-06-30	2010-12-31
Compulsory legal reserves	-	1.283
Reserve for acquisition of ships	-	-
Reserve for employees' bonuses	-	-
Reserve for social and cultural activities	-	-
Total:	-	1.283

9. Financial Liabilities (to credit institutions)

	2011-06-30	2010-12-31
Payable after one year	48.933	53.184
Payable within one year	15.471	22.818
Total	64.404	76.002
Balance of loans at the beginning of the year	76.002	73.469
Loans received	-	-
Loans repaid	-5618	-3.628
Effect of exchange rates	-5.980	6.161
Balance of loans at 30 June 2011	64.404	76.002

All financial debts of Lithuanian Shipping Company to the bank are ensured with the asset. 11 vessels are mortgaged at the book value of 218.370 thousand LTL.

Total balance of the loan of AB SEB bankas for the year ended 2011-06-30 amounted to 64.404 thousand LTL, whereof:

- 7.684 thousand LTL for acquisition of M/V "Romuva" and M/V "Voruta". Due date for redemption of the loan – 2011-03-15;
- 39.911 thousand LTL for acquisition of M/V "Venta". Due date for redemption of the loan – 2015-02-27;
- 16.809 thousand LTL for acquisition of M/V "Raguva" and M/V "Deltuva". Due date for redemption of the loan – 2012-02-19.

Negotiations with the AB SEB bank for further harmonization of the terms of repayment.

10. Liabilities Related to Employment Relations

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(thousands of LTL if not otherwise stated)

	2011-06-30	2010-12-31
Payable salaries	508	-
Provision for annual leaves (salaries)	1073	1.144
Provision for annual leaves (social insurance)	333	355
Payable social insurance contributions	313	350
Income tax payable	1	-
Amount payable to guarantee fund	1	1
Total	2229	1.850

11. Provisions

	2011-06-30	2010-12-31
Provisions for not received invoices	1000	1.620

Amount at the end of the report period, in the suspensions due to the arrest of mtrl. "Deltuva" at Puerto-Rico in May, 2010, for the services of lawyers and for the ungained accounts.

12. Other Amounts Payable

	2011-06-30	2010-12-31
Debts to suppliers	2.124	986
Prepayments from clients	3.666	4.536
Dividends payable	96	97
Accrued expenses	1.463	271
Other liabilities	32	92
Total	7.381	5.982

Debts to suppliers has increased due to early transfer of the ships working on the short – term contracts.

13. Sales

Sales revenue, LTL thousand	2011-06-30	2010-06-30	%
Income from time charter	25.302	21.706	116,6
Other income from time charter	503	-	-
Income from short-term freight contracts	10.256	3.629	282,6
Other income			
Total:	36.061	25.335	142,3

Freight income of short-term charter parties in 2011 increased, since the company has been operating m/v "Alka" and m/v "Venta" by itself, earning any and all income.

14. Cost of sales

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(thousands of LTL if not otherwise stated)

	2011-06-30	2010-06-30	%
Crew expenses	8,520	8,704	97,9
Depreciation	12,880	13,030	98,8
Repair expenses	2,029	4,722	42,9
Spare parts	2,649	3,213	82,4
Ship functional expenses	2,265	1,476	153,5
Fuel	4,371	1,420	307,8
Lubricants	1,161	1,010	114,9
Insurance	1,880	1,794	104,8
Broker, address commission	1,121	839	133,6
Port charges and taxes	1,616	490	329,8
Other ships expenses	605	2413	25,0
Total:	39,097	39.111	99,9

Decrease in crew cost during the accounting period of 2011 as compared with 2010 was determined by a smaller number of the vessels.

Increase in fuel cost in 2011 was determined by the fact that m/v "Alka" was hired under short-term charter parties and that the company has been operating the vessel by itself.

15. Administrative expenses

	2011-06-30	2010-06-30	%
Employee expenses	1.628	1637	99,4
Amortization and depreciation	104	103	100,9
Premise maintenance	52	55	94,5
Transport expenses	45	46	97,8
Business maintenance expenses	86	56	153,6
Communication services	56	61	91,8
Bank services	69	66	104,5
Consulting, legal services	10	204	4,9
Asset insurance and insurance franchise	244	147	165,9
Other expenses	258	120	215,0
Total:	2,552	2,495	102,2

16. Other operating income

	2011-06-30	2010-06-30	%
Income from sale of non current assets	-	9.963	-
Remaining value of sold tangible assets	-	(18.123)	-
Net income from sale of non current assets	-	(8.160)	-
Other operating income, net	63	(8.155)	-
Total :	63	(8.155)	-

17. Financing and Investing Activities

AB „Lietuvos jūrų laivininkystė“

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Financial statements for the period ended on 30 June 2011

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	2011-06-30	2010-06-30	%
Received interests	1	-	-
Positive effect of changes in currency exchange rates	5.255	-	-
Paid interests	(1.047)	(1037)	-
Negative effect of changes in currency exchange rates		(12.102)	-
Total:	4209	(13.139)	-

18. Profit (Earnings) per Share

Profit per share is calculated by dividing net profit (loss) of the period, belonging to the holders of shares (-1.253.424 Lt), by the number of ordinary shares – 200901296 – in the end of the period.

19. Cash Flow Statement

Cash for the period ended (2011-06-30) totaled 611 thousand LTL and since the beginning of the year decreased by 1.456 thousand LTL.

20. Statement of Changes in Equity

Owner's equity for the year ended 30 June, 2011 amounted to 161.797 thousand LTL and, as compared to the beginning of the period, decreased by 1.253 thousand LTL due to 1.253 thousand LTL loss in the accounting period.

21. Related Party Transactions

The persons associated with the company are members of board, general director, director of chartering department, technical director, financial director, chief accountant and their family members.

22. Segments

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

23. Capital management policy

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

Liability – equity ratio

	2011-06-30	2010-12-31
Total liabilities	75.080	85.521
Less the cash and cash equivalents	611	2.067
Liabilities in net amount	74.469	83.454
Total equity	161.797	163.050
Plus the subordinated debt instruments		
Less the change in fair value of assurance instruments recognized in the equity		

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Adjusted equity capital	161.797	163.050
Liability – equity ratio	0,46	0,51

Liability – equity ratio decreased due to the increased in the equity and reduced debt.

24. Financial means

Credit risk

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

	2011-06-30	2010-12-31
Prepayments	2.740	1.319
Trade receivables	1.998	1.333
Accumulated income and other amounts receivable	3163	3.227
Less the doubtful amounts receivable		
Cash and cash equivalents	611	2.067
TOTAL:	8.512	7.946

Liquidity risk

The company, with a view to avoid the liquidity risk, maintains sufficient flow of cash and cash equivalents or has financing through respective credit, planning in advance as well as controlling cash flows. The company has not approved a liquidity index to aspire to; however, the management shall aim at keeping the balance between unattractiveness and flexibility of financing. Liquidity indexes of the company are exhibited in Note 25. The company does not have financial asset.

Currency rate, interest rate, and other risks

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

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

Future cash flows

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

25. Financial indexes

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	Calculation	2011.06.30	2010.06.30
Gross debt rate	$\frac{\text{Total liabilities}}{\text{total assets}}$	0,32	0,34
Gross solvency rate	$\frac{\text{Equity capital}}{\text{Total liabilities}}$	2,15	1,91
Gross profitability	$\frac{\text{Gross profit}}{\text{Sales and services}}$	-0,08	-0,54
Rate of gross current solvency (gross liquidity)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0,42	0,29

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

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

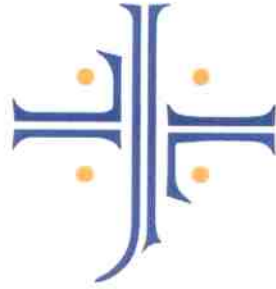
26. Unclassified assets and liabilities

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

The company has not provided guarantees and vouchers.

General Director

Arvydas Bogočionkas



LITHUANIAN SHIPPING COMPANY

Interim report for the period of six months of 2011

August 2011
Klaipeda

Turinys

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I ACCOUNTING PERIOD, FOR WHICH THE REPORT WAS PREPARED

The annual report was prepared for January – June 2011. The last day of accounting period is 30 June 2011. Herein, PC Lithuanian Shipping Company may also be referred to the Enterprise, Company, Issuer, LJJL.

Essential changes of information, given in the last annual report of PC Lithuanian Shipping Company (2010) are indicated in the report pursuant to the Rules on preparation and submission of periodic and additional information of the Securities Commission of the Republic of Lithuania and the description of the Guidelines for ensuring transparency of activities by the state-owned enterprises.

II ABOUT THE COMPANY

Name: Public Company Lithuanian Shipping Company.

Legal-organizational form: Public Company

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

Organization identification number: 110865039

Former organization identification number: 1086503

Head office: Malūnininkų g. 3, Klaipėda.

Phone number: + 370 46 393 105

Fax number: + 370 (46) 393 119

E-mail address: info@ljl.lt

Website address: www.ljl.lt

Person, appointed to provide further information:

Sigute Noreikaite

LJJL Financial Director

Tel. (8 46) 393 195

Fax. (8 46) 393 133

sigute.noreikaite@ljl.lt

III NATURE OF MAIN ACTIVITIES OF THE ISSUER

Sea and coastal cargo water transport.

IV STRUCTURE OF THE AUTHORIZED CAPITAL

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

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

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

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

ISIN code – LT0000125999.

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

Further information on the securities is published on LJL website www.ljl.lt under *For Investors* – general shares information, share price comparison, historical share prices, share trading.

V ABOUT DIVIDENDS

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

VI RESTRICTIONS OF TRANSFER OF SECURITIES

There are no restrictions of transfer of securities.

Does not plan to pay for 2011.

VII SHAREHOLDERS

Information on the shareholders is given in the Annotation of the financial statements for the period ended 30 June 2011 of PC Lithuanian Shipping Company, I General Part, Page 7.

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

VIII RESTRICTIONS OF VOTING RIGHTS

N/A

IX PERSONNEL

The number of employees

For the first six months 2011 ended (30/06/2011) there were 349 employees working for LJL: 310 seafarers as well as 39 shore-based employees, which respectively constitutes 89 percent and 11 percent (See Figure 1).

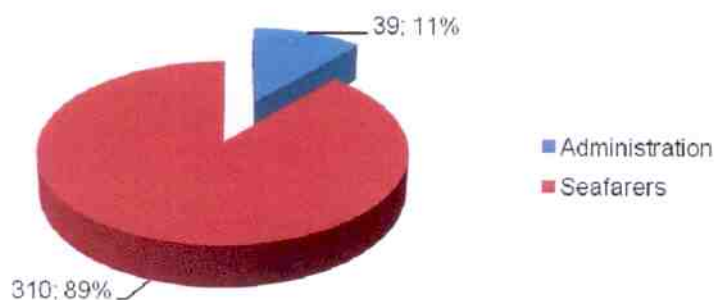


Figure 1. The number of LJJ employees for the six months ended (30/06/2011)

Analysis of the changes in the personnel for the last five years (according to the data of 30 June 2007–2011) demonstrates an apparent decrease in the number of employees – both onshore and seafarers (Table 1).

Table 1

Variation in the number of LJL employees 01/01/2007 / 30/06/2011

	2007	2008	2009	2010	1st half of 2011
Number of vessels	18	15	14	11	11
Onshore personnel	62	54	50	46	39
Seafarers	453	400	376	320	310
In total	515	454	426	366	349

When comparing the 1st half of 2009 and the 1st half of 2011, in 2011 the number of onshore personnel and seafarers decreased by 9,82 percent (Figure 2).

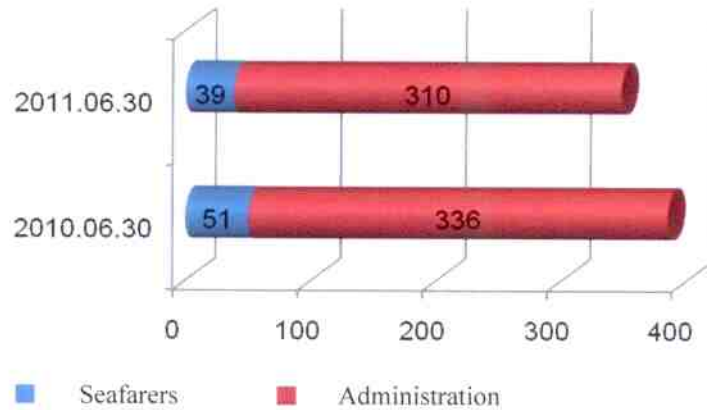


Figure 2. The number of LJL employees for 2010-2011

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

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

Table 2

Structure of personnel of the company according to education for 2009-2011

Education	Number of employees				
	1 st half of 2009	2009	1 st half of 2010	2010	1st half of 2011
University	137	128	127	120	113
Special secondary (college)	182	180	167	149	118
Secondary	110	118	86	97	80

Average listed number of employees and wages (LTL)

Personnel group	Average conditional number of employees					Average monthly wages (LTL)				
	1 st half of 2009	2009	1 st half of 2010	2010	1 st half of 2011	1 st half of 2009	2009	1 st half of 2010	2010	1 st half of 2011
Executives	9	9	9	9	9	6.861	6.755	6.039	6.275	5.983
Specialists	254	206	175	173	150	2.603	2.836	2.849	2.792	2.962
Workers	166	181	167	163	152	1.853	1.849	1.786	1.753	1.821
In total:	429	396	351	345	311	2.397	2.470	2.425	2.388	2.508

X SIGNIFICANT AGREEMENTS

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

XI OPERATIONS OF THE COMPANY'S VESSELS. SCOPE OF SERVICES. TYPES OF MARITIME CARGO

During the 1st six months of 2011 the company possessed 11 vessels:

1. 1 general cargo ("Venta") – 24202 DWT.
2. 2 general cargo ("Romuva", "Voruta") – 17504 DWT each.
3. 2 general cargo "Clipper" type ("Deltuva", "Raguva") – 16900 DWT each.
4. 1 general cargo ("Skalva") – 9498 DWT.
5. 1 general cargo ("Alka") – 7346 DWT.
6. 4 multipurpose "Asta" type ("Asta", "Akvilė", "Daina", "Audrė") – 5820 DWT each.

The scope of services, rendered during the period of 2009 – 2011, is given in Table 5, employment of the vessels over individual years – in Table 6, and types of maritime cargo – in Table 7 as well as enclosed diagrams.

Table 4

Total scope of services rendered during 2009 – 2011, thousand LTL

Name	1st half of 2009	2009	1st half of 2010	2010	1st half of 2011
Goods sold and services rendered	33.015,4	59.180,8	25.341,7	62.171,9	36.071,3

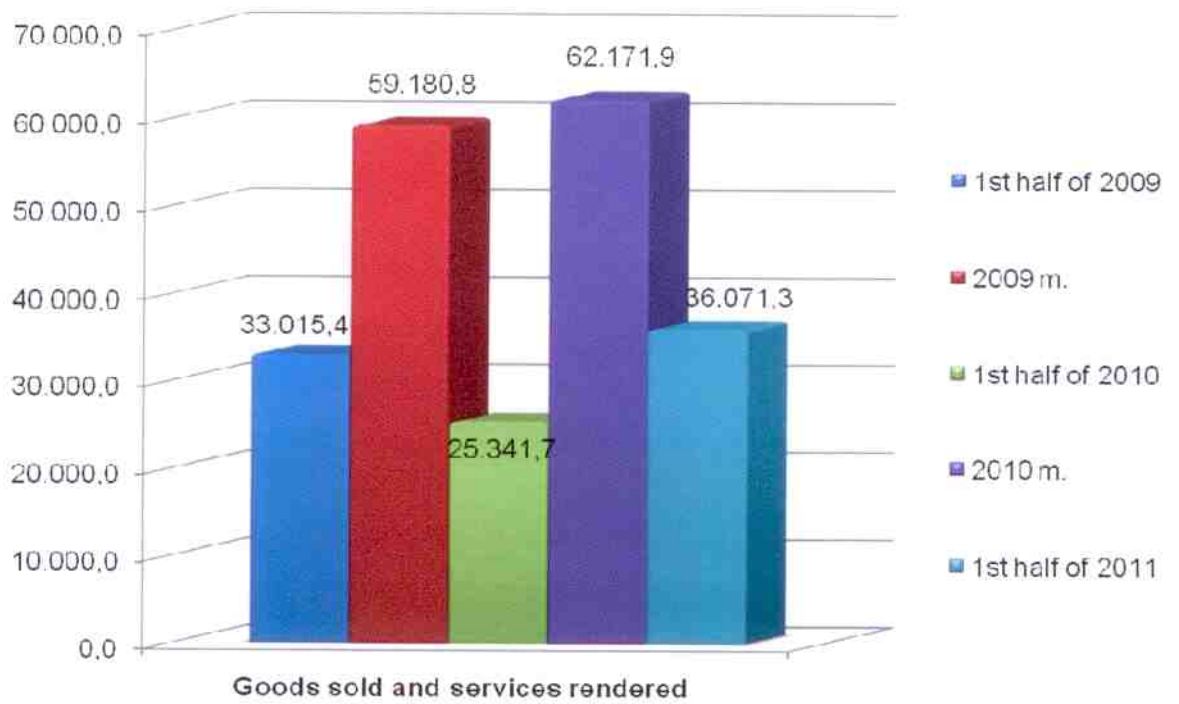
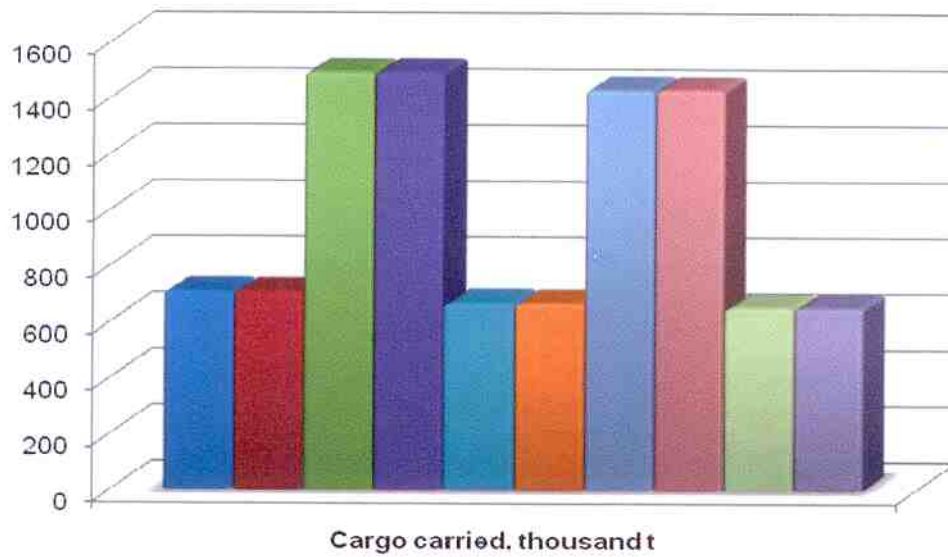


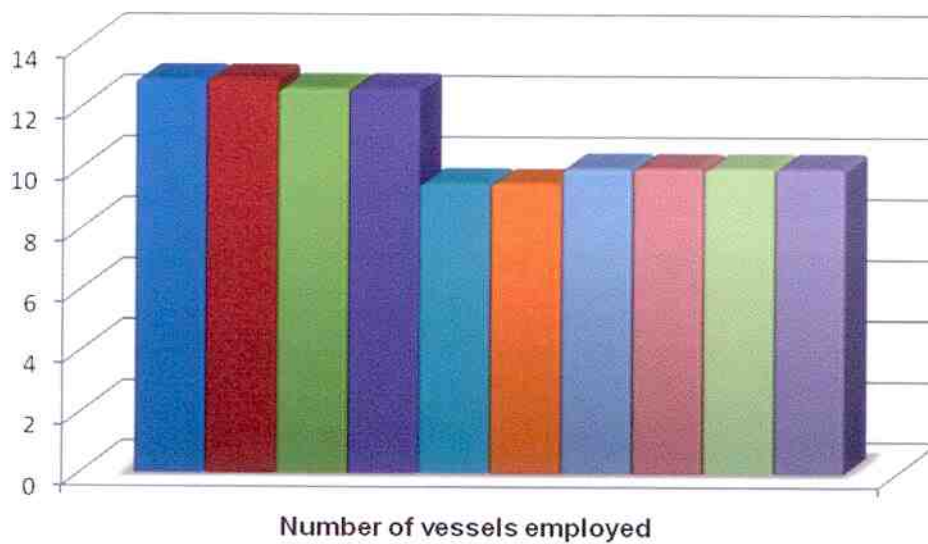
Table 5

Employment of cargo vessels, average per year

Index	1st half of 2009		2009		1st half of 2010		2010		1st half of 2011	
	In total	Bulk	In total	Bulk	In total	Bulk	In total	Bulk	In total	Bulk
Number of vessels employed	12,9	12,9	12,6	12,6	9,5	9,5	10	10	10	10
Deadweight, thousand t	156,5	157	154,6	155	136,8	136,8	135,2	135,17	133,4	133,4
Cargo carried, thousand t	708	708	1491	1491	667	667	1429	1429	651	651



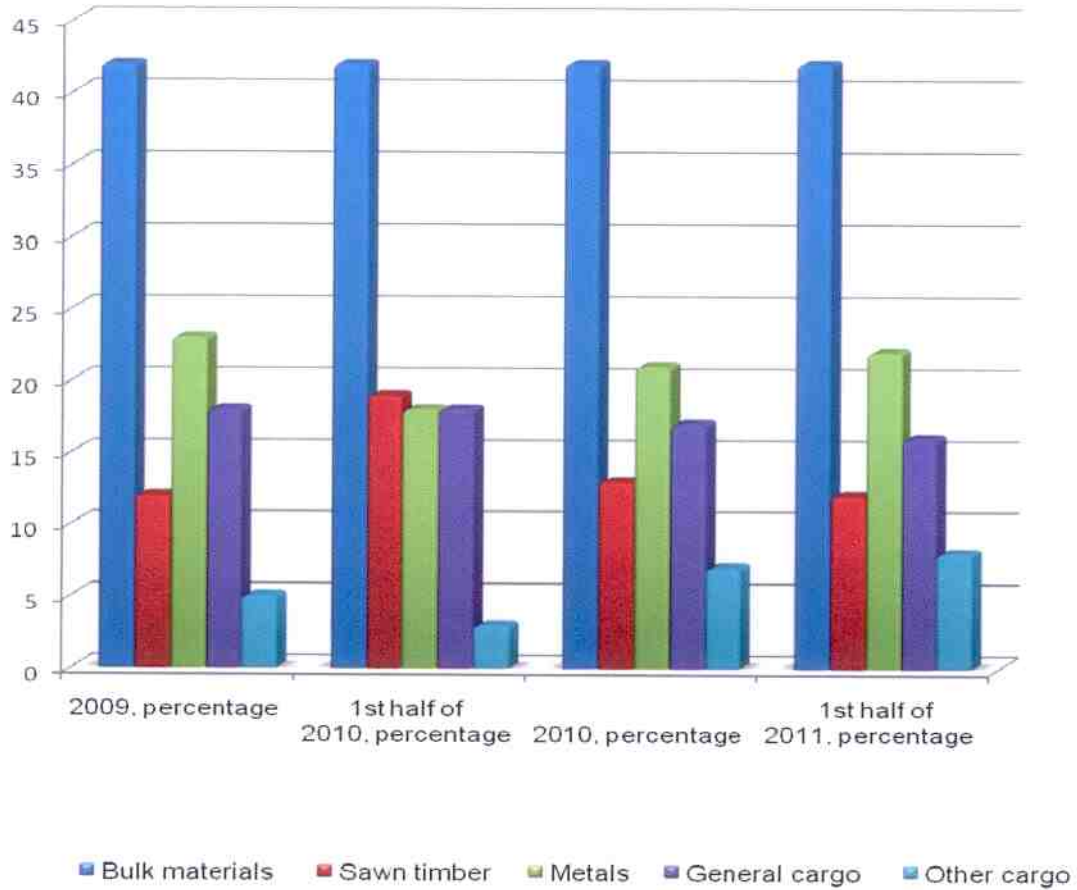
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|-----------------------------|-----------------------------|
| ■ 1st half of 2009 In total | ■ 1st half of 2010 Bulk |
| ■ 1st half of 2009 Bulk | ■ 2010 In total |
| ■ 2009 In total | ■ 2010 Bulk |
| ■ 2009 Bulk | ■ 1st half of 2011 In total |
| ■ 1st half of 2010 In total | ■ 1st half of 2011 Bulk |



- | | |
|-----------------------------|-----------------------------|
| ■ 1st half of 2009 In total | ■ 1st half of 2010 Bulk |
| ■ 1st half of 2009 Bulk | ■ 2010 In total |
| ■ 2009 In total | ■ 2010 Bulk |
| ■ 2009 Bulk | ■ 1st half of 2011 In total |
| ■ 1st half of 2010 In total | ■ 1st half of 2011 Bulk |

Types of cargo carried

Types of cargo carried	1st half of 2009, percentage	2009, percentage	1st half of 2010, percentage	2010, percentage	1st half of 2011, percentage
Bulk materials	42	42	42	42	42
Sawn timber	12	12	19	13	12
Metals	23	23	18	21	22
General cargo	18	18	18	17	16
Other cargo	5	5	3	7	8
In total:	100	100	100	100	100



XII MARITIME MARKET

Although in general all analytics were optimistic during the year 2010 and forecasted the growth of earnings of the MPP Dry-Cargo, Mini-Bulk and Handysize fleets in year, 2011. The year started with riots in N. Africa and Middle East, which are typical market for MPP and Handysize tonnage, also it was badly affected by extremely severe winter in Baltic, and huge flow of new building coming on market in 2010-2011. We have seen sharp decrease of the freight rates in all dry cargo market segments. All observers admit that the market main treat today is tonnage overcapacity in all dry-cargo and bulk market segments. The Baltic Exchange Dry index today is corresponding to levels of depressed year, 2009.

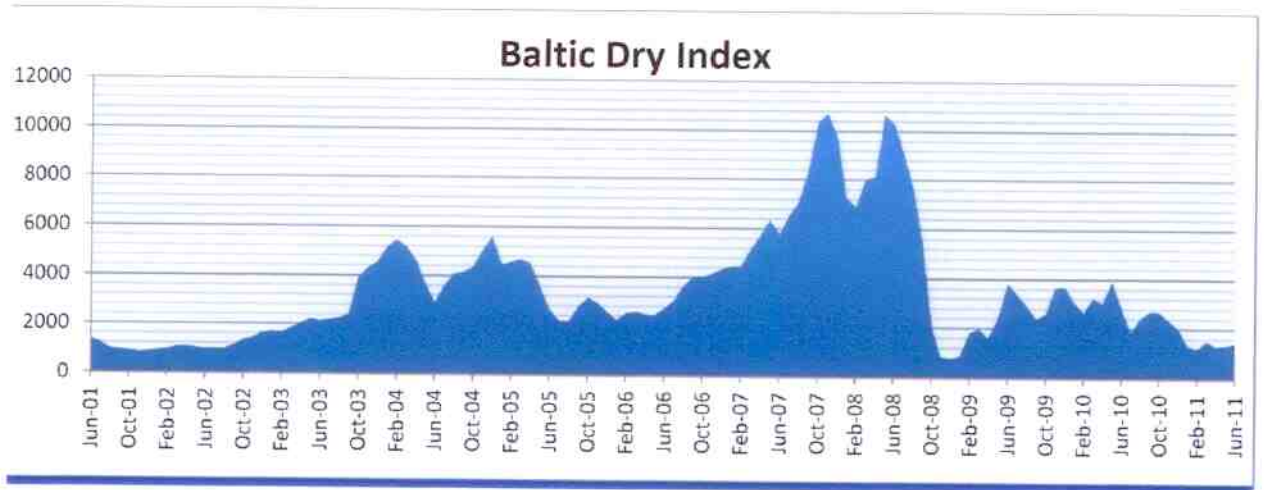


Figure 3 **Baltic Dry Index 2001-2011.**

The seaborne trade growth forecasts also do not show an optimism signs to owners:

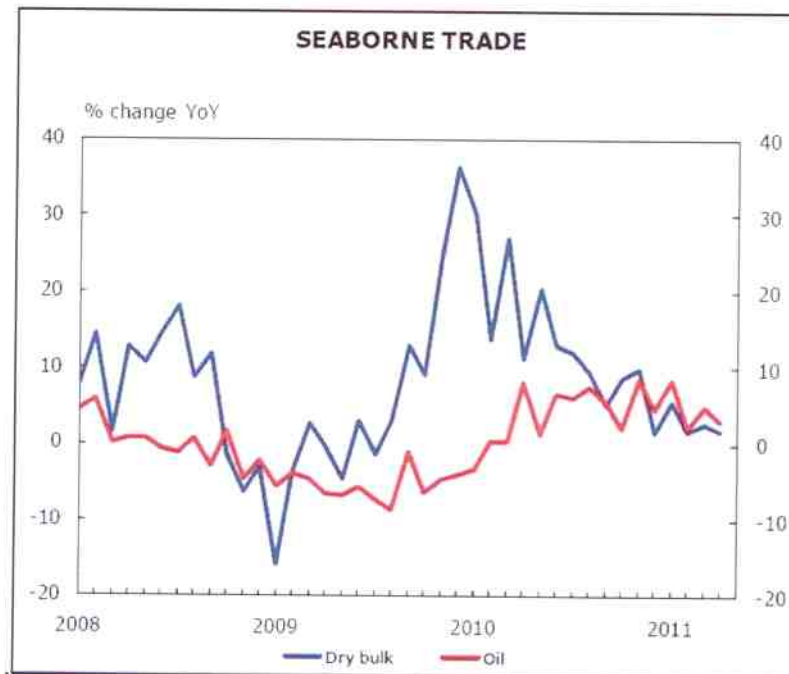


Figure 4 **World Seaborne Trade forecast**

The new tonnage boom expect to continue on market till end 2012, beginning 2013, with relatively very low number of reported orders placed for delivery in 2013 and further year. Thus we expect even more competition between owners for cargoes, than we already see today.

Under current circumstances the fleet of the company is well secured with work at least till the end of 2011 and some Vessels till middle 2012. Most of the vessels are employed in the long term time-charters or contracts of affreightment at rates, which are mostly higher than current market levels. We have only two vessels trading completely on the SPOT market. Also the 4 of the 11 vessels which belong to our company are working in the segment which is recognized as most underbuilt in the entire industry; it is MPP/Mini-Bulk tonnage of size between 15,000 and 20,000 DWT. The company fleet does not has a heavy loan pressure and assets value even today fully covers existing liabilities. We are quite optimistic about company stable earnings prospects for next 1-2 years in comparison with other players.

The main risk for all shipping markets today is the second wave of the global world economic crisis, which may result a sharp decline in the international trade. These factors in combination with overcapacity will put all the shipowners in very difficult situation. On the other side if the world GDP will continue to growth by healthy percentage annually, we will see a healthy and strong market in years 2014-2018. We expect that till this time will clean up itself from the old tonnage built in early-mid 80's and absorb the new buildings flow of 2009-2013 years.

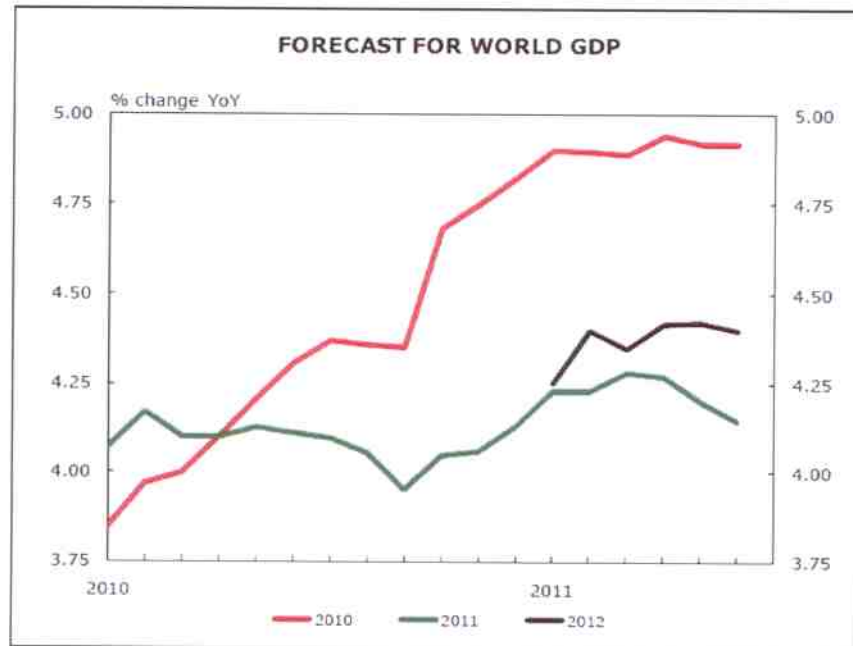


Figure 5 Forecast for World's GDP.

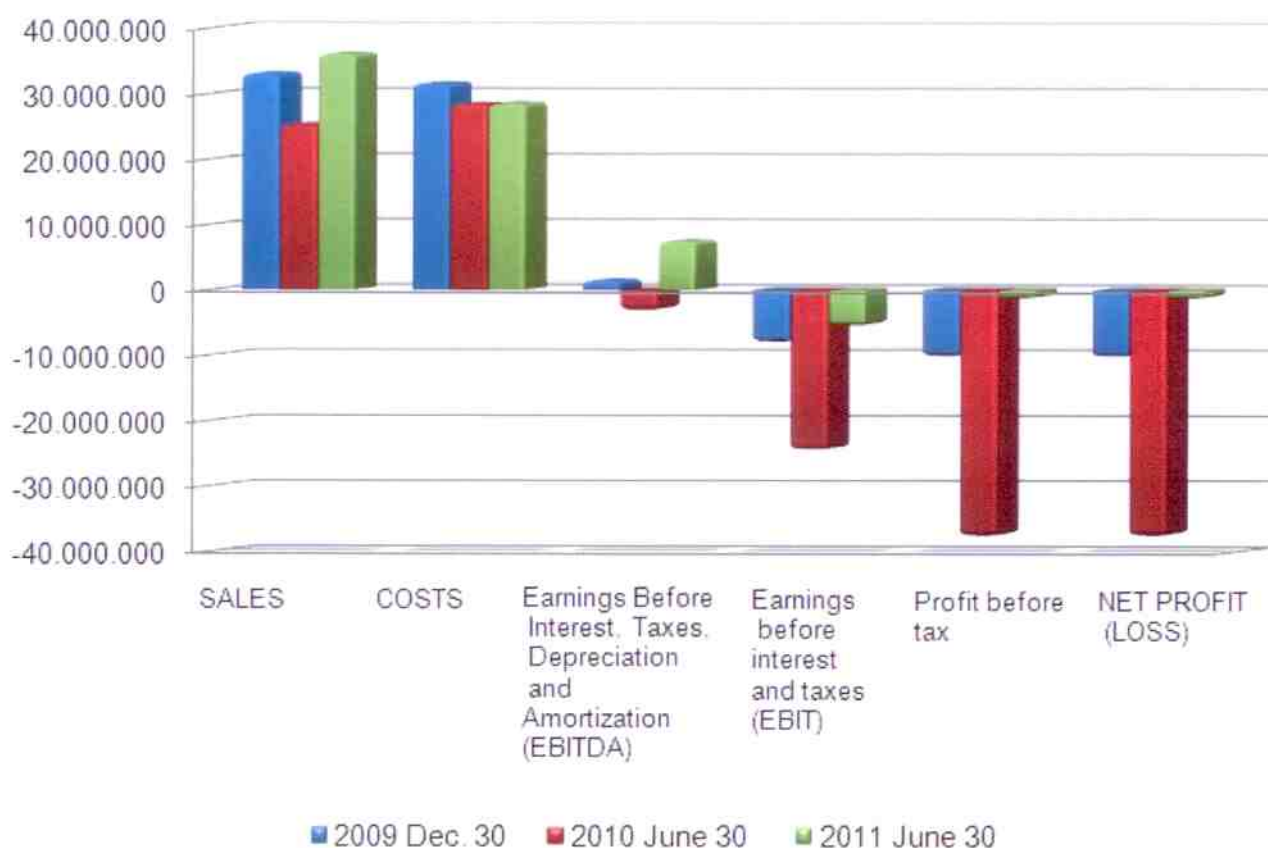
The main trend of the company further fleet development we see in specialization on operating of MPP/Mini-Bulkers fleet in size between 15,000 and 20,000 tons DWT, may be with some proportion of Handysize bulkers up to 32,000 tons DWT. Company fleet will continue to serve mainly on Trans-Atlantic trades.

XIII RESULTS OF ACTIVITIES OF THE 1ST SIX MONTHS OF 2011

According to the preliminary data before the audit, LJL during the period of January-June 2011 incurred 1.3 million LTL loss instead of 1.5 million LTL loss as planned before tax. As compared with the 1st half of 2010, the loss is 36 million LTL less (Table 7).

Table 7

Items	2009 Dec. 30	2010 June 30	2011 June 30
SALES	33.015.372	25.341.712	36.071.322
COSTS	31.534.281	28.474.784	28.550.417
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	1.481.091	-3.133.072	7.520.905
Earnings before interest and taxes (EBIT)	-7.996.098	-24.426.076	-5.462.743
Profit before tax	-10.191.997	-37.565.071	-1.253.424
NET PROFIT (LOSS)	-10.229.916	-37.563.394	-1.253.424



Income

The main income of LJI is earned by the fleet. For January-June 2011 the company's income totaled 41.4 million LTL, whereof:

- From the fleet activities – 36.1 million LTL (87 %) – 0.723 million LTL less than planned in the budget,
- From financing activities – 5.3 million LTL (13 %) profit (as a result of positive variation in currency rate).

The company earns main income in US dollars (94%) and Euros (6%). During the accounting period of 2011 US dollar cost 2.46 LTL on an average, whereof in June – 2.40 LTL. The company sold services at an average US dollar price of 2.4642 LTL. US dollar price, planned

in the budget, is 2.60 LTL. As a result of discrepancy between the actual US dollar price and the planned price, the company earned 1.9 million LTL less income on an average during the period.

Lost profit of the fleet

1.5 million LTL as a result of the accident of m/v "Asta": due to the failure of the main engine. The crankshaft of the main engine was ordered, manufactured, and replaced, the main engine was overhauled, as well as the scheduled repairs at the dock took place during 141 days.

Off-hire (lost profit related to hire as a result of failures, accidents, detentions of the vessels, etc.) totals 0.321 million LTL, i.e. 0.8 % of the fleet or 0.7 % of LJL expenditure. The causes of *off-hire* – technical.

The main whereof:

- m/v "Raguva" as a result of the cranes failures – 149.3 thousand LTL – 46 %;
- m/v "Skalva" as a result of the cranes failures – 94.2 thousand LTL – 29 %.

Vessel engagement

The company's vessels, except m/v "Alka" and m/v "Venta" (from March) operated under the *time charter* agreements. Due to significant slump of the freight market and events in the Near East when the vessel fuel went up in price, the long-term charterer of the company – August Bolten – from January reduced the time charter equivalent / day. When August Bolten offered 27 % lower equivalent in March, the company cancelled the order for August Bolten services and the vessel "Venta" was taken over for own chartering.

Income from time charter, i.e. freight income less fuel, harbor, as well as stevedoring expenses per day, lower than planned:

- m/v "Alka" 33 %,
- m/v "Venta" 35 %.

As a result thereof, the cash flow:

- m/v "Alka" – instead of the planned 0.937 million LTL, cash flow was 0.9 million LTL less and totaled 0.02 million LTL;
- m/v "Venta" – instead of the planned 0.3 million LTL, cash flow was negative (1.3 million LTL) or 1.6 million LTL lower.

Respectively, the final result of the vessels in January-June 2011 was worse than planned 3.0 million LTL.

Cash flow from the fleet activities after covering the operational costs, totaled 0.7 million LTL instead of the planned 4.4 million LTL. The result of activities of the fleet of the first six months of the year or total loss amounted to 3.0 million LTL instead of the planned profit of 2.6 million LTL.

Expenditure

1.1 million LTL more of freight income than planned (plan – 11.4 million LTL) was earned when chartering the aforementioned vessels on our own, however, the voyage expenses, particularly, due to unscheduled termination of charter of m/v "Venta", exceed the planned 4.2 million LTL. Whereof due to:

- fuel expenses 2.8 million LTL,
- harbor expenses 1.1 million LTL, ir
- stevedoring expenses 0.3 million LTL.

As a result whereof the time charter income of the vessels was 3.0 million LTL less than planned.

The company's expenditure to earn income totaled 42.6 million LTL, whereof:

- fleet expenses – 39.1 million LTL (92 %),
- general and administrative or operating expenses – 2.49 million LTL (6 %),

- expenses of interest of credits for acquisition of the vessels – 1.0 million LTL (2 %). L.JL expenditure according to respective items distributed as follows:
- 12.7 million LTL (30 %) vessel operation,
- 5.7 million LTL (13 %) vessel repair and spare parts,
- 10.2 million LTL (24 %) labor hoarding,
- 13.0 million LTL (30 %) depreciation of vessels and other assets,
- 1.0 million LTL (2 %) interest to the bank for the credits for acquisition of the vessels.

Main business regions

Ports of North, South, and Central America, Scandinavia, Northern and Southern Europe, Russia.

Main business partners

- Insurance Joint Stock Company Allianz (Russia),
- Ingosstrakh Insurance Company LTD (Russia),
- Assuranceforeningen Skuld (Norway),
- Man Diesel and Turbo SE (Germany),
- Onego Shipping B.V. (Netherlands),
- Aug. Bolten Wm. Miller's Nachfolger (Germany),
- Arctic Trading S.A,
- Cross Atlantic Shipping,
- OÜ Tallinn Shipyard,
- Cotemar (Cartagena),
- Monjasa A/S (Denmark),
- Lukoil Marine Lubricante Ltd (Cyprus).

XIV SUBSIDIARIES AND REPRESENTATIVE OFFICES

The company does not have any subsidiaries or representative offices.

XV FINANCING ACTIVITIES

PC Lithuanian Shipping Company in 2011 had accounts with AB SEB bank, AB *DnB NOR*, Danske Bank A/S Lithuanian branch office. Main money circulation as to assumed obligations with the bank takes place through AB SEB bank.

The company performs bank transactions electronically. The company buys currency for payments in other currency than income received (e.g. DKK, GBP, AUD, CAD, NOK, SEK, JPY, etc.) – L.JL does not accumulate reserves in such currencies, i.e. does not keep frozen means with a view to avoid extra difference of currency rates. For payments in Litas, the company sells currency – US dollars – its income currency.

Benefits to the personnel are paid pursuant to the Collective agreement of PC Lithuanian Shipping Company of 30 March 2004, Regulation of payroll system for the shore-based personnel, as well as the Description of payroll procedure for the general director, directors, and chief accountant. As special rights and duties of the personnel or any part thereof, provided in the Collective agreement, can be distinguished:

- the length of seaman's work at voyage, in individual cases up to 6-8 months;

- eventual seaman's work in war zones with the voyage specifics;
- specifics of working and resting time;
- as well as specifics in shipping company;
- compliance with the requirements of the conventions of international labor organizations and other international standard documents as well as legal acts;
- period when the seamen are on reserve.

The company gives considerable attention to the analysis of activities, administration of the process of preparation of financial statements, and improvement of accounting. The company controls the charterers' debts and state of settlements. The demand for various reports and data to be submitted increases as a result of changes in the economic-financial position of the company.

Credit handling

In 2011 the company covered to SEB bank 6.6 million LTL credit including interest, whereof:

- credit – 5.6 million LTL, and
- 1.0 million LTL interest.

This amount (6.6 million) is lower than planned 1.9 million LTL due to US dollar rate and postponement of repayment of the portion of the loan at LJL request due to insufficiently generated cash flow. The company's debt to the bank for the loans until 27 February 2015 for the acquisition of 5 vessels as of 30 June 2011 totaled 26.8 million US dollars (64.4 million LTL). The biggest portion of the loan – 62 % - constitutes the loan, issued until 2015. Interest in US dollars totals 3.0 %. 11 vessels are pledged for the bank loans at the expense of the bank. During the course of negotiations in 2010 the bank has taken LJL financial potential and general cash flow into consideration and postponed partial repayments of the credit as well as by May 2011 lowered the repayment amounts. In April 2011 the company applied to AB SEB bank for restructuring of the loan as of May 2011 by prolonging the partial repayment terms by 27 February 2015. SEB bank made the amendments No. 5 to the Lending agreement of 28 June 2011 to postpone 2 partial payments amounting to 4.0 million US dollars by 31 August 2011.

Investment

Due to financial potential, in 2009-2011 the company did not acquire any vessels and limited the invested to minimum. During the 1st six months of 2011 the investment from own funds totaled 74.1 thousand LTL (planned 193.8 thousand LTL) or the investment plan was fulfilled by 38.2 %. The plan to modernize the vessels – 105.9 thousand LTL – was not fulfilled.

Table 8

Counted monetary sums

Job Title	1st half of 2009		2009		1st half of 2010		2010 m.		1st half of 2011	
	Salary*	Average monthly salary	Salary*	Average monthly salary	Salary*	Average monthly salary	Salary*	Average monthly salary	Salary*	Average monthly salary
Director General (member of Management). Chief Accountant	122992	10566	220334	9736	97345	8112	202440	8256	111581	8855

*Including from profit – absent.

The main financial results and indexes

Thousand Litass	2011.06.30	2010	2010.06.30	2009	2009.06.30
Income	36.071,3	62.186,4	25.341,7	59.213,8	33.015,4
EBITDA	7.520,9	3.490,6	-3.133,1	-4.020,7	1.481,1
<i>EBITDA margin</i>	20,9%	5,6%	-12,4%	-6,8%	4,5%
Gross profit	-3.035,4	-17.494,3	-13.775,6	-26.795,7	-9.990,5
<i>Margin of gross profit</i>	-8,4%	-28,1%	-54,4%	-45,3%	-30,3%
EBIT	-5.462,7	-30.647,7	-24.426,1	-27.124,2	-7.996,1
<i>EBIT margin</i>	-15,1%	-49,3%	-96,4%	-45,8%	-24,2%
Gross profit (loss)	-1.253,4	-39.134,2	-37.563,4	-28.874,9	-10.229,9
<i>Margin of gross profit (loss)</i>	-3,5%	-62,9%	-148,2%	-48,8%	-31,0%
Owners' property (own capital)	161.797,0	163.050,5	164.621,2	202.184,6	220.829,6
Financial debts	64.404,1	76.001,6	85.081,3	73.468,9	75.009,8
Total assets	236.877,7	248.571,3	263.580,5	289.427,8	303.967,1
Indexes of effectiveness:					
<i>Return on assets, ROA (annual estimate)</i>	-0,5%	-15,7%	-14,3%	-10,0%	-3,4%
<i>Return on property, ROE (annual estimate)</i>	-0,8%	-24,0%	-22,8%	-14,3%	-4,6%
Indexes of liquidity:					
<i>Gross ratio of liquidity</i>	0,42	0,29	0,39	0,22	0,33
<i>Coverage ratio</i>	0,33	0,25	0,35	0,16	0,26
<i>Index of coverage in cash</i>	0,02	0,06	0,06	0,05	0,09
Market value indexes					
<i>P/E</i>	-18,99	-1,72	-1,82	-2,65	-7,60
<i>Profit (loss) a share (LTL)</i>	-0,01	-0,19	-0,19	-0,14	-0,05

Explanations:

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

XVI SIGNIFICANT EVENTS SINCE THE END OF PREVIOUS FINANCIAL YEAR

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

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

Absent

XVIII INFORMATION ON THE AUDIT

The audit of the annual financial statements is provided by the laws.
The audit or review of interim information was not performed.

XIX INSURANCE AND CLAIMS

The vessels and ship owner's liability of PC Lithuanian Shipping Company as concerning the cargo and such other claims are insured with insurance companies and mutual marine insurance clubs.

Re: Cargo forwarding by sea

As of 30/06/2011 – 5 claims. 2 claims were settled and 2 new claims (m/v "Daina", m/v "Asta") were submitted during the accounting period.

Civil claims

As of 30/06/2011 there are 2 pending claims:

1. On 15/07/2008 Klaipėda District Court received A. Zenkevičius' action as to indemnification against the respondents Nijolė Žeimienė, UAB Pamario Andova, and the third person PC Lithuanian Shipping Company. By the ruling of Klaipėda District Court of 21 January 2009, the case was suspended until the adoption and effect of the decision in the civil case No. 2-309-538/2009. Civil case No. 2-223-792/2009. In 2010 the case number was changed to No. 2-1923-792/2010. The case was resumed and the hearing was assigned on 29/08/2011.

2. The petition of appeal of I. Smirnova in the civil case No. 2-295-524/2010 was received on 23/03/2010. The amount of the action is 410.832,28 LTL. The decision was overturned by the ruling of the Court of Appeal of Lithuania of 24 January 2011 and it was remitted to the court of first instance. The hearing has not been assigned yet.

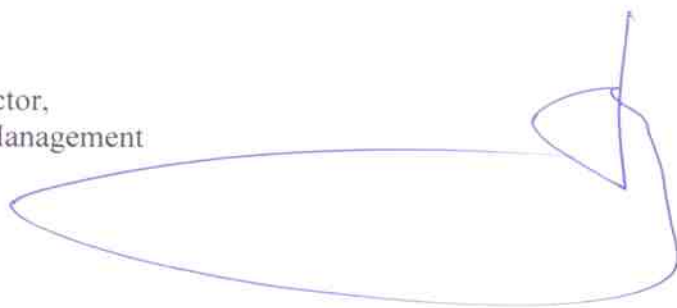
XX DATA ABOUT PUBLICLY ANNOUNCED INFORMATION

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

- Interim information of Public Company Lithuanian Shipping Company of three months of 2011;
- Result of activities of Public Company Lithuanian Shipping Company of three months of 2011;
- Information of Public Company Lithuanian Shipping Company for the year ended 2010;
- Decisions of the general shareholders' meeting of Public Company Lithuanian Shipping Company;
- Draft decisions of the general shareholders' meeting of Public Company Lithuanian Shipping Company;
- Ordinary general shareholders' meeting of Public Company Lithuanian Shipping Company;

- Interim information of twelve months of 2010;
- Result of activities of Public Company Lithuanian Shipping Company of twelve month of 2010 before the audit;
- Notification of forfeit of voting rights.

General Director,
Member of Management

A handwritten signature in blue ink, consisting of a large, sweeping loop that extends to the left and then curves back to the right, ending in a small, vertical stroke.

Arvydas Bogočionkas