AKCINĖ BENDROVĖ
"LIETUVOS JŪRŲ LAIVININKYSTĖ"

PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

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

2012-08-31 Nr. (01)-5-309
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 2012, 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 six months 2012, is correct.

Public Company "Lithuanian Shipping Company"
General Director — Audronis Lubys

Public Company "Lithuanian Shipping Company"
Chief Accountant — Arvydas Stropus

Public Company Lithuanian Shipping Company

Financial statements for the year ended 30 June 2012

Contents

(thousands of litas, if not indicated otherwise)

STATEMENT OF FINANCIAL POSITION
30 June, 2012

	Notes No.	30-06-2012	31-12-2011 (recalculated)
Intangible assets	2	13	15
Tangible assets	1	206.220	210.378
Total non-current assets		*206.233*	*210.394*
Inventories	3	1.690	2.437
Prepayments	3	1.326	1.431
Trade receivables	4	1.311	750
Other receivables	4	1.154	190
Cash and cash equivalents	5	162	1.793
Total current assets		*5.643*	*6.601*
Total assets		211.876	216.995
Share capital	6	200.901	200.901
Legal reserve		-	-
Other reserves		-	-
Retained profit (loss)		(70.574)	(62.320)
Total equity	*18*	*130.327*	*138.581*
Payables to credit institutions	7	61.716	30.050
Total non-current liabilities		61.716	30.050
Payables to credit institutions	7	4.212	36.553
Trade payables	10	7.722	5.468
Received prepayments	10	3.037	3.266
Employment related payables	9	3.543	2.130
Profit tax liabilities	8	66	66
Other payables	10	1.252	881
Total current liabilities		*19.833*	*48.364*
Total shareholders' equity and liabilities		*211.876*	*216.995*

The notes set out on pages 6-29 form an integral part of these financial statements.

General Director Audronis Lubys

(thousands of litas, if not indicated otherwise)

STATEMENT OF COMPREHENSIVE INCOME
30 June, 2012

	Notes No.	30-06- 2012	30-06-2011	During the 2nd quarter 2011	2012
Sales	11	37.600	36.061	19.528	18.177
Cost of sales	12	(40.154)	(39.341)	20.925	(20.474)
Gross result		**(2.554)**	**(3.280)**	**1.397**	**(2.297)**
Administrative exspenses	13	(2.228)	(2.243)	(1.059)	(1.085)
Distribution expenses		(1)	(3)	-	(2)
Other operating income	14	106	65	63	25
Other operating expenses	14	(1)	(2)	-	(1)
Operating result		**(4.678)**	**(5.463)**	**(2.393)**	**(3.360)**
Financial income	15	-	5.256	-	1.283
Financial expenses	15	(3.576)	(1.047)	(4.842)	(502)
Net financial expenses	**15**	**3.576**	**(1.254)**	**(4.842)**	**781**
Profit (loss) before tax		(8.254)	(1.254)	(7.235)	(2.579)
Income tax expenses		-	-	-	-
Profit (loss) for the year		**(8.254)**	**(1.254)**	**(7.235)**	**(2.579)**
Other comprehensive income , net of income tax		-	-	-	-
Total comprehensive income		**(8.254)**	**(1.254)**	**(7.235)**	**(2.579)**
Basic and dilutaed earrnings (loss) per share (in Litas)	16	(0,04)	(0,006)	(0.036)	(0,013)

The notes set out on pages 6-29 form an integral part of these financial statements.

General Director Audronis Lubys

(thousands of litas, if not indicated otherwise)

CASH FLOWS STATEMENT
30 June, 2012

Articles	Notes No.	30-06-2012	30-06-2011
Cash flows from operating activity			
Profit (loss) for the period		(8.254)	(1.254)
Adjustments for:			
Depreciation and amortization	1,2	9.712	15.013
Effects of exchange rate changes on loans	7	2.213	(5.980)
Gain (loss) on disposal of property, plant and equipment		-	-
Interest expenses, net	15	1.104	1.046
Income tax expense		-	-
Operating cash flows before changes in working capital		**4.774**	**8.826**
Decrease (increase) in receivables	4	(1.419)	(2.322)
Increase (decrease) in payables	9,10	3.810	(1.643)
Decrease (increase) in inventories	3	746	(1.121)
Cash flows generated from operating activities		**7.911**	**7.026**
Income tax paid			(67)
Interest paid	15	(1.104)	(1.047)
Net cash flows from operating activities		***6.807***	***5.912***
Cash flows from investing activities			
Acquisitions of non-current assets	1,2	(5.551)	(1.750)
Disposals of non-current assets		-	-
Received dividends and interests		-	1
Net cash flows from investing activities		**(5.551)**	**(1.749)**
Cash flows from financing activities			
Dividends paid to shareholders		(1)	(1)
Repayments of loans	7	(2.888)	(5.617)
Net cash flow from financing activities		***(2.887)***	***(5.618)***
Change in cash and cash equivalents		***(1.631)***	***(1.455)***
Cash and cash equivalents at 1 January		***1.793***	***2.066***
Cash and cash equivalents at 30June		***162***	***611***

The notes set out on pages 6-29 form an integral part of these financial statements.

General Director Audronis Lubys

(thousands of litas, if not indicated otherwise)

STATEMENT OF CHANGES IN EQUITY
30 June 2012

	Share capital	Legal reserve	Other reserves	Retained profit (loss)	Total
Balance as at 31.12.2009	200.901	20.090	10.068	(11.705)	219.354
Comprehensive income for the period (recalculated)				(34.615)	(34.615)
Used reserves		(1.637)	(10.068)	11.705	
Balance as at 31.12.2010	200.901	18.453		(34.615)	184.739
Comprehensive income for the period (recalculated)				(1.254)	(1.254)
Used reserves					
Balance as at 30.06.2011	200.901	18.453		(35.869)	183.485
Comprehensive income for the period (recalculated)				(46.158)	(46.158)
Used reserves		(18.453)		18.453	
Balance as at 31.12.2011	200.901			(62.320)	138.581
Comprehensive income for the period				(8.254)	(8.254)
Balance as at 30.06.2012	*200.901*			*(70.574)*	*130.327*

The notes set out on pages 6-29 form an integral part of these financial statements.

General Director — Audronis Lubys

(thousands of litas, if not indicated otherwise)

Notes to the financial statements ended of the 30 June 2012

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 ended of the 30 June 2012 358 employees were employed in the Company, 32 of them worked in management divisions and 326 as seafarers.

The shareholders of the Company were on 30 June, 2012:

	30-06- 2012		30-06- 2011	
	Number of shares	Ownership percent	Number of shares	Ownership percent
State Property Fund	-	-	5.619.061	2.80
Ministry of Transport and Communication of the Republic of Lithuania	113.833.000	56,66	113.833.000	56,66
Swedbank AS (Estonia)	11.437.444	5,69	11.362.607	5,56
DFDS TOR LINE A/S	11.108.420	5,53	11.108.420	5,53
Concern Achema Group	-	-	3.278.086	1.63
Other small shareholders	64.522.432	32,12	55.700.122	27,72
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.

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 of 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 Company 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.

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 currenies 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 = 2,7624 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 amortized 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 impairmaent 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 stright line method of the depreciation calculation.

Property groups	Useful lives (in years)
Vessels	20-27 from building year
Machines and equipment	7 – 16
Capitalised expenses of vessels inspections and overhouls	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 stright 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 choosen 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)

In thousand LTL	30-06-2012	31-12-2011
Prepayments	1.326	1.431
Trade receivables	1.311	750
Other receivables	1.154	190
Cash and cash equivalents	162	1.793
Total:	**3.863**	**4.164**

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 22.

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:

In thousand USD	30-06-2012	30-06-2011
Prepayments	276	1.009
Trade receivables	272	830
Other receivables	368	1119
Cash and cash equivalents	141	268
Trade payables	(567)	(484)
Financial liabilities	(23.866)	(26.820)
Net currency exposure	**(23.376)**	**(24.078)**

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:

In thousand LTL	30-06-2012	30-06-2011
Increase of currency exchange rate	10%	10%
Profit (loss)	6.457	6.651
Decrease of currency exchange rate	(10%)	(10%)
Profit (loss)	(6.457)	(6.651)

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.

(thousands of litas, if not indicated otherwise)

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 3 months. The average effective interest rate in I half 2012 varied from 3.33 to 3.47 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	413,8	0
If the interest rate decreases 0,5 percent	354,1	59,7
If the interest rate increases 0,5 percent	473,5	(59,7)
If the interest rate increases 1 percent	533,1	(119,3)
If the interest rate increases 2 percent	652,5	(238,7)

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.

(thousands of litas, if not indicated otherwise)

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

Rodikliai tūkst. LTL	Buildings and constructions	Machines and equipment	Vessels (recalculated)	Others vehicles	Capitalised expenses in vessels inspections and overhouls	Other tangible assets	Not finished capitalised expenses in inspections and overhouls	Total
Acquisition costs								
Balance at 31 December 2010	3.672	791	453.374	250	19.006	519		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	453.676	297	22.131	538	751	481.872
Acquisitions		55	35		5.458	1		5.549
Disposals (-)			(4)					(4)
Reclassifications		(30)	30		751		(751)	
Balance at 30 June 2012	3.672	832	453.737	297	28.340	539		487.417
Impairment losses								
Balance at 31 December 2010			(61.407)					(61.407)
Balance at 31 December 2011			(90.526)					(90.526)
Balance at 30 June 2012			(90.526)					(90.526)
Accumulated depreciation								
Balance at 31 December 2010	457	706	139.107	156	14.421	390		155.237
Charged for the period	51	70	21.163	28	4.435	53		25.800
Disposals (-)				(68)		(1)		(69)
Reclassifications		(20)	20					
Balance at 31 December 2011	508	756	160.290	116	18.856	442		180.968
Charged for the period	25	20	7.149	20	2.469	23		9.707
Disposals (-)			(4)					(4)
Reclassifications		(30)	30					
Balance at 30 June 2012	532	747	167.465	138	21.325	465		190.671
Carrying amounts								
Balance at 31 December 2010	3.215	85	252.860	94	4.585	129		260.968
Balance at 31 December 2011	3.164	51	202.860	181	3.275	96	751	210.378
Balance at 30 June 2012	3.140	85	195.746	160	7.015	74		206.220

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 recognized in cost of sales. The depreciation of buildings, vehicles, equipment and machinery and other tangible assets on office was recognized in administrative expenses.

In thousands LTL	30-06-2012	30-06-2011
Depreciation (with capitalised expenses of vessels inspections and overhouls) recognized under cost of sales	9.641	14.909
Depreciation recognized under administrative expenses	66	90
Amortization of intangible asset recognized in administrative expenses	5	14
Total:	**9.712**	**15.013**

The vessels are pledged for loans received from SEB Bank (see note 7).

2. Non-current intangible asset

Indicators In thousand LTL	Software
Acquisition value	
At 31 December, 2010	387
At 31 December, 2011	387
Acquisitions	3
Disposals	-
At 30 June 2012	390
Amortization	
At 31 December, 2010	348
Amortization for the period	24
At 31 December, 2011	372
Amortization for the period	5
At 30 June 2012	377
Carrying amounts	
At 31 December, 2010	39
At 31 December, 2011	15
At 30 June 2012	13

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	30-06-2012	31-12-2011
Fuel	1.291	1.899
Spare parts, materials	213	374
Food stocks in vessels	186	164
Total of inventories:	*1.690*	*2.437*
Prepayments	1.326	1.431
Total:	**3.016**	**3.868**

The 1.291 thousand LTL amount of fuel at 30-06-2012 is due to MV Alka, MV Romuva, which were chartered under short-term contracts. There were no inventories for write-down to net realization value on 30-06-2012 and 30-06-2011. Prepayment amount of 176 thousand LTL at 30-06- 2012 consist of advance payments (for spare parts, supply, repairs), 208 thousand LTL – other advances (for insurance, subscriptions, etc.), 942 thousand LTL – advances to vessel agents.

4. *Trade receivables and other receivables*

In thousand LTL	30-06-2012	31-12-2011
Trade Receivables	1.311	1.889
Impairment loss of trade receivables (-)	-	(1.139)
Net trade receivables	1.311	750
Receivables from State Budget	39	31
Prepayments to fleet	138	143
Other receivables	977	16
Total receivables	1.154	190
Total:	**2.465**	**940**

. In the trade receivables – 1.249 thousand LTL is current trade receivable for vessel services, which was received in July, and 62 thousand LTL – for communications and such other services. In the amounts receivables – 977 thousand LTL is the insurance premium from the insurance company for emergency events of m/v "Asta" and m/v "Venta". The trade receivables past due an impairment allowance on which is not recognized, the amounts are to be recovered at the accounted value.

			Trade receivables past due an impairment allowance on which is not recognized			
In thousand LTL	**Total**	**Trade and other receivables not past due an impairment allowance on which is not recognized**	**Less than 30 days**	**31 - 60 days**	**61 - 90 days**	**More than 91 days**
33-06-2012	1.311	592	638	76	2	3
31-12-2011	750	675	-	75	-	-

5. Cash and cash equivalents

In thousand LTL	30-06-2012	31-12-2011
Cash in bank in LTL	12	32
Cash in bank in foreign currencies	147	1.732
Cash in hand in LTL	-	4
Cash in hand in foreign currencies	3	25
Total:	**162**	**1.793**

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
31-12-2011	200.901	-	200.901
The new issue of shares	-	-	-
Purchased own shares	-	-	-
30-06-2012	200.901	-	200.901

The authorized capital of the Company at 30-06-2012 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. Payables to credit institutions

In thousand LTL	30-06-2012	31-12-2011
Non-current payables	61.716	30.050
Current payables	4.212	36.553
Total:	**65.928**	**66.603**
Balance of loans at the beginning of the year	66.603	76.002
Received loans	-	-
Repaid loans	(2.888)	(10.337)
Influence of currency exchange rate	2.213	938
Total:	**65.928**	**66.603**

All loans of the Company to bank are secured by assets. 11 vessels are pledged with the carrying amount of 195.746 thousand LTL. At 30-06- 2012 the total loans amount was 65.928 thousand LTL. Loan repayment term 2015-02-27.

The interest rate of loans is variable because is related to 3-months LIBOR (USD). The effective interest rate ranged from 3,33% to 3,47% in six months 2012. Due to fallen shipping market cash flows have reduced and repayment schedule has been restructured in I quarters 2012, all repayment were carried out according to approved schedules.

8. Profit tax liabilities

The Company pays fixed profit, i.e., tonnage tax. Fixed payable profit tax for the year 2011 amounted to 66 thousand LTL.

9. Employment related payables

In thousand LTL	30-06-2012	31-12-2011
Wages payable	1.226	415
Vacation reserve (wages)	1.489	1.046
Vacation reserve (social security part)	461	324
Payable social security contributions	347	344
Payable amount to Guarantee fund	20	1
Total:	**3.543**	**2.130**

10. Other payables

In thousand LTL	30-06-2012	31-12-2011
Trade payables	7.722	5.468
Received prepayments	3.037	3.266
Payable dividends	96	96
Accrued expenses	32	115
Other payables	1.124	670
Total:	**12.011**	**9.615**

Trade payables total 7.722 thousand LTL, including debts for repairs and technical provision – 4.223 thousand LTL, for lubricants – 767 thousand LTL, debts to the agents for vessel services – 650 thousand LTL, 2082 thousand LTL – for various vessel services and coastal units. In other payables – 1.112 thousand LTL is freight received for the vessels, employed under voyage-charters, and the voyages whereof were not completed during the first six months of the year. Prepayments received – 3.037 thousand LTL is income, received for voyages, which are over as of 30 June of the accounting period.

11. Sales

In thousand LTL	30-06-2012	30-06-2011
Time-charter sales	22.918	25.748
Other Time-charter sales	737	503
Voyage-charter sales	13.651	9.548
Other sales	294	262
Total:	**37.600**	**36.061**

As compared to the last year's accounting period, the income from voyage-charter freight increased during the first six months of 2012, however, only m/v "Alka" was operated by the company during the entire accounting period, m/v "Romuva", m/v "Voruta", and m/v "Venta" were operated by the company not during the entire accounting period, and during the accounting period of 2011 the company only operated m/v "Alka" and "Venta".

12. Cost of Sales

In thousand LTL	30-06-2012	30-06-2011
Depreciation	9.641	14.909
Crew costs	10.171	8.520
Fuel	7.298	4.371
Port dues	943	1.616
Spare parts	862	2.649
Insurance	2.177	1.880
Repair of vessels	2.174	1.036
Commissions	1.275	1.121
Vessel's functional expenses	1.605	1.229
Lubricants	1.548	1.161
Other vessel costs	2.460	84910
Total:	**40.154**	**39.341**

In January-June 2012 the crew's costs totaled 10,171 thousand LTL and they have increased as compared to the same period in 2011. Such increase was basically affected by the collective agreement as revised with the effect as of the beginning of the year, which has revised the procedure for calculating the average wages of seafarers for the work during the holidays and which resulted in the increase in actual wages of seafarers as well as social insurance contributions. Fuel costs totaled 7.298 thousand LTL. The increase in fuel costs was determined by the employment of a bigger number of vessels under voyage-charters and significant jump in fuel prices, as compared to 2011. Depreciation costs decreased as a result of changes in the due dates for depreciation of the vessels, recalculated terminal values of the vessels, as well as adjustment of the values of the vessels. In other costs, the expenses of the vessels are as follows: 616 thousand LTL – stevedoring expenses, 968 thousand LTL – costs of the vessels, incurred due to technical and commercial reasons, 376 thousand LTL – provision costs, 106 thousand LTL – communication costs, 89 thousand LTL – costs of the insured events, 305 thousand LTL – other costs.

13. Administrative expenses

In thousand LTL	30-06-2012	30-06-2011
Employee expenses	1.566	1.628
Amortization and depreciation	71	104
Consultation and legal services	72	10
Business maintenance expenses	113	86
Bank services	71	69
Communication services	58	56
Transport expenses	55	46
Maintenance of premises	59	52
Other expenses	163	192
Total:	**2.228**	**2.243**

Employee expenses decreased due to lower number of employees at the end of the half year.

14. Other operating income/expenses

In thousand LTL	30-06-2012	30-06-2011
Gain on disposal of non-current assets	-	-
Other income	106	63
Total other operating income:	*106*	63
Loss on disposal of non-currents assets	-	-
Other expenses	1	2
Total other activity expenses:	*1*	2
Total:	**105**	**61**

15. Financial income/expenses

In thousand LTL	30-06-2012	30-06-2011
Interest income	-	-
Gain of currency exchange rate	-	5.256
Total financial activity income:	-	5.256
Interest expenses	(1.104)	(1.047)
Loss of currency exchange rate	(2.472)	-
Total financial activity expenses:	*(3.576)*	(1.047)
Total:	**(3.576)**	**4.209**

16. 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- 0.04 LTL in 30-06- 2012 and in30-06- 2011 – 0.006 LTL.

17. Cash flows statement

Cash at the end of the reporting period amounted to 162 thousand LTL and has decreased to 1.631 thousand LTL from the beginning of the year. Cash flow decreased due to the former ship repair yards in the first half year.

18. Statement of changes in equity

Owner's equity for the year ended 31/12/2011 totaled 138.581 thousand LTL and, as compared to the period ended 30/06/2012, decreased by 8.254 thousand LTL as a result of loss, incurred over the accounting period, and totaled 130.327 thousand LTL. In view of the observations, set forth in the conclusion of the independent auditor UAB KPMG Baltics of 16 March 2012, as concerning nonconformity of depreciation of the vessels as well as capitalization of repair works relevant to survey of the vessels with the International Financial Reporting Standards, on 30 June 2012 the company made the correction of the errors of the financial statement for the year ended 2011 (Note 23 of the Compendium of financial statements). Following the adjustments, the un appropriated loss has decreased and for the year ended 31/12/2009 the owner's equity increased by 17.170 thousand LTL, for the year ended 31/12/2010 the owner's equity increased by 4.520 thousand LTL, and for the year ended 31/12/2011 the owner's equity increased by 3.141 thousand LTL.

19. 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 277 thousand LTL were calculated for these persons for six months 2012. There were no other transactions with related natural or legal persons in 2012 .

20. Segments

The Company operates in one business segment.

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 fertilizes, ore, steel coils and minerals.
- Caribbean market, where various cargo are being carried between USA and the Caribbean and Central American countries.

21. 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	**30-06-2012**	**31-12-2011**
Total liabilities:	*81.549*	*78.414*
minus cash and equivalents	162	1.793
Net amount of liabilities:	*81.387*	*76.621*
Total equity capital:	*130.327*	*138.581*
Plus subordinated debt instruments	-	-
		-
minus change in fair value of the recognized hedging instrument in equity	-	-
Corrected equity capital	*130.327*	*138.581*
debts – equity ratio	**0.62**	**0,55**

22. Financial ratios

	Calculation	30.06.2012	31.12.2011
Gross debt ratio	Total liabilities / total asset	0,38	0,36
Gross solvency ratio	Total equity / Total liabilities	1,60	1,77
Gross profitability	Gross profit / Sales and services	-0,06	-0,08
Current ratio	Current asset / Current liabilities	0,28	0,14
Receivables turnover	Sales and services / Accounts receivable	15,25	83,18

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.

23 .Error correction and emendation of the accounting policy

In view of the observations, set forth in the conclusion of the independent auditor UAB KPMG Baltics of 16 March 2012, as concerning nonconformity of depreciation of the vessels as well as capitalization of repair works relevant to survey of the vessels with the International Financial Reporting Standards, on 30 June 2012 the company made the correction of the errors of the financial statement for the year ended 2011. The company revised the procedure for accounting the acquisition as well as depreciation of the vessels, acquired after 2005 (since then the company had to follow the International Financial Reporting Standards): the amount, attributed to capitalized repairs, was deducted from the vessel acquisition cost and immediately written off; depreciation due dates as well as residual values were revised and such new dates and values were set; the recoverable amount of the vessels was assessed. As a result thereof, in the documents of financial statement for the year ended 2011 the value of the vessels increased by 3.141,3 thousand LTL and an undistributed result increased by the same amount.

(thousands of litas, if not indicated otherwise)

Title of the item of the financial statement to be corrected and description of the error	Amount of error, thousand LTL	Amount before adjustment for the year ended 31/12/2011, thousand LTL	Amount after adjustment for the year ended 31/12/2011, thousand LTL
Exclusion of expenses relevant to regular surveys of the vessels from the vessel acquisition cost (a)	*-2.620,1*	*0,0*	*-2.620,1*
Adjustment of accumulated depreciation of the vessels (b)	*25.808,3*	*0,0*	*25.808,3*
Impairment losses of the vessels (c)	*-20.046,9*	*-9.072,5*	*-29.119,4*
Vessels (total)	**3.041,3**	**0,0**	**3.041,3**
Profit (loss) of previous year	21.688,9	-37.850,8	-16.161,9
Net profit (loss) for 2011	-18.547,6	-27.610,0	-46.157,6
Undistributed profit (loss)	3.141,3	-65.460,9	-62.319,6

(a) The company, upon application of a new accounting principle on capitalization of class surveys of the vessels for the first time, failed to exclude such costs from the value of the vessels, as provided by the International Accounting Standard No. 16. In view of the above, the company prepared an exhaustive description of the procedure of the accounting of costs relevant to repairs of the vessels and made the assessment of the influence as concerning the exclusion of the costs relevant to class surveys of the vessels from the value of the vessels as well as accounted respective adjustments of the values of the vessels. Except the costs relevant to class surveys of the vessels, the acquisition cost of m/v "Alka" was reduced by 367,5 thousand LTL, m/v "Raguva" – by 1.331,1 thousand LTL, m/v "Romuva" – by 382,1 thousand LTL, m/v "Voruta" – by 539,4 thousand LTL; total – 2.620,1 thousand LTL.

(b) Where preparing the financial statement for the year ended 2011, the company failed to make the review of the useful life periods as well as residual values of the vessels, as required by the International Accounting Standards. In order to correct this defect, the company, together with the financial statement of six months of 2012, reviewed the useful service periods and residual values of the vessels. The company set the period of technical service life of the vessels, which is 27 years, and, in that respect, set the useful life period for each vessel. Motor vessels up to 6.000 DWT were set 20 years of useful life period, other vessels – 25 years, the oldest vessel of the company – m/v "Skalva" – 27 years. In view of useful life periods of the vessels, new residual values of the vessels were calculated applying the linear dependence method. The assessment was made by retrospective method, therefore, where recalculating depreciation of motor vessels, the amount of accumulated depreciation of the vessels reduced by 25.808,3 thousand LTL, i.e. the terminal value of the vessels increased by this amount.

(c) Following the specification of the terminal value of the vessels, applying the vessel market valuation and referring to new data, as well as following the calculation of the vessel usage values applying the discounted cash flow method, the company set new recoverable amounts of the vessels. The main assumptions, applied during the course of assessment of the vessel usage value, are given below:

1. Cash flow is forecasted for every vessel individually for the period of five-seven years (irrespective of the useful life period of the vessel), at the end whereof the terminal value of the vessel is set. This value is calculated applying the linear dependence method in view of the market value variation over the remaining period of technical service life of the vessel.

2. Income from the vessels is identified with reference to the actual historical data, long-term experience, and forecasts of the economists. As compared to 2011, decrease in freight income is forecasted in 2012, in 2013-2015 it is forecasted that income will increase approximately 5-15 percent per year, which should be affected by rising freight margins. As of 2015, the vessels of smaller tonnage (up to 10.000 DWT) are expected to demonstrate lower growth or even decrease in income, bigger vessels (from 10.000 DWT) – the annual increase of up to 10 percent.

3. The number of working days: all nonrepairable vessels are forecasted to have 5 days of demurrage per year, vessel undergoing special survey repairs – 30 days, vessel undergoing dock survey repairs – 25 days.

4. The costs of 2012 were assessed with reference to the data of 2011, i.e. constitute the same percentage of income as in 2011. In subsequent years, in view of the forecasts of the economists from *Drewry publishing research*, - 2.5-3 percent annual increase.

5. There are no plans for any extra investment relevant to the vessels, except the expenses, necessary for the maintenance of appropriate condition of the vessel.

6. The weighted average cost of capital (WACC) is used for cash flow discounting, considering that during the entire predicted period the proportion of the owner's capital and borrowed capital will constitute 65 percent and 35 percent accordingly. Thereby calculated weighted average cost of capital (WACC) constitutes 7.6 percent.

The calculation results demonstrated that the impairment loss is recorded for four vessels of smaller tonnage (mv "Asta", mv "Akvilė", mv "Audra", and mv "Daina") – from 25.2 to 30.9 percent of the book value of these vessels (together with 9.072 million LTL impairment losses of vessels, which the company has accounted in the financial statements for the year ended 31 December 2011). The recoverable amounts of mv "Skalva" and mv "Raguva" exceeded the book values; therefore, the impairment losses does not have to be accounted for these vessels. 3.6-12.2 percent impairment losses is recorded for the vessels within the group of vessels, exceeding 10.000 DWT. Total impairment losses of vessels is 12.7 percent.

(thousands of litas, if not indicated otherwise)

Name of vessel	Recalculated balance for the year ended 31/12/2011, thousand LTL	Balance for the year ended 31/12/2011 after assessment, thousand LTL	Difference (impairment losses of vessels), thousand LTL	Percentage of impairment losses of vessels
Asta	13.466,7	10.068,8	3.397,9	25,2%
Audrė	15.144,8	11.053,1	4.091,7	27,0%
Akvilė	15.192,8	11.171,8	4.021,0	26,5%
Daina	16.562,4	11.445,4	5.117,0	30,9%
Alka	14.059,2	11.040,9	3.018,3	21,5%
Skalva	3.662,0	3.662,0	0,0	0,0%
Deltuva	24.645,2	23.758,4	886,8	3,6%
Raguva	22.980,2	22.980,2	0,0	0,0%
Romuva	32.937,8	28.923,3	4.014,5	12,2%
Voruta	31.474,7	28.412,1	3.062,6	9,7%
Venta	39.971,2	38.461,6	1.509,6	3,8%
Total:	**230.097,0**	**200.977,6**	**29.119,4**	**12,7%**

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.

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

After winning the tender, announced by the Board of Public Company Lithuanian Shipping Company, Audronis Lubys held an appointment to the General Director of the company. He holds office of the General Director of Public Company Lithuanian Shipping Company as of 1 August, 2012.

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.

General Director Audronis Lubys

PUBLIC COMPANY
LITHUANIAN SHIPPING COMPANY

INTERIM REPORT
FOR THE FIRST SIX MONTHS OF 2012

Klaipėda, August 2012

Table of Contents

I. GENERAL COMPANY INFORMATION

1.1. Accounting Period of Interim Report

The Interim Report was prepared for January through June 2012. In addition to the Interim Report, the Company prepared a Set of Financial Statements for the first half of 2012, 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, and 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 20 April 2012 there were 2352 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 (%)
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	11.437.444	5,69
DFDS TOR LINE A/S	LJL1419471	Sundkrogsgade 11, DK-2100 Copenhagen	11.108.420	5,53

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 FMĮ Jūsų tarpininkas (hereinafter- AB FMĮ SNORAS - Jūsų tarpininkas, A. Mickevičiaus g. 29-3, 44245 Kaunas). After AB FMĮ SNORAS – Jūsų tarpininkas was reorganized by merge, on 31 March 2010 AB FMĮ Finasta (code 122570630, address: Maironio g. 11, Vilnius, phone.: 1813, e-mail: info@finasta.com) took under the rights and obligations of AB FMĮ 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 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 May 2005, the direct deals are calculated as automatically handled deals, together with the other deals of central market.

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 high-quality safe cargo shipping and ship management services that meet the needs of all the shareholders.

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.

As of 30 June 2012, 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 1st half of 2010 through the 1st half of 2012. We can see that over the analyzed period, the amount of the cargo carried have decreased by 8%. This decrease is related to the general situation in world economy.

Table 4.

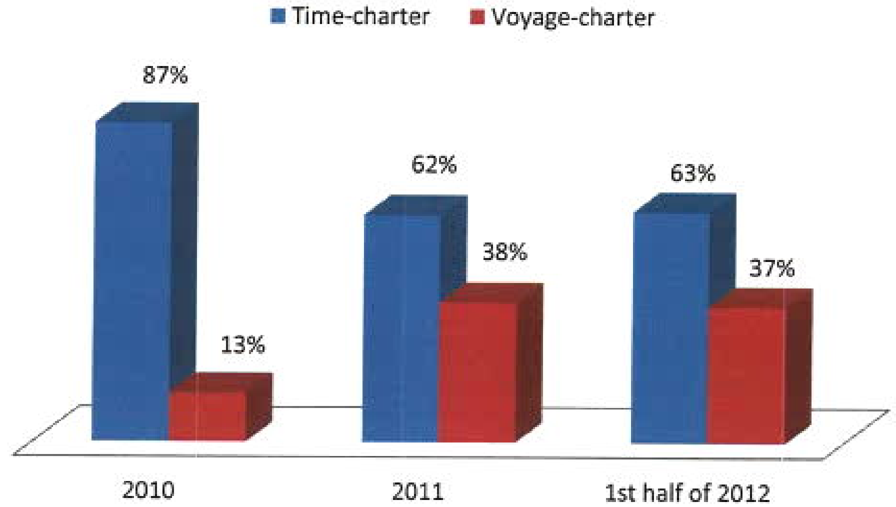
Employment of cargo vessels and the amount of cargo carried

Indicator	**1st six months of 2010**	**1st six months of 2011**		**1st six months of 2012**	
	Value	Value	Variation	Value	Variation
Number of vessels employed	9,5	10,2	+7,4%	10,2	-
Deadweight, thousand tons	136,8	133,4	-2,5%	133,4	-
Cargo carried, thousand tons	667	651	-2,4%	599	-8%

At the end of the 1st half of 2012, 8 (at the end of 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 three vessels (*Venta, Romuva, Alka*).

Figure 1

Sales according to groups 2010 through 1st six months of 2012



Structure of sales during the 1st half of 2012 has remained similar to 2011 data (Figure 1).

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

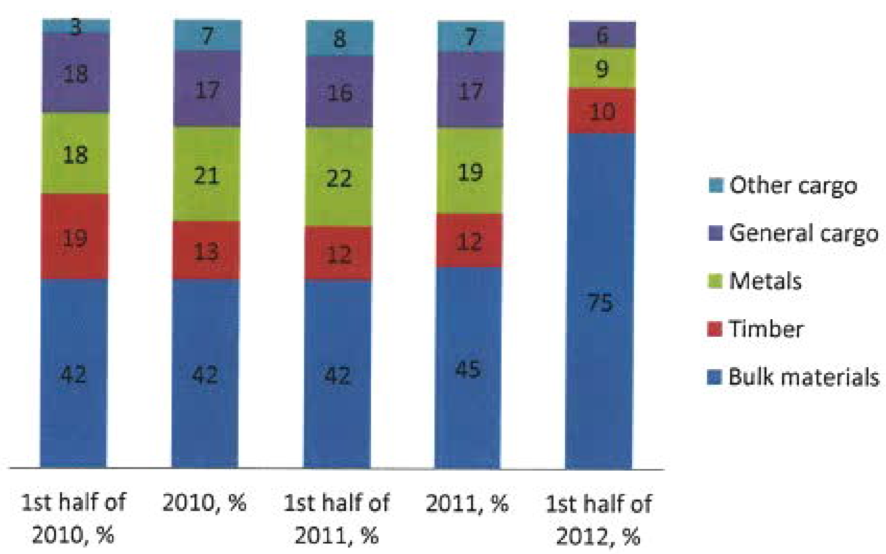
1. a significant decrease of time-charter rates for some vessels due to increasing competition intensity;
2. the opportunity to generate more income by searching for cargo on the free market.

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 2:

Figure 2

Types of carried cargo during 1st half of 2010 through 1st half of 2012



The major portion of the cargo flow consists of bulk cargo (75% in total), which portion has significantly increased in the total structure during the period analyzed.

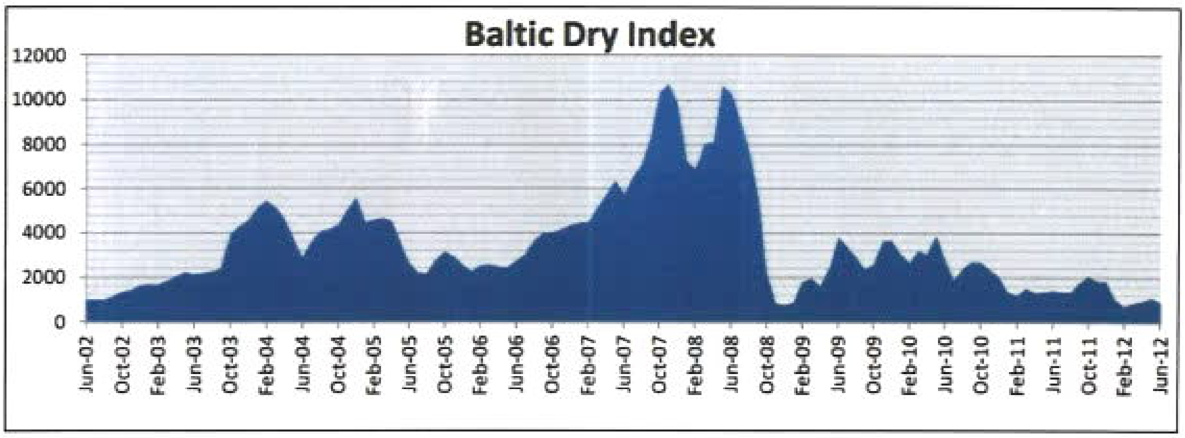
2.3. Company's Operating Markets and Competitors

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.

During the 1st half of 2012, the very marine sector was not favorable for the company (Figure 3). At the beginning of 2012, *Baltic Dry Index* (hereinafter referred to as BDI), which reflects the changes in the market, has dropped down to 647 points (6 February 2012) and this was the lowest value even in comparison with the drop at the end of 2008. Currently, the situation has slightly changed for the better; the BDI has exceeded the limit of 10000 points.

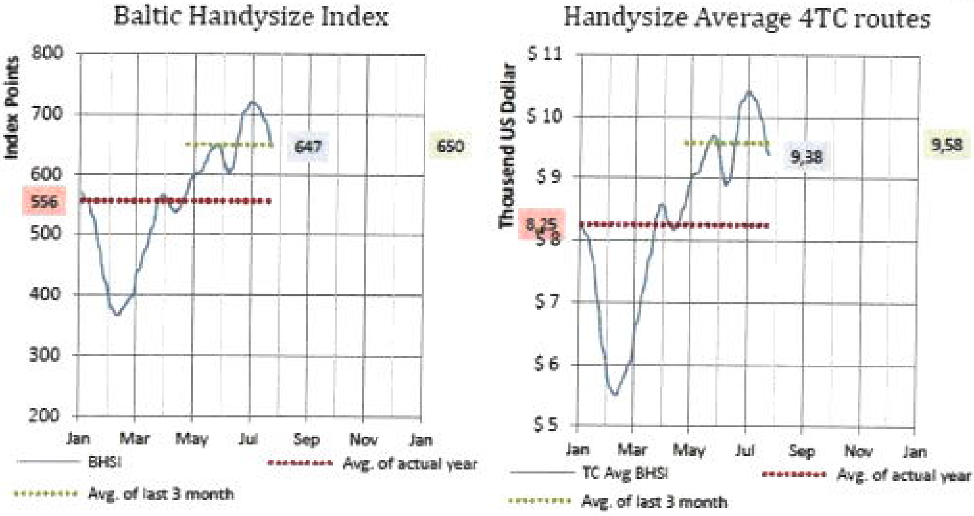
Figure 3



Source: Athenian shipbrokers S.A.

Such situation distorted the entire marine sector market as the ship freight has dropped significantly (Figure 4), even below the net price for some of the vessels, while many vessels are under *lay-up*. However, the company managed to avoid greater loss conditioned by the recession of this period, because Lithuanian Shipping Company fleet freight and management body employees at the end of the year monitoring the situation at the market have predicted the possibility of such recession and concluded long-term 6-12 months *Time-charter* contracts in time for a relatively optimal price, which guaranteed stable income for the company. Motor vessels employed under *Voyage-charter* contracts are also employed above the market average.

Figure 4



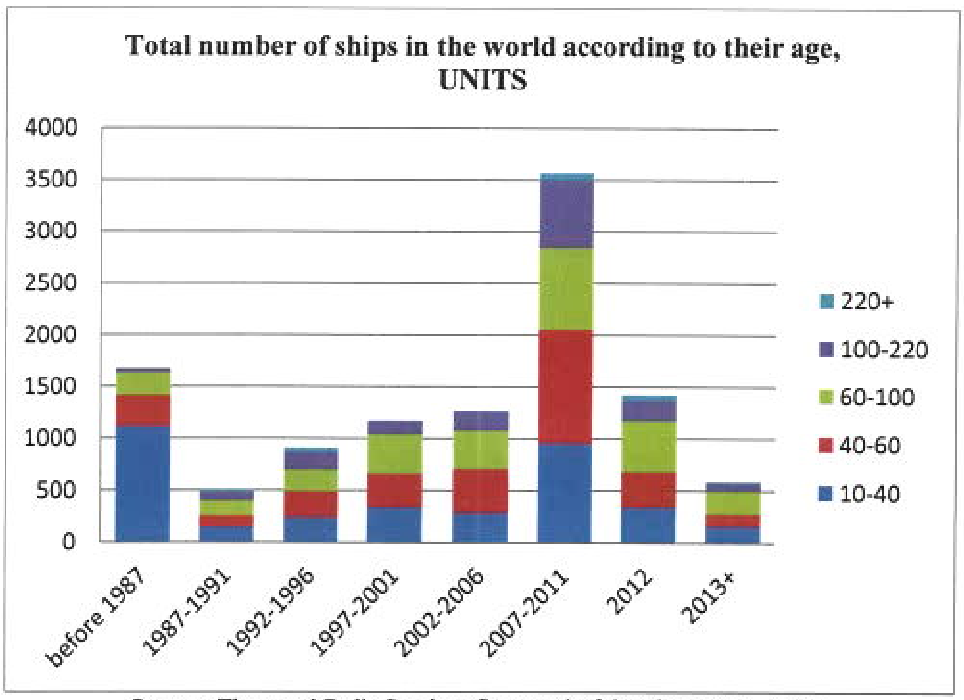
Source: Frachtcontor Junge & Co., Hamburg

Dominant factors for the 2011 and the first half of 2012 freight and shipping market drop were the following:

- Surplus of new-tonnage ships on the market.
- Very low vessel demolition rate.
- Vessel conversion. Upon the container market drop some vessels were converted to conventional bulk carriers.

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 5 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 5). In 2012 - 2013, 491 ships should reach the market, but after 2014 and in later years the number of orders is very low.

Figure 5



Source: The word 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.

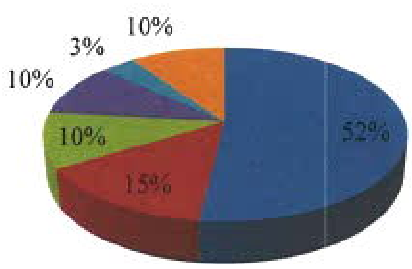
The other companies carry cargo in the other markets, where the company does not operate and therefore are not considered as competitors.

2.4. Company's Customers and Their Main Groups

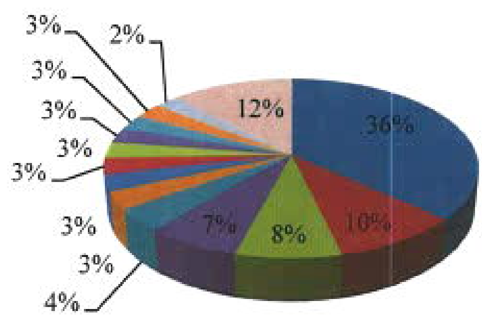
The main clients of the company are the charterers that the company is working with under the long-term time-charter agreements. In the diagrams below there is presented the change in client structure in 2010-2011 and in the 1st half of 2012. The names of the enterprises are not listed for confidentiality 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. In the 1st half of 2012 the company was rendering services to 21 clients, making 53 % of the sales to 4 largest clients. The tendency of change in clients demonstrates that the company is less dependent on several main clients and reduces the related business risk. A change in the sales strategy has influenced these variations, since we have switched to working under voyage-charter agreements, as well as general redistribution of the market.

Figures 6,7,8

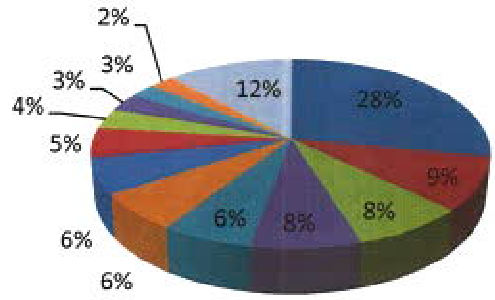
Client structure in 2010



Client structure in 2011



Client structure in the 1st half of 2012



In the company, the clients may be grouped according to the types of agreements, i.e. into time-charter and voyage-charter clients. In the 1st half of 2012, distribution of the time-charter and voyage-charter contracts remained similar to such of 2011 (63:37). 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 9.

Figure 9

The Management Structure.

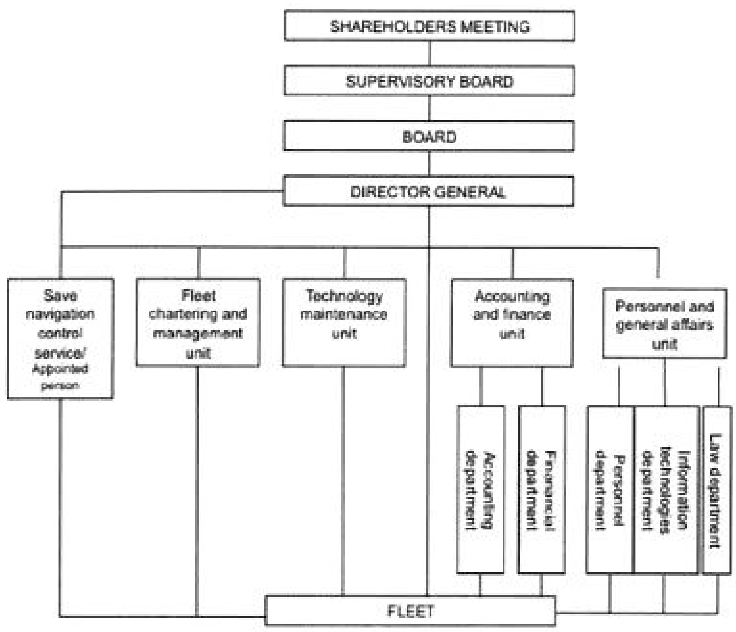
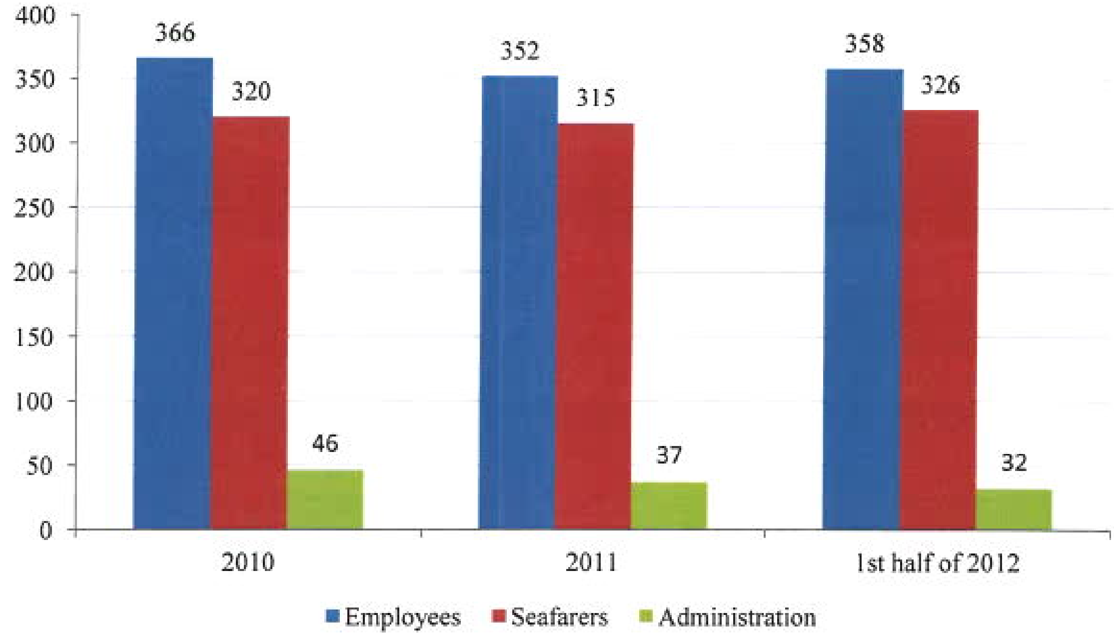


Figure 10

Variation in the number of employees in 2010 – 1st half of 2012



No significant changes were noted in the number of employees for the accounting period of 2012 (Figure 11). When comparing to the end of 2011, the number of employees has increased insignificantly – by 1,7 %. Such growth was influenced by an increase in the number of seafarers, since the number of administration employees has decreased by 13,5% (5 employees) over the first half of the year.

Number of administration employees in the total number of employees: in 2010 – 12.6%, in 2011 – 10.5%, in the 1st half of 2012 – 8.9 %.

Employee grouping:

1. Due to education:

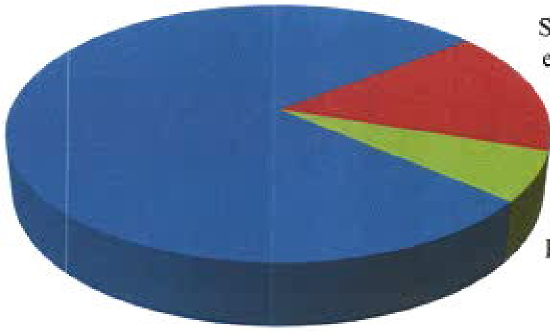
Table 5

Structure of personnel of the company according to education for 2010 – the 1st half of 2012

Educational background	Percentage of employees		
	2010	2011	1st half of 2012
University education	32,1	32,6	32,7
College education	2,5	2,2	2,0
Secondary education	26,6	29,0	28,5
Maritime academy	9,6	9,2	9,2
Post-secondary education	29,2	27,0	27,6

Figure 11

Distribution in education of onshore employees, 30/06/2012



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. No other significant changes were determined. The distribution of education of onshore employees is illustrated in Figure 11, according to which 78% 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				
	2010	2011		1st half of 2012	
	Amount, LTL	Amount, LTL	Variation, %	Amount, LTL	Variation, %
Executives	704.153	807.419	14,67	369.528	-8,47
Specialists	5.943.366	5.881.221	-1,05	3.316.986	12,80
Workers	3.693.305	3.311.590	-10,34	1.868.848	12,87
Total	**10.340.824**	**10.000.230**	**-3,29**	**5.555.362**	**11,10**

The annual employee amounts payable fund has been decreasing each year, however, in the 1st half of 2012 the fund has experienced a slight increase of approx. 11.1 % due to a change in the average wages calculation procedure for the seafarers, which was approved in the new edition of the collective agreement.

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		
	2010	2011	1st half of 2012	2010	2011	1st half of 2012
Executives	9,0	9,3	7,8	6.275	6.793	9.250
Specialists	173,0	148,0	150,1	2.792	3.034	3056
Workers	163,0	153,2	151,5	1.753	1.862	1.961
Total	**345,0**	**310,5**	**309,4**	**2.388**	**2.492**	**2.669**

Employment agreements were terminated with three executives, thus, conditioning a reduction in the average conditional number of executives. During the accounting year, the total average monthly wage of the executives has increased by 47% due to discharge allowance paid to the discharged employees, comparing to 2011. Average monthly wage of the workers has increased by 5,3 % due a change in the average wages calculation procedure for the seafarers.

4. Due to the average wages in subdivision:

Table 8

Subdivision	Average earnings per month, LTL				
	2010	2011		1st half of 2012	
	Amount, LTL	Amount, LTL	Variation, %	Amount, LTL	Variation, %
CEO unit	9.372	6.142	-34,46	9.238	+50,41
Fleet management department	7.477	6.129	-18,03	5.915	-3,49
Technical management department	5.031	6.606	31,31	5.739	-13,12
Information technologies department	3.621	4.824	33,22	3.926	-18,62
Accounting and finance department	3.213	3.835	19,36	4.225	+10,17
Personnel department	2.268	3.068	35,27	2.475	-19,33
Fleet	1.953	2.038	4,35	2.618	+28,46

Average monthly wages of employees on the vessels have increased by 28.46% during the analyzed period, since the average wages calculation procedure for the seafarers have changed under the new collective agreement. However, the most significant variations are recorded in the group of onshore employees, which are related to general fluctuation in the number of employees, since the discharged employees are paid discharge allowance and / or compensation for unused leave. These factors essentially distort the amounts of average monthly wages. No essential changes were recorded in the fund of amounts payable to the onshore employees.

2.6. Information Related to Environmental Issues

In the 1st half of 2012, the planned inspections of the company and three 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 annual Compliance Document. No significant remarks regarding the environmental protection on ships were made.

In the 1st half of 2012 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 the 1st half of 2012 no remarks in foreign seaport were made regarding environmental security on company's vessels.

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

1. In the 1st half of 2012 a separate system - piping / pump was installed on four vessel after repairs for the piping of the accumulated separated oil waste – sludge and drop off at the seaports' reception facilities. Installation of such system began in 2011 on all company's vessels being repaired.
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.

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 in the North American control the company's vessels has began using the fuel with the quantity of sulphur not exceeding 1.0%. Depending on the bunker port, 1.0% fuel is 20 – 50 USD/ton more expensive than the fuel with 3.5% sulphur.
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%.
3. 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%.
4. 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.
5. 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 12 illustrates that in the 2012 accounting period, the sales increased by 4.3 % comparing to corresponding 2011 period, yet the sales were 8.8 % less than estimated in the budget. It was planned that 4 vessels (*Venta, Voruta, Romuva, and Alka*) would be employed under short-term voyage-charter contracts, whereas the rest vessels under long-term time-charter contracts. However, following the change in situation on bulk cargo transportation market, more vessels were turned to other operators for administration, whereas the motor vessel the company was administering itself during the accounting period was *Alka*. Motor vessel *Venta* under voyage-charter contract was employed 60,97 days (33,5 % of the planned work time), motor vessel *Voruta* under voyage-charter contract was employed 128,18 days (70,4 % of the planned work time), motor vessel *Romuva* – 43,99 days, which is 24,2 % of the planned work time. This is the main reason why the Company has received revenues less than planned.

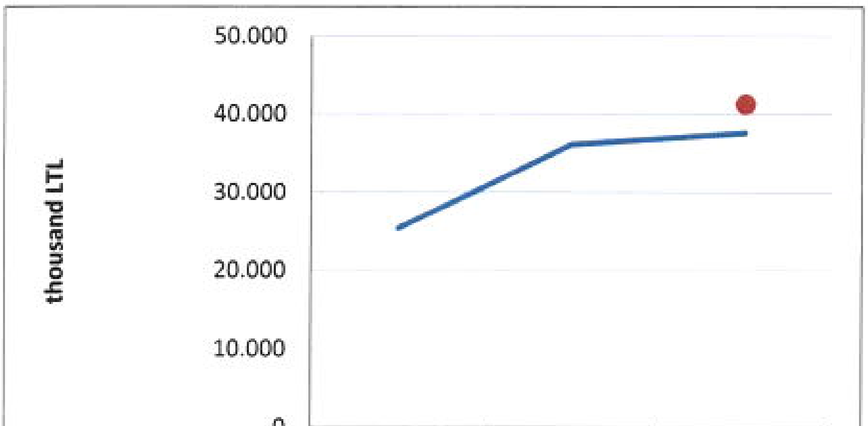
During the 1st half of 2012, the following five motor vessels were in the process of repair under SS/DS inspection requirements and/or after insurance/emergency events: *Skalva*

(12,52 days, 0 days planned), *Voruta* (31,35 days, 20 days planned), *Alka* (32,14 days, 20 days planned), *Venta* (29,11 days, 0 days planned), *Akvilė* (21 days, 25 days planned, however, the repair was still in progress during this half of the year). In December 2011, motor vessel *Skalva* stern pipe bearings were damaged, thus the company was forced to do the unscheduled repair. However, seeking to use the time of vessel lay-up for repair in the company, the company's technical management employees at the same time performed repair of this ship under the vessel category requirements; therefore, the next scheduled repair of this motor vessel will take place only in the end of 2014. Furthermore, the main failure was acknowledged as insurance event. In June 2012, the company received 310.765,00 USD of insurance benefit. Following the breakage of motor vessel *Venta* screw in the beginning of May 2012, this vessel had to undergo emergency repair in the nearest port; the vessel lay-up time was also used for necessary inspection and repair for document update, therefore, the next repair of this motor vessel will be done in the middle of 2014. Repair of motor vessel *Voruta* has ran over time due to ice in the power, where the repair was planned. Repair of motor vessel *Alka* has ran over time due to additional operations, which were not included into the vessel repair time plan. Since the company was factually repairing the vessels 126,12 days instead of 65 repair days planned (twice as long), this fact had a significant impact on the amount of income, i.e. the amount of income was less than expected.

Due to other reasons it was planned that the vessels would not be operating 37 days, yet, factually they were not operating 11,9 days; moreover, this was only the vessels undergoing repair. The remaining motor vessels were operating 100 % of possible work days, i.e. no downtime.

Figure 12

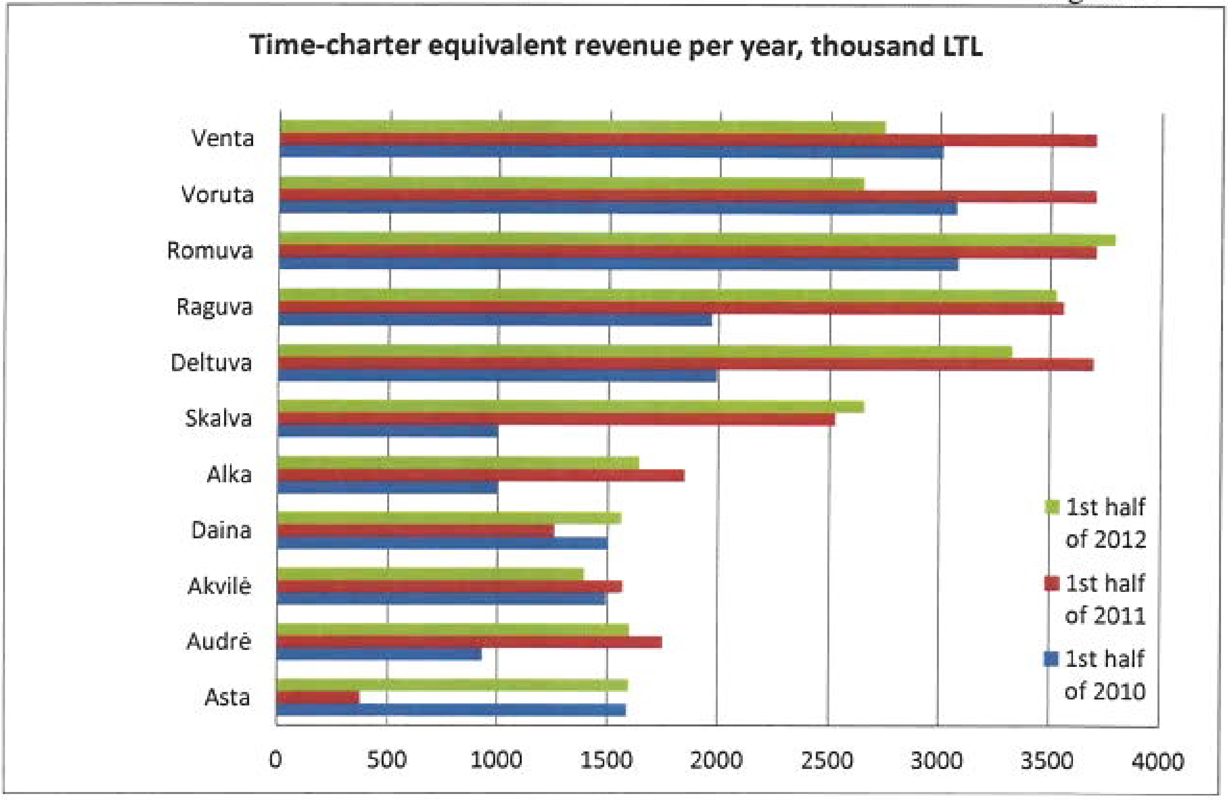
Sales revenue change in the 1st half of 2010 - 1st half of 2012



	1st half of 2010	1st half of 2011	1st half of 2012
Goods sold and services rendered	25.335	36.061	37.600
1st half of 2012 budget			41.246

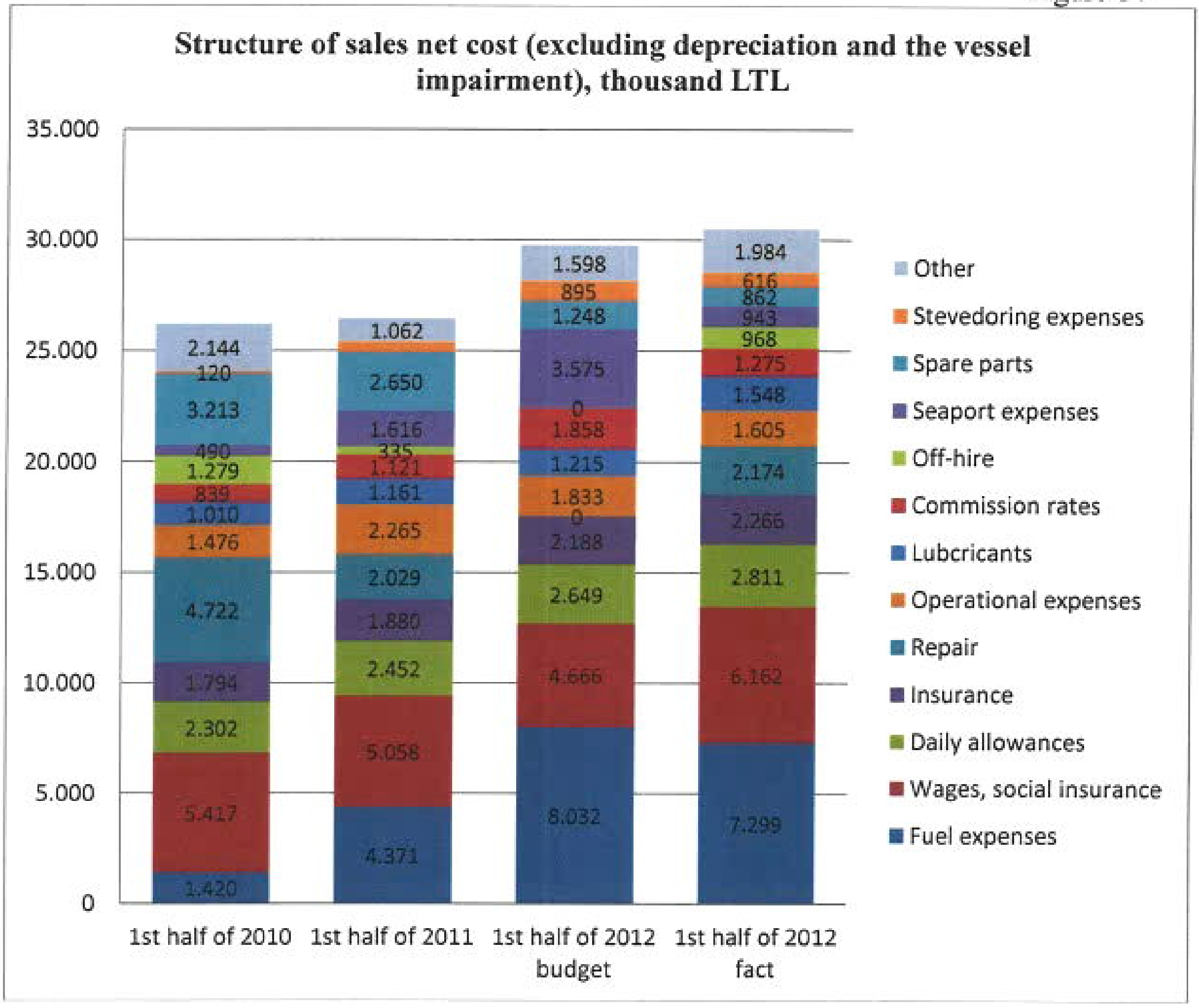
In order to assess the sales structure according to the vessels, it is best to make the comparison according to time-charter equivalent level of revenue. Figure 13, presented below, demonstrates the sales revenue variations in 2010-1st half of 2012 according to the vessels. In addition, the contribution 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. However, time-charter equivalent revenue of this group's vessels during the accounting period decreased due to drop in the amount of freight, comparing to the same period in 2011. In addition, time-charter equivalent revenues generated by the motor vessels *Venta* and *Voruta* has decreased due to repairs. The fluctuations are not particularly significant in the group of smaller vessels that consists of *Skalva, Alka, Daina, Akvilė, Audrė,* and *Asta*; only revenues from motor vessel *Alka* have slightly decreased due to repairs. It should be noted that the revenues from vessel *Asta* in the 1st half of 2011 were especially low due to long demurrages, which have been influenced by emergency repairs in 2011.

Figure 13



While analyzing the actual changes of the sales costs in 2010 – 1st half of 2012 and comparing them to the 1st half of 2012 annual budget, a sharp increase in expenses in 2012 accounting period is clearly visible. Table 14 reveals this situation. During the accounting year, the expenses (excluding wear and tear, which totaled 9.640,6 thousand LTL) were larger by 15.3 percent compared to the same period in 2011 and larger by 2.5 percent than the budget. This change was influenced by growth in sales and 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 the 1st half of 2012 was the fastest growing. Over the accounting period the insurance benefit has increased by 20.5 % due to insurance events. Expenditures for seafarers' wages, social insurance (21.8%) and daily allowance (14.6%) have also increased due to the new edition of the collective agreement effected as of the beginning of the year, which changed the procedure of average wage calculation for seafarers, thus conditioning the increase in actual seafarers' wage, the amount of deferred leave fund and social insurance deposits. Over the accounting period, larger amounts of discharge allowance for the employees were paid than it was planned (greater number of employees was discharged). The repair expenditures include unplanned and/or emergency repairs, which were not planned while forming the budget, and same as off-hire, this is one of the main reasons why the planned budget was exceeded. However, the technical management department employees managed to reduce expenditures on vessel operation (-29,1 %) and spare parts (-67,5 %).

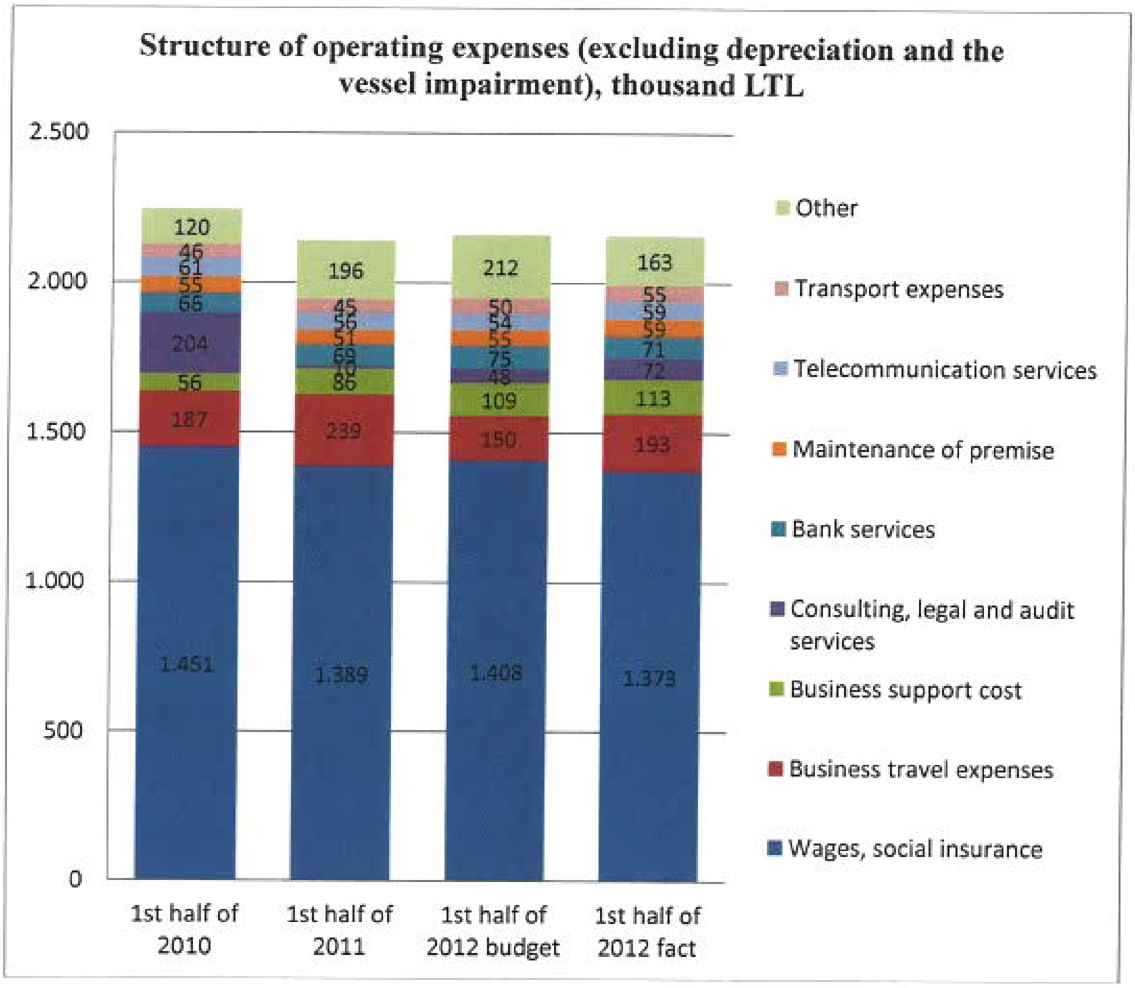
Figure 14



Structure of sales net cost (excluding depreciation and the vessel impairment), thousand LTL

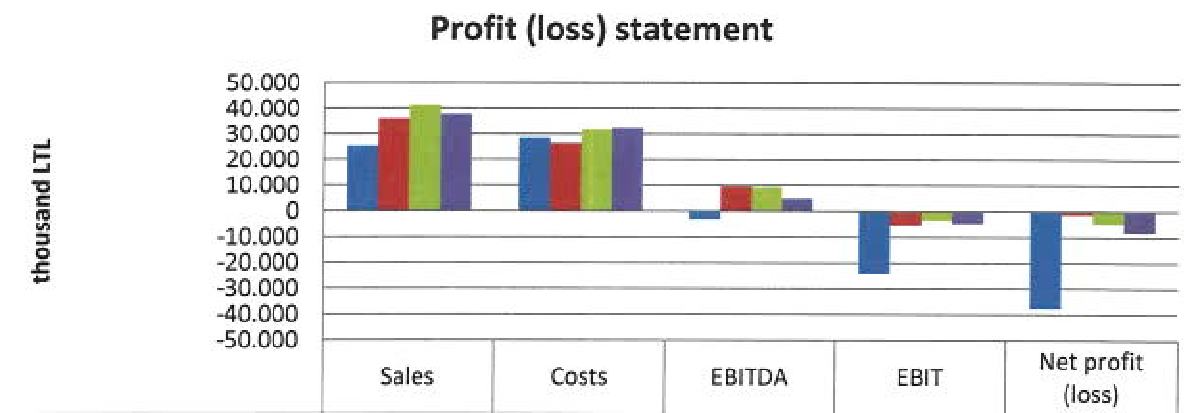
The Figure presented below demonstrates structure of operating expenses. No deviations from the 2012 accounting period budget and the 1st half of 2011 recorded.

Figure 15



As Figure 16 demonstrates, the level of revenues a lower than planned and increased net cost (increased cost per voyage, emergency repairs, off-hire, wages and daily allowance for seafarers) did not allow to fulfill the EBIDTA. The EBIDTA for the 1st half of 2012 is almost twice as small in comparison with planned results and almost twice as small in comparison with the 1st half of 2011 fact. Beside the factors above, the net profit index was also affected by the risk of change in currency rate: the company has suffered a 2471.8 thousand LTL loss due to a change in USD and LTL ratio in the 1st half of 2012, whereas the 2011 comparative period the company had a 5256.0 thousand LTL profit. The largest part of this financial result was calculated due to reappraisal of creditor liability, since the credit currency is USD. That is why there is an essential difference in the net result for 2011-1st half of 2012.

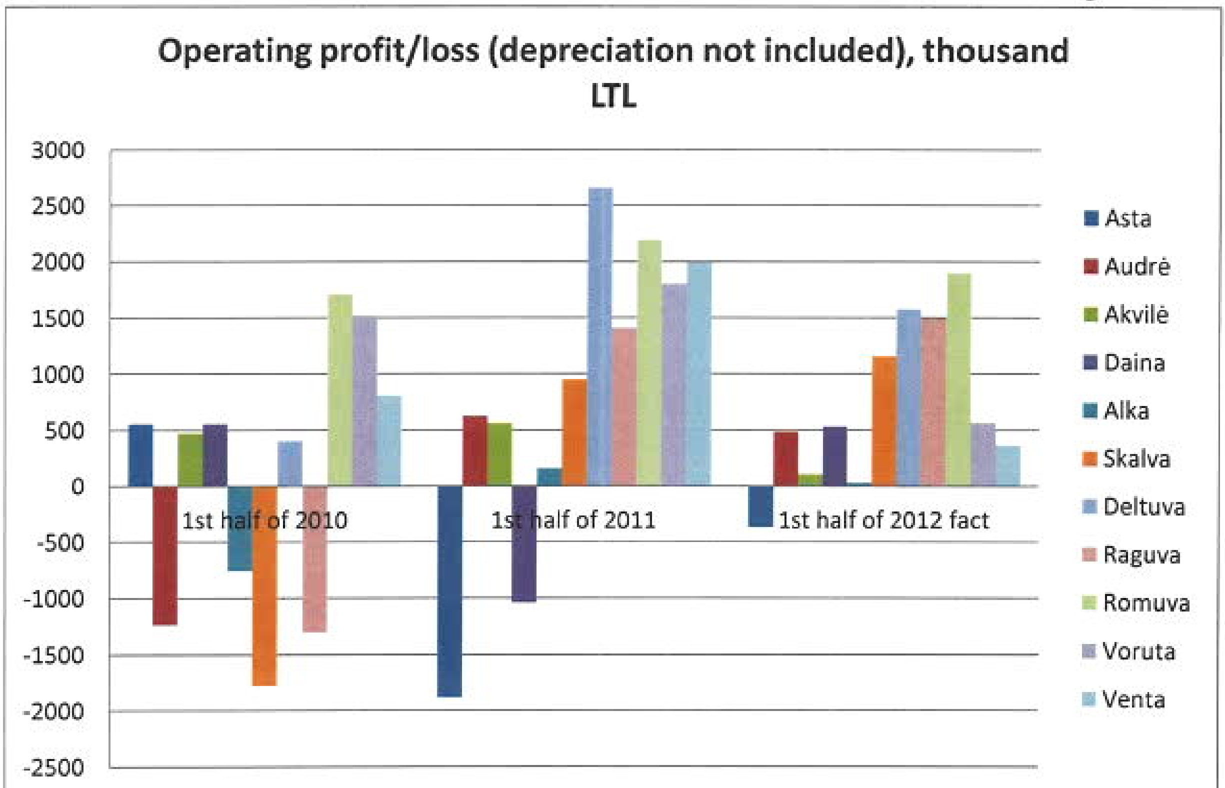
Figure 16



	Sales	Costs	EBITDA	EBIT	Net profit (loss)
1st half of 2010	25.342	28.475	-3.133	-24.426	-37.563
1st half of 2011	36.071	26.521	9.550	-5.463	-1.253
1st half of 2012 budget	41.252	31.924	9.328	-3.626	-4.888
1st half of 2012 fact	37.607	32.573	5.033	-4.678	-8.254

Figure 17 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 (motor vessels *Venta* and *Voruta* of this group were repaired in the 1st half of 2012). Smaller vessels generate less profit; furthermore, the result of vessel *Asta* in 2011 was extremely poor due to emergency repairs, which are not yet recognized as an incident covered by insurance. In 2012 motor vessels *Akvilė* ir *Alka* of this group were repaired; repair of motor vessel *Skalva*, which began in 2011, was completed. The result of motor vessel *Skalva* for this half of the year is especially good.

Figure 17



2.8. Company's Investment Projects

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

In the 1st half of 2012, investments into long-term assets made up 6.301,9 thousand LTL (including 98,5% of cost of regular vessel maintenance). The investments are larger by 58 % than it was estimated, since five instead of three SS/DS repairs planned were implemented over this period. Furthermore, cost of schedule repairs was exceeded, since due to the aging fleet the repair requires additional operations, which cannot be predicted while forming a budget.

2.8.2. **Major financial projects in progress and target financial projects**

Currently, no investment projects are undertaken or planned.

2.9. Plans and Forecasts of Activities of the Company

According to the World Bank forecasts for 2012 - 2013 presented in Table 9 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

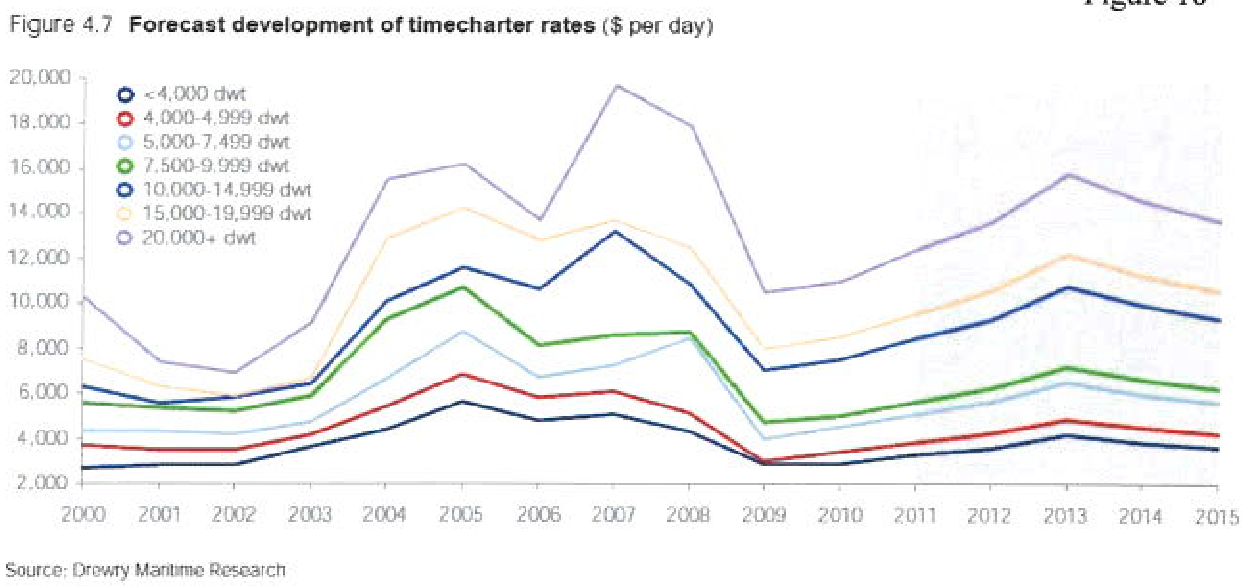
GDP growth	2009	2010	2011	2012P	2013P
Eurozone	-4,1	1,7	1,7	1,8	1,9
USA	-2,6	2,8	2,6	2,9	2,7
China	9,1	10,3	9,3	8,7	8,8
India	9,1	8,8	8,0	8,4	8,5
Japan	-6,3	4,0	0,1	2,6	2,0
OECD* countries	-3,5	2,6	2,1	2,6	2,5
World	-2,2	2,8	2,2	3,6	3,6

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

Source: World Bank, www.worldbank.org

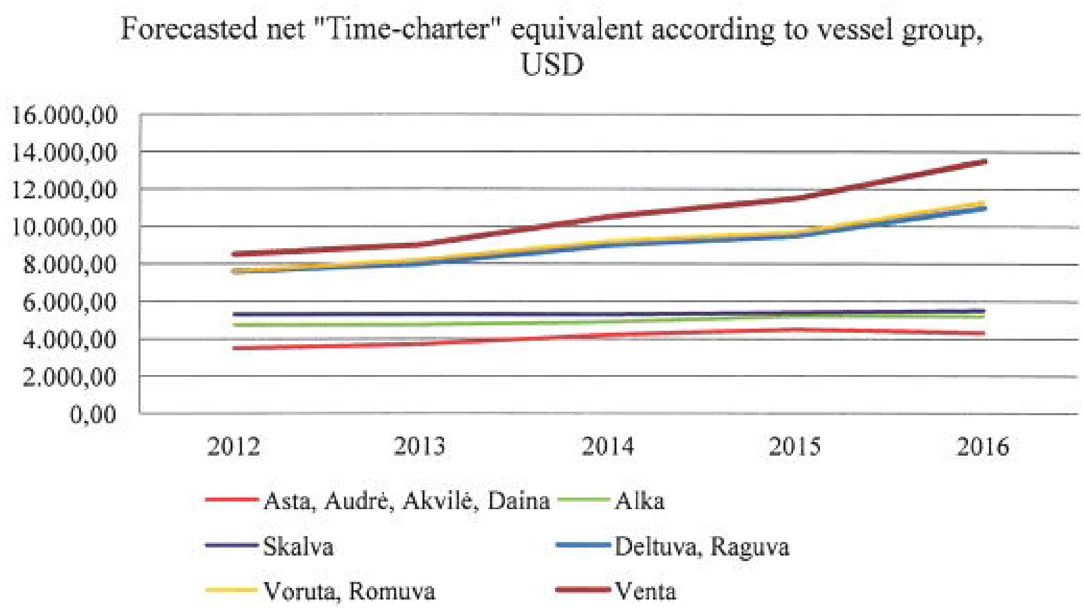
In present situation no major changes in the shipping sector are expected. Forecasts presented in Table 18 reflect the general situation in the world economy. Substantially, the shipping freights should experience a minor increase due to the number of vessel breakage and the vessel production rate.

Figure 18



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 19).

Figure 19



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				
	1st half of 2010	2010	1st half of 2011	2011	1st half of 2012
Required (employed) capital	**249.702**	**239.052**	**226.201**	**205.185**	**196.256**
Long-term tangible assets	253.240	239.318	225.937	210.394	206.233
Net working capital	-3.538	-266	263,6	-5.209	-9976,7
Sources of financing	**249.702**	**239.052**	**226.201**	**205.185**	**196.256**
Financial debt	85.081	76.002	64.404	66.603	65.929
Share capital	200.901	200.901	200.901	200.901	200.901
Retained profit (loss) + reserves	-36.280	-37.851	-39.104	-62.320	-70.574
Sales	25.342	62.186	36.071	78.186	37.607
Net profit (loss)	-37.563	-39.134	-1.253	-46.158	-8.254
EBITDA	-3.133	13.005	9.550	12.276	5.033
Interest expenses	1.037	2.250	1.046	2.071	1.104
Scheduled credit repayments	997	3.628	5.618	10.337	2.887
EPS, LTL	-0,19	-0,19	-0,01	-0,23	-0,04
Net profit margin, %	-148,23	-62,93	-3,47	-59,04	-21,95
ROE, %	-22,82	-24,00	-0,77	-33,31	-6,33
ROA, %	-14,25	-15,83	-0,53	-21,27	-3,90
Liquidity ratio	0,39	0,26	0,42	0,14	0,28
Gross debt ratio	0,38	0,34	0,32	0,36	0,38
Debt-to-equity ratio	1,66	1,94	2,1	1,77	1,60
DSCR	-1,54	2,21	1,43	0,99	1,26

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 vessels in the market disastrously decreases time-charter rate;
- The aging 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;

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**
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. 11. Compliance to environmental, technical requirements. 12. Implementation of an organizational culture that encourages the initiative and motivates for action.	1. A major part of cargo flows, considered as standard, are not stable. 2. Main shareholder's political/strategic actions are impossible to forecast. 3. An aging fleet. 4. Large vessel repairs, the maintenance expenses. 5. Losses due to vessel detention in foreign seaports, vessel accidents/incidents. 6. As compared to international competitors, a high minimum number of seafarers on board is required in Lithuania. 7. Low wages of seafarers compared to foreign companies' fleets - the company may experience a shortage of specialists. 8. Poor knowledge of foreign languages and computer literacy. 9. High average of the seafarers' age.
Opportunities	**Threats**
1. Improving standing among big-sized freighters. 2. Fleet renovation and remaining in the multipurpose vessel segment.	1. Decreasing freights. 2. Unstable USD rates. 3. Unstable international relations, conflicts in Arab counties, piracy.

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. Recruitment of young, initiative taking, and motivated employees.	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 vessels) 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.

As of 30 June 2012, the company has insured its civil liability as a ship owner (*Protection & Indemnity Insurance*) with Skuld Insurance 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 currency risk management derivatives are used in the company.

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.

III. 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 Companies 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 Companies and other laws of the Republic of Lithuania and the Articles of Association of the company as well as in other cases laid down by laws;
6. other non-property rights established by the Law on Companies and other laws of the Republic of Lithuania.

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 2012 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.

IV. 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	Gytis Kaminskas	N/A	Since 27/04/2012	Partner of the Professional Law Partnership Baltic Legal Solutions Lietuva, advocate
5	Laimutė Stasytienė Tinglum	N/A	Since 27/04/2012	Partner of UAB Skandinavian Accounting and Consulting, director and auditor.

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.

Kazimieras Gimbutis – member of the Supervisory board from 19.11.2009 until 27/04/2012, owns 2000 = 0,0009 % of Lithuanian Shipping Company shares, representative of minor shareholders.

Helena Rogoža – member of the Supervisory board, does not own Lithuanian Shipping Company shares.

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	Juozas Darulis	N/A	Since 10/03/2009	Employee of the Ministry of Transport and Communications of the Republic of Lithuania
3	Rolandas Bražinskas	N/A	Since 22/12/2011.	Employee of the Ministry of Transport and Communications of the Republic of Lithuania
4	Stepas Telešius	N/A	Since 07/06/2012	Co-owner of ACME group of companies, director, member of boards
5	Mindaugas Utkevičius	N/A	Since 07/06/2012	Partner of AS LHV Capital

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.

Jelena Antonevič - member of the Board from 21.10.2005 until 07.06.2012, does not own Lithuanian Shipping Company shares, employee of the Ministry of Transport and Communications of the Republic of Lithuania.

Arvydas Bogočionkas - member of the Board from 15.11.2010 until 07.06.2012, does not own Lithuanian Shipping Company shares, Chief Executive Officer of Lithuanian Shipping Company until May 2011.

The company's 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 Companies 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
Audronis Lubys	N/A	Since 24/05/2010	Chief Executive Officer

Arvydas Bogočionkas – Chief Executive Officer of the company in the period from 24/05/2010 until 18/05/2012, does not own shares of Lithuanian Shipping Company.

Aleksandrs Lisickis – Chief Executive Officer of the company at interim in the period from 19/05/2012 until 31/07/2012, does not own shares of Lithuanian Shipping Company, director of the company's fleet administration body.

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 the 1st half of 2012

	Amount of remunerated money, LTL.	Sold assets, LTL	Provided guarantees
Chief Executive Officer (Member of the Board), Chief Financial Officer	277.171	-	-
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.

V. OTHER COMPANY INFORMATION

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

During the accounting 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 the 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 the 1st half of 2012:

1. Regarding publications in press
2. Board of Public Company Lithuanian Shipping Company elected the new Chief Executive Officer.
3. Election and deposition of the members of the board of Public Company Lithuanian Shipping Company
4. Interim information of three months of the year 2012 of Public Company Lithuanian Shipping Company.
5. Activity results for three months of the year 2012 of Public Company Lithuanian Shipping Company.
6. Regarding election of the Chief Executive Officer of Public Company Lithuanian Shipping Company.
7. Public Company Lithuanian Shipping Company 2011 annual information
8. Repeated Ordinary General Meeting of Shareholders of Public Company Lithuanian Shipping Company decisions, dating 27/04/2012.
9. Repeated Ordinary General Meeting of Shareholders of Public Company Lithuanian Shipping Company decision project, dating 27/04/2012.
10. Repeated Ordinary General Meeting of Shareholders of Public Company Lithuanian Shipping Company.
11. Ordinary General Meeting of Shareholders of Public Company Lithuanian Shipping Company, dating 12/04/2012.
12. General Meeting of Shareholders of Public Company Lithuanian Shipping Company decision projects, dating 12/04/2012.
13. Announcement of General Meeting of Shareholders of Public Company Lithuanian Shipping Company decision projects, dating 12/04/2012.
14. Ordinary General Meeting of Shareholders of Public Company Lithuanian Shipping Company.
15. Interim information for 12 months for the year 2011 of Public Company Lithuanian Shipping Company.
16. Unaudited activity results for 12 months of the year 2011 of Public Company Lithuanian Shipping Company.

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

Chief Executive Officer Audronis Lubys