



**PUBLIC COMPANY
LITHUANIAN SHIPPING COMPANY**

**INTERIM REPORT
FOR THE FIRST SIX MONTHS OF 2012**

Klaipėda, August 2012

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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	Audré	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.

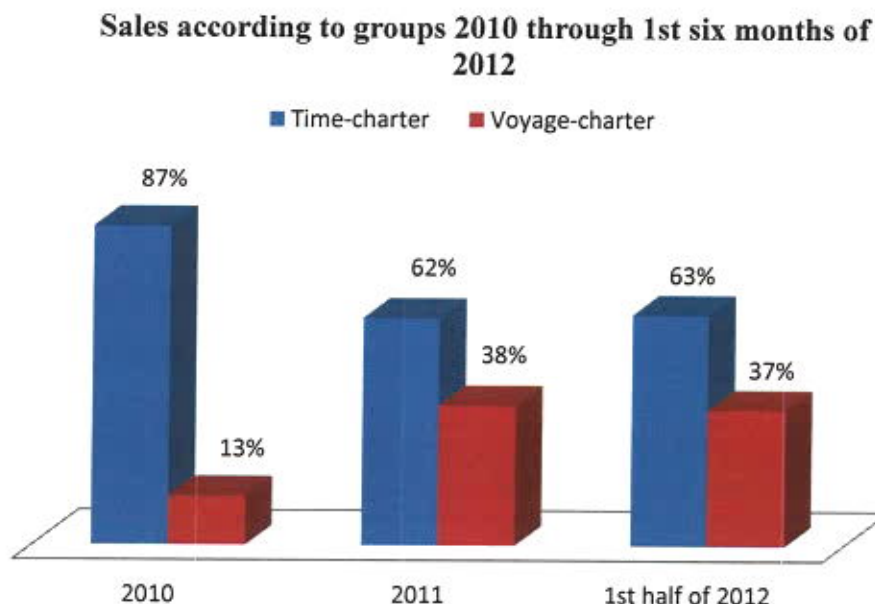
Table 4.

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



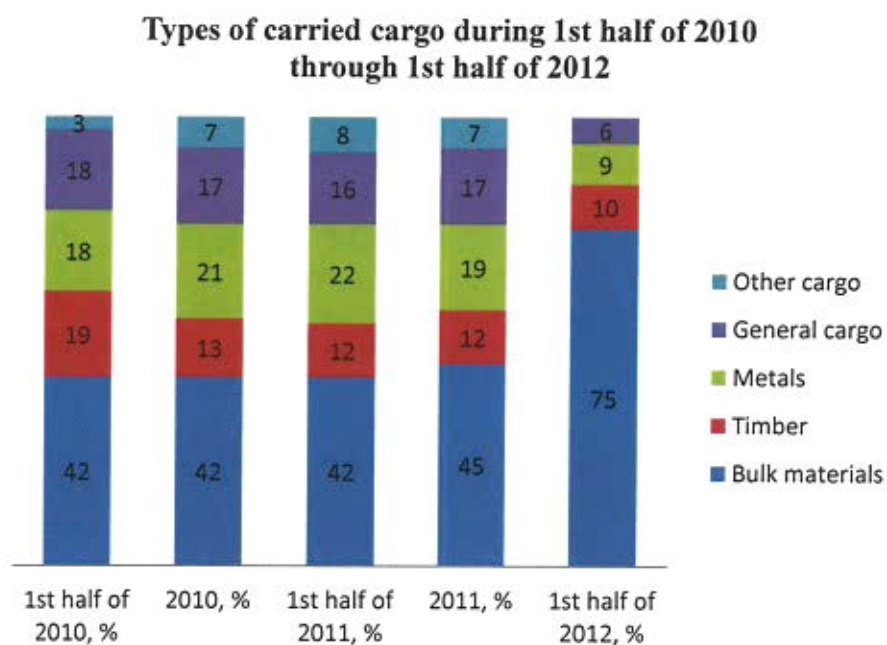
Structure of sales during the 1st half of 2012 has remained similar to 2011 data (Figure 1). A comparison of the structure in 2010-2011 shows that the voyage-charter contract sales have increased markedly: from 13% in 2010 to 40% in 2011. There are two main reasons for this change:

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



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.

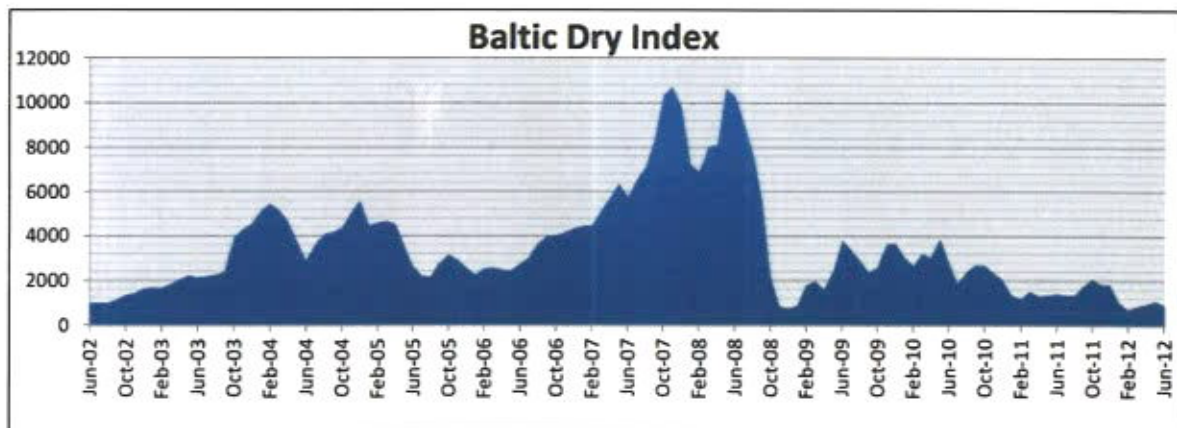
2.3. Company's Operating Markets and Competitors

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.

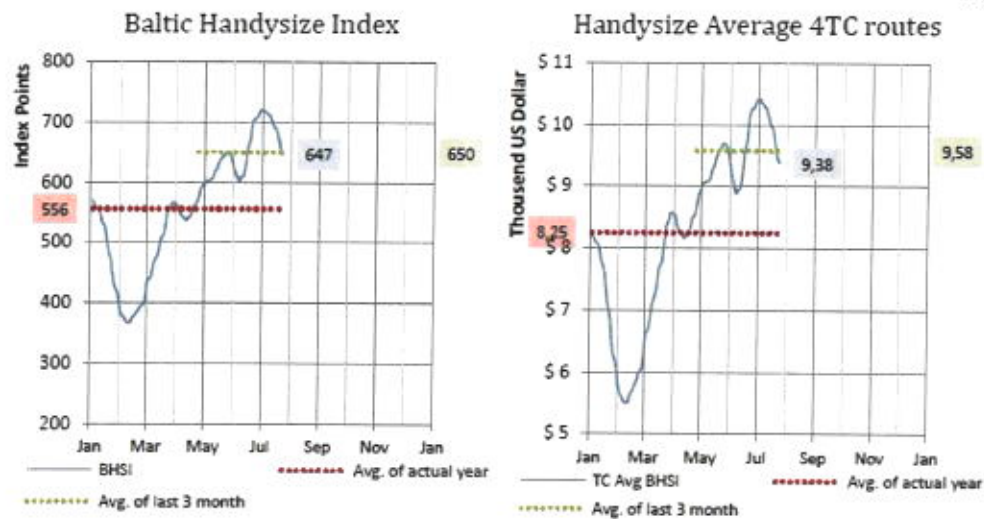
Figure 3



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



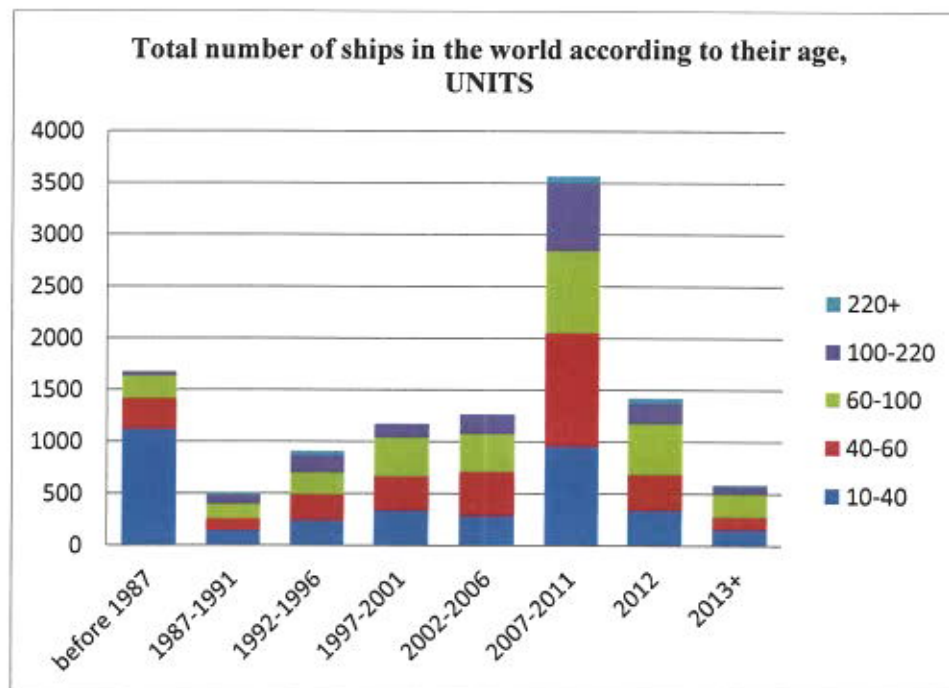
Source: Frachtcontor Junge & Co., Hamburg

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):

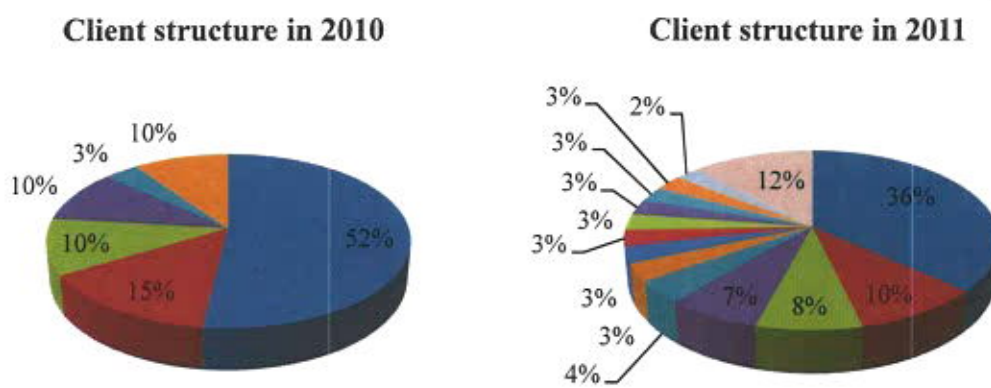
1. “Wagenborg” – Netherlands, 16 15000-20000 DWT MPP expensive and specially equipped vessels, that can carry containers and non - standard cargo;
2. “BBC Chartering” – Germany, 23 15000-25000 DWT MPP vessels that can carry non -standard, large – gauge, and heavy weight cargo;
3. “Spliethoff” – Netherlands - 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.

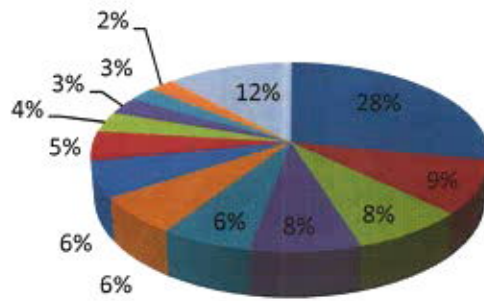
2.4. Company’s Customers and Their Main Groups

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 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.

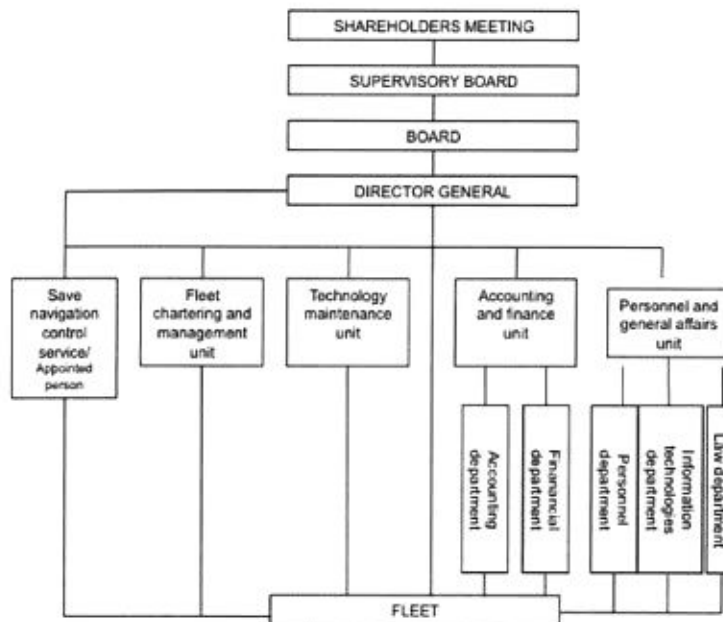
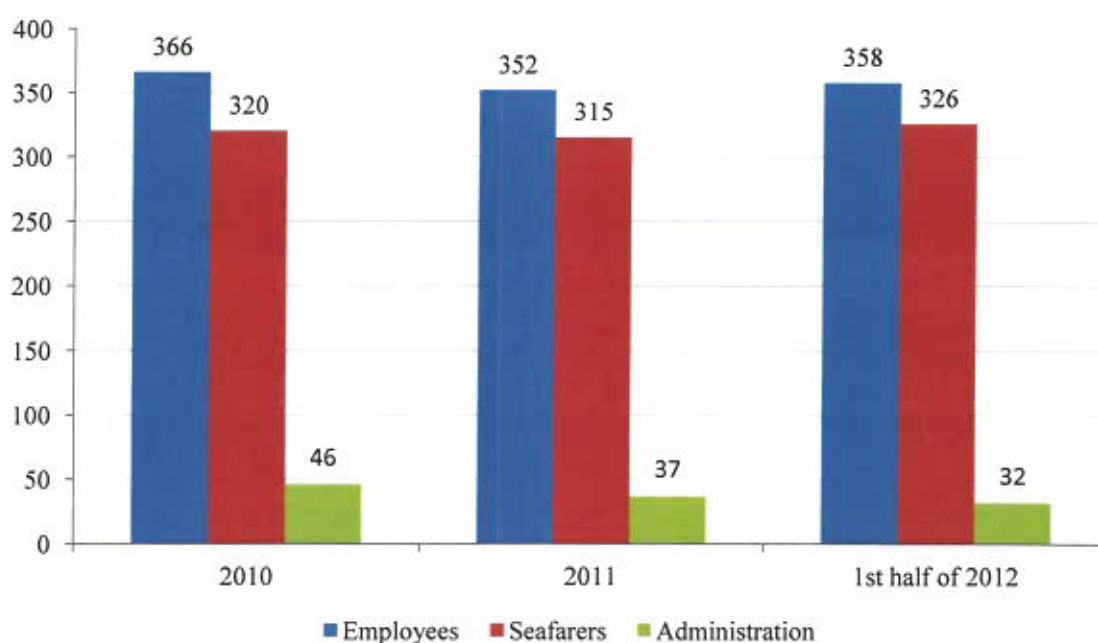


Figure 10

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:

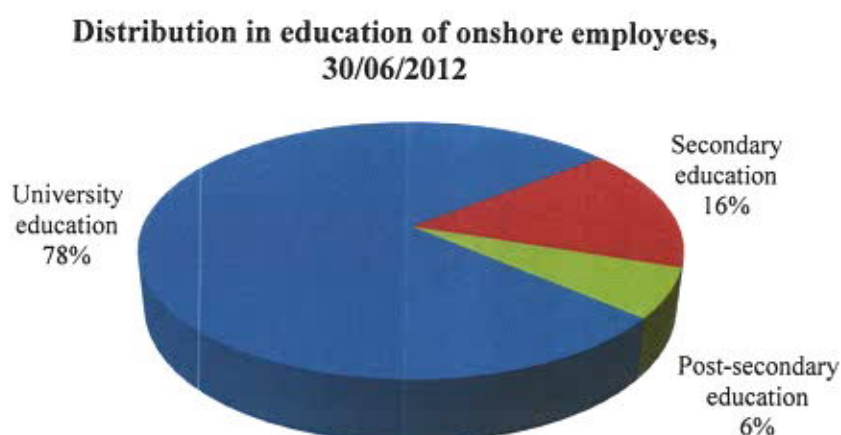
1. Due to education:

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



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.

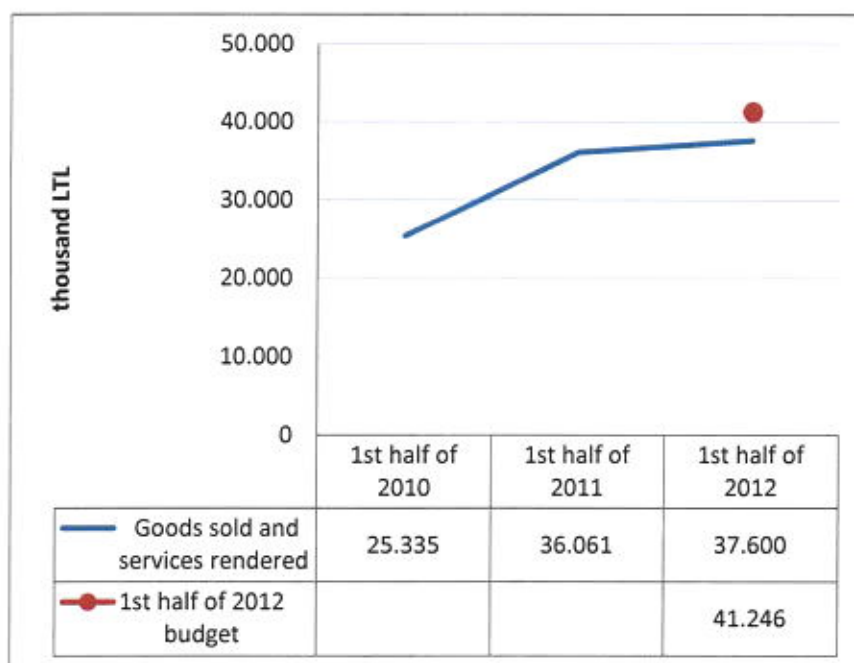
During the 1st half of 2012, the following five motor vessels were in the process of repair under SS/DS inspection requirements and/or after insurance/emergency events: *Skalva*

(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

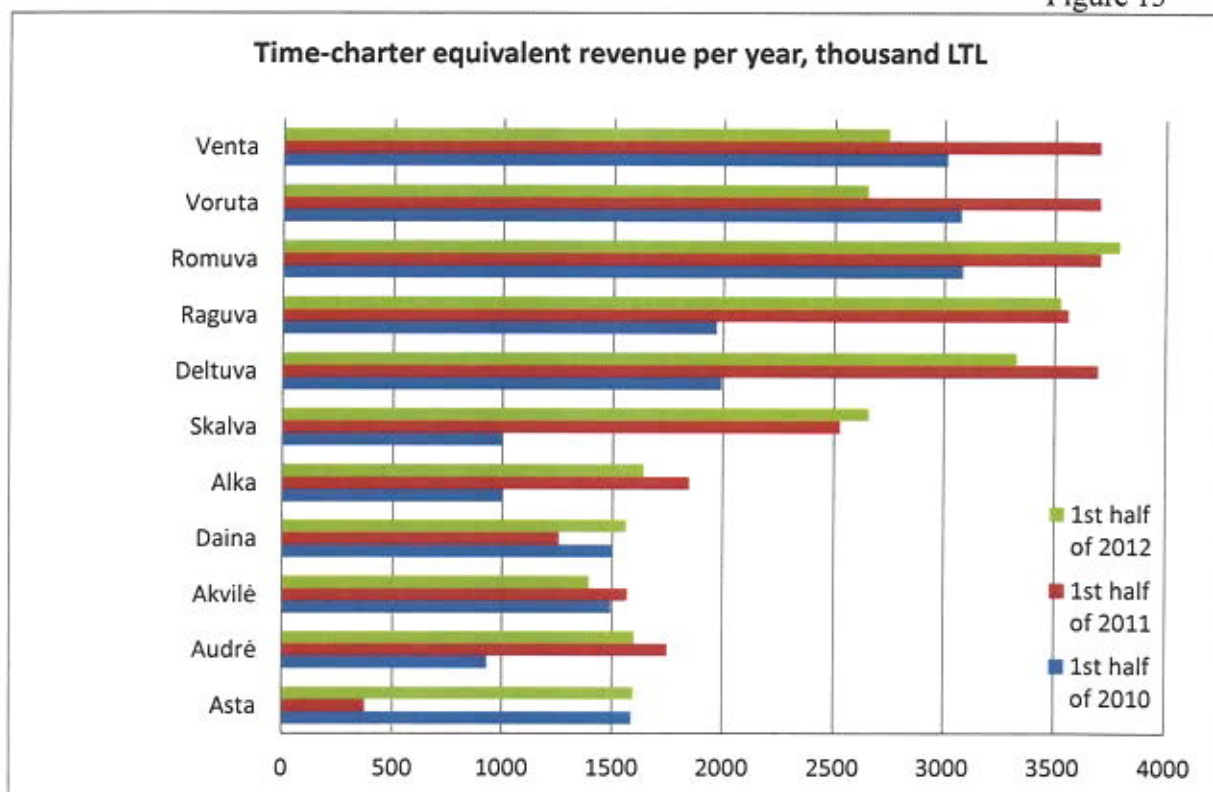
Sales revenue change in the 1st half of 2010 - 1st half of 2012



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

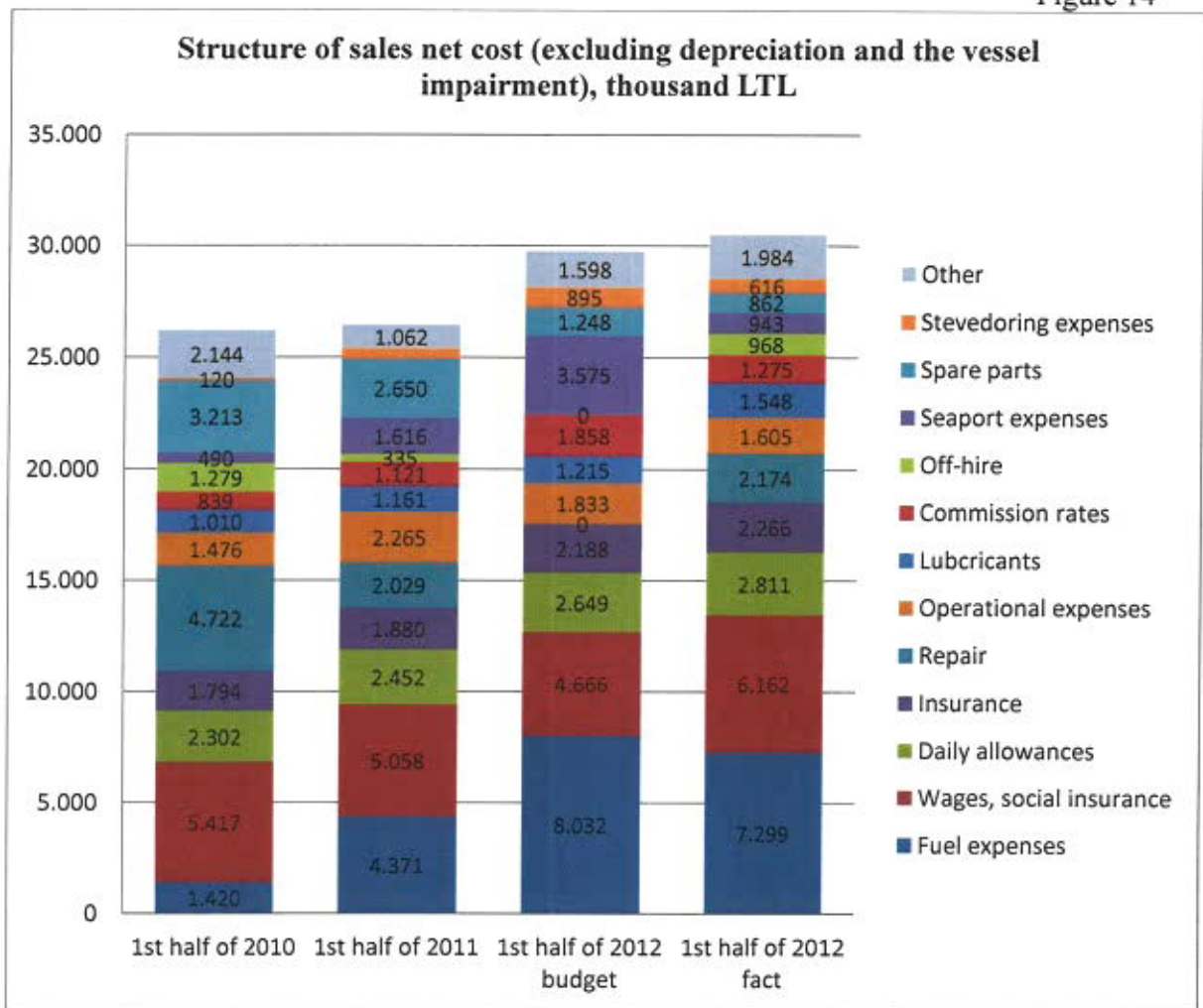
significant in the group of smaller vessels that consists of *Skalva*, *Alka*, *Daina*, *Akvilė*, *Audrė*, and *Asta*; only revenues from motor vessel *Alka* have slightly decreased due to repairs. It should be noted that the revenues from vessel *Asta* in the 1st half of 2011 were especially low due to long demurrages, which have been influenced by emergency repairs in 2011.

Figure 13

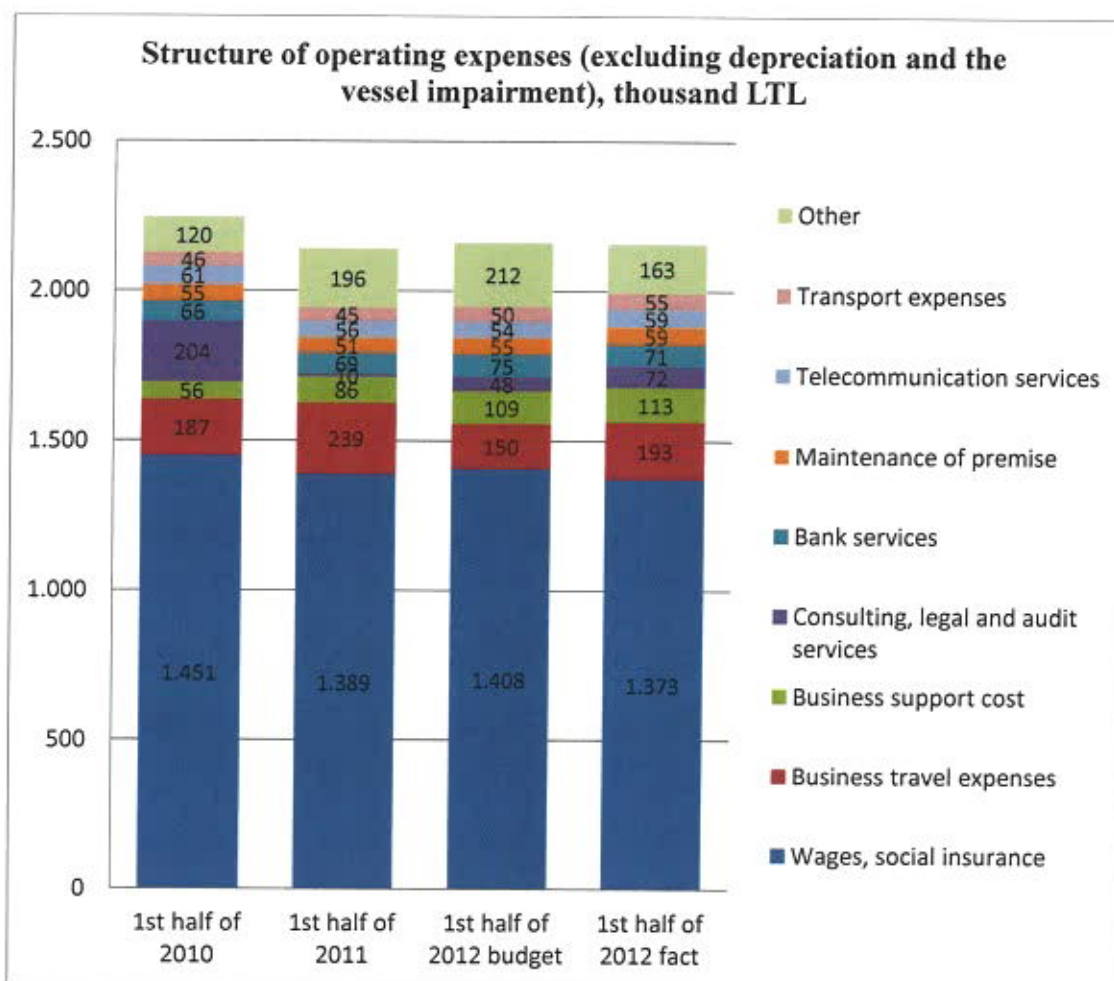


While analyzing the actual changes of the sales costs in 2010 – 1st half of 2012 and comparing them to the 1st half of 2012 annual budget, a sharp increase in expenses in 2012 accounting period is clearly visible. Table 14 reveals this situation. During the accounting year, the expenses (excluding wear 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



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



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

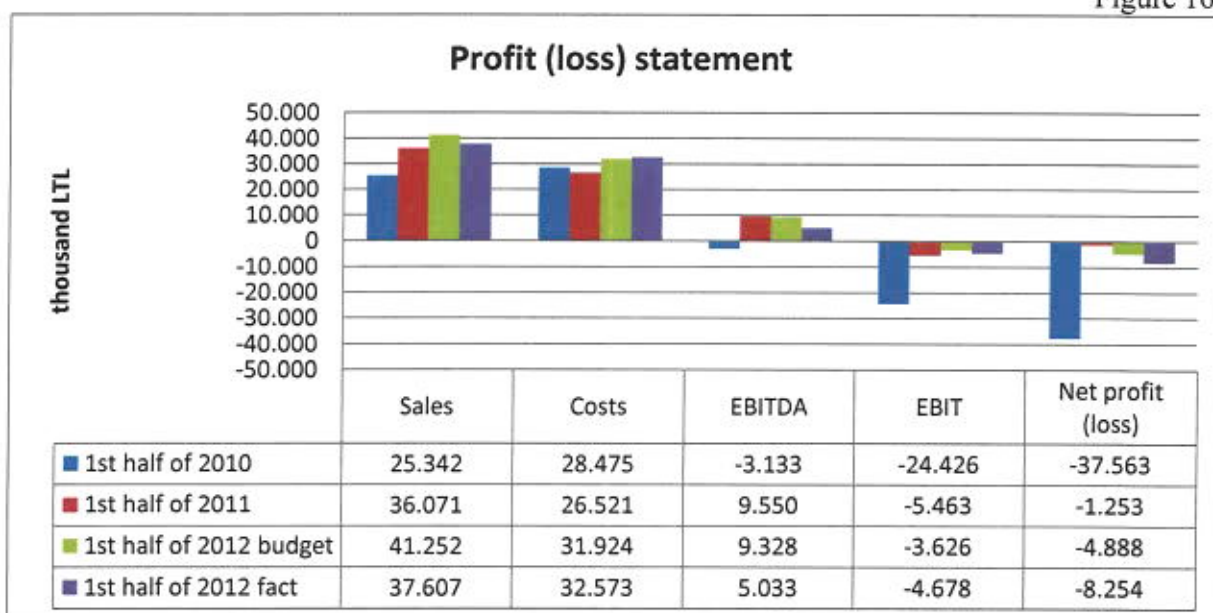
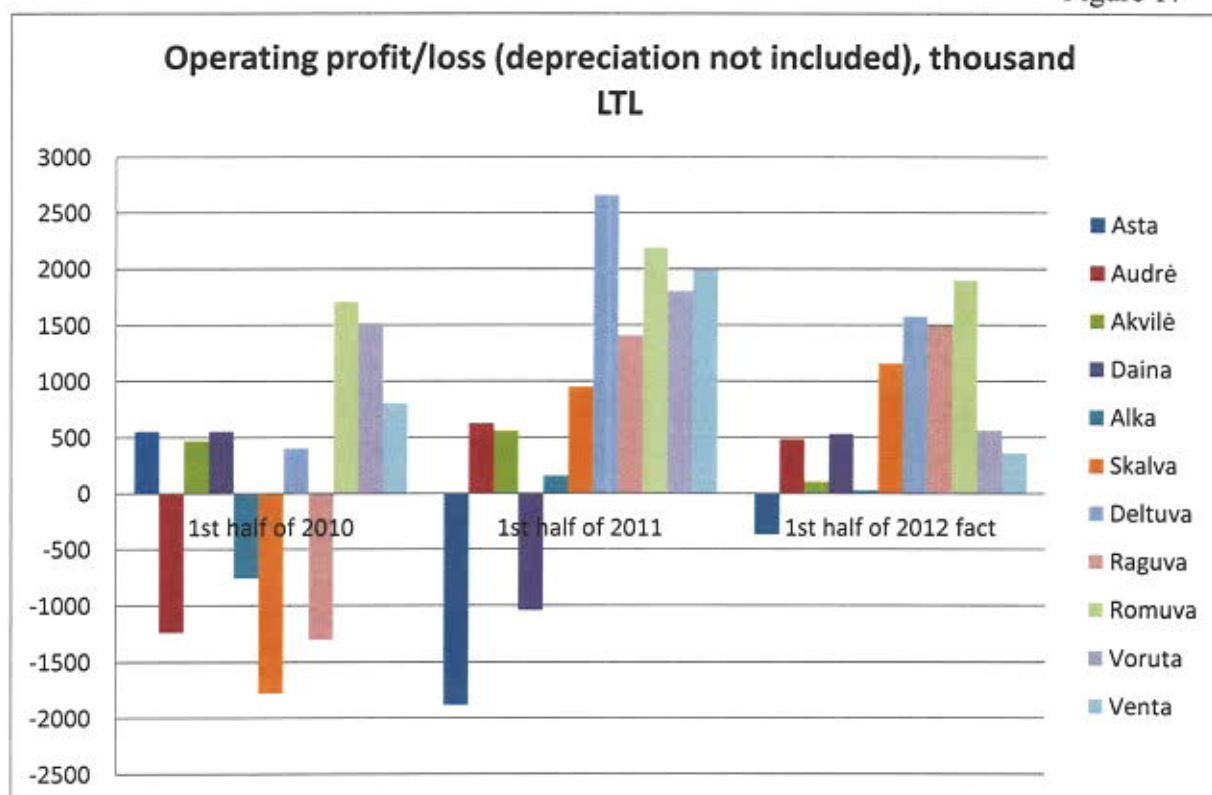


Figure 17 below illustrates the operating profit (loss), i.e. the variation of financial results before wear and tear and depreciation of vessels, according to the vessels. It is obvious that the group of larger vessels is more profitable. The only impact on decrease in certain periods was the repairs 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 *Akvilè* 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

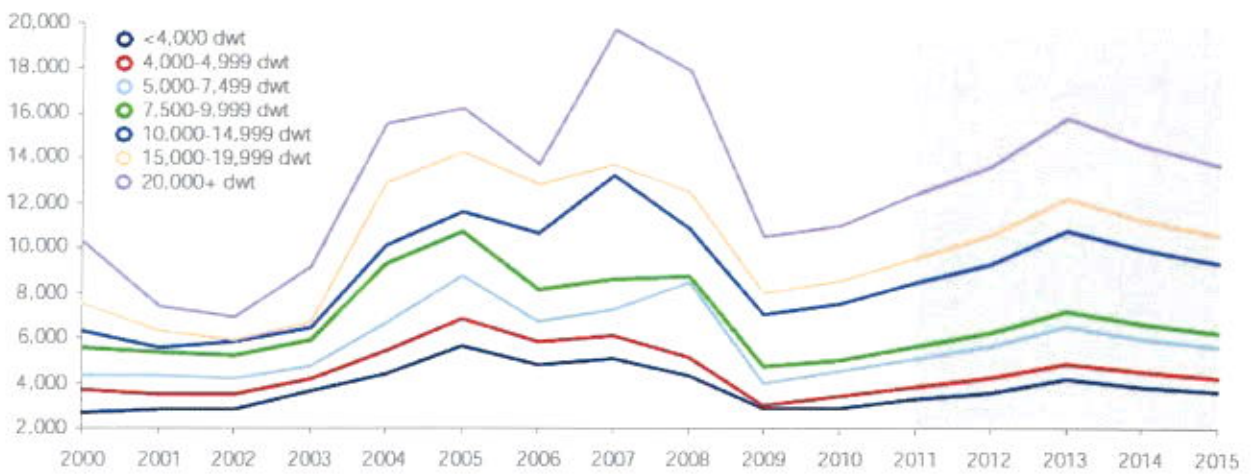
GDP growth	2009	2010	2011	2012P	2013P
Eurozone	-4,1	1,7	1,7	1,8	1,9
USA	-2,6	2,8	2,6	2,9	2,7
China	9,1	10,3	9,3	8,7	8,8
India	9,1	8,8	8,0	8,4	8,5
Japan	-6,3	4,0	0,1	2,6	2,0
OECD* countries	-3,5	2,6	2,1	2,6	2,5
World	-2,2	2,8	2,2	3,6	3,6

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

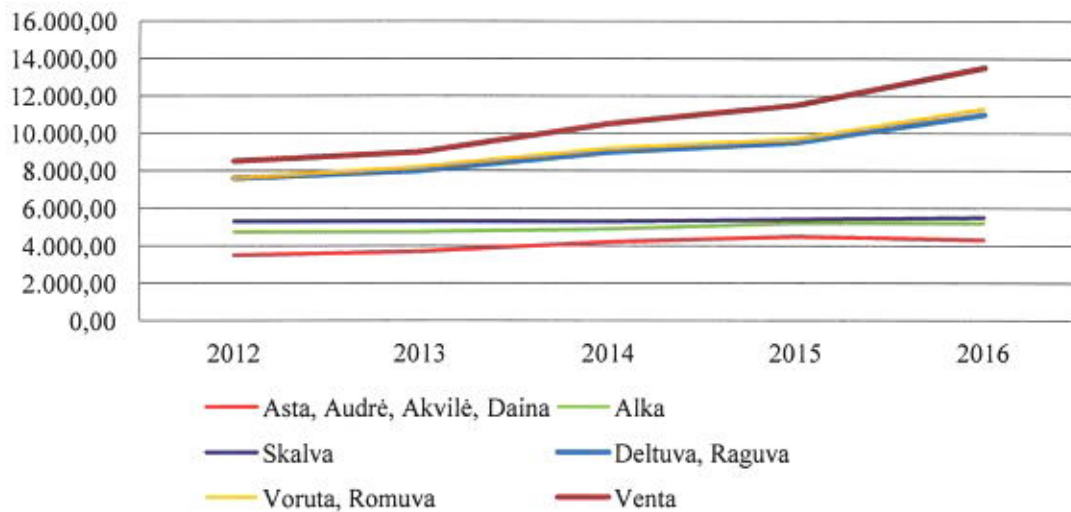


Source: Drewry Maritime Research

The ongoing economic crisis and specially, the escalation of the financial situation in the European Union, as well as low freight rates have affected company's activity. The forecasts for the company's freight margins are slightly moderate than those of Drewry Maritime Research economists, as in 2013 the businesses do not forecast a more significant recovery (Figure 19).

Figure 19

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



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

Title, thousand LTL	Financial ratio analysis				
	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.

<ol style="list-style-type: none"> 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. 	<ol style="list-style-type: none"> 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.
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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