LIMARKO SHIPPING COMPANY

AB Limarko Laivininkystės Kompanija

Financial statements for the year ended 31 December 2012

Contents

Company details

AB Limarko Laivininkystės Kompanija

(hereinafter Limarko Shipping Company AB)

Telephone	+370 46 34 00 01
Telefax	+370 46 34 11 95
Company code	1403 46648
Registered office:	Naujoji Uosto str. 8, LT-92125 Klaipėda, Lithuania

Board of Directors

V. Lygnugaris (Chairman)
I. Uba
E. Bernotas
A. Žiugžda
A. Lygnugaris

CEO

M. Petrauskas (Executive Director)

Auditors

KPMG Baltics, UAB

Banks

AB SEB Bankas
AB Bankas Swedbank
AS UniCredit Bank Lithuanian branch
AB DNB bankas
Berenberg Bank

Management's statement on the annual financial statements

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

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

We recommend the financial statements to be approved at the General Shareholders' Meeting.

Klaipėda, 9 April 2013

Executive Director:

Mindaugas Petrauskas

Chief accountant:

Diana Povilaitienė

„KPMG Baltics", UAB
Naujoji Uosto st. 11
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Independent auditor's report to the shareholders of Limarko Shipping Company AB

Report on the financial statements

We have audited the accompanying financial statements of AB Limarko laivininkystės kompanija ("the Company"), which comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 5-42.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

Without qualifying our audit opinion, we draw attention to note 20 of the accompanying financial statements which states that the Company has reported as at 31 December 2012 a net current liability position in its financial statements of 125 million Litas (as at 31 December 2011: a net current liability position in its financial statements of 64 million Litas). In addition, the level of equity of the Company was not in compliance with the minimum of authorized share capital requirement specified by the Company Law as at 31 December 2012. Management is negotiating with the Company's banks to extend the terms of repayment significantly. These circumstances indicate significant uncertainty regarding the Company's ability to fulfill its commitments to creditors within the contractual terms and to continue as a going concern. The Company's ability to meet its obligations in 2013 and to continue as a going concern will depend in part on the Company's ability to generate sufficient cash flows from its main operating activity, generate income from the disposal of vessel and reaching agreement with its banks on the rescheduling of repayment of the loans mentioned in note 13. In case the Company is not able to generate sufficient cash flows from its main operating activity and a significant extension of repayment terms is not agreed with the banks, the Company may not be able to continue as a going concern. These financial statements do not reflect the adjustments, if any, that may be required, should the company not be able to continue as a going concern.

Report on other legal and regulatory requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2012, set out on pages 43-58 of the financial statements, and have not identified any material inconsistencies between the financial information included in the Annual Report and the financial statements for the year ended 31 December 2012.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner pp
Certified Auditor

Klaipėda, Republic of Lithuania
9 April 2013

Statement of financial position

As at 31 December

In thousand of Litas	Note	2012 12 31	2011 12 31
Assets			
Property, plant and equipment	7	133 620	195 086
Intangible assets	8	2	8
Total non-current assets		133 622	195 094
Inventories	9	967	4 201
Trade and other receivable	10	5 615	7 181
Cash and cash equivalents	11	1 298	184
Total current assets		7 880	11 566
Total assets		**141 502**	**206 660**
Equity			
Share capital		20 000	120 212
Reserves		-	7 645
Accumulated losses		(11 442)	(86 333)
Total equity	12	8 558	41 524
Liabilities			
Interest-bearing loans and borrowings	13	-	89 335
Other long-term liabilities		300	268
Total non-current liabilities		300	89 603
Interest-bearing loans and borrowings	13	123 471	51 174
Trade and other payables	15	9 173	24 359
Total current liabilities		132 644	75 533
Total liabilities		132 944	165 136
Total equity and liabilities		**141 502**	**206 660**

The notes set out on pages 9 to 42 form an integral part of these financial statements.

Executive director	Mindaugas Petrauskas		9 April 2013
Chief accountant	Diana Povilaitienė		9 April 2013

Statement of comprehensive income

For the year ended 31 December

In thousand of Litas	Note	2012	2011
Revenue	1	49 719	86 738
Cost of sales	2	(49 531)	(98 207)
Gross profit (loss)		**188**	**(11 469)**
Other operating income	3	497	7 676
Other operating expenses	3	(25 137)	(2 367)
Administrative expenses	4	(8 051)	(32 192)
Operating loss		**(32 503)**	**(38 352)**
Financial income		2 586	1
Financial costs		(3 006)	(5 949)
Net financial costs	5	**(420)**	**(5 948)**
Loss before tax		**(32 923)**	**(44 300)**
Income tax expense	6	(43)	(53)
Loss for the year		**(32 966)**	**(44 353)**
Other comprehensive income, net of income tax			
Total comprehensive income		**(32 966)**	**(44 353)**
Basic earnings (loss) per share (Litas)	12	(0,48)	(0,37)
Diluted earnings (loss) per share (Litas)	12	(0,48)	(0,37)

The notes set out on pages 9 to 42 form an integral part of these financial statements.

Executive director	Mindaugas Petrauskas		9 April 2013
Chief accountant	Diana Povilaitienė		9 April 2013

Statement of changes in equity

Thousand Litas	Note	Share capital	Reserves	Accumulated losses	Total equity
As at 1 January 2011		120 212	7 645	(41 980)	85 877
Comprehensive income for the period					
Net profit (loss) for 2011				(44 353)	(44 353)
Total comprehensive income for the period				**(44 353)**	**(44 353)**
At 31 December 2011	12	**120 212**	**7 645**	**(86 333)**	**41 524**
As at 1 January 2011		120 212	7 645	(86 333)	41 524
Comprehensive income for the period					
Net profit (loss) for 2012				(32 966)	(32 966)
Total comprehensive income for the period				**(32 966)**	**(32 966)**
Transfers from reserves			(7 645)	7 645	
Reduction of authorized capital		(100 212)		100 212	
Total transactions with owners		**(100 212)**	**(7 645)**	**107 857**	
At 30 December 2012	12	**20 000**		**(11 442)**	**8 558**

The reduction of the share capital is presented in note 12.

The notes set out on pages 9 to 42 form an integral part of these financial statements.

Executive director	Mindaugas Petrauskas		9 April 2013
Chief accountant	Diana Povilaitienė		9 April 2013

Cash flow statement

For the year ended 31 December

In thousand of Litas	Note	2012	2011
Cash flows from operating activities			
Loss for the period		(32 966)	(44 353)
Adjustments for:			
Depreciation	7	16 909	24 001
Amortization	8	6	13
Impairment of property, plant and equipment	7	5 000	27 000
Income tax expense		43	53
Gain (loss) on disposal of property, plant and equipment	3	24 909	(3 830)
Effects of exchange rate changes on borrowings	5	(2 681)	1 369
Interest expenses, net	5	2 961	4 664
Net cash from ordinary activities before any changes in working capital		14 181	8 917
Change in inventories		3 235	(263)
Change in receivable		(3 173)	3 882
Change in trade and other payables		(15 140)	(8 214)
Net cash generated from ordinary activities		(897)	4 322
Net interests (paid) / received		(2 961)	(4 664)
Income tax paid		(58)	(68)
Net cash used in operating activities		(3 916)	(410)
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(601)	(4 686)
Acquisitions of intangible assets	8	-	(1)
Proceeds from sale of property, plant and equipment		19 988	29 069
Net cash from investing activities		19 387	24 382
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(14 357)	(24 311)
Net cash used in financing activities		(14 357)	(24 311)
Change in cash and cash equivalents		**1 114**	**(339)**
Cash and cash equivalents at 1 January		**184**	**523**
Cash and cash equivalents at 31 December		**1 298**	**184**

The notes set out on pages 9 to 42 form an integral part of these financial statements.

Executive director	Mindaugas Petrauskas		9 April 2013
Chief accountant	Diana Povilaitienė		9 April 2013

Notes to the financial statements

Reporting entity

Limarko Shipping Company AB (the "Company") is a company registered in Lithuania. The Company name is originally registered in Lithuanian language as AB "Limarko laivininkystės kompanija". The Company is involved in transportation of cargo by sea transport (vessels).

The major shareholder of the Company is Limarko UAB, a company registered in Lithuania, which owns 89.6% of the share capital (31 December 2012). The ultimate controlling shareholder is an individual. The ordinary shares of the company are listed on the NASDAQ OMX Vilnius. There were 268 employees working at the Company as at 31 December 2012 (as at 31 December 2011 – 373 employees).

Basis of preparation

Statement of compliance

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

The Management of the Company approved these financial statements for issue to the shareholders on 9 April 2013. The shareholders have the power to reject the financial statements prepared and issued by management and the right to request that new financial statements be issued.

Basis of measurement

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

As explained in note 20 the current liabilities, reflected in the Company's financial statements as at 31 December 2012, exceed the current assets by 124.8 million LTL. The major part of the current liabilities represents bank loans due for repayment in 2013. At present, the Company is negotiating with the banks on deferral of the repayment terms and is expecting to reach a positive agreement in the near future. Management believes that these actions will help enable the Company to continue operating on a going concern basis, and therefore financial statements for the year ended 31 December 2012 are prepared on a going concern basis.

Functional and presentation currency

The financial statements are presented in Litas, which is the functional currency of the Company. All financial information presented in Litas is rounded to the nearest thousand, if not indicated otherwise.

Notes to financial statements

Basis of preparation (continued)

Use of estimates and judgements

The preparation of financial statements in accordance with IFRS as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements 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.

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.

(a) Impairment losses on vessels

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted by management 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 recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable value. The assumptions used in calculation of value in use are presented in note 7.

(b) Useful lives of vessels

Asset useful lives are assessed annually and changed when necessary to reflect current expectation on their remaining lives in light of technological change, prospective economic utilisation and physical condition of the assets concerned.

(c) Going concern assumption

The management decided to apply going concern principle in preparation of financial statements for the year ended 31 December 2012. Judgements and assumptions are presented in note 20.

(d) Functional currency

Considering the structure of revenue and costs, the functional currency of the Company is decided to be Litas (LTL). Despite the fact that borrowings and revenue are denominated in US dollars, the major part of cost comprises the non-dollar expenditure such as salaries, social security, taxes, daily allowances, and the main technical supply for vessels, dock repair and other expenses. The management uses the LTL to perform forecasts and to measure performance of the business.

Notes to financial statements

Significant accounting policies

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.

Since 2 February 2002, the Litas has been pegged to the Euro at the rate of LTL 3.4528 = EUR 1.

Foreign currency

Transactions in foreign currencies are translated into Litas at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on retranslation are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of the transaction.

Property, plant and equipment

Items of property, plant and equipment, including assets under finance lease terms, are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour costs and an appropriate proportion of production overheads.

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such item when that cost is incurred and when it is probable that the future economic benefits embodied with the item will flow to the Company, and the costs of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

Costs incurred during regular inspections and overhauls of vessels are recognised in the carrying amount of the vessels. Any remaining carrying amount of the cost of previous inspection or overhaul is derecognized.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The estimated cost of regular inspection or overhaul of the vessels is considered as a separate component of the vessel. At the initial recognition of the vessel, the carrying amount of the inspection or overhaul is determined by reference to current market prices of the inspection or overhaul.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized within other operating income/other operating expenses in profit or loss.

Notes to financial statements

Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is based on the cost of an asset less its estimated residual value and it is charged to the statement of comprehensive income on own assets and assets leased under finance lease terms on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The cost of inspection and overhaul is depreciated over expected period to the next inspection (overhaul).

The Company capitalises borrowing costs directly attributed to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset. Borrowing costs were not capitalised in 2012 and 2011 because the Company did not carry out any acquisition, construction or production of assets.

The estimated useful lives are as follows:

Ships (from building date)	25-30 years
Capitalised expenses of ships inspections and overhauls	2-3 years
Other property, plant and equipment	2-7 years

Useful lives, residual values and depreciation methods are reviewed annually.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is recognised at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Leased assets are accounted for in accordance with the accounting policy applicable to such assets.

Other leases are operating leases and the assets leased are not recognised in the Company's statement of financial position.

Intangible assets

Intangible assets with finite useful lives that are acquired by the company are measured at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life of 3-4 years.

Useful lives, residual values and amortization methods are reviewed annually.

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.

Notes to financial statements

Significant accounting policies (continued)

Financial instruments

(a) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Cash and cash equivalents comprise cash balances and call deposits.

Non-derivative financial instruments are recognized initially at fair value plus (except for instruments stated at fair value through profit or loss) any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognized on the trade date. Financial assets are derecognized if the contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognized if they expire or are discharged or cancelled.

Loans and receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less impairment losses, if any. Current receivables are not discounted.

Loans and borrowings and other financial liabilities, including trade payables, are subsequently stated at amortized cost using the effective interest rate method. Current liabilities are not discounted.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument, or, where appropriate, a shorter period.

Financial assets or financial liabilities at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition the attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Receivables of the Company are not traded in an active market. They 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, less impairment, if any. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. Short-term receivables are not discounted.

Notes to financial statements

Significant accounting policies (continued)

Financial instruments (continued)

(b) Non-derivative financial liabilities

Debt securities issued and subordinated liabilities are recognized on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Trade payables are initially recognized at fair value and are subsequently measured at amortized cost. Short-term liabilities are not discounted.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following non-derivative financial liabilities: loans and borrowings and trade and other payables. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(c) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for in profit or loss. The Company did not hold any instruments in this category during the period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call in banks, other short-term highly liquid investments.

Notes to financial statements

Significant accounting policies (continued)

Impairment

(a) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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 original effective interest rate. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income and expense over the relevant period.

Impairment loss is recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets, except inventory, 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.

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 based on valuation reports prepared by independent valuers if available. In assessing value in use, the estimated future cash flows for each vessel separately (cash-generating unit) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. To estimate future cash flows, Company estimates future revenues and running costs including dry-docking costs for each vessel individually. All the assumptions are based on the historical experience and future prognosis of the shipping market. For the purpose of impairment testing, assets that cannot be tested individually 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, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised 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 asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Dividends

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

Provisions

A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Notes to financial statements

Significant accounting policies (continued)

Employee benefits

Short-term employee benefits are recognised as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, bonuses, paid holidays and other benefits. There are no long-term employee benefits. All pension obligations are borne by the State.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is firmly committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Revenue

Revenue is recognised when it is probable that the company will receive economic benefits from the transaction and when the amount of revenue can be reliably estimated. Revenue from sales of goods is measured at fair value less net of returns and allowances, trade discounts and volume rebates. Revenue from services is measured at fair value less trade discounts and volume rebates.

Transfers of risks and rewards, related to the ownership, vary depending on the individual terms of the sales contract.

The Company's revenue from vessel charter contracts comprise:

- Voyage charter revenue;
- Time charter revenue;
- Pool revenue.

Revenue from voyage charter contracts are recognized according to the percentage of completion method: completion percentage is estimated by the proportion of actual duration to the total estimated duration of a voyage.

Revenue from time charter contracts are recognized on accrual basis. The time charter revenue is recognized basing on percentage of completion which is estimated by the proportion of actual duration to the total estimated duration of a time charter period.

Revenue from pool contracts are recognized on accrual basis at the end of each month. At the end of each month the pool administrator according to agreement with the company calculates (basing on percentage of completion) the actual amount of revenues earned for the period. Pool administrator determines the amount of revenues for each period.

Revenue from vessel charter contracts can be estimated reliably when all of the following conditions are satisfied:

a) The amount of revenue can be measured reliably;
b) It is probable that economic benefits associated with the transaction will flow to the entity;
c) The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Notes to financial statements

Significant accounting policies (continued)

Cost of goods sold and services rendered

Cost of sales includes depreciation, wages and salaries and other operating costs incurred when generating revenue.

Cost of sales are recognized on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

Repair expenses of vessels in connection with regular inspection are capitalised as a part of the asset concerned and amortised during the period of 2 or 3 years. Other repair and maintenance expenses of the vessels are recognised as expenses in the year they occur.

Distribution and administrative expenses

Distribution and administrative expenses comprise expenses of administrative staff, management, office expenses, etc. including depreciation and amortisation.

Expenses are recognized on the accrual principle.

The amount of expenses is accounted for as the amount paid or due to be paid, excluding VAT.

Other operating income and expenses

Other operating income and charges comprise gains and losses from sale of vessels and other property, plant and equipment and other items, which are not directly related to the primary activities of the Company.

Financial income and expenses

Financial income and expenses comprise interest receivable and payable, realised and unrealised exchange gains and losses regarding debtors and creditors denominated in foreign currencies.

Interest income is recognised in the statement of comprehensive income on the effective interest rate method. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest rate method.

Notes to financial statements

Significant accounting policies (continued)

Income tax

Income tax for the current and previous years is stated at the amount which is expected to be recovered from or paid to the tax administration institution. Income tax is calculated using tax rates enacted or substantively enacted at reporting date.

From 2007 the Company is taxed by a tonnage tax, directly depending on the general fleet capacity and is independent of any revenue or profit earned from transportation of cargo by ship.

Profit not related to shipping is taxed in accordance with the regulations of the Law on Profit Tax. In year 2012 all the Company's income is generated from shipping activities thus not taxable by profit tax.

As the Company selected to pay tonnage tax from 2007, the basis of which is not dependant on the Company's profit, there are no temporary differences between the tax base and the carrying amount of assets and liabilities. In 2011 the Company earned income only form shipping activities. Accordingly, deferred tax does not arise in the Company.

Basic and diluted earnings 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. In cases when the number of shares does not change and this happens without a corresponding change in economic resources, the weighted average of issued ordinary shares is adjusted for the proportionate change in the number of shares as if the event had occurred in the beginning of the earliest period presented. As there are no instruments that dilute equity, the basic and diluted earnings per share do not differ.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Board, being the company's chief decision making body, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported include items directly attributable to a segment as well as those items that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses. Information about segments is presented in Note 18.

Notes to financial statements

Significant accounting policies (continued)

Financial risk management

In its activities the Company is exposed to various financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. General risk management policy establishment and supervision is the responsibility of the Board of directors. Risk management policy was set up in order to identify and analyze risks facing the Company, and determine risk acceptance limits. Risk management policy and processes are reviewed regularly considering changes in the markets and activities of the Company. The Company, applying learning and management standards and procedures, aims to establish constructive control environment where all employees clearly realize their functions and responsibilities. The Company's management pays the greatest attention to unpredictability of financial markets and aims to decrease its eventual impact on the Company's financial performance. From time to time the Company can use a derivative financial instrument in order to hedge certain risks.

a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

b) Currency exchange risk

Currency risk relates to sales and receivables, purchases and payables, borrowings and borrowing costs denominated in currencies other than Litas and Euro (Litas is pegged to Euro at a fixed exchange rate of 3,4528 LTL / EUR).

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

31 December 2012

In thousand of currency	USD
Trade receivable	1 398
Other receivable	23
Cash and cash equivalents	495
Trade payables	(996)
Loans and borrowings	(47 380)
Other payables	(87)
Net currency exposure	**(46 547)**

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

Notes to financial statements

Significant accounting policies (continued)

Financial risk management (continued)

b) Currency exchange risk (continued)

31 December 2011

In thousand of currency	USD
Trade receivable	1 504
Other receivable	293
Cash and cash equivalents	6
Trade payables	(3 817)
Loans and borrowings	(52 637)
Net currency exposure	**(54 764)**

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

The following table demonstrates the sensitivity to a reasonably possible change in respect of currency exchange rates (Litas/USD), with all other variables held constant, of the Company's profit before tax:

31 December 2012

In thousand of Litas	Increase / decrease in exchange rates	Profit (loss)
	10%	12 130
	(10)%	(12 130)

The table above shows that the Company is sensitive to changes in the rate of exchange between the Litas and the USD.

31 December 2011

In thousand of Litas	Increase / decrease in exchange rates	Profit (loss)
	10%	14 618
	(10)%	(14 618)

The table above shows that the Company is sensitive to changes in the rate of exchange between the Litas and the USD.

Notes to financial statements

Significant accounting policies (continued)

Financial risk management (continued)

c) Interest rate risk

The Company's borrowings are subject to variable interest rates related to LIBOR. The average effective interest rate in 2012 was 2.19% (2011 – 3.26%). Interest is re-priced every 3 to 6 months depending on the loan agreement and for this reason carrying amounts are assumed to approximate fair values of these loans.

If the average annual interest rate applicable on the Company's liabilities with the variable interest rate had increased (or decreased) by 1%, the interest costs for the year ended 31 December 2012 and the profit for the year would have decreased (or increased) by approximately 1 235 thousand Litas (2011 – 1 405 thousand Litas).

d) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company has established procedures ensuring that sales are made to customers having a proper credit history without exceeding the limit of credit risk set by management. The company does not have significant concentration of credit risk on the basis of individual of customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

In thousand of Litas	2012-12-31	2011-12-31
Trade receivable (note 10)	3 643	4 142
Other receivable (note 10)	672	1 280
Cash and cash equivalents	1 298	184
	5 613	**5 606**

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

In thousand of Litas	2012	2011
Euro-zone countries	3 643	4 125
United Arab Emirates		17
	3 643	**4 142**

Notes to financial statements

Significant accounting policies (continued)

Financial risk management (continued)

e) Liquidity risk

The Company is negotiating with banks, suppliers regarding acceptable payment terms so that obligations could be met when they fall due, with the liquid funds.

The following are the contractual maturities of financial liabilities, including the estimated interest payments as at 31 December 2012:

In thousand of Litas	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Loans from banks	123 471	(124 435)	(80 791)	(43 644)	-	-	
Trade and other payable	9 473	(9 473)	(9 173)	-	(300)		
	132 944	(133 908)	(89 964)	(43 644)	(300)	-	

According to credit agreements with the banks, the Company has to comply with certain covenants. As at 31 December 2012 the Company did not comply with some covenants and all loans and borrowings have been reported as current liabilities.

The following are the contractual maturities of financial liabilities, including the estimated interest payments as at 31 December 2011:

In thousand of Litas	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Loans from banks	140 509	(147 402)	(25 827)	(29 227)	(61 740)	(28 386)	(2 222)
Trade and other payable	24 627	(24 627)	(24 359)	-	(268)	-	-
	165 136	(172 029)	(50 186)	(29 227)	(62 008)	(28 386)	(2 222)

Notes to financial statements

Significant accounting policies (continued)

Financial risk management (continued)

Capital management

The Board's policy is to maintain capital base within the capital adequacy requirements in accordance with Company Law of Republic of Lithuania.

The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded 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. Except two reductions of share capital in 2012 which are more detail disclosed in note 12, no other changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

According to the Law on Companies of the Republic of Lithuania, equity of the company cannot be lesser than one half of the authorized capital of the company. As at 31 December 2012 the Company does not meet minimum equity requirement as prescribed in the Law on Companies of the Republic of Lithuania (see note 12)

Effect on financial statements of application of new standards and amendments and new interpretations to standards

The accounting policies applied by the Company coincide with the accounting policies of the previous year, except that the Company has implemented those new/revised standards and their interpretations, which are mandatory for financial periods starting on 1 January 2012 and which are relevant to the Company‘s activity.

Approved, but not yet effective standards and interpretations

New and revised International Financial Reporting Standards and their interpretations have been issued, which will become mandatory for the Company's financial statements in accounting periods beginning after 1 January 2013. The Company has decided not to apply the amendments and new standards and interpretations early.

Below is the estimate of the Company's management regarding the potential effect of the new and revised standards and interpretations upon their first-time application.

- Amendments to IFRS _7 Disclosures - Offsetting Financial Assets and Financial Liabilities_ are effective for annual periods beginning on or after 1 January 2013. The Amendments contain new disclosure requirements for financial assets and liabilities that are:
  - offset in the statement of financial position; or
  - subject to master netting arrangements or similar agreements.

The Company does not expect the Amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

- _IFRS 10 Consolidated Financial Statements_ and _IAS 27 (2011) Separate Financial Statements_ is effective for annual periods beginning on or after 1 January 2013.

Notes to financial statements

Significant accounting policies and practices (continued)

Approved, but not yet effective standards and interpretations (continued)

The Company does not expect the new standard to have any impact on the financial statements, as it has no investees and does not prepare consolidated financial statements.

- *IFRS 11 Joint Arrangements* is effective for annual periods beginning on or after 1 January 2013). The standard supersedes and replaces *IAS 31*, *Interest in Joint Ventures*. *IFRS 11* does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to *IFRS 10.*

  Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

  - a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement.
  - A joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

  IFRS 11 effectively carves out from IAS 31 jointly controlled entities, those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called

  joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; they must now always use the equity method in its consolidated financial statements.

  The Company does not expect the new Standard to have material impact on the financial statements since it is not a party to any joint arrangements.

- IFRS 12 *Disclosure of Interests in Other Entities* is effective for annual periods beginning on or after 1 January 2013. The standard requires additional disclosures relating to significant judgments and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

  The Company does not expect the new Standard will have a material impact on the financial statements.

- IFRS 13 *Fair Value Measurement* is effective prospectively for annual periods beginning on or after 1 January 2013. The standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. The standard does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

  The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.

  The entity does not expect IFRS 13 to have material impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.

- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* are effective for annual periods beginning on or after 1 July 2012. The amendments:

Notes to financial statements

Significant accounting policies and practices (continued)

Approved, but not yet effective standards and interpretations (continued)

- require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections.
- change the title of the *Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Incom*e, however, other titles are also allowed to be used.

The amendments are not relevant to the entity's financial statements, since the entity does not have other comprehensive income.

- IAS 19 (2011) *Employee Benefits* is effective for annual periods beginning on or after 1 January 2013. The amendment requires actuarial gains and losses to be recognized immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognizing actuarial gains and losses, and eliminates the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognized in profit or loss to be calculated based on rate used to discount the defined benefit obligation.

  The amendments are not relevant to the entity's financial statements, since the entity does not have any defined benefit plans.

- IAS 28 (2011) *Investments in Associates and Joint Ventures* (Amendments effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011) are also applied early.). There are limited amendments made to IAS 28 (2008):

  - *Associates and joint ventures held for sale.* IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
  - *Changes in interests held in associates and joint ventures.* Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

  The entity does not expect the amendments to Standard to have material impact on the financial statements since it does not have any investments in associates or joint ventures that will be impacted by the amendments.

- *Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities* are effective for annual periods beginning on or after 1 January 2014. The amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.

  The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

  - not contingent on a future event; and
  - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

  The entity does not expect the Amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

Notes to financial statements

Significant accounting policies and practices (continued)

Approved, but not yet effective standards and interpretations (continued)

- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine* is effective for annual periods beginning on or after 1 January 2013. The interpretation sets out requirements relating to the recognition of production stripping costs, initial and subsequent measurement of stripping activity assets.

  The entity does not expect the Interpretation to have any impact on the financial statements since it does not have any stripping activities.

Notes to financial statements

1. Revenue

In thousand of Litas	2012	2011
Pool operations	30 397	23 589
Time charter operations	14 319	14 928
Voyage charter operations	4 784	46 638
Demurrage	219	1 322
Other revenue	0	261
Total revenue	**49 719**	**86 738**

As of 31 December 2012, the Company owned 7 vessels: 4 reefer ships and 3 container ships (as of 31 December 2011 – 8 reefer ships and 3 container ships).

As of 31 December 2012, 4 ships were operating under a Pool agreement and 3 ships under long-term charter agreements (as of 31 December 2011, 5 ships were operated under a Pool agreement, 4 ships were chartered for separate voyages, and 2 ships under long-term charter agreements). Pool revenue earned is determined by the Pool operator (unrelated party), who is responsible for commercial activity of the vessels, and allocated to respective vessel owners. Pool operations are not subject of joint venture, because the Company has no joint control over pool operations.

2. Cost of sales

In thousand of Litas	2012	2011
Depreciation	(16 805)	(23 736)
Crew costs	(15 504)	(22 580)
Repair and maintenance of vessels	(5 544)	(10 843)
Insurance	(3 579)	(4 967)
Lubricating oil	(2 797)	(4 025)
Fuel	(2 430)	(23 837)
Port dues	(464)	(3 394)
Commissions	(709)	(2 532)
Other costs	(1 698)	(2 293)
	(49 531)	**(98 207)**

Notes to financial statements

3. Other operating items

Other operating income:

In thousand of Litas	2012	2011
Gain on sale of property, plant and equipment	177	5 357
Insurance, other compensation	0	2 264
Other income	320	55
	497	7 676

Other operating expenses:

In thousand of Litas	2012	2011
Loss on sale of property, plant and equipment	(25 086)	(2 367)
Other expenses	(51)	0
	(25 137)	(2 367)
	(24 640)	**5 309**

During the year 2012 the Company sold four reefer ships - m/v Marsas (built 1989) in May 2012, m/v Pluto (built 1988) in June 2012, m/v Uranus (built 1989) in August 2012 and m/v Lyra (built 1991) in September 2012.

4. Administrative expenses

In thousand of Litas	2012	2011
Staff costs	(1 919)	(2 607)
Rental costs	(164)	(647)
Business trips	(143)	(285)
Depreciation and amortization	(109)	(278)
Operation and maintenance expenses of real estate	(90)	(205)
Communication	(53)	(75)
Impairment of vessels	(5 000)	(27 000)
Other costs	(573)	(1 095)
	(8 051)	**(32 192)**

Notes to financial statements

5. Net financial income / costs

In thousand of Litas	2012	2011
Financial income:		
Currency exchange rate gain	2 586	-
Interest	-	1
Total financial income	2 586	1
Financial expenses:		
Currency exchange rate loss	-	(1 259)
Interest on borrowings	(2 961)	(4 664)
Penalties	(45)	(22)
Other financial costs	-	(4)
Total financial costs	(3 006)	(5 949)
	(420)	**(5 948)**

6. Income tax expense

In thousand of Litas	2012	2011
Tonnage tax	(43)	(53)
	(43)	**(53)**

Tonnage tax for 2012 and 2011 was calculated based on the general tonnage of the fleet.

Notes to financial statements

7. Property, plant and equipment

In thousand of Litas	Land and buildings	Vessels and cars	Other assets	Total
Cost				
Balance at 1 January 2011	411	366 435	1 412	368 257
Acquisitions		4 681	5	4 686
Disposals		(47 302)	(154)	(47 456)
Balance at 31 December 2011	411	323 814	1 263	325 488
Balance at 1 January 2012	411	323 814	1 263	325 488
Acquisitions		601		601
Disposals	(11)	(83 069)	(640)	(83 720)
Balance at 31 December 2012	400	241 346	623	242 369
Depreciation and impairment losses				
Balance at 1 January 2011	139	108 458	1 138	109 735
Depreciation charge for the period	32	23 825	144	24 001
Disposals		(30 181)	(153)	(30 334)
Impairment losses		27 000		27 000
Balance at 31 December 2011	171	129 102	1 129	130 402
Balance at 1 January 2012	171	129 102	1 129	130 402
Depreciation charge for the period	31	16 818	60	16 909
Disposals	(7)	(42 961)	(594)	(43 562)
Impairment losses		5 000		5 000
Balance at 31 December 2012	195	107 959	595	108 749
Carrying amounts				
At 1 January 2011	272	257 977	274	258 523
At 31 December 2011	240	194 712	134	195 086
At 1 January 2012	240	194 712	134	195 086
At 31 December 2012	205	133 387	28	133 620

Notes to financial statements

7. Property, plant and equipment (continued)

Security

As at 31 December 2012, ships with the carrying amount of 133 387 thousand Litas (as at 31 December 2011 – 194 644) are pledged to secure bank loans (see note 13).

Depreciation

Depreciation is recognised in the following items of the statement of comprehensive income:

In thousand of Litas	2012	2011
Cost of sales	(16 805)	(23 736)
General and administrative operating expenses	(104)	(265)
	(16 909)	**(24 001)**

As at 31 December 2012 the Company performed an impairment evaluation with the purpose to determine whether the carrying value of the vessels as at 31 December 2012, was impaired.

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

- Cash flows are forecasted for each vessel individually, taking into consideration the remaining useful lifetime of the vessel.
- Revenue for 2013-2016 from reefer fleet is calculated with 5% annual increase. This increase is based on the following assumptions: a) according to 1 April 2013 Drewry Maritime Research, world trade in frozen and perishable goods will increase by 5% p.a. until 2016; b) 10% of the world reefer fleet (69 reefer vessels) were scrapped in 2012; c) After the main container lines increased freight rates for reefer containers, part of the traders in reefer products returned to transportation of their cargoes by conventional reefer vessels and demand for such vessels has increased. Income from the reefer vessels remains of the same level over the remaining period after 2016.

  Container vessel fleet's revenue for 2013 is calculated on the basis of current time-charter agreements. The management considers that the container freight market reached its historical lows at the end of 2012, but current positive corrections in the market allow expecting further increase of freight rates in the market. Depending on container vessel segment, annual growth of 3-15% is forecast up to historical average freight rates. As from 2016, revenue from container vessel fleet remains the same over the remaining period.
- The residual value of a vessel is determined as a scrap value at the end of the useful lifetime of the vessel.
- For 2013 the vessels' costs (except for class inspection related costs) are calculated on the basis of actually incurred vessels' costs in 2012. According to Drewry maritime research, an increase of 2% p.a. is forecast. As from 2016, costs remain at the same level until the end of the forecasted period.
- Costs incurred in relation to vessel class surveys over the total expected period compose fixed amounts that are expected and pursued. In the last years the Company was able to reduce these costs by optimizing technical maintenance of the vessels. This was achieved due to higher volume of self-repair works, performed by the Company‘s mobile repair teams and the vessel crews.
- No additional investments related to vessels are planned, except for vessel maintenance costs.
- No assessment of contingent costs, related to repair of vessels etc., is being performed during the forecast period.

Notes to financial statements

7. Property, plant and equipment (continued)

Depreciation (continued)

- Discounting of cash flows is based on the weighted average capital cost rate (WACC). The calculated weighted average capital cost rate is 8.00%.

The value in use, calculated for each vessel based on the assumptions above, showed that the value in use of one of the vessels is lower than the carrying amount stated in the financial statements as at 31 December 2012. Accordingly, impairment of value of the fleet amounting to 5 million LTL has been recognized in the statement of comprehensive income of financial statements as at December 2012 under the line of administrative expenses (see note 4).

Calculation of recoverable amount is particularly sensitive to the amount of the forecast revenue. If each year's forecasted revenue decreased by 5%, the value in use of certain vessels would become lower than their carrying amount in the financial statements as at 31 December 2012, and the Company would have to recognize an impairment loss of approximately 6.0 million LTL. The table below shows possible impairment loss of the vessels when the forecasted income does not change or decreases by 5% and 10%, as well as the WACC rate used for calculation of value in use would be 8.00%, 9.00%, 10.00%, 11.00% and 12.00%.

Sensitivity analysis of value in use is presented below:

		WACC basis				
		Actually used 8.00%	**9.00%**	**10.00%**	**11.00%**	**12.00%**
Decrease in forecasted revenue	**0%**	5 mLTL	8 mLTL	13mLTL	19 mLTL	24 mLTL
	-5%	11 mLTL	18 mLTL	24 mLTL	29 mLTL	34 mLTL
	-10%	23 mLTL	29 mLTL	35 mLTL	41 mLTL	46 mLTL

Notes to financial statements

8. Intangible assets

In thousand of Litas	Software	Total
Balance at 1 January 2011	320	320
Acquisitions	1	1
Disposals	(5)	(5)
Reclassification		
Balance at 31 December 2011	316	316
Balance at 1 January 2012	316	316
Acquisitions		
Disposals	(39)	(39)
Balance at 31 December 2012	277	277
Amortisation and impairment losses		
Balance at 1 January 2011	300	300
Amortisation for the period	13	13
Disposals	(5)	(5)
Balance at 31 December 2011	308	308
Balance at 1 January 2012	308	308
Amortisation for the period	6	6
Disposals	(39)	(39)
Balance at 31 December 2012	275	275
Carrying amounts		
At 1 January 2011	20	20
At 31 December 2011	8	8
At 1 January 2012	8	8
At 31 December 2012	2	2

Amortisation charge is provided in cost of sale and administrative costs.

Notes to financial statements

9. Inventories

In thousand of Litas	2012-12-31	2011-12-31
Lubricating oil	729	2 836
Fuel	237	1 365
	967	4 201

During the year 2012 fuel and lubricants, amounting to 5 227 tLTL (during the year 2011 – 27 862 tLTL) were recognized under cost of sales.

10. Receivables

In thousand of Litas	2012-12-31	2011-12-31
Trade receivable	3 643	4 142
Prepaid expenses	1 274	1 746
Prepayments	26	13
Other receivable	672	1 280
	5 615	**7 181**

The majority of prepaid expenses comprises of prepaid insurance expenses.

In thousand of Litas	Trade and other receivables not past due an impairment allowance on which is not recognised	Trade receivables past due an impairment allowance on which is not recognised					Total
		Less than 30 days	30–59 days	60–89 days	90–359 days	More than 360 days	
2011-12-31	5 422						5 422
2012-12-31	4 315						4 315

No indication exists that receivables, which are not past due and not impaired as at reporting date, will not be settled as the Company provides services only for well known and solvent third parties.

Notes to financial statements

11. Cash and cash equivalents

In thousand of Litas	2012-12-31	2011-12-31
Bank balances	1 295	171
Cash in hand	3	13
	1 298	**184**

As at 31 December 2012 the Company had 495 thousand USD, 5 thousand Litas and 1 thousand Euro in the current account and as cash in hand.

In accordance with loan agreements with banks, the Company has pledged existing and future cash balances in certain bank accounts to these banks.

12. Share capital

As of 31 December 2012, the fully paid in authorised share capital comprised 20 000 000 ordinary shares at a par value of LTL 1 each. The movement in share capital during 2012 is presented in the table below:

	Number of shares	Nominal value
31 December 2011	120 212 429	120 212 429 LTL
Reduction of authorized capital according to the Shareholders' meeting on 30 April 2012	45 000 000	45 000 000 LTL
Reduction of authorized capital according to the Shareholders' meeting on 26 October 2012	20 000 000	20 000 000 LTL
31 December 2012	**20 000 000**	**20 000 000 LTL**

The Annual Shareholders‘ Meeting of 30 April 2012 decided to reduce the authorized capital to LTL 45 000 000 in order to restore the ratio between equity and authorized capital to the level required by law. The amended Articles of Association with reduced authorized capital were registered on 11 May 2012.

According to unaudited financial statements for the first half of 2012, the equity amounted to 19 694 tLTL and was smaller than ½ of the Company‘s authorized capital (22 500 tLTL). As of 30 September 2012, shareholders' equity decreased to 11 084 tLTL

On 26 October 2012 the Extraordinary General Meeting decided to reduce the authorized capital from 45 000 000 LTL to 20 000 000 LTL by cancelling shares in order to cancel the losses recorded in the balance sheet.

The amended Articles of Association with reduced authorized capital were registered on 9 November 2012.

According to the Financial statements of the Company for the year ended 31 December 2012, equity of the company, as of 31 December 2012 amounted to 8 558 thousand Litas and is less than one half of the authorised capital of the Company (10 000 thousand Litas). Therefore, the annual general shareholders meeting will be asked to consider the issue of restoration of ratio between equity and authorised capital to the ratio required by law.

Holders of ordinary shares are entitled to one vote per share in the General Meeting of the Company, are entitled to receive dividends and to equal shares in residual assets.

Notes to financial statements

12. Share capital (continued)

As at 31 December 2012 the Company's shareholders were as follows:

	Ordinary shares	Ownership %
UAB "Limarko"	17 911 643	89,6%
Skandinaviska Enskilda Banken Clients	924 894	4,6%
Other	1 163 463	5,8%
	20 000 000	**100%**

The shares are listed in NASDAQ OMX Vilnius.

Reserves

Reserves comprise a legal reserve. Under Lithuanian legislation, an annual allocation to the legal reserve should amount to at least 5% of the net profit until the reserve makes up 10% of the share capital. The reserve can be used only to cover losses.

The Annual Shareholders' Meeting of 30 April 2012 decided to reduce the accumulated losses by way of transfer of the whole legal reserve (LTL 7 645 228). Accordingly, the legal reserve is currently LTL 0.

Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year:

In thousand of Litas	2012	2011
Average weighted number of shares in issue	68 573 881	120 212 429
Net loss for the year, in thousand Litas	(32 966)	(44 353)
Loss per share, in Litas	**(0,48)**	**(0,37)**

The Company has no convertible shares or diluted potential shares and, therefore, basic and diluted earnings per share are the same.

Notes to financial statements

13. Interest-bearing loans

The Company's interest-bearing loans and borrowings are as follows:

Lending institution	Ref	Principal amount	Balance tLTL 2012-12-31	Balance tLTL 2011-12-31
AB SEB Bankas, (mv "Andromeda", mv "Libra", mv "Serenada")	a)	6 827 tUSD	17 792	18 536
„Swedbank", AB, (mv "Pluto" and mv "Uranus")	b)	3 876 tUSD	10 102	12 570
„Swedbank", AB, (mv "Capella")	c)	4 471 tUSD	11 652	16 109
„Swedbank", AB (mv "Cassiopea")	d)	8 097 tUSD	21 101	27 600
UniCredit Bank, (mv "America Feeder")	e)	5 822 tUSD	15 173	16 884
UniCredit Bank, (mv "Tokata")	f)	18 285 tUSD	47 651	48 811
Total liabilities		47 380 tUSD	123 471	140 509
Less: current portion		47 380 tUSD	**123 471**	(51 174)
Total long term portion of net liabilities		0 tUSD	**0**	**89 335**

Interest rates for the loans are variable and relate to LIBOR plus a bank margin. The effective interest rate in 2012 was 2.19%.

According to credit agreements with the banks, the Company has to comply with certain covenants. As at 31 December 2012 the Company did not comply with some covenants and all loan and borrowings have been reported as current liabilities.

a) The loan was received to finance acquisition of the vessels "Andromeda", "Libra" and "Serenada". The loan is to be repaid by 31 March 2013. The loan is secured by pledging the vessels "Andromeda", "Libra" and "Serenada". In March 2013 the Company signed amendments to loan agreements where loans repayment terms were extended till 31 October 2013.

b) The loan was received to finance the acquisition of the vessels "Pluto" and "Uranus". The loan is to be repaid by 31 March 2013. These ships are sold during 2012. In March 2013 the Company signed amendments to loan agreements where loans repayment terms were extended till 31 October 2013.

c) The loan was received to finance the acquisition of the vessel "Capella". The loan is to be repaid by 31 December 2013.

d) The loan was received to finance the acquisition of the vessel "Cassiopea". The loan is to be repaid by 18 September 2015.

Loans b), c) and d) are secured by pledging the vessels "Capella" and "Cassiopea".

e) The loan was received to finance the acquisition of the vessel "America Feeder". The loan is to be repaid by 30 September 2017.

f) The loan was received to finance the acquisition of the vessel "Tokata". The loan is to be repaid by 31 March 2013. In March 2013 the Company signed amendments to loan agreements where loans repayment terms were extended till 31 October 2013.

Loans e) and f) are secured by pledging the vessels "Tokata" and "America Feeder".

Notes to financial statements

13. Interest-bearing loans (continued)

Summary of maturity terms of the financial liabilities as at 31 December 2012 according to contracts is presented below:

In thousand of Litas	Total	Less than one year	Between one and five years	More than five years
Bank loans	123 471	123 471	-	-
Total financial liabilities	**123 471**	**123 471**	**-**	**-**

The company does not comply with certain covenants prescribed in loans agreements, therefore all loans balances are presented as short term.

Summary of maturity terms of the financial liabilities as at 31 December 2011 according to contracts is presented below:

In thousand of Litas	Total	Less than one year	Between one and five years	More than five years
Bank loans	140 509	51 174	87 134	2 201
Total financial liabilities	**140 509**	**51 174**	**87 134**	**2 201**

14. Deferred tax assets and liabilities

Due to the fact that in 2007 the Company elected a fixed tonnage basis of tax, the base of which is independent from the Company's results, no temporary differences between tax and financial reporting exist. Due to this fact, no deferred taxes arise in the Company.

15. Trade and other payables

In thousand of Litas	2012-12-31	2011-12-31
Trade payable	6 209	17 953
Remuneration payable and related taxes	2 536	5 699
Amounts received in advance for voyages	334	597
Other payable	94	110
	9 173	**24 359**

Notes to financial statements

16. Contingent assets and liabilities

The tax authorities have not performed a full scope tax review of Limarko Shipping Company AB for the period from 2008 to 2012. According to prevailing tax legislation the tax authorities have the right to check accounting registers and records of the company for 5 years prior to the current accounting period and may charge additional taxes and penalties. The Company's management is not aware of any circumstances that may give rise to a potential material liability in this respect.

17. Related parties

Limarko Shipping Company AB is a subsidiary of UAB Limarko, which owns 89,6% of the Company's share capital as at 31 December 2012.

UAB Limarko Jūrų Agentūra and UAB Baltkonta are subsidiaries of UAB Limarko. These companies are further referred to as related parties.

Related party balances are as follows:

In thousand of Litas	31 December 2012		31 December 2011	
	Receivable	Payable	Receivable	Payable
Related party	-	2 429	-	2 541

Related party transactions are as follows:

In thousand of Litas	Year 2012		Year 2011	
	Sales	Purchases	Sales	Purchases
Related party	82	392	580	1 389

Remuneration to management is included in "staff costs" of administrative expenses (see note 4):

In thousand of Litas	2012	2011
Management remuneration	530	689

During 2012 the administration decreased from 5 persons to 2 persons.

The Company's management as at 31 December 2012 comprise of: M. Petrauskas (Executive Director), D. Povilaitienė (Chief Accountant).

The management is of the opinion that all related party transactions are carried out on an arm's-length basis.

Notes to financial statements

18. Segment reporting

Segment reporting to the key executive decision makers of the company is performed as to the type of the vessels – vessels of each segment operate in different markets. There are two distinguishable segments as to the vessel types – refrigerators (reefers) and container vessels.

In year 2012:

In thousand of Litas	Reefers	Containers	Unallocated	Total
Voyage income	35 400	14 319	-	49 719
Voyage costs *	(2 933)	(670)	-	(3 603)
Net voyage result	**32 467**	**13 649**		**46 116**
Vessel operating costs **	(20 457)	(8 666)	-	(29 123)
Administration expenses, excluding impairment of vessels	-	-	(2 942)	(2 942)
Impairment of vessels	-	(5 000)	-	(5 000)
Operating result before depreciation, EBITDA	**12 010**	**(17)**	**(2 942)**	**9 051**
Depreciation	(11 548)	(5 257)	(109)	(16 915)
Operating result, EBIT	**(462)**	**(5 274)**	**(3 051)**	**(7 863)**
Other operating	(24 644)	19	(15)	(24 640)
Interest expenses	(1 290)	(1 671)	-	(2 961)
Result on currency exchange rate	910	1 771	(95)	2 586
Net other financial items	-	(2)	(42)	(44)
Taxes	-	-	(43)	(43)
Net result	**(24 562)**	**(5 157)**	**(3 246)**	**(32 966)**
Segment property, plant and equipment	66 527	66 861	234	133 620
Segment borrowings	50 049	73 422	-	123 471
Acquisition of non-current assets	-	601	-	601

* Voyage costs comprise: fuel costs, port duties, commissions.

** Vessel operating costs comprise: labour related costs, repair and maintenance costs, insurance costs, communication costs, etc.

Notes to financial statements

18. Segment reporting (continued)

In year 2011:

In thousand of Litas	Reefers	Containers	Unallocated	Total
Voyage income	69 594	17 144	-	86 738
Voyage costs *	(27 573)	(2 604)	-	(30 177)
Net voyage result	**42 021**	**14 540**		**56 561**
Vessel operating costs **	(35 178)	(9 114)	-	(44 292)
Administration expenses, excluding impairment of vessels	-	-	(4 916)	(4 916)
Impairment of vessels	(10 000)	(17 000)	-	(27 000)
Operating result before depreciation, EBITDA	**(3 157)**	**(11 574)**	**(4 916)**	**(19 647)**
Depreciation	(17 201)	(6 538)	(276)	(24 015)
Operating result, EBIT	**(20 358)**	**(18 112)**	**(5 192)**	**(43 662)**
Other operating	5 398	2	(91)	5 309
Interest expenses	(2 237)	(2 427)	-	(4 664)
Result on currency exchange rate	(76)	(1 292)	109	(1 259)
Net other financial items	-	-	(24)	(24)
Taxes	(40)	(13)	-	(53)
Net result	**(17 313)**	**(21 842)**	**(5 198)**	**(44 353)**
Segment property, plant and equipment	118 126	76 518	450	195 094
Segment borrowings	63 774	76 735	-	140 509
Acquisition of non-current assets	3 527	1 156	4	4 687

* Voyage costs comprise: fuel costs, port duties, commissions.

** Vessel operating costs comprise: labour related costs, repair and maintenance costs, insurance costs, communication costs, etc.

Notes to financial statements

19. Fair value of financial instruments

The Company does not have any financial instruments carried at fair value.

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. As fair values cannot be obtained with reference from quoted market prices the discounted cash flow models are used.

Trade and other receivable amounts as well as trade and other payable amounts are of short-term nature. Received loans and borrowings bear variable interest rates, which are reviewed every 3-6 months. Therefore, the management is of the opinion that carrying amounts of these financial instruments are similar to their fair values.

20. Going concern

The current liabilities, reflected in the Company's financial statements as at 31 December 2012, exceed the current assets by 124.8 million LTL. According to credit agreements with the banks, the Company has to comply with certain covenants. As at 31 December 2012 the Company did not comply with some covenants and all loans and borrowings have been reported as current liabilities. The major part of the current liabilities represents bank loans (123.5 million LTL). Currently, the Company is negotiating with the banks to defer the repayment terms significantly, and is expecting to reach a positive agreement in the near future.

In 2012 the Company sold four less efficient vessels. This decision and the recovery of reefer freight rates from mid-2012 increased the effectiveness of Company's main activity. The Company was able to significantly reduce current Trade and other payables from 24.4 million LTL at the end of 2011 to 9.2 million LTL at the end of 2012. In 2012, about 10% of the reefer fleet (69 vessels) were scrapped. In addition, after the main container lines raised their freight rates, part of the reefer cargo shippers returned to using conventional reefer vessels. Increase in demand for conventional reefer vessels results in increase of the freight rates at the beginning of 2013. In addition, the Company considers possible disposal of one vessel using the proceeds received for further reduction of outstanding loans during 2013.

The management believes that these developments will positively affect the Company's financial stability and continuity. These financial statements have been prepared on a going concern basis and do not reflect any adjustments, that may be required, should the company not be able to continue as a going concern.

21. Subsequent events

There were no significant events after the balance sheet date.

As at the date of issue of the financial statements, the Company has not yet prepared a draft of profit appropriation for 2012.

Executive director	Mindaugas Petrauskas		9 April 2013
Chief accountant	Diana Povilaitienė		9 April 2013

LIMARKO LAIVININKYSTĖS KOMPANIJA

Annual Report for the year 2012

Klaipėda, March 2013

TABLE OF CONTENTS

1. The reporting cycle for which the report was drawn up

The annual report was drawn up for the year 2012; all numbers presented are as of 31 December 2012, unless otherwise indicated. In the report Limarko laivininkystės kompanija AB may be referred to as Enterprise, Company or Issuer.

2. Issuer and its contact information

Issuer name:	Limarko laivininkystės kompanija AB
Legal and organizational form:	Public Limited Liability Company
Authorized capital:	20 000 000 LTL
Date and place of registration:	9 September 1991, Board of Klaipėda City
Registration certificate:	No. AB 95 – 114
Company code:	140346648
VAT payer's code:	LT403466412
Enterprise register:	Register of Legal Persons of the Republic of Lithuania
Office address:	Naujoji Uosto str. 8, LT-92125 Klaipėda, Lithuania
Telephone number:	+370 46 340001
Fax number:	+370 46 341195
E-mail address:	info@limarko.com
Website address:	www.limarko.com

3. The Nature of the Issuer's Main Activity

The main activity of Limarko laivininkystės kompanija AB is transportation of cargo by water (sea) transport. The Company is active in the market of transportation of frozen, chilled and perishable food products, as well as dry cargo.

The Company may engage in other activities provided for in the Articles of Association.

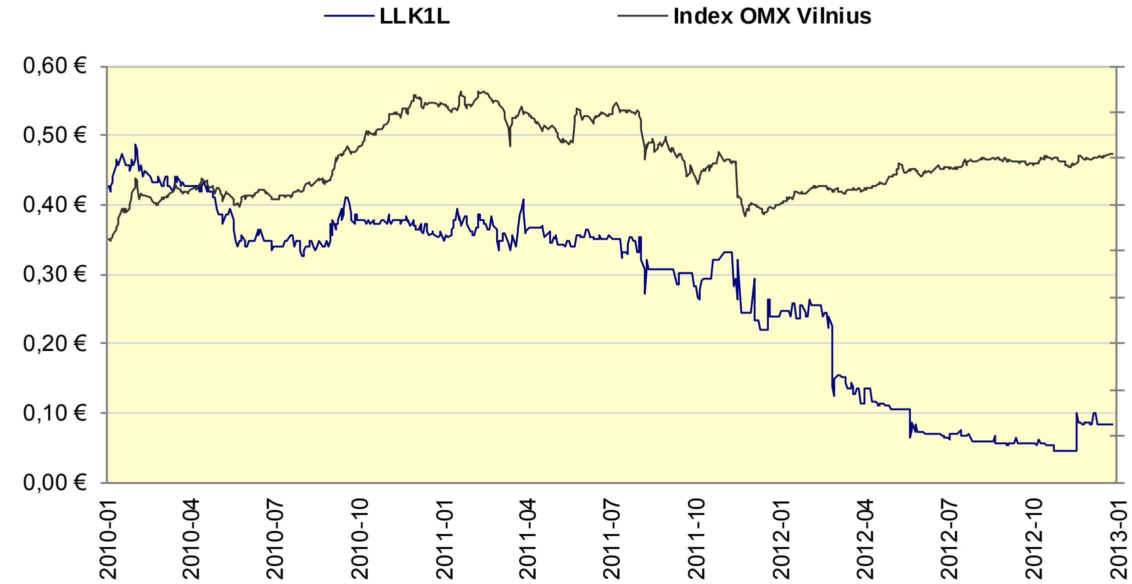
4. Agreements with Intermediaries of Public Trading in Securities

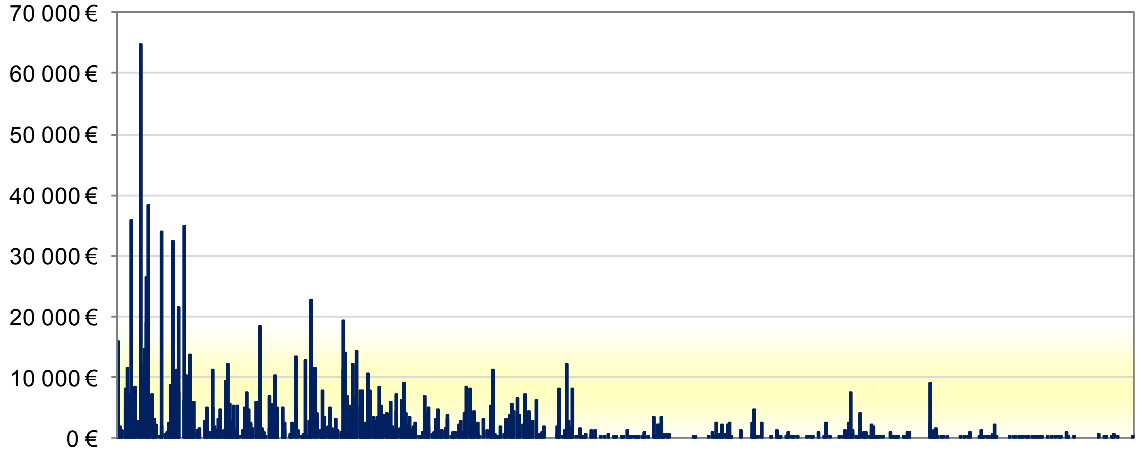
On 29 April 2003 the Company signed the Issuer's Service Agreement with the SEB Bank, represented by the Department of Finance Markets, located at the address Gedimino pr. 12, Vilnius, tel. (8 5) 268 2687, fax (8 5) 262 6043.

5. Information about trading in the Issuer's securities on regulated markets

On 22 May 2000 the Issuer's shares were admitted to the lists of the NASDAQ OMX Vilnius. On 31 December 2012 the NASDAQ OMX Vilnius Baltic Secondary list of trading contained 20 000 000 ordinary registered shares of Limarko laivininkystės kompanija AB at par value of 1 (one) LTL each. The ISIN code of these securities is LT0000119646.

Dynamics of Limarko Shipping Company AB share price and turnover during the last three years:





Information about trading in Limarko laivininkystės kompanija AB shares on NASDAQ OMX Vilnius stock exchange during the last three years:

	2012	2011	2010	2009	2008
Opening price, EUR	0,09	0,13	0,162	0,185	0,544
Highest price, EUR	0,1	0,153	0,191	0,258	0,568
Lowest price, EUR	0,038	0,082	0,116	0,133	0,183
Last price, EUR	0,084	0,09	0,135	0,162	0,185
Average price, EUR	0,06	0,128	0,15	0,186	0,366
Turnover (unites)	1 110 170	1 829 502	7 857 722	9 806 695	1 438 725
Turnover, mEUR	0,06534092	0,23	1,18	1,82	0,53
Capitalisation, mEUR	1,68	10,82	16,23	19,50	22,28

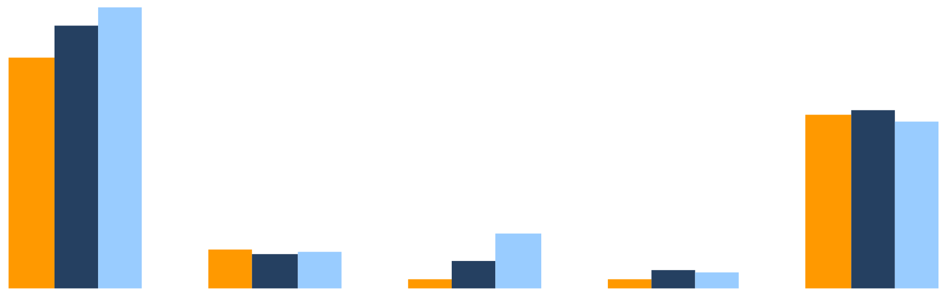
6. The objective review of the Company's state, activity performance and development; the description of the main risk types and uncertainties encountered by the enterprise

As of 31 December 2012, the Company owned 7 vessels: 4 reefer ships and 3 container ships (as of 31 December 2011 – 8 reefer ships and 3 container ships).

During the year 2012 the Company sold four reefer ships - m/v Marsas (built 1989) in May 2012, m/v Pluto (built 1988) in June 2012, m/v Uranus (built 1989) in August 20102 and m/v Lyra (built 1991) in September 2012.

As of 31 December 2012, 4 ships were operated under a Pool agreement and 3 ships under long-term charter agreements (as of 31 December 2011 – 5 ships were operated under a Pool agreement, 4 ships were chartered for separate voyages, and 2 ships under long-term charter agreements).

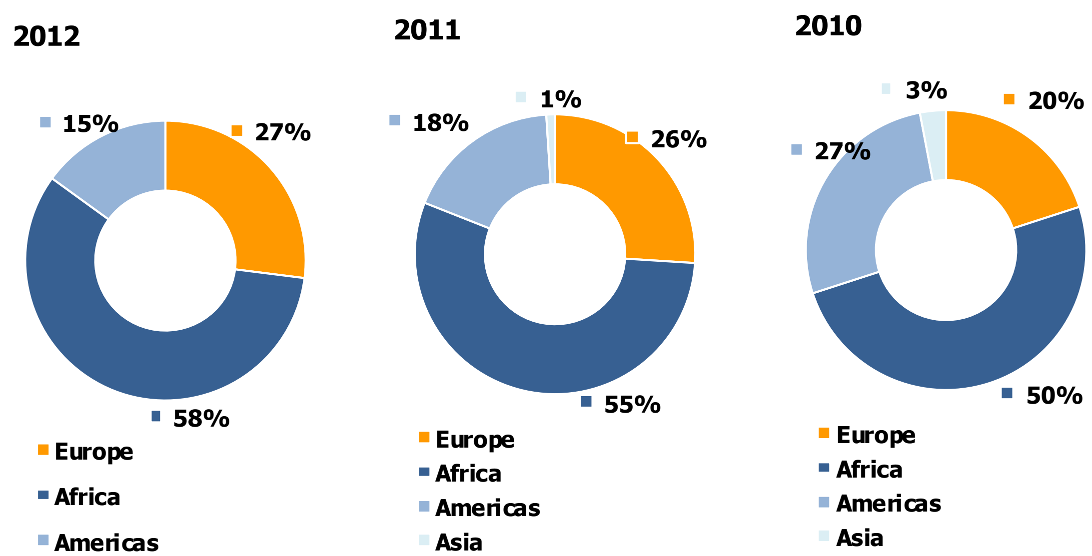
In 2012 Limarko laivininkystės kompanija AB transported a total of 741 thousand tons of cargo, whereof 75% accounted for dry cargo accounted and the remaining 25% for frozen, chilled and perishable food products:



	TOTAL	Frozen fish	Meat and poultry	Fruits and vegetables	Dry cargo
2012	740 616	125 541	29 525	30 046	555 504
2011	845 351	115 554	94 742	60 037	575 018
2010	900 386	123 574	181 733	57 548	537 531

The total amount of cargo transported during the year 2012 decreased by 12%, when compared to the year 2011. The main reason for the decrease – diminishing fleet of the Company. Due to varying length of transportation routes and cargo structure, revenue of the Company is not directly related to the quantity of cargo transported.

In 2012, the main discharge regions of company's vessels were West Africa and Europe, which respectively accounted for 58 and 27 percent of all transported cargo. Transportations in Americas constituted 15 percent.



Risk factors related to the Issuer's activity:

Economic risk factors. The vessels of Limarko laivininkystės kompanija AB are operating in the international market of sea cargo transportation, and the quality of its rendered services conforms to the international requirements.

The Company's sales depend on the situation in the international market. It is not dependant on monopoly consumers.

Procurement opportunities – of raw materials, consumables, manufacturing areas, workforce and financial resources – are unlimited. Raw materials and services are bought from diverse suppliers; consequently, the Company is not dependant on particular suppliers.

In the market of frozen, chilled and perishable food products transportation there exists the influence of seasonality, which manifests itself in the decrease of freight rates in the summer season.

Currency exchange risk. The Company encounters with the currency exchange risk, related to sales, purchases and borrowing costs denominated in currencies other than Litas and Euro. During the year 2012 91% of all income from ordinary activity was received in US Dollars.

Fair value interest rate risk. In general, the Company's income and cash flows from ordinary activity are not dependent on changes in the market interest rate. The Company has not been granted nor issued itself any loans with a fixed interest rate, therefore was not exposed to the fair value interest rate risk.

Price risk. The rates of cargo transportation by sea as well as vessel hire rates vary depending on the situation in the market. The Company seeks to minimize the impact of the mentioned fluctuations by diversifying the fleet, i.e. maintaining the number of vessels for transportation of frozen, chilled and perishable food products or containers as well as proposing different ways of vessel charters (short-term, long-term, voyage).

Credit risk. The Company uses procedures which ensure that sales are performed to clients having a proper crediting history without exceeding the limit of credit risk set by the management. The Company did not have any concentration of significant credit risk at the balance sheet date.

Liquidity risk. Current ratio as of 31 December 2012 was 0.06 (after classifying financial debt as current liabilities); external financing for cash-flow was not used.

Interest rate risk. The average effective interest rate in 2012 was 2.19% (2011 – 3.26%).

If the average annual interest rate applicable on the Company's liabilities with the variable interest rate had increased (or decreased) by 1%, the interest costs for the year ended 31 December 2011 and the profit for the year would have decreased (or increased) by approximately 1,405 thousand Litas (2010 – 1,635 thousand Litas).

Bank Loans. As at 31 December 2012, ships with the carrying amount of 133 387 thousand Litas (as of 31 December 2011 – 194 644 thousand Litas) are pledged to secure bank loans. Note 13 of the Interim Financial Statements for the year 2012 provides more details regarding bank loans.

Capital management. According to the Law on Companies of the Republic of Lithuania, equity of the company cannot be lesser than one half of the authorised capital of the company.

The Annual Shareholders' Meeting of 30 April 2012 decided to reduce the authorised capital to LTL 45 000 000 in order to restore the ratio between equity and authorised capital to the level required by law. The amended Articles of Association with reduced authorised capital were registered on 11 May 2012.

According to financial statements for the first half of 2012, the equity amounted to 19 694 tLTL and was smaller than ½ of the Company's authorised capital (22 500 tLTL). As of 30 September 2012, shareholders' equity decreased to 11 084 tLTL

On 26 October 2012 the Extraordinary General Meeting decided to reduce the authorised capital from 45 000 000 LTL to 20 000 000 LTL by cancelling shares in order to cancel the losses recorded in the balance sheet.

The amended Articles of Association with reduced authorised capital were registered on 9 November 2012.

According to the Financial statements of the Company for the year ended 31 December 2012, equity of the company, as of 31 December 2012 amounted to 8 558 thousand Litas and is less than one half of the authorised capital of the Company (10 000 thousand Litas). Therefore, the annual general shareholders meeting will be asked to consider the issue of restoration of ratio between equity and authorised capital to the ratio required by law.

Political risk factors. Having regard to the particularities of the shipping business, the European Commission in 2004 adopted the Guidelines on State aid to maritime transport (2004/C 13/03). It is established in the Guidelines that one of the main measures to strengthen the maritime transport is the reduction of fiscal and other expenses of the ship owners. The aim of such state aid measures is to ensure the competitiveness of the European Union shipping sector in relation to the third countries. The Guidelines contain state aid measures, which are exclusively designed to promote maritime transport; however, this does not influence competition between different trades of the company, because shipping is developed in international markets.

Social risk factors. The average salary in the Enterprise exceeds the average salary in Lithuania. Part of the Enterprise's employees belongs to the trade-union of Limarko laivininkystės kompanija AB.

Technical-technological risk factors. The technical condition of the Enterprise's vessels is supervised by classification societies authorized by the national supervisory authority in charge of the technical condition of the vessels. These companies certify that the vessels conform to the international standards for the technical condition of vessels, that they may be operated and that no obstacles are applied to them in ports. The Enterprise's vessels undergo scheduled maintenance works, as well as dock repair works every 2-3 years in ship-repair enterprises both in Lithuania and abroad.

Ecological risk factors. The main ecological risk factor is related to the operation of the Company's vessels. The vessels are operated in most safe manner and in accordance with the strictest environmental standards. However, there still exists some probability that during an accident the environment may be negatively affected. However, the Company's vessels are insured in respect of incidents and consequences thereof, so in these cases the damage to the environment would be indemnified and fines would be paid by the insurance company, and such incidents and consequences thereof would have no impact on the Company's financial status.

Financial statements for the year 2012 provide additional information regarding the risk factors and measures used by the Company in their respect.

7. Analysis of financial and non-financial activity results

The revenue of Limarko laivininkystės kompanija AB for the year 2012 amounted to LTL 49.7 million and decreased by 43% when compared to the revenue of LTL 86.7 million for the year 2011. Main reasons for the decreased revenue are smaller fleet and type of vessel employment – during 2012 most vessels were earning 'net income' (i.e. excluding bunkers and port expenses).

During the twelve months of 2012 the Company achieved the EBITDA (before impairment of vessels) of LTL 14.1 million and the EBITDA margin was 28%. In 2011, the EBITDA (before impairment of vessels) was LTL 7.4 million and the EBITDA margin was 9%.

The losses of Limarko laivininkystės kompanija AB (after impairment of vessels) in 2012 amounted to LTL 33.0 million. The losses of LLK (after impairment of vessels) for January - December of 2011 were LTL 44.4 million.

The main reasons negatively affecting the results of the year 2012 were:

- result of sale of four vessels;
- high bunker prices;
- low freight rates for reefer vessels during the first half of 2012;
- impairment of part of non-current assets.

Although the fleet was reduced from 11 to 7 vessels (when compared to 31 December 2011), sale of less efficient vessels and increase in freight rates for reefer vessels during the second half of 2012 allowed to improve efficiency of Company's main activities.

The main financial results of Limarko laivininkystės kompanija AB:

In thousand of Litas	2012	2011	2010	2009	2008
Income	49 719	86 738	123 763	129 977	151 363
EBITDA (before impairment of vessels)	14 051	7 353	15 256	18 536	27 127
EBITDA margin (before impairment of ve:	*28,3%*	*8,5%*	*12,3%*	*14,3%*	*17,9%*
EBITDA	9 051	(19 647)	15 256	18 536	27 127
EBITDA margin	*18,2%*	*-22,7%*	*12,3%*	*14,3%*	*17,9%*
Gross profit	188	(11 470)	(5 295)	(4 602)	9 556
Gross profit margin	*0,4%*	*-13,2%*	*-4,3%*	*-3,5%*	*6,3%*
EBIT	(7 863)	(43 662)	(11 709)	(11 593)	1 850
EBIT margin	*-15,8%*	*-50,3%*	*-9,5%*	*-8,9%*	*1,2%*
Profit (loss) before tax	(32 923)	(44 300)	(30 774)	(12 258)	(12 888)
Profit (loss) before tax margin	*-66,2%*	*-51,1%*	*-24,9%*	*-9,4%*	*-8,5%*
Net profit (loss)	(32 966)	(44 353)	(30 846)	(12 425)	(12 961)
Net profit (loss) margin	*-66,3%*	*-51,1%*	*-24,9%*	*-9,6%*	*-8,6%*
Equity	8 558	41 523	85 877	116 723	128 998
Financial debts	123 471	140 509	163 454	161 458	189 560
Total assets	141 502	206 660	282 186	312 973	341 342
Efficienty indicators:					
Return of assets, ROA	-23,3%	-21,5%	-10,9%	-4,0%	-3,8%
Return on equity, ROE	-385,2%	-106,8%	-35,9%	-10,6%	-10,0%
Return of capital employed, ROCE	-25,0%	-24,4%	-12,4%	-4,5%	-4,1%
Liquidity indicators:					
Current ratio	0,06	0,15	0,41	0,18	0,33
Quick ratio	0,04	0,07	0,16	0,09	0,15
Cash ratio	0,01	0,00	0,01	0,05	0,01
Market indicators:					
P/E	(0,2)	(0,8)	(1,8)	(5,4)	(5,9)
Profit (loss) per share	(1,65 Lt)	(0,37 Lt)	(0,26 Lt)	(0,10 Lt)	(0,11 Lt)

Explanation:

EBITDA = Earnings excluding other income + interest + taxes + depreciation and amortization

EBIT = Earnings excluding other income + interest + taxes

ROA = Net profit / Total assets at the end of the reporting period

ROE = Net profit / Total equity at the end of the reporting period

ROCE = Net profit / (Total equity at the end of the reporting period + financial liabilities)

P/E = share's market price / Profit (loss) per share

On 31 December 2012 the Company employed 268 employees, whereof 250 worked in the fleet and 18 in the administration (section 24 of the present report provides additional information on Company's employees).

On 31 December 2011 the Company employed 373 employees, whereof 348 worked in the fleet and 25 in the administration.

The decrease of the number of employees was triggered by the decrease in the number of vessels owned.

Company's vessels are managed in accordance with strict environmental standards. There were no cases of pollution from Company's vessels during the year 2012. In addition, Company vessels are insured against accident risks, and any damage caused or fines would be covered by the insurers.

8. References and additional explanatory notes regarding the data presented in the financial accountability

All financial data provided in this annual report are calculated according to the International Financial Accountability Standards as adopted by the EU.

9. Information about own shares acquired and owned by the enterprise

The Company does not possess any own shares. During the reporting period the Company neither acquired nor transferred any own shares.

10. Information regarding Company's branches and representative offices

The Company has no branches or representative offices.

11. Material events since the close of the previous financial year

At present, the Company is also negotiating with the banks to defer the repayment terms and is expecting to reach a positive agreement in the near future.

12. Company's operational plans and forecasts

With the aim of effectiveness of employment of reefer vessels and having regard to the developments in the market of reefer cargo transportation, during the year 2013 the Company intends to employ reefers in the Alpha Reefer Transport pool. Container vessels shall continue to be employed on long term charter parties.

13. Research and development activities

Company's employees are continuously interested in the novelties of vessel maintenance and care, which help to reduce maintenance costs, increase safety and effectiveness. The Company did not undertake any major research and development projects undertaken during the year 2012.

14. Financial instruments

N/A.

15. Information on material direct and indirect share holdings

The Company does not directly or indirectly own material share holdings.

16. Shareholders having special control rights & description of such rights

N/A.

17. The Issuer's Authorized Capital Structure

On 31 December 2012 the Enterprise's authorized capital consisted of 20 000 000 ordinary registered shares at the par value of 1 LTL each.

The company shareholders have the following property rights:

1) To receive a share of the Company's profit (dividend);
2) To receive a share of assets of the Company under liquidation;
3) To receive a portion of the funds of the Company when Company's authorized capital is reduced in order to pay out a certain amount of the funds of the Company to the shareholders;
4) To obtain shares gratuitously if the authorized capital is being increased from the Company's funds, excluding exceptions established by the Law on Companies;
5) To acquire, with the right of priority, any shares issued by the Company or convertible bonds, unless the General Meeting resolves to revoke this right for all shareholders;
6) To devise all or part of shares to one or more persons;
7) To assign all or part of shares to other persons by the right of ownership;
8) To lend money in favour of the Company;
9) Other property rights established by the Company's Articles of Association.

The company shareholders have the following non-property rights:

1) To participate in General Shareholders Meetings;
2) To obtain all information regarding the Company's economic activity;
3) To appeal to a court against the decisions or actions taken by the General Meeting, the Board or the head of the administration. One or more shareholders are entitled, without a separate authority, to claim the indemnification of damage caused to the shareholders;
4) To conclude an agreement with an auditing firm for the inspection of the Company's activity and documentation;
5) Other non-property rights established by the laws and the Company's Articles of Association.

The structure of the authorized capital of Limarko laivininkystės kompanija AB according to the types of shares:

Type of shares	Number of shares	Par value	General nominal value	Portion in authorized capital
Ordinary registered shares	20 000 000	1 Lt	20 000 000	100%

All shares of Limarko laivininkystės kompanija AB are paid-up.

Changes in the authorized capital during the last 3 years:

	2012-12-31	**2011-12-31**	**2010-12-31**
The authorized capital (Ordinary registered shares, units)	20 000 000	120 212 429	120 212 429
The authorized capital (Nominal value, in Litas)	20 000 000	120 212 429	120 212 429

18. Information on paid dividends

The Company has not paid dividends for the last five financial years.

19. Restrictions on assignment of securities

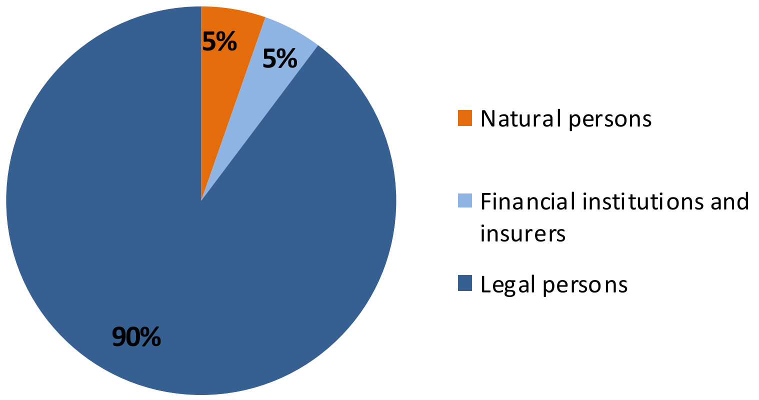
On 22 February 2012 Limarko UAB pledged shares of Limarko laivininkystės kompanija AB to the banks (AS „UniCredit Bank", „Swedbank", AB and AB SEB bankas), securing the performance of the credit agreements with subject banks by Limarko laivininkystės kompanija. Limarko UAB can transfer the shares with prior agreement of the banks and Limarko UAB retained voting rights and property in the shares.

20. Shareholders

Shareholders who on 31 December 2012 owned more than 5% of the Company's authorized capital:

Shareholder's name, surname (enterprise name, form, office address, enterprise register code)	Number (units) of shares belonging to shareholders by the right of ownership	Owned portion of the authorized capital	Portion of votes granted by shares belonging by the right of ownership	Portion of votes belonging to a shareholder jointly with associated persons
Limarko UAB (Naujoji uosto str. 8, Klaipėda, enterprise code 140765379)	17 911 643	89,6%	89,6%	89,6%

Kinds of shareholders:



95% of the shareholders are residents of the Republic of Lithuania and 5% - residents of other countries.

21. All restrictions on voting rights

N/A.

22. Description of major investments during 2012

During the year 2012, investment into capitalised docking repairs and ship equipment amounted to LTL 601 tLTL.

23. All mutual agreements by shareholders, of which the Issuer is aware and due to which the assignment of securities and (or) voting rights may be restricted

N/A.

24. Employees

	2012-12-31	2011-12-31	2010-12-31
Number of employees	**268**	**373**	**466**
Managing personnel	2	5	5
On-shore employees	16	20	26
Seafarers	250	348	435
Education:			
Higher	70	104	124
Special secondary (advanced vocational)	80	127	153
Secondary	118	142	189
Average gross salary:			
Managing personnel	11 371 Lt	11 006 Lt	11 119 Lt
On-shore employees	5 217 Lt	4 693 Lt	4 887 Lt
Seafarers (with daily allowance)	3 848 Lt	3 895 Lt	4 095 Lt

On 31 December 2012 the Company employed 268 employees, whereof 250 worked in the fleet and 18 in the administration.

The decrease of the number of employees was triggered by the decrease in the number of vessels owned.

Company's Collective Bargaining Agreement does not contain very special rights or obligations of the employees.

Company's success is dependent on its professional workers. Seafarers constitute the biggest part of Company's personnel and their qualifications are regulated by international regulations. The Company employs only the properly qualified and certified seafarers, which allows ensuring proper and safe operation of the vessels. The seafarers and shore personnel can improve their qualifications at Company's account, which helps the Company to maintain good specialist.

25. Powers of the Issuer to issue or acquire own shares

In accordance with the Company Law of the Republic of Lithuania, General Annual Meeting of the can take decisions regarding the issuance or acquirement of own shares of the Issuer.

26. Procedure for the amendment of the Issuer's Articles of Association

The Law on Companies of the Republic of Lithuania establishes that the amendment of the Articles of Association is an exclusive right of the General Shareholders Meeting.

The Company's Articles of Association stipulate that a decision concerning the amendment of the Articles of Association shall be taken by the majority, i.e. 2/3 of all votes cast by the shareholders entitled to vote and participating in the meeting.

27. Issuer's bodies

The Company's Articles of Association determine that the Company's bodies are the General Meeting, the Board and the Head of the Administration.

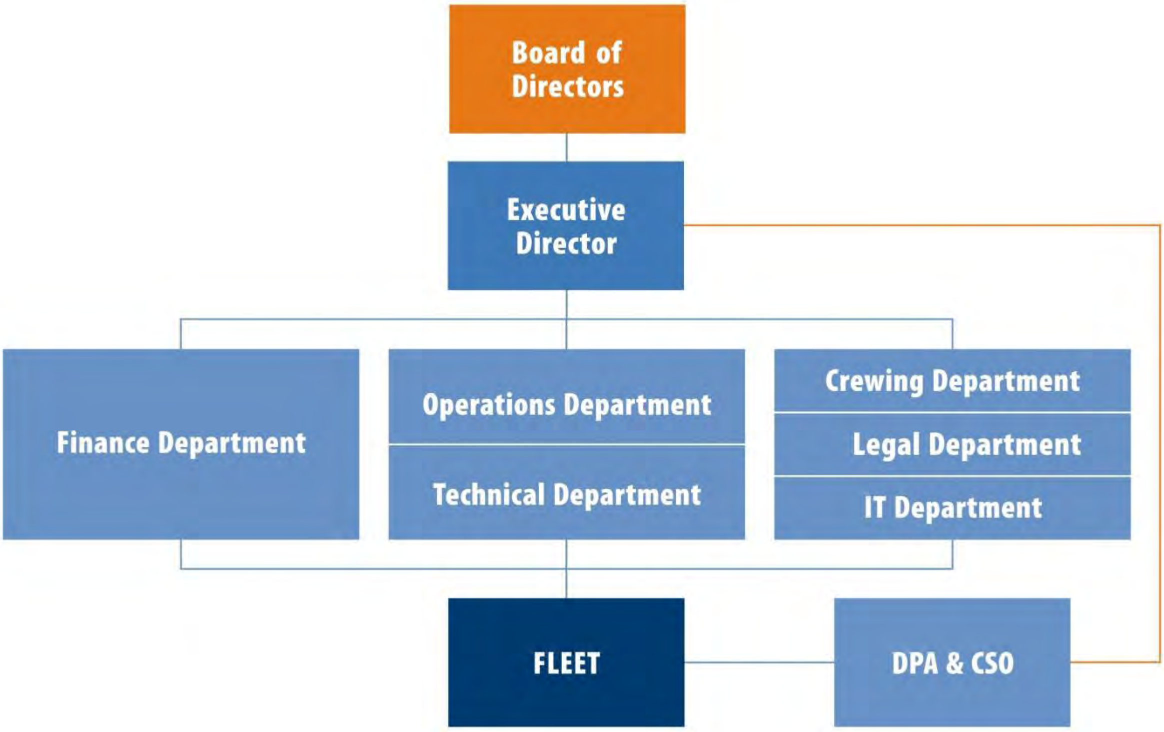
The Articles of Association state that the competence of the General Meeting is established by the Law on Companies.

The Company's Board is the Company's management body, comprised of 5 members, elected in the order established by the Law on Companies for the term of four years. The Board members shall be recalled in the order established by the Law on Companies.

The Company's Articles of Association establish that the Board solves the main production, organizational, financial and economic matters of the Company, analyzes and approbates the activity strategy, the application of financial resources, approves the Company's organizational and management structure, elects and recalls the head of the administration and the chief finance officer as well as performs other functions established by the Law on Companies.

The head of the administration – Executive Director – is elected and recalled by the Board in the order established by the Law on Companies. The competence of the head of the administration is established by the Law on Companies - the head of the administration is responsible for the organization of the Company's activity, the implementation of its goals, is entitled to conclude deals in his sole discretion, excluding the cases established by the Law on Companies when the decision regarding the deal is to be adopted by the Board. While performing his activity, the head of the administration shall follow the decisions of the General Meeting and the Board.

The organizational structure of the Company:



28. Members of collegial bodies, the Company's executive director, the chief accountant

Personal status	Name, surname	Number of shares owned in the Issuer	Start date	End date
Board:				
Chairman of the Board	Vytautas Lygnugaris	-	2011-04-29	2015-04-29
Board member	Igoris Uba	-	2011-04-29	2015-04-29
Board member	Audrius Žiugžda	-	2011-04-29	2015-04-29
Board member	Egidijus Bernotas	-	2011-04-29	2015-04-29
Board member	Aurimas Lygnugaris	-	2011-04-29	2015-04-29
Head of administration and Chief financial officer:				
Executive Director	Mindaugas Petrauskas	1 664	2012-07-02	-
Chief Accountant	Diana Povilaitienė	-	2011-03-01	-

Vytautas Lygnugaris - Chairman of the Board of Limarko laivininkystės kompanija AB. Mr. Lygnugaris is also the Chairman of the Board of Lithuanian Ship-owners Association, Limarko UAB, Limarko jūrų agentūra UAB and Baltkonta UAB. In 2002 he graduated from the Baltic Management Institute with the executive MBA. In 1987 he graduated from State Maritime Academy of St. Petersburg.

Igoris Uba – member of the Board. Mr. Uba is the director general, member of the Board of Limarko UAB, Limarko jūrų agentūra UAB and Baltkonta UAB. In 2004 he graduated from the Baltic Management Institute with the executive MBA. In 1984 he graduated from State Maritime Academy of St. Petersburg.

Audrius Žiugžda – member of the Board. Mr. Žiugžda is the Chief Executive Officer and Deputy Chairman of the Board of Šiaulių bankas, AB, Board Member of Vytautas Magnus University. During 1992-2010 held various positions within AB SEB bank and during 2006-2010 he was the Chairman of the bank. In 2010 Mr. Žiugžda was the Advisor to CEO of TEO LT. In 1995 completed studies of business administration and management in Vytautas Magnus University and was awarded Master's degree. The Company considers A. Žiugžda to be an independent member of the Board.

Egidijus Bernotas - member of the Board. Mr. Bernotas is Attorney-at-law at Bernotas & Dominas Glimstedt law firm. He is also a member of the Board at Adminiculum UAB, Mediaras UAB and Charity Fund "Sport future". In 1994 he graduated from the Law Faculty of Vilnius University with a master's degree in law. The Company considers Mr. Bernotas to be an independent member of the Board.

Aurimas Lygnugaris – member of the Board. Mr. Aurimas Lygnugaris is the head of Klaipeda Region Corporate Customers Unit at Nordea Bank Finland Plc Lietuvos skyrius (from July 2009); during 2004-2009 held various positions at Swedbank, AB. In 2004 he graduated from International School of Management with a Bachelor of Business Management (specialization – Finance management), in 2011 he graduated from the Baltic Management Institute with the executive MBA.

Mindaugas Petrauskas – executive director. Mindaugas Petrauskas is the Member of the Board of Limarko UAB, Limarko jūrų agentūra UAB and the deputy director of Limarko UAB. In 2002 he graduated from Vilnius University with Masters degree in Law; in 2004 – graduated from Cardiff University with LL.M. degree in Legal Aspects of Marine Affairs. M. Petrauskas has been working for Limarko laivininkystės kompanija AB since 2004.

Diana Povilaitienė – Chief Accountant of the Company. Diana Povilaitienė graduated from the Economics Faculty of Vilnius University in 1995. During 1997-2003 she was the accountant at AB „Vakarų skirstomieji tinklai" and senior accountant during 2003-2004. She started working as an accountant at Limarko laivininkystės kompanija AB in 2004. She became Deputy Chief Accountant in 2008 and Chief Accountant in 2011.

Information about remunerations and tantiemes to the members of managing bodies during the year of 2012:

In Litas	Remuneration	Tantiemes
Total amount for all members of Board		
On the average per member of the board*		
Total amount for all members of administration	529 746	
On the average per member of the administration **	143 381	

Notes: *The Board is composed of two members. Until 2[nd] July 2012 the Chairman of the Board was also the Head of Administration. His employment related income is calculated in the administration line. Other members of the Board did not receive employment related income from the Company.

** During 2012 the administration decreased from 5 persons to 2 persons.

During the year 2012, there were no loans, guarantees or sponsorship granted to the members of the Board or administration by the Company.

29. Committees constituted in the Company

Personal status	Name, surname	Number of shares owned in the Issuer	Start date	End date
Audit Committee:				
Independent Member	Arūnas Bučys	-	2011-05-13	2015-04-29
Member	Vaida Kazlauskaitė	-	2011-05-13	2015-04-29

Arūnas Bučys – the independent member of the Audit Committee of Limarko laivininkystės kompanija AB. During 1990-1994 he was the Chief Accountant of Kiras UAB, during 1994-2002 – finansist of Koris UAB. During this time he learned at the Audit Institute and obtained the status of independent auditor in 1997. From 2002 he is the director – auditor of Pajūrio auditas UAB.

Vaida Kazlauskaitė – Chief Accountant of Limarko UAB (from 2007); from 2001 to 2007 she worked at Prorūna UAB, Žemaitijos auditas UAB, Audito ir konsutacijų biuras, UAB as accounting and finance consultant, assistant auditor. In 2007 she graduated from Kaunas Technological University with a master degree in economics (specialisation – accounting and finance).

30. Material agreements to which the Issuer is a party and which would come into effect, be amended or terminated in case of change in the issuer's control, also their impact except the cases where the disclosure of the nature of the agreements would cause significant damage to the issuer.

N/A.

31. All agreements of the issuer and the members of its management bodies, or the employee agreements providing for a compensation in case of the resignation or in case they are dismissed without a due reason or their employment is terminated in view of the change of the control of the issuer

The Company has not concluded agreements with members of the management bodies providing for compensation in case of the resignation or in case they are dismissed without a due reason or their employment is terminated in view of the change of the control of the issuer. The only compensations that might need to be paid to the employees are foreseen in the Labour Code of the Republic of Lithuania.

32. Information on compliance with the Corporate Governance Code

Limarko laivininkystės kompanija AB in principle follows a recommendatory Corporate Governance Code for the Companies Listed on the Vilnius Stock Exchange.

33. Data on published information

In accordance with the requirements of securities market regulations, the Company during the year 2012 publicly announced the following information:

11 January 2012 Resolutions of the Extraordinary General Meeting

22 February 2012 Notifications on transactions concluded by a legal person closely related to the issuer's manager

29 February 2012 Unaudited operational results for the year 2011

29 February 2012 Regarding the ratio of equity and authorised capital

6 April 2012 Notice on the Annual General Meeting of Shareholders and Draft Resolutions

24 April 2012 Operational results for the first quarter of 2012

30 April 2012 Resolutions of the Annual General Meeting of Shareholders

30 April 2012 Audited annual information for the year 2011

4 May 2012 Regarding the sale of vessels

29 June 2012 Regarding the appointment of a new Executive director

4 July 2012 Regarding the sale of vessel

27 July 2012 Regarding the ratio of equity and authorised capital

27 July 2012 Operational results for the first half of 2012

10 August 2012 Regarding the sale of vessel

16 August 2012 Interim information for the first six months of 2012

4 October 2012 Notice on the Extraordinary General Meeting of Shareholders and Draft Resolutions

25 October 2012 Operational results for the nine months of 2012

26 October 2012 Resolutions of the Extraordinary General Meeting of Shareholders

28 November 2012 Unaudited Interim Financial Statements for the first nine months of 2012

21 December 2012 Notification on the transactions in issuer's securities concluded by managers and associated legal person

All information concerning material events publicly announced is available for familiarisation at the office of Limarko laivininkystės kompanija AB at the address: Naujoji Uosto str. 8, Klaipėda, and on the Company's website www.limarko.com.

Executive director	Mindaugas Petrauskas		9 April 2013
Chief accountant	Diana Povilaitienė		9 April 2013

Disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market

Limarko laivininkystės kompanija AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of NASDAQ OMX Vilnius, discloses its compliance with the Governance Code, approved by NASDAQ OMX Vilnius for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The company prepares and on a yearly basis reviews its expansion strategy, the main aspects of which are disclosed in notices on material events, annual and interim reports.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		

2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The Supervisory Board is not formed in the Company.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	Collegial management body – the Board – is responsible for strategic management of the company.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	See Commentary to Recommendation 2.1. above
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	Yes	
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	Yes	The Board is composed of 5 (five) members.

[1] Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

[2] Definitions *'executive director'* and *'non-executive director'* are used in cases when a company has only one collegial body.

2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	N/A	See Commentary to Recommendation 2.1. above
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**[3]		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	

[3] Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes	
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	

3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	Yes	Board members Mr. Egidijus Bernotas and Mr. Audrius Žiugžda are considered as independent members.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments	Yes	

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

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

for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory		

board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents. 3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	Yes	
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Yes	
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[6]. The general shareholders' meeting should approve the amount of such remuneration.	N/A	
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		

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

[7] See Footnote 3.

4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	Yes	
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	

[8] See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

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

4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies[10]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	No	CEO of the company Mr. Vytautas Lygnugaris and Board member Mr. Igoris Uba are shareholders and Board members of Limarko UAB, the main shareholder of Limarko laivininkystes kompanija AB

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

4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees[11]. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	Establishment of nomination and remuneration committees are not foreseen in the Company. As the number of Board members is small and change in the membership of the Board is rare, we consider the committees to be unnecessary.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	No	Nomination and remuneration committees are not foreseen in the Company.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set	No	Regulations of the Audit Committee provide that the Committee consists of two members.

up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.		
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	Regulations of the Audit Committee provide that Members of the Board can be invited to attend the meeting of the Committee.

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	N/A	
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so,	N/A	

the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		

4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different	Yes	The Audit Committee has been established in the Company and Regulations thereof (complying with legal regulations and recommendations of this Code) are in force.

approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	There is no assessment of and/or information on the activities of the Board, as this not foreseen by legislation.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[12].	Yes	

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

5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	N/A	
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.[13] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above,	No	According to the Statutes of the company, decisions on the purchase, transfer, lease or mortgage of fixed assets the value whereof amounts to over 1/20 of the company's authorised capital as well as on offering guarantee, surety for the discharge of obligations of other entities, when the amount of the obligations exceeds 1/20 of the company's authorised capital are taken by the Board.

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

are discussed.		
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The company is of the opinion that at present there is no need to implement the said means. In addition, the shareholders have not requested for such means.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The company does not disclose remuneration statement. However, the company in its Annual Report discloses the total of salaries paid to the directors of the company, as well as average salaries of separate groups of employees..

8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	N/A	
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information.	N/A	
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	N/A	

8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance	N/A	

payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	N/A	
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	N/A	
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	N/A	
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	N/A	
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	N/A	
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	N/A	
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	N/A	
8.13. Shares should not vest for at least three years after their award.	N/A	

8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	N/A	
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	N/A	
8.16. Remuneration of non-executive or supervisory directors should not include share options.	N/A	
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	N/A	
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	N/A	
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	N/A	No schemes are applied in the company.

8.20. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	N/A	
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	N/A	
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	N/A	
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	N/A	

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	No	Consolidated group results are not disclosed. The company does not disclose remuneration statement.

10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	