



**LIMARKO LAIVININKYSTĖS KOMPANIJA**

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Interim Report for the first six months of 2007

August 2007, Klaipėda

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

The Interim report was drawn up for the first six months of 2007; all numbers presented are as of 30 June 2007, unless otherwise indicated. In the report Limarko laivininkystės kompanija AB may be designated as Enterprise, Company or Issuer.

## **2. Issuer and its contact information**

Issuer name:	AB "Limarko Shipping Company"
Legal and organizational form:	Public Limited Liability Company
Authorized capital:	109,450,664 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:	<a href="mailto:info@limarkoshipco.lt">info@limarkoshipco.lt</a>
Website address:	<a href="http://www.limarko.lt">www.limarko.lt</a>

## **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. In previous years the Company was mainly operating in the market of frozen sea cargo transportation. On 17 November 2004 the General Shareholders Meeting resolved to expand the fleet by acquiring dry-cargo vessels. The main activity of Limarko laivininkystės kompanija AB became split into two fields: transportation of frozen and dry sea 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 bank AB SEB "Vilniaus bankas", 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 Vilnius Stock Exchange. Presently the VSE Current List of trading contains 109,450,664 ordinary registered shares of Limarko laivininkystės kompanija AB at par value of one LTL each. The ISIN code of these securities is LT0000119646.

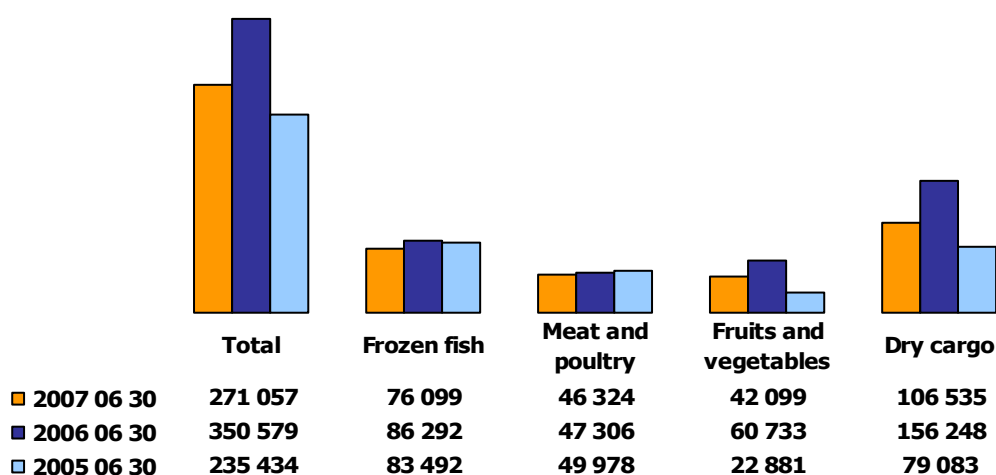
## **6. The objective review of the Company's state, activity performance and development; the description of the main risk types and uncertainties encountered by the enterprise**

On 30 June 2007 the fleet of the Company comprises of 16 vessels: 14 being reefers, container vessel "Serenada" and dry-cargo vessel "Siuita".

On 9 February 2007 Limarko laivininkystės kompanija AB acquired motor vessels "Capella". On 22 March 2007 the Company acquired until then bareboat-chartered dry-cargo vessel "Siuita". The investment in the expansion of the fleet during the first six months of 2007 amounted to LTL 45 million.

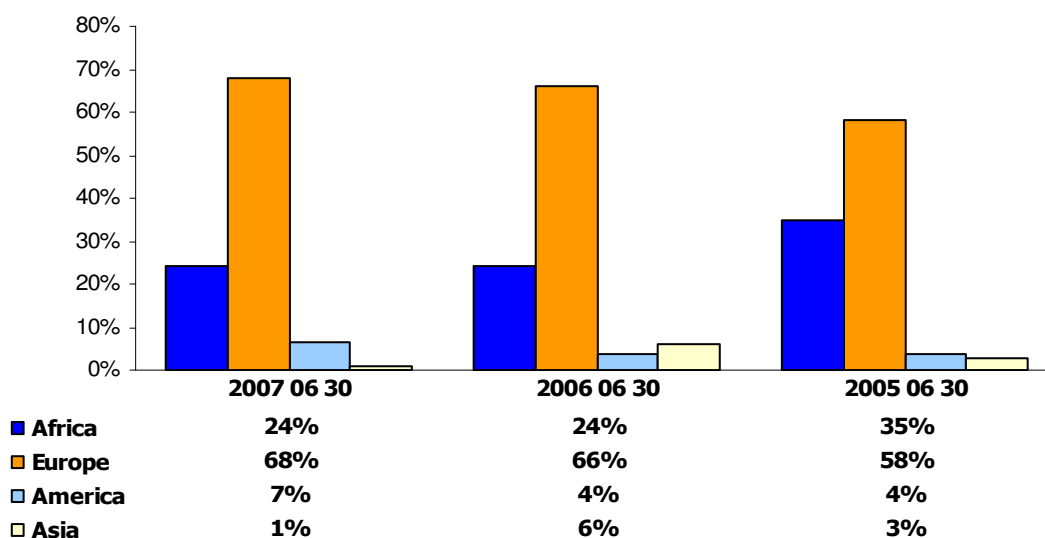
During the first six months of 2007 Limarko laivininkystės kompanija AB transported 271 thousand tons of cargo in total, whereof 61% accounted for frozen, chilled and perishable food products, and the remaining 39% accounted for dry cargo:





When compared to the first six months of 2006, the total amount of cargo transported during the first six months of 2007 decreased, the reason being that the cargo was transported on longer routes.

The main operation regions of the vessels controlled by the Company remain the continents of Europe and Africa, which respectively accounted for 68 and 24 percent of all transported cargoes. Transportations in the region of North and South America constituted 7 percent, while in Asia 1 percent of all transportations:



#### **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. Upon evaluation of the Enterprise's competitiveness it may be asserted that the potential of employees and vessels in possession allow at present to successfully operate in this market; nevertheless, in order to maintain the competitiveness of our services in the future, it is indispensable to pay attention to the renewal of the fleet, the implementation of which is sought by selling old vessels that require large operation costs and by acquiring newer ones.

The Enterprise's services realization volume depends 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 cargo transportation there exists the influence of seasonality, which manifests itself in the decrease of transportation prices in the summer season.

**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.

On 3 May 2007 the Parliament of the Republic of Lithuania adopted the Law amending and supplementing the Law on Profits, whereby the shipping companies can decide to pay the fixed profit tax (tonnage tax) instead of currently applied profit tax. These amendments to the Law on Profits shall enable Lithuanian shipping companies to allocate additional funds to the modernisation of the fleet.

**Social risk factors.** The average salary in the Enterprise exceeds the average salary in Lithuania, and there are no problems concerning the payment thereof. 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 companies authorized by the national supervisory authority in charge of the technical condition of vessels. These companies certify that 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 in Lithuania and abroad.

**Ecological risk factors.** According to the nature of its activity, the Company releases no pollution into the environment; therefore, no fines for environment pollution had to be paid. There is no possibility of suspending the Company's activity due to the negative impact on the environment.

The main ecological risk factor is related to the operation of the Company's vessels – there exists a possibility that the negative impact on the environment may be done in the case of a vessel's incident. 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.

## **7. Analysis of financial and non-financial activity results**

During the first six months of 2007 the pre-audited turnover of Limarko laivininkystės kompanija AB reached LTL 74 million and increased by 17% compared to the six months of 2006. The pre-audit net profit before taxes of the Company for the first half of 2007 was LTL 13.5 million and increased by 31% compared to the corresponding period of the last year.

The main financial results of Limarko laivininkystės kompanija AB:



LTL	H1 2007	H1 2006
Income	73 992 221	63 077 614
EBITDA	23 538 932	18 109 683
<i>EBITDA margin</i>	<i>31.8%</i>	<i>28.7%</i>
EBIT	13 629 946	9 711 789
<i>EBIT margin</i>	<i>18.4%</i>	<i>15.4%</i>
Net profit (loss)	13 462 622	10 244 340
<i>Net profit (loss) margin</i>	<i>18.2%</i>	<i>16.2%</i>
Equity	123 847 397	111 027 859
Financial debts	98 101 538	88 240 146
Total assets	243 966 510	216 476 196
Efficiency indicators:		
Return of assets, ROA (annual estimate)	5.2%	8.5%
Return on equity, ROE (annual estimate)	10.3%	16.6%
Return of capital employed, ROCE (annual estimate)	5.8%	9.2%

Following the good beginning of the year, the Company continued successful activities during the second quarter of the year. The first half of the year in the global shipping market is traditionally more active and this triggered the increasing demand for reefer vessels.

Total investments in the modernization of the fleet during the first six months of 2007 amounted to 45 million LTL. The Enterprise is planning investments in the vessels in accordance with the long-term company fleet renewal and expansion strategy, covering the period up to the year 2010. Concrete decisions depend on the situation in the world market. Currently in the global market of frozen cargo transportation there prevail favourable trends for vessel owners. The market of fruit, vegetables, frozen and chilled food products transportation is growing every year by 4 percent on the average, while the number of reefer vessels operating in the international market practically is not changing. Market experts forecast that this ratio between the demand and supply of reefer vessels that is favourable for vessel owners will remain in the proximate years.

On 30-06-2007 the Company employed 459 employees, whereof 416 worked in the fleet and 43 in the administration.

During the first six months of 2007 the Enterprise had further carried on an active social activity – Klaipeda Concert Hall, Lithuanian State Symphony Orchestra, Klaipeda Sea-sailors' Club, Universa Via School, Klaipeda Rowing Centre, Telsiai Diocese Youth Centre, M. K. Ciurlionis Fund and others were financially supported.

## **8. References and additional explanatory notes regarding the data presented in the financial accountability for the first six months of 2007**

All financial data provided in this interim report are calculated according to the International Financial Accountability Standards and are not audited.

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

During the reporting cycle the Company had acquired none of its own shares.

## **10. Material events since the close of the previous financial year**

On 9 February 2007 Limarko laivininkystės kompanija AB acquired motor vessel "Capella". The motor vessel was built in 1993 in Japan. The maximum vessel speed is 18 knots. The vessel of 134 metres in length is designed for carriage of 3,450 standard Europalettes. Motor vessel "Capella" may carry fruit,



vegetables, frozen or perishable food products (meat, fish). After completing the vessel acquisition deal, the total capacity of the refrigerators controlled by the Enterprise has increased by the tenth and now amounts to 4 million cubic feet.

On 22 March 2007 the Company acquired until then bareboat-chartered dry-cargo vessel "Siuita".

Limarko laivininkystės kompanija AB informed Klaipėda County State Tax Inspectorate that the company decided to pay the fixed profit tax (tonnage tax) for the years 2007-2016. Fixed profit tax for Limarko laivininkystės kompanija AB for the year 2007 is estimated at up to LTL 100,000. On 3 May 2007 the Parliament of the Republic of Lithuania adopted the Law amending and supplementing the Law on Profits, whereby the shipping companies can decide to pay the fixed profit tax (tonnage tax) instead of currently applied profit tax.

## 11. Plans and forecast for the enterprise's activity

Considering the trends in the international market, in the year 2007 the Company is planning to earn about 12 million LTL of pre-tax profit and reach the turnover of 140 million LTL.

In the year 2007 approximately 70 million LTL are intended to be invested in the modernization of the fleet. In February of the current year the motor vessel "Capella" was already acquired. Given favourable conditions for the acquisition of vessels as well as an optimum ratio between the price and the quality, it is planned to acquire one more vessel during this year.

## 12. The Issuer's Authorized Capital Structure

On 30 June 2007 the Enterprise's authorized capital constituted 109,450,664 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 obtain shares gratuitously if the authorized capital is being increased from the Company's funds, excluding exceptions established by the Law on Companies;
- 4) 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;
- 5) To devise all or part of shares to one or more persons;
- 6) To assign all or part of shares to other persons by the right of ownership;
- 7) To lend money in favour of the Company;
- 8) 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	109,450,664	1 LTL	109,450,664	100%

All shares of AB "Limarko Shipping Company" are paid-up.



### 13. Restrictions on assignment of securities

N/A.

### 14. Shareholders

The total number of shareholders of Limarko laivininkystes kompanija AB on 30 June 2007 was 468.

Shareholders who on 30 June 2007 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 4076537)	99,469,279	90.88%	90.88%	90.88%
Skandinaviska Enskilda Banken (Sergels Torg 2, 10640 Stockholm, code 502032908101)	6,327,335	5.78%	5.78%	5.78%

### 15. Shareholders having special control rights & Description of such rights

N/A.

### 16. All restrictions on voting rights

N/A.

### 17. 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.

### 18. Employees

	2007 06 30	2006 06 30
<b>Number of employees:</b>	<b>459</b>	<b>432</b>
Managing personnel	6	6
On-shore employees	37	30
Seamen	416	396
<b>Vidutinis bruto darbo užmokestis:</b>		
Managing personnel	12 153 Lt	16 287 Lt
On-shore employees	4 091 Lt	3 378 Lt
Seamen (with daily allowance)	4 451 Lt	3 912 Lt

### 19. 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.





## 20. 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 approves 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 – the president – 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.

## 21. Members of collegial bodies, the Company's chief executive officer, the chief finance officer

Personal status	Name, surname	Number of shares owned by the Issuer	Start date	End date
<b>Board:</b>				
Chairperson of the Board	Vytautas Lygnugaris	-	2007 04 20	2011 04 20
Board member	Igoris Uba	-	2007 04 20	2011 04 20
Board member	Sigitas Baltuška	-	2007 04 20	2011 04 20
Board member	Egidijus Bernotas	-	2007 04 20	2011 04 20
Board member	Paul Lawrence	-	2007 04 20	2011 04 20
<b>Head of administration and Finance Director:</b>				
President	Vytautas Lygnugaris	-	2003 10 07	-
Finance Director	Renaldas Vyšniauskas	-	2004 02 17	-

## 22. Information on compliance with the corporate governance code

Limarko laivininkystės kompanija AB essentially follows a recommendatory Corporate Governance Code for the Companies Listed on the Vilnius Stock Exchange adopted in August 2006.

## 23. Data on published information

During the six months of 2007 the Issuer published the following notices on material events:

- 2007-02-20 Regarding operational results Limarko laivininkystės kompanija AB in 2006
- 2007-02-20 Limarko laivininkystės kompanija AB forecast for the year 2007
- 2007-03-20 Regarding a General Meeting of Shareholders
- 2007-04-06 Regarding Draft Resolutions of Ordinary General Meeting of Shareholders
- 2007-04-20 Resolutions of the Ordinary General Meeting of Shareholders
- 2007-04-26 Results of the first quarter of 2007



2007-06-26 Results of the first half-year of 2007

All information concerning material events publicly announced during six months of 2007 is available for familiarization at the office of Limarko laivininkystės kompanija AB at the address: Naujoji Uosto str. 8, Klaipėda, and on the Company's website [www.limarko.lt](http://www.limarko.lt).

All material events related to the Company's activity and information about the time and place of the General Shareholders Meeting and other notices to be served to the shareholders and other persons were published in Lithuanian daily newspaper "Lietuvos rytas" in the order established by the laws of the Republic of Lithuania.





AB LIMARKO LAIVININKYSTĖS KOMPANIJA  
LIMARKO SHIPPING COMPANY AB

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TO: Lithuanian Securities Commission  
Konstitucijos ave. 23  
LT-08105 Vilnius, Lithuania

2007-08-08 Nr. FIN-1-145-07

### Confirmation of responsible persons

Following the Article No. 22 of Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Vytautas Lygnugaris, President of Limarko laivininkystės kompanija AB, and Renaldas Vyšniauskas, Finance Director of Limarko laivininkystės kompanija AB, hereby confirm, that to the best of our knowledge, the attached not audited Limarko laivininkystės kompanija AB Interim Financial Statements for the six months of 2007, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of Limarko laivininkystės kompanija AB. We hereby also confirm, that to the best of our knowledge, the report on business development and activities in the attached Interim Report for the first six months of 2007 is correct.

#### Enclosure:

1. Limarko laivininkystės kompanija AB Interim Financial Statements for the six months of 2007;
2. Limarko laivininkystės kompanija AB Interim Report for the first six months of 2007.

President & CEO

Vytautas Lygnugaris

Finance Director

Renaldas Vyšniauskas