

LITHUANIAN SHIPPING COMPANY

Interim report for the period of six months of 2011

August 2011
Klaipeda

Turinys

I	ACCOUNTING PERIOD, FOR WHICH THE REPORT WAS PREPARED.....	3
II	ABOUT THE COMPANY.....	3
III	NATURE OF MAIN ACTIVITIES OF THE ISSUER.....	3
IV	STRUCTURE OF THE AUTHORIZED CAPITAL.....	3
V	ABOUT DIVIDENDS.....	4
VI	RESTRICTIONS OF TRANSFER OF SECURITIES.....	4
VII	SHAREHOLDERS.....	4
VIII	RESTRICTIONS OF VOTING RIGHTS.....	4
IX	PERSONNEL.....	4
X	SIGNIFICANT AGREEMENTS.....	6
XI	OPERATIONS OF THE COMPANY'S VESSELS. SCOPE OF SERVICES. TYPES OF MARITIME CARGO.....	6
XII	MARITIME MARKET.....	10
XIII	RESULTS OF ACTIVITIES OF THE 1 ST SIX MONTHS OF 2011.....	11
XIV	SUBSIDIARIES AND REPRESENTATIVE OFFICES.....	14
XV	FINANCING ACTIVITIES.....	14
XVI	SIGNIFICANT EVENTS SINCE THE END OF PREVIOUS FINANCIAL YEAR.....	16
XVII	SHAREHOLDERS, OWNING SPECIAL RIGHTS FOR CONTROL, AND THEIR DESCRIPTION.....	17
XVIII	INFORMATION ON THE AUDIT.....	17
XIX	INSURANCE AND CLAIMS.....	17
XX	DATA ABOUT PUBLICLY ANNOUNCED INFORMATION.....	17



I ACCOUNTING PERIOD, FOR WHICH THE REPORT WAS PREPARED

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

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

II ABOUT THE COMPANY

Name: Public Company Lithuanian Shipping Company.

Legal-organizational form: Public Company

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

Organization identification number: 110865039

Former organization identification number: 1086503

Head office: Malūnininkų g. 3, Klaipėda.

Phone number: + 370 46 393 105

Fax number: + 370 (46) 393 119

E-mail address: info@ljl.lt

Website address: www.ljl.lt

Person, appointed to provide further information:

Sigute Noreikaite

LJJL Financial Director

Tel. (8 46) 393 195

Fax. (8 46) 393 133

sigute.noreikaite@ljl.lt

III NATURE OF MAIN ACTIVITIES OF THE ISSUER

Sea and coastal cargo water transport.

IV STRUCTURE OF THE AUTHORIZED CAPITAL

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

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

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

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

ISIN code – LT0000125999.

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

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

V ABOUT DIVIDENDS

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

VI RESTRICTIONS OF TRANSFER OF SECURITIES

There are no restrictions of transfer of securities.

Does not plan to pay for 2011.

VII SHAREHOLDERS

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

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

VIII RESTRICTIONS OF VOTING RIGHTS

N/A

IX PERSONNEL

The number of employees

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

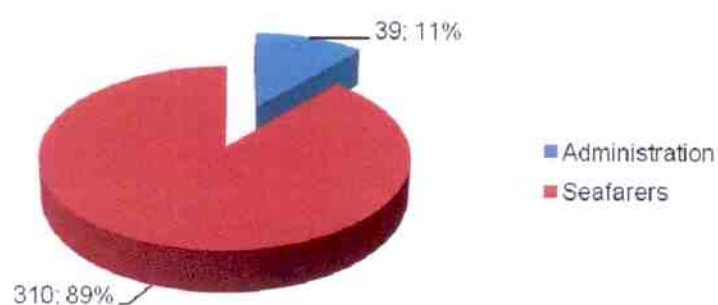


Figure 1. The number of LJJ employees for the six months ended (30/06/2011)

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

Table 1

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

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

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

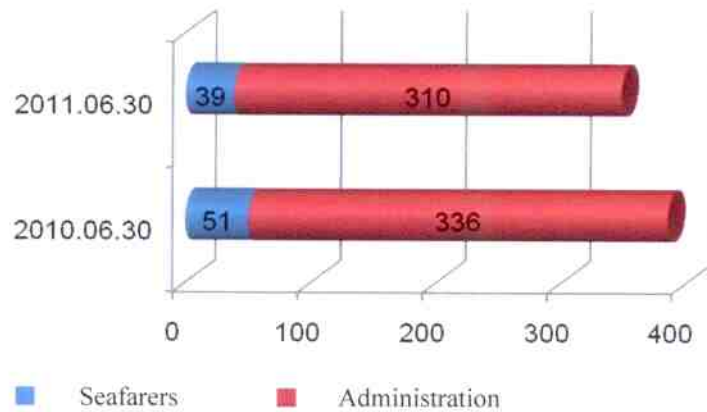


Figure 2. The number of LJL employees for 2010-2011

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

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

Table 2

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

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

Average listed number of employees and wages (LTL)

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

X SIGNIFICANT AGREEMENTS

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

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

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

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

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

Table 4

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

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

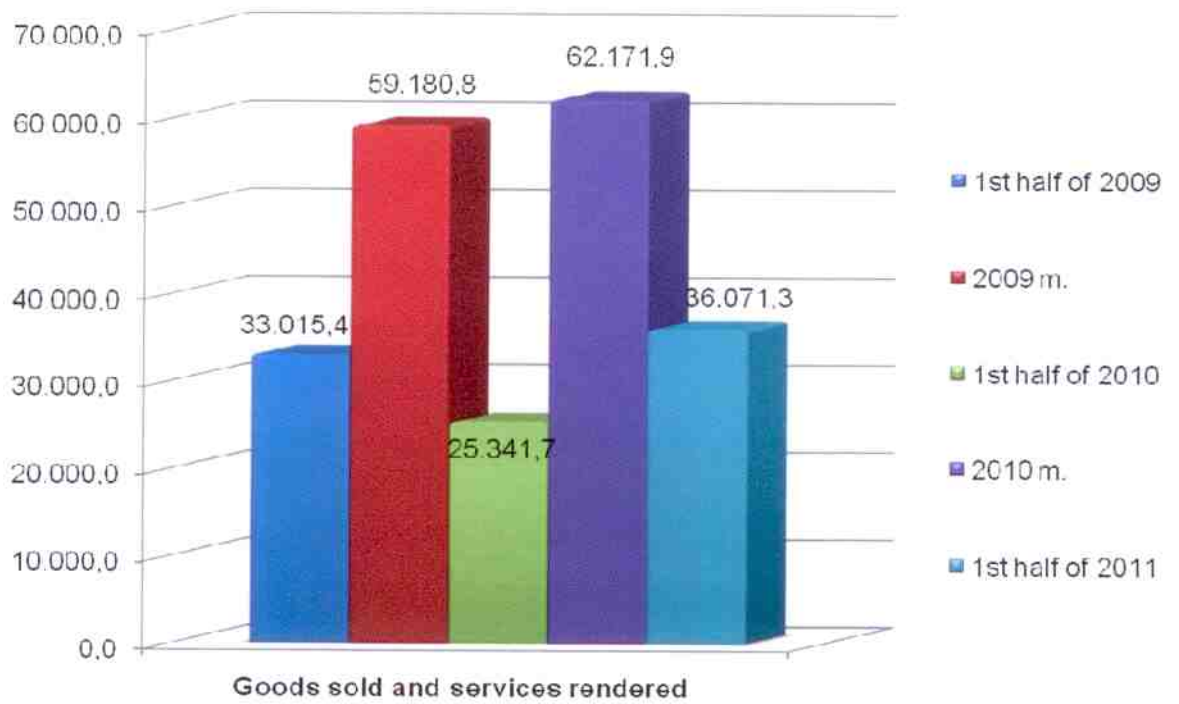
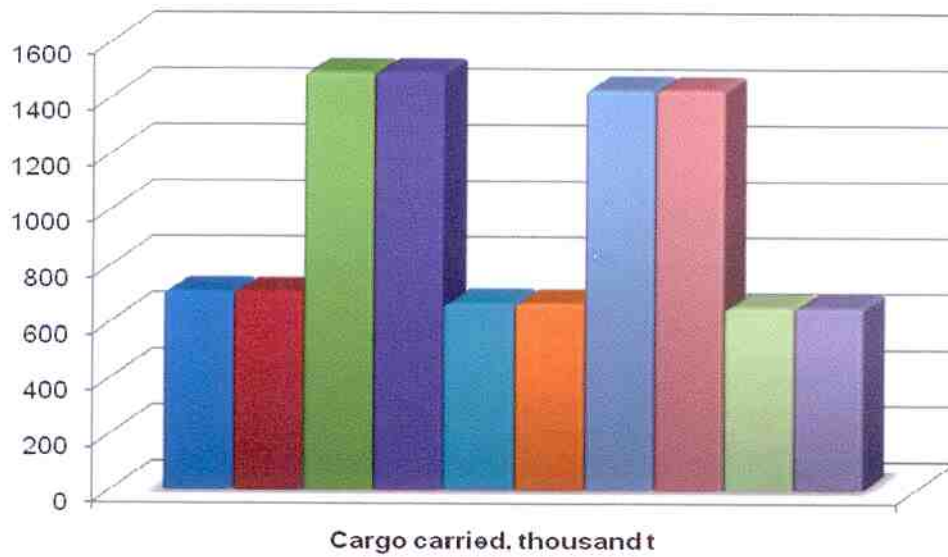


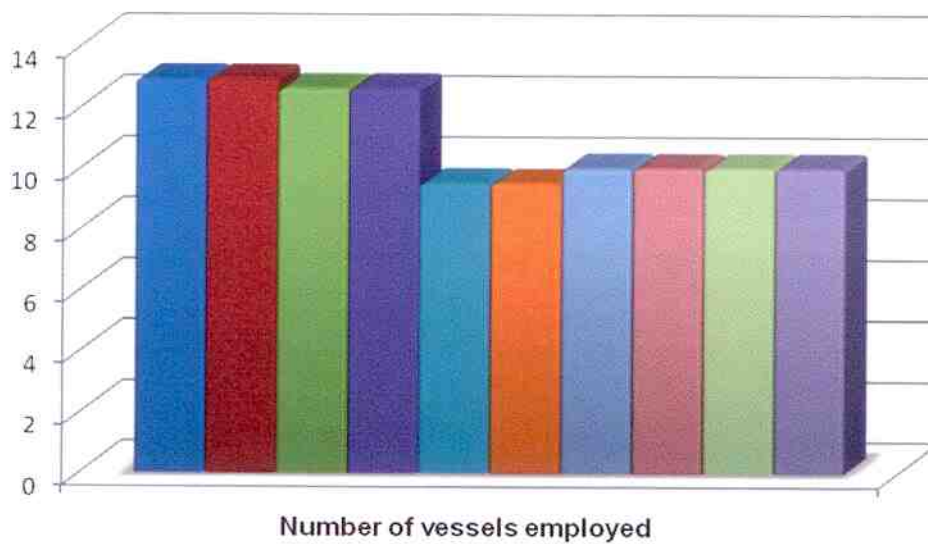
Table 5

Employment of cargo vessels, average per year

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



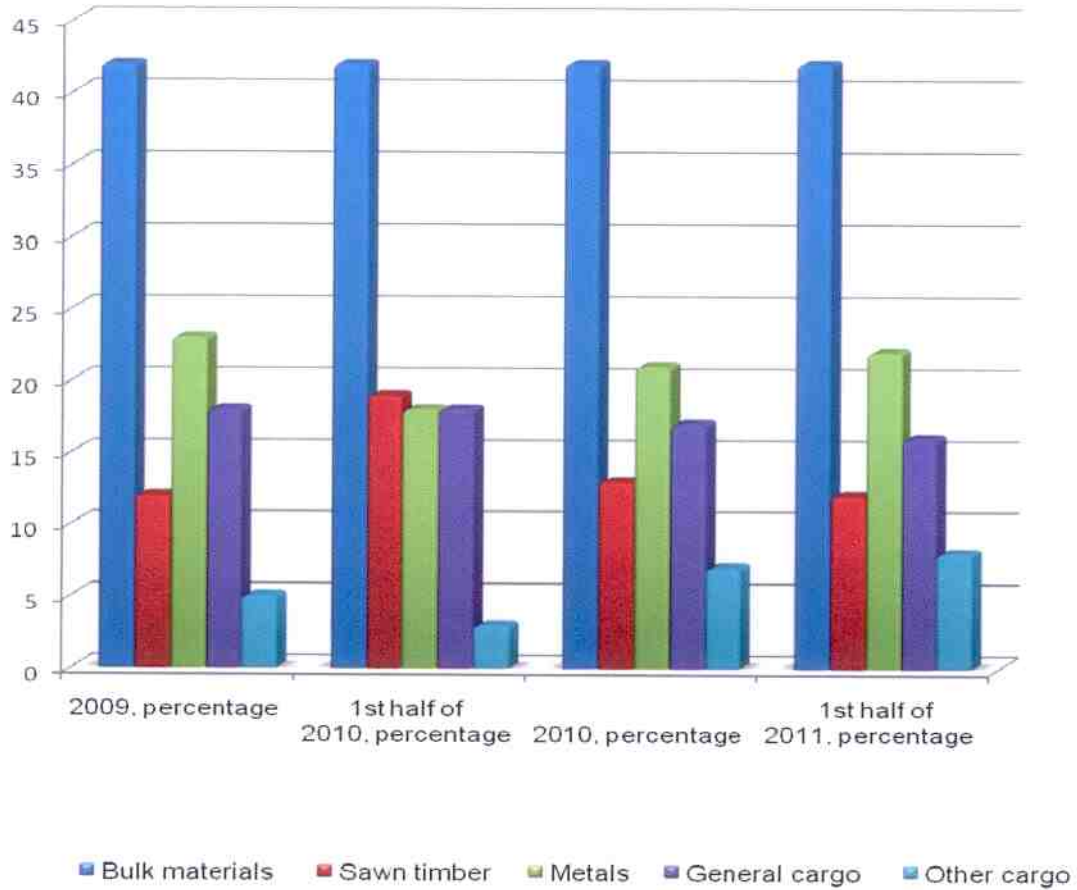
- | | |
|-----------------------------|-----------------------------|
| ■ 1st half of 2009 In total | ■ 1st half of 2010 Bulk |
| ■ 1st half of 2009 Bulk | ■ 2010 In total |
| ■ 2009 In total | ■ 2010 Bulk |
| ■ 2009 Bulk | ■ 1st half of 2011 In total |
| ■ 1st half of 2010 In total | ■ 1st half of 2011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



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

Types of cargo carried

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



XII MARITIME MARKET

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

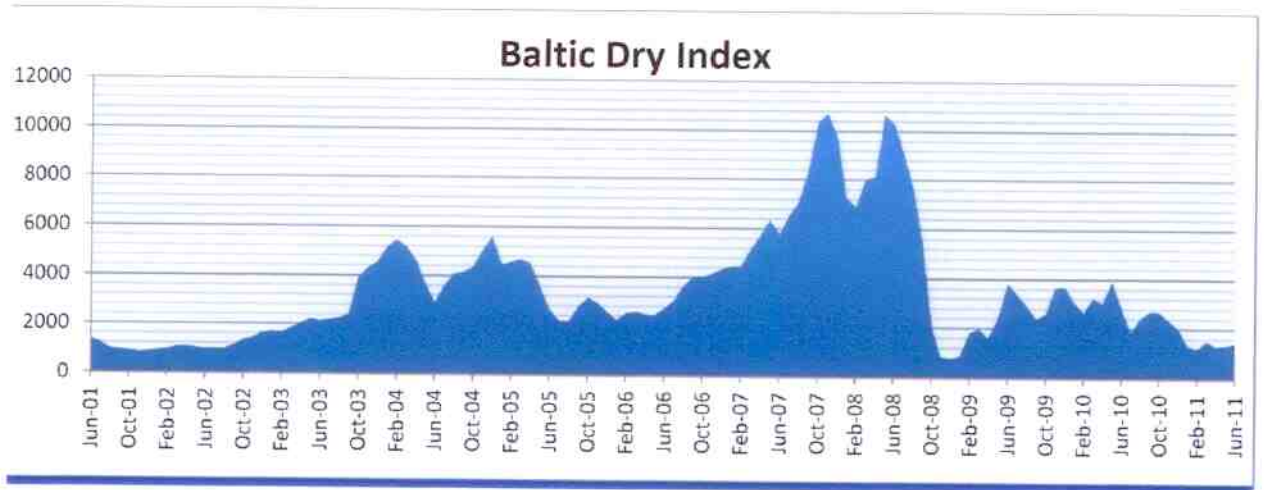


Figure 3 **Baltic Dry Index 2001-2011.**

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

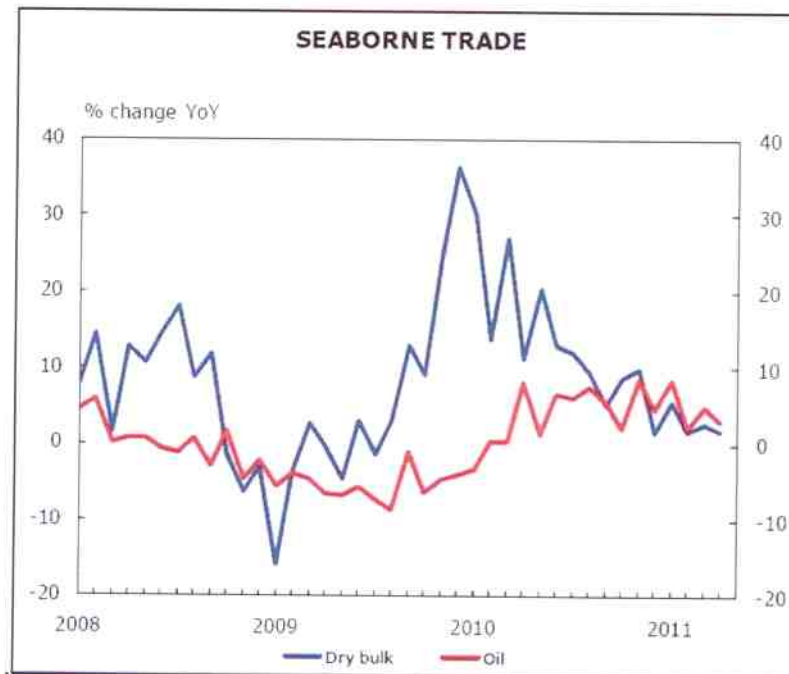


Figure 4 **World Seaborne Trade forecast**

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

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

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

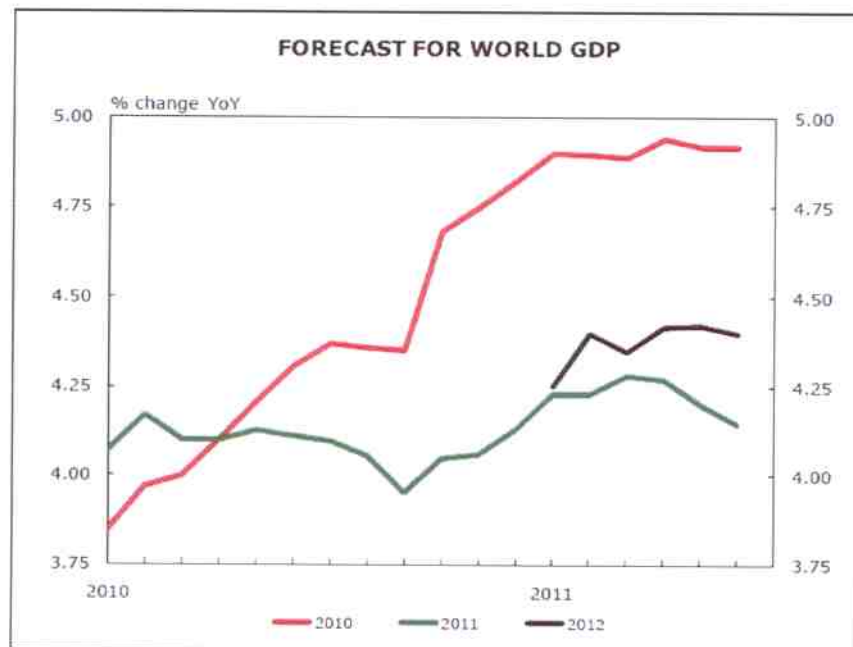


Figure 5 Forecast for World's GDP.

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

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

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

