

PUBLIC COMPANY “LITHUANIAN SHIPPING COMPANY”



**INTERIM REPORT OF THE 1ST HALF OF
2008**

KAUNAS, 2008

I. GENERAL DATA CONCERNING ISSUER

1. REPORTING CYCLE, FOR WHICH THE INTERIM REPORT HAS BEEN PREPARED

Interim report of Public Company "Lithuanian Shipping Company" for the 1st half of 2008 has been prepared for the period from 1 January 2008 to 30 June 2008.

2. ISSUER AND HIS CONTACT DETAILS (NAME, JURIDICAL FORM, DATE AND PLACE OF REGISTRY, COMPANY CODE, OFFICE ADDRESS (WHEN ADDRESSES OF REGISTERED AND FACTUAL OFFICES ARE DIFFERENT, INDICATE BOTH), TELEPHONE, FAX NUMBERS, E-MAIL ADDRESS, WEB PAGE ADDRESS)

Issuer's name: in Lithuanian Akcinė bendrovė "Lietuvos jūrų laivininkystė", in English Public company "Lithuanian shipping company".

Authorised capital: 200.901.296 litas.

Office address: Malūnininkų g. 3, LT - 92264 Klaipėda, the Republic of Lithuania.

Telephone: + 370 (46) 393 105.

Fax: + 370 (46) 393 119.

E-mail: gd@ljl.lt.

Juridical form of the organization: legal entity – public company.

Details in the Docket of Company registry Office :

Date of registry: 27th June, 2001.

Docket keeper: State owned company Registry Center

Company registry No.: BĮ 01 – 128

Company code: 110865039

Previous company code: 1086503

Web page: <http://www.ljl.lt>

3. THE OBJECTIVE OF THE ISSUER'S MAIN BUSINESS (NATURE)

Business type - marine transport.

Company Business Objective. The Company has 23 business types intended in its statutes, there is also the main, which is being actually implemented:

61.10. Marine and coast water transport.

4. INFORMATION ON AGREEMENTS WITH AGENTS RELATED TO PUBLIC TURNOVER OF SECURITIES

On 1st November, 2002 the public company "Lithuanian shipping company" signed an agreement for handling securities with UAB FMĮ "Jūsų tarpininkas", A. Mickevičiaus g. 29-3, 44245 Kaunas, tel.: + 370 (37) 322 995, fax.: + 370 (37) 322 373.

5. DATA RELATED TO SALES OF THE ISSUER'S SECURITIES IN REGULATED MARKETS (THE NAME OF THE REGULATED MARKET, THE NUMBER OF SECURITIES PRESENTED FOR SALE)

Since 9th July, 2001 200.901.296 ordinary registered shares of the public company "Lithuanian shipping company" with nominal value of one litas (bendroji nominalioji vertė 200.901.296 Lt) have been quoted in Vilnius Exchange of Securities (former National Exchange of Securities) in the current sales list.

After new regulations of Vilnius Exchange of Securities came into effect on 30.05.2005, direct deals are calculated as automatically handled deals, together with other deals of central market.

Financial statement of Public Company "Lithuanian Shipping Company" for the period ended 30 June 2008 (in thousands of Litas, if not indicated otherwise) and interim report of the 1st half of 2008

The results of the last 8 quarters (each separately) for securities sold by automatic handling deals

Reporting cycle		Price			Turnover (Lt)			Date of the last session	Total turnover	
From	To	Max	Min.	Last session	From	To	Max.	Min.	Last session	From
2006 07 01	2006 09 30	0,55	0,48	0,52	530.000	0	10.400	2006 09 30	5.927.973	3.010.147
2006 10 01	2006 12 31	0,64	0,49	0,62	238.281	0	4.650	2006 12 30	4.851.946	2.667.978
2007 01 01	2007 03 31	0,71	0,56	0,59	322.672	0	8.693	2007 03 31	7.378.103	4.823.176
2007 04 01	2007 06 30	0,62	0,56	0,59	233.129	0	87.732	2007 06 30	3.355.014	1.979.230
2007 07 01	2007 09 30	0,63	0,58	0,60	211.734	0	43.800	2007 09 30	3.210.125	1.957.307
2007 10 01	2007 12 31	0,65	0,57	0,57	272.478	0	1.425	2007 12 30	4.063.110	2.537.589
2008 01 01	2008 03 31	0,60	0,50	0,55	99.026	0	3.154	2008 03 31	1.861.381	998.559
2008 04 01	2008 06 30	0,55	0,54	0,48	40.544	0	6.760	2008 06 30	781.654	388.522

Sales of issuer's securities outside the Exchange

Period	3 rd quarter of 2006	4 th quarter of 2006	1 st quarter of 2007	2 nd quarter of 2007	3 rd quarter of 2007	4 th quarter of 2007	1 st quarter 2008	2 nd quarter 2008
Cash payment								
Turnover, LTL	194.695,05	3.717.913,21	-	10.8196,10	426.078,70	115.961,72	-	-
Turnover, units	487.783	10.481.563	-	186.545	734.515	195.799	-	-
The lowest price, LTL	0,25	0,00	-	0,58	0,58	0,58	-	-
The highest price, LTL	0,51	0,41	-	0,58	0,58	0,58	-	-
Non-cash requital								
Turnover, units	23.636	165.045	909.090	74.836	3.049	28.854	41.325	15.745

Information prepared in accordance with www.csdl.lt information announced in on deals made outside exchange over the 1st half of 2008 as well as the report over the 1st half of 2008 conducted by UAB FMĮ „Jūsų tarpininkas“.

Sales of the Issuer's securities in other Exchange parlours or other organized markets shall not be carried out. Over the 1st half of 2008 the Company did not obtain its own shares nor did it transfer them. None of the third parties submitted an official offer to acquire the issuer's securities. The issuer has not submitted an official offer to obtain securities issued by a third party.

6. IMPARTIAL OVERVIEW OF THE COMPANY STATE, ITS WORK PERFORMANCE AND EXPANSION, DESCRIPTION OF THE MAIN TYPES OF RISKS GENERALITIES MET BY THE COMPANY

Substantial alterations within the 1st half of 2008 are given herein. Non-mentioned information, which did not contain any alterations within the accounting period, is available in item 6 of the annual report for the year ended 2007.

ABOUT THE COMPANY

Public company "Lithuanian shipping company" (LJL, Company code 110865039, Malūnininkų g. 3, Klaipėda) founded on 27th June, 2001, upon reorganization of the Public Company "Lithuanian Shipping Company" (LISCO), company number 4035584, by way of division in accordance with the Law on Companies of the Republic of Lithuania of 5 July 1994 No. I-528 (as amended and supplemented), Article 10, Part 4, Item 2. Authorized capital of Public Company "Lithuanian Shipping Company" amounts to 200,9 million LTL.

Address of the company is registered at Malūnininkų g. 3, LT-92264 Klaipėda.

Website of the company is www.ljl.lt.

The Company securities have been included in NVPB current sales list since 09.07.2001:

- the quantity of the issue - 200.901.296 units;
- nominal value - 1 LTL;
- total nominal value of the issue - 200.901.296,00 LTL.

Information about the shareholders of the company is given in the General part of the Explanatory letter of the Financial statement of Public Company "Lithuanian Shipping Company" of 30 June 2008.

As of the beginning of establishment, the company has been engaged in the activities of the Lithuanian Shipowners' Association and Klaipėda Association of Industrialists, it is also the member of BIMCO (The Baltic and International Maritime Council).

The main activities of the company (50.20) – Maritime and coastal cargo water transport.

According to the activity development strategy of the company, one of the main tasks is the implementation of the shipping development as well as renovation program.

In order to ensure stable and predictable results of shipping operation as well as reduce the risk of losses to the maximum, the vessels of the Lithuanian Shipping Company are hired on the *time-charter* basis in cooperation with the charterers with goodwill, who are able to ensure their financial solvency. Lithuanian Shipping Company do not develop the container shipping, since they do not have the vessels with the required speed, which are fairly expensive and the type of activities – very risky.

In the beginning of 2008, there were 15 vessels operating in the company, in the end of the first half of the year (30/06/2008) - 14 vessels. During 2008, the company sold 2 remaining "K. Panfilov" type vessels: "K. Serafinas" and "K. Stulpinas", as well as acquired one multipurpose bulky cargo vessel "Venta" (former "Dual Confidence"), built in 1995, in Japan, 24202 t DWT. The credit in the amount of 23 million US dollars was taken from the bank for the acquisition of the vessel. The vessel was acquired on 09/05/2008 for 33,9 million US dollars (76,3 million LTL).

Currently Lithuanian Shipping Company own the following 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. 2 multipurpose ("Staris", "Svilas") – 9650 DWT each.
5. 1 general cargo ("Skalva") – 9498 DWT.
6. 1 general cargo ("Alka") – 7346 DWT.
7. 4 multipurpose "Asta" type ("Asta", "Akvilė", "Daina", "Audrė" – 5820 DWT each.
8. 1 multipurpose "Uglegorsk" type ("Algirdas") – 4470 DWT.

MANUFACTURING (SERVICE) CHARACTERISTICS

Total quantity of services provided, LTL

Title	2005	2006	2007	1 st half of 2008
Items sold and services provided	96.417.514	102.129.181	91.701.300	42.708.505

Use of cargo ships, average quantity per year

Title of the indicator	2006	2006	2007	2007	1 st half of 2008	1 st half of 2008
	Total	Dry load	Total	Dry load	Total	Dry load
Number of operating ships	18,1	18,1	17,3	17,3	14,7	14,7
Their deadweight, thousands of tons	220,43	220,43	189,77	189,77	160,1	160,1
Cargo transported, thousands of tons	2237	2237	2255	2255	797	797

The efficiency of the operation (working efficiency) of the vessels is demonstrated by the income per 1 DWT, which was higher in the 1st half of 2008.

Types of cargo transported

Types of cargo transported	2005	2006	2007	1 st half of 2008
	Percent	Percent	Percent	Percent
Bulk cargo	40	59	51	60
Timber	36	21	24	7
Metals	16	7	20	3
General cargo	8	8	-	10
Cargo of other type	-	5	5	20
Total:	100	100	100	100

7. ANALYSIS OF FINANCIAL AND NON-FINANCIAL ACTIVITY RESULTS

ACTIVITY RESULTS FOR 1st HALF OF 2008

According to non-verified data of auditors, during the first half of 2008 Lithuanian Shipping Company received 29.8 million LTL of gross profit. Gross profit received amounted to a bigger sum than it was planned by 14.9 million LTL (99.9 %).

In 2008 the Company earned 80.3 million LTL of income, including 42.7 million LTL from the fleet activity, 34.7 million LTL from selling old used vessels and the warehouse that do not comply with needs as

well as 2.9 million LTL from financial activity (interests from banks, profit from foreign exchange operations. Lithuanian Shipping Company received income more than it planned by 17.9 million LTL, including 1.6 million LTL from fleet activity, 13.5 million LTL from selling old vessels and the warehouse and 2.8 million LTL from financial activity due to unplanned profit from foreign exchange operations.

In Lithuanian Shipping Company the main income is earned by the fleet. Having sold the fleet services 42.7 million LTL, or 53 % of the Company's sales were earned. In 2008 amount of sales was smaller than in 2007 by 4.6 million LTL, since the vessels were operating less than 768 days, although time-charter equivalent for the day is bigger by 3,188 Lt. Drop in US dollar rate had influenced decrease in income.

All vessels of Lithuanian Shipping Company had been working according to time charter agreements. In 2008 income from vessels day rent (time-charter equivalent) – 4,963 euro, (17,137 Lt). Time-charter equivalent comparing with the previous year period is bigger by 923 euro or 3,188 Lt and comparing with the budget is bigger by 219 euro, or 755 Lt.

The Company earns the main income in Euros and US dollars. Income from fleet activity in US dollars amounts to 44 % on the average. In 2008 US dollar on the average equaled to 2.2586 Lt (in June – 2.2215 Lt), when in 2007 on the average it equaled to 2.5977 Lt (in June – 2.5737 Lt).

Expenditures of the Company on income earning amounted to 50.5 million LTL, including fleet expenditures – 44.1 million LTL (87 %), general and administrative expenditures – 3.5 million LTL (7 %), financial expenditures or interests expenditures of credits for vessel purchase – 1.5 million LTL (3 %), residual values of vessels and warehouse sold – 1.3 million LTL (3 %).

LJL expenditures according to corresponding articles are allocated as follows: 17.9 million LTL (35 %) are vessels operating costs, repair, other administration and sales costs, 16.1 million LTL (32 %) – employees' expenses, 13.5 million LTL (27 %) – vessels and other property wear, 1.3 million LTL (3 %) – residual values of old vessels and warehouse sold, 1.6 million LTL (3 %) – interests for credits for vessel purchase paid to the bank.

While examining all component parts of the company's expenses, we will review certain predominating parts of those according to significance for the Company a bit wider.

Personnel expenses in 2008 amounted to 16.1 million LTL (32 %). The main employee hiring expenses (84 %) consist of vessel crews' employee costs.

13.5 million LTL or 27 % of the Company's expenses consist of depreciation expenses, 2.0 million LTL or 4 % - insurance costs. This is practically fleet expenses.

During the 1st half of 2008 there were 5 vessels repaired out of 8 planned. In 2008 vessels repair costs amounted to 6.1 million LTL, unforeseen repair – 0.4 million LTL. Spare parts expenses amounted to 2.8 million LTL. Repair and spare parts expenses amounted to 9.3 million LTL, that comprises 18 % of the company's expenses are bigger than estimated due to repair for vessels "Daina" 0.3 million LTL, "Staris" 0.3 million LTL, "Raguva" 0.2 million LTL.

Off-hire (non-received rent due to vessel breakdown, failures, arrests, etc.) amounted to 1.0 million LTL, 2%, or 1.9 % of Lithuanian Shipping Company fleet costs. Causes of off-hire are technical and commercial. Off-hire due to technical causes amounts to 0.9 million LTL (94 %).

While managing its monetary resources the Company received interests from banks and pays to the banks for credits and other services. In 2008 the Company received 0.5 million LTL of income for deposits and paid 1.6 million LTL of interest to the bank for credit for vessel purchase. Amount of interests paid to the bank is less than planned due to drop in US dollar exchange rate and due to reduced LIBOR in US dollars, which is the currency for the greatest part of credits of Lithuanian Shipping Company.

In 2008 the Company refunded 25.9 million LTL of credit to the bank. Debt of the Company to the bank for credits for vessel purchase in the end of reporting period (30.06.2008) amounted to 83.1 million LTL. In the summer 2008 credit contract for 23.0 million US dollars credit for purchase of "Dual Confidence" vessel was made.

8. REFERENCES AND SUPPLEMENTARY EXPLANATIONS ON THE DATA SUBMITTED IN FINANCIAL STATEMENT

All data, given in the financial statement, is calculated under International Standards of Financial Accountability.

9. INFORMATION ABOUT THE ACQUIRED AND POSSESSED SHARES OF THE COMPANY

The Company has not acquired any shares during the accounting period.

10. PLANS AND FORECASTS OF THE ACTIVITY OF THE COMPANY

Following the Strategic Activity Plan approved by the Board of the public company “ Lithuanian Shipping Company ”:

THE MISSION OF THE COMPANY AND STRATEGIC OBJECTIVES

The mission of the Company is cargo transportation by international sea and ocean routes, in a qualified way and in due time, following the rules and standards accepted in international navigation and the laws of the Republic of Lithuania, meeting properly the interests of shareholders, maintaining the competitiveness, assuring the accountability of the service suppliers of the Company, environmental protection, staff security, salaries and wages under market conditions.

The objectives of the Company are divided into two parts:

1. Financial objectives are as follows:
 - more rapid income growth,
 - the cutback of ship maintenance costs.
2. Strategic goals are as follows:
 - activities in expensive and stable transportation market,
 - safe navigation,
 - minimal number of ship detentions in foreign ports.

The worldwide navigation business is very sensitive to diverse factors.

Political factors, making impact on international navigation market in line with our Company, like international conflicts (for example, the war in Iraq), assassinations and their expansion, piracy, civil wars (in some regions of Africa). Due to these factors prices on fuel and oil products are growing up. Implementation of measures against terrorism in ports and ships enhances the self cost prices of ship services.

Economic factors.

The demand for world park of dry cargo ships. During the last three years the demand on dry cargo transportation services, measuring in tons per a mile, has grown up. This growth, expressed in tons per a mile, was even bigger than not such apparent growth of dry cargo trade volumes, reflecting the growing globalization of world economy and enhancing the integration of Brazil, Russia, India and China (BRIC) into global trade, with relevantly growing transportation distances (for example, transportation of iron ore from Brazil to China, bauxite from Australia to Russia and etc).

Social factors. The Company cares about ecological factors very much. According to the VI annex of MARPOL convention the ships sailing in the Baltic and the North Seas shall employ the fuel with the amount of sulphur not exceeding 1, 5 percent ; therefore fuel storing and preparation systems have been updated. The relevant investments were necessary. The prices on fuel with the 1,5 percent of sulphur boosted by 10 percent in comparison with fuel oil, having 3,5 percent of sulphur. The possibilities to buy it at any port reduced.

At the end of 2005 the demand for younger personnel, i.e. seafarers, appeared. For the meantime it is still not very relevant, but in future the deficiency of some qualified seafarers of certain specialties (for example, a motorman – turners, a seaman – welder) may occur.

