

**LIETUVOS JURU LAIVININKYSTE
(JOINT STOCK COMPANY)**

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

Trakų g. 3/2
LT – 01132 Vilnius
Lietuva



Tel. +370 (5) 268 5929
Faksas +370 (5) 268 5930
admin@moorestephens.lt
www.moorestephens.lt

**Independent Auditor's Report to the Shareholders of
AB "LIETUVOS JURU LAIVININKYSTE"**

We have audited the enclosed balance sheet of AB "LIETUVOS JURU LAIVININKYSTE" for the year ended 31 December 2005, related profit (loss) account, statement on changes in equity and cash flow statement for 2005, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements on the basis of our audit.

We conducted our audit in accordance with International Standards on Auditing approved by International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion

In our opinion the financial statements present fairly, in all material respects the financial position of AB "LIETUVOS JURU LAIVININKYSTE" as of 31 December 2005, its cash flows and results of its operations for 2005 and are prepared in accordance with the International Financial Reporting Standards as adopted by the EU.


UAB "Moore Stephens Vilnius"
(Audit Certificate No.001226)
Director D. Pranckėnienė
(Auditor's License No.000345)

Auditor Birutė Traubergienė
(Auditor's License No. 000296)

27 March 2006
Vilnius

Partnerių sąrašas
patelkiamas
Interneto svetainėje

Moore Stephens
International Limited
tinklo narė
- partneriai
pagrindiniuose
pasaulio miestuose

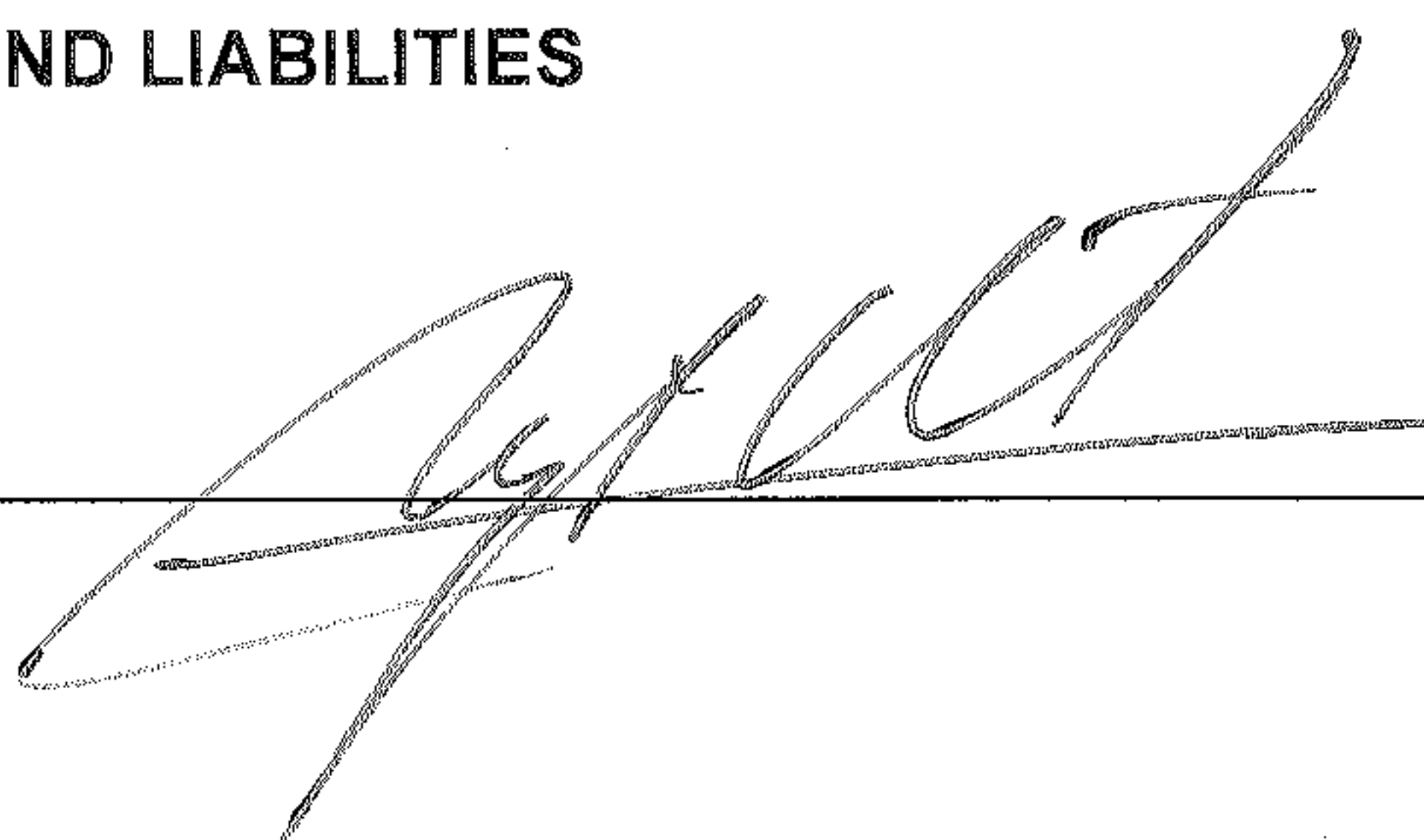
BALANCE SHEET
 31 December 2005

In LTL

ASSETS	Note No.	31 December 2005	31 December 2004
A. NON-CURRENT ASSETS		246.163.160	201.932.374
I. INTANGIBLE ASSETS	B.1.	13.138	41.853
I.1. Development work			
I.2. Goodwill			
I.3. Licenses and patents			
I.4. Computer software		13.138	41.853
I.5. Other intangible assets			
II. TANGIBLE ASSETS	B.2.	240.425.563	195.632.471
II.1. Land			
II.2. Buildings and construction		3.504.456	3.561.526
II.3. Machinery		1.858.920	2.093.300
II.4. Other transport means	B.3.	542.159	84.092
II.5. Ships		224.886.514	188.962.163
II.6. Repairs		9.402.223	676.835
II.7. Other material assets		231.291	254.555
III. FINANCIAL ASSETS			
III.1. Investments in subsidiaries and associates			
III.2. Loans to subsidiaries and associates			
III.3. Amounts receivable after one year			
III.4. Other financial assets			
IV. DEFERRED TAX ASSETS	B.4.	5.724.459	6.258.050
B. CURRENT ASSETS		11.716.055	24.386.641
I. INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS	B.5.	2.055.178	1.413.733
I.1. Inventories		462.710	611.327
I.1.1. Raw materials and components		462.710	611.327
I.1.2. Work in progress			
I.1.3. Finished goods			
I.1.4. Goods for resale			
I.2. Prepayments		1.592.468	802.406
I.3. Contracts in progress			
II. AMOUNTS RECEIVABLE WITHIN ONE YEAR	B.6.	425.327	822.233
II.1. Trade amounts receivable		219.421	583.685
II.2. Receivable from subsidiaries and associates			
II.3. Other amounts receivable		205.906	238.548
III. OTHER CURRENT ASSETS	B.7.	8.959.420	21.647.183
III.1. Current investments		700	1.050
III.2. Time deposits		8.958.720	21.646.133
III.3. Other current assets		0	
IV. CASH AND CASH EQUIVALENTS	B.8.	276.130	503.492
TOTAL ASSETS		257.879.215	226.319.015

EQUITY AND LIABILITIES		Note No.	31 December 2005	31 December 2004
C.	EQUITY		210.982.887	194.541.512
I.	CAPITAL	B.9.	200.901.296	200.901.296
I.1.	Authorised (subscribed)		200.901.296	200.901.296
I.2.	Subscribed uncalled share capital (-)			
I.3.	Share premium			
I.4.	Own shares (-)			
II.	REVALUATION RESERVE (RESULTS)			
III.	RESERVES	B.10.	26.457.313	29.355.253
III.1.	Legal reserve		25.947.313	29.355.253
III.2.	Reserve for acquiring own shares			
III.3.	Other reserves		510.000	
IV.	RETAINED PROFIT (LOSSES)	B.11.	-16.375.722	-35.715.037
D.	GRANTS AND SUBSIDIES			
E.	AMOUNTS PAYABLE AND LIABILITIES		46.896.328	31.777.503
I.	NON-CURRENT AMOUNTS PAYABLE AND LIABILITIES		30.449.901	21.028.733
I.1.	Financial debts	B.12.	25.866.049	17.888.351
I.1.1.	Leases and similar obligations			
I.1.2.	To credit institutions		25.866.049	17.888.351
I.1.3.	Other financial debts			
I.2.	Trade amounts payable			
I.3.	Amounts received in advance			
I.4.	Provisions			
I.5.	Deferred taxes	B.13.	4.583.852	3.140.382
I.6.	Other amounts payable and non-current liabilities			
II.	CURRENT AMOUNTS AND LIABILITIES		16.446.427	10.748.770
II.1.	Current portion of non-current debts			
II.2.	Financial debts	B.12	8.139.891	4.743.550
II.2.1.	To credit institutions		8.139.891	4.743.550
II.2.2.	Other debts			
II.3.	Trade amounts payable		872.500	533.156
II.4.	Amounts received in advance		2.639.680	2.184.781
II.5.	Profit tax liabilities	B.14.	1.590.389	129.732
II.6.	Liabilities related to employment relations		2.011.161	2.359.497
II.7.	Provisions		347.000	343.360
II.8.	Other amounts payable and current liabilities		845.806	454.694
	TOTAL EQUITY AND LIABILITIES		257.879.215	226.319.015

General Director



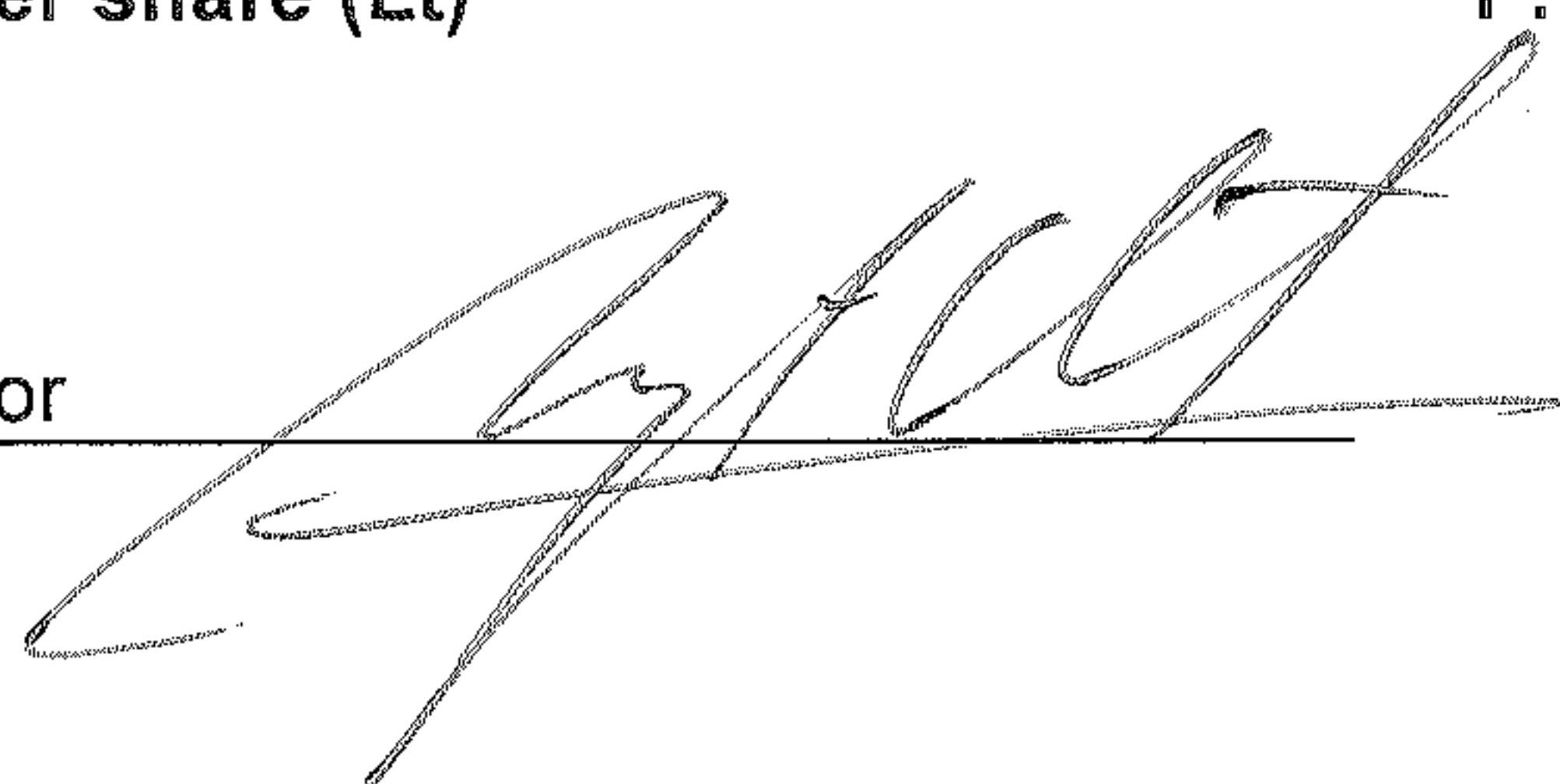
Vytautas Vismantas

PROFIT (LOSS) STATEMENT
 31 December 2005

In LTL

Line No	Items	Note No	2005	2004
I.	SALES REVENUE	P.15.	96.417.514	86.122.026
II.	COST OF SALES	P.16.	79.251.129	75.258.893
III.	GROSS PROFIT (LOSS)		17.166.385	10.863.133
IV.	OPERATING EXPENSES	P.16.	6.738.970	5.785.379
IV.1.	Sales		39.539	41.508
IV.2.	General and administrative		6.699.431	5.743.871
V.	OPERATING PROFIT (LOSS)		10.427.415	5.077.754
VI.	OTHER ACTIVITIES		13.685.199	3.638.100
VI.1.	Income	P.17.	13.731.478	3.699.230
VI.2.	Expenses		46.279	61.130
VII.	FINANCING AND INVESTING ACTIVITIES		-2.917.822	1.211.312
VII.1.	Income	P.17.	637.049	2.045.535
VII.2.	Expenses		3.554.871	834.223
VIII.	PROFIT (LOSS) FROM ORDINARY ACTIVITIES		21.194.792	9.927.166
IX.	EXTRAORDINARY GAIN			
X.	EXTRAORDINARY LOSS			
XI.	PROFIT (LOSS) BEFORE TAXATION		21.194.792	9.927.166
XII.	PROFIT TAX		3.628.368	462.174
XIII.	NET PROFIT (LOSS)		17.566.424	9.464.992
XIV.	Profit (loss) per share (Lt)	P.18.	0,087	0,047

General Director



Vytautas Vismantas

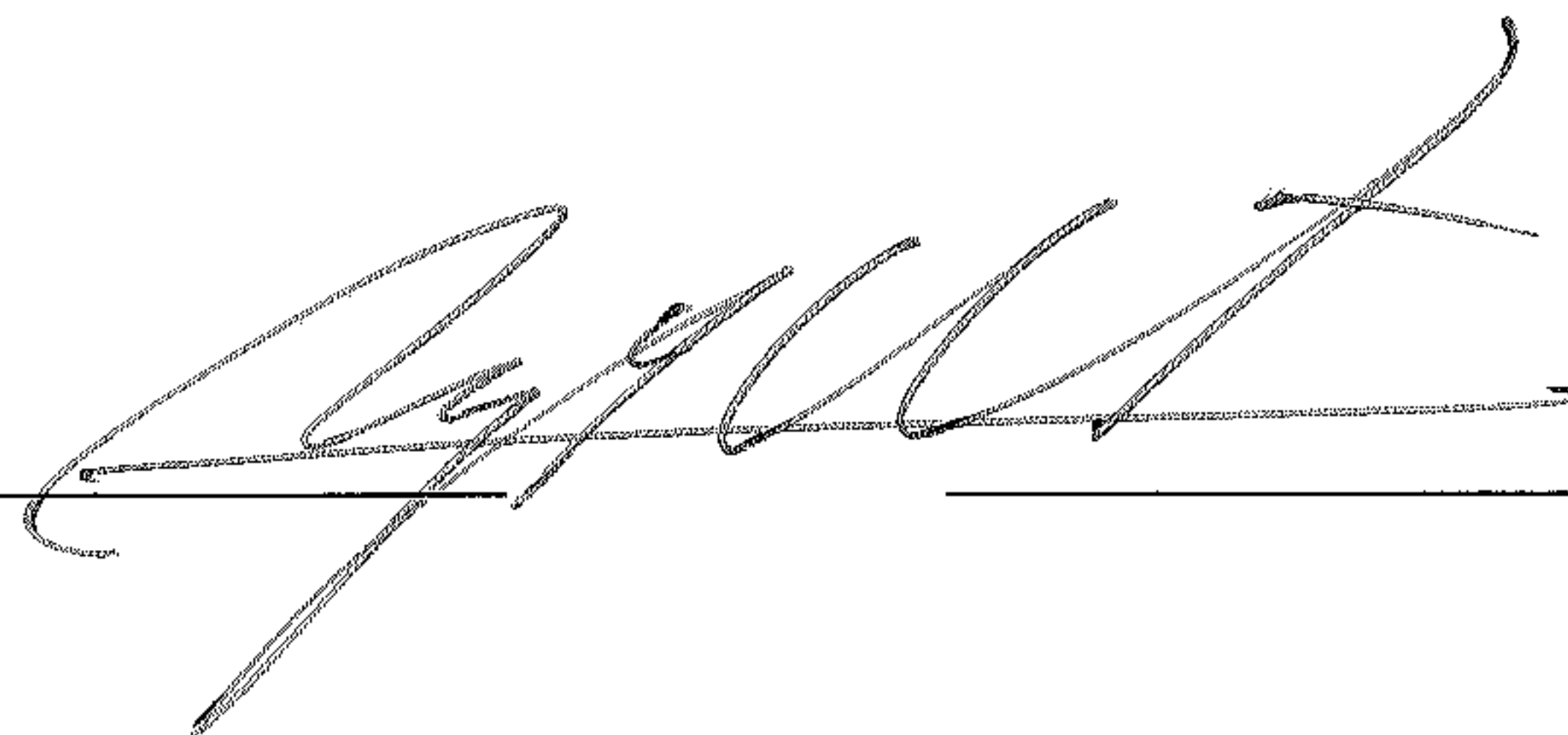
AB "Lietuvos jūrų laivininkystė"
 110865039, Malūnininkų g.3, LT-92264 Klaipėda

STATEMENT OF CHANGES IN EQUITY
 31 December 2005

In LTL

	Paid share capital	Reserves required by law	Other reserves	Retained profit (loss)	Total
1 Balance as of 31 December 2003	200.901.296	7.819.261	15.059.343	-8.075.500	215.704.400
2 Result of changes in accounting policy					
3 Result of correcting material errors					
4 Recalculated balance as of 31 December 2003	200.901.296	7.819.261	15.059.343	-8.075.500	215.704.400
5 Gain / losses on non-current tangible assets revaluation				-36.885.931	-36.885.931
6 Profit / loss not recognized in the Profit (loss) Statement				6.258.050	6.258.050
7 Net profit / loss of the reporting period				9.464.992	9.464.992
8 Formed reserves		21.535.992	-15.059.343	-6.476.649	
9 Balance as of 31 December 2004	200.901.296	29.355.253	0	-35.715.038	194.541.511
10 Net profit / loss of the reporting period				17.566.424	17.566.424
11 Dividends				-1.125.048	-1.125.048
12 Formed reserves			510.000	-510.000	
13 Used reserves		-3.407.940		3.407.940	
14 Balance as of 31 December 2005	200.901.296	25.947.313	510.000	-16.375.722	210.982.887

General Director



Vytautas Vismantas

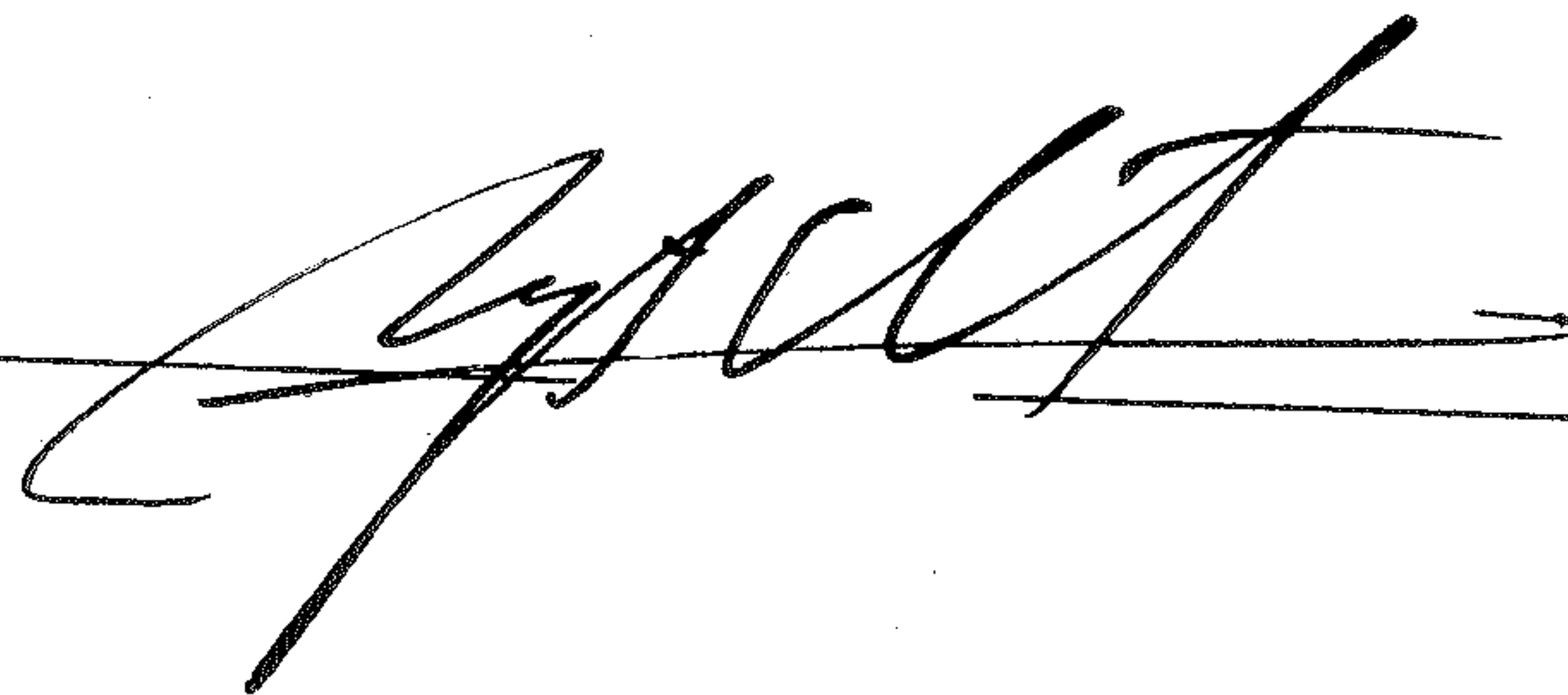
CASH FLOW STATEMENT
31 December 2005

In LTL

No.	Items	Note No.	31 December 2005	31 December 2004
I.	Cash flows from operating activities			
I.1.	Net profit (loss)		17.566.424	2.809.335
I.2.	Depreciation and amortisation expenses		20.496.105	23.952.304
I.3.	Decrease (increase) in amounts receivable after one year			
I.4.	Decrease (increase) in inventories		148.616	-257.827
I.5.	Decrease (increase) in advance payments received		-621.783	76.309
I.6.	Decrease (increase) in contracts in progress			
I.7.	Decrease (increase) in trade receivables		364.264	2.945.739
I.8.	Decrease (increase) in amounts receivable from subsidiaries and associates			
I.9.	Decrease (increase) in other amounts receivable		32.642	788.900
I.10.	Decrease (increase) in other current assets			
I.11.	Increase (decrease) in non-current payables to suppliers and advance payments received			
I.12.	Increase (decrease) in current payables to suppliers and advance payments received		794.242	-260.993
I.13.	Increase (decrease) in payable profit tax		1.460.657	129.732
I.14.	Increase (decrease) in liabilities to employees		50.632	-107.039
I.15.	Increase (decrease) in provisions		1.284.779	3.822.421
I.16.	Increase (decrease) in other amounts payable and liabilities		391.112	-27.230
I.17.	Elimination of results of financing and investing activities		1.113.065	6.178
	Net cash flows from operating activities		43.080.755	33.877.829
II.	Cash flows from investing activities			
II.1.	Acquisition of non-current assets (excluding investments)		-69.691.465	-19.259.206
II.2.	Transfer of non-current assets (excluding investments)		4.964.573	-657.650
II.3.	Acquisition of long-term investments			
II.4.	Transfer of long-term investments			
II.5.	Loans granted			
II.6.	Loans recovered			
II.7.	Dividends and interest received			
II.8.	Other increase in cash flows from investing activities			
II.9.	Other decrease in cash flows from investing activities			
	Net cash flows from investing activities		-64.726.892	-19.916.856
III.	Cash flows from financing activities			
III.1.	Cash flows related to the owners of enterprise:		-1.113.065	-6.178
III.1.1.	Issue of shares			
III.1.2.	Owners' contributions to cover losses			
III.1.3.	Purchase of own shares			
III.1.4.	Dividends paid		-1.113.065	-6.178
III.2.	Cash flows related to other financing sources		7.408.586	-9.670.082
III.2.1.	Increase in financial debts		13.465.920	6.545.431
III.2.1.1.	Loans received		13.465.920	6.545.431

III.2.1.2.	Issue of bonds		
III.2.2.	Decrease in financial debts	-2.091.882	-14.635.677
III.2.2.1.	Loans received		
III.2.2.2.	Issue of bonds	-2.091.882	-14.635.677
III.2.2.3.	Interest paid		
III.2.2.4.	Payments of lease (financial lease) liabilities		
III.2.3.	Increase in other enterprise liabilities		
III.2.4.	Decrease in other enterprise liabilities		
III.3.	Other increase in cash flows from financial activities		
III.4.	Other decrease in cash flows from financial activities	-3.965.452	-1.579.836
	Net cash flows from financing activities	6.295.521	-9.676.260
IV.	Cash flows from extraordinary items	0	0
IV.1.	Increase in cash flows from extraordinary items		
IV.2.	Decrease in cash flows from extraordinary items		
V.	The effects of changes in foreign exchange rates on the balance of cash and cash equivalents	2.435.491	-1.828.104
VI.	Net increase (decrease) in cash flows	-12.915.125	2.456.609
VII.	Cash and cash equivalents at the beginning of period	22.150.675	19.694.066
VIII.	Cash and cash equivalents at the end of period	9.235.550	22.150.675

General Director



Vytautas Vismantas

AB "LIETUVOS JURU LAIVININKYSTE"
Financial Statements for the Year Ended 31 December 2005

EXPLANATORY NOTES

1. Accounting Policy

(a) **Basis of Accounting**

The Company's financial statements are prepared following 1 IAS regulations, which came into force on the 1 of January 2005.

The financial statements are prepared following accrual and going - concern principles of accounting. According to the accrual principle effect of transactions and other events is recognized when it appears, is registered in accounting entries and presented in the financial statements of the related periods.

The financial statements are prepared assuming that the Company does not have any intentions or requirements to liquidate or reduce significantly the scope of its operations.

(b) **Non-current Assets**

In the financial statements all economic resources that are at the disposal of the Company are recognized as assets if the Company expects to get a benefit from using the resources in future and if they have value which can be fairly evaluated.

In the financial statements non-current assets are stated at the actual acquisition value less accumulated depreciation. According to the Accounting Policy approved by the Board of Directors on the 18 of July 2001 all objects, the acquisition value of which is not less than 1 000 Lt and which are going to be used longer than one year, are attributed to non-current tangible assets. The liquidation value of the non-current tangible assets is 1 Lt, except ships "Akvile", "Asta", "Audre" and "Daina" (liquidation value 9-9,5%), "Alka" (10%), "Romuva" (2%), "Svilas", "Staris" (9,5%) and administrative building (6,3%).

Depreciation is calculated starting from the first day of the next month after the beginning of assets exploitation and finishing the month when the assets are written off or sold and when the whole value of the used non-current assets (less liquidation value) is transferred into the cost of production (work, services). Depreciation is calculated on a straight - line basis.

The value of repairs of non-current tangible assets which do not improve useful features of assets for a few years (and these costs of repair will not earn revenue in the future) is included into expenses of that reporting period in which they were implemented.

The values of the assets are reviewed at each balance sheet date in order to estimate their impairment. If there are indications of impairment a recoverable amount is calculated. A recoverable amount is the higher of the asset's expected net realizable value and its value in use. Loss from impairment of assets is registered when the book value of the asset is higher than the recoverable amount. All impairment losses are registered in profit (loss) statement.

The ships are repaired periodically according to requirements of the classificatory companies: the class of the ship is confirmed every 5 years (SS) after repair, when 3 years pass after SS repair the dock repair is exercised. The Company writes off to expenses the charges of repairs to confirm the class of the ship during 3 years and the charges of dock repairs during 2 years.

(c) **Stocks**

Stocks are recorded at their actual purchase cost or their production cost and stated in the financial statements at the lower of cost and net realisable value.

When buying stocks from other persons their purchase cost is determined by adding all taxes related to purchase (customs duties, etc.), transportation, preparation and other direct expenses related to stocks purchase to acquisition price and subtracting discounts and other price reductions. Non significant amounts

(or if they are constant for a few periods) of above mentioned expenses can be recognized as expenses of the period when they are incurred.

(d) Amounts Receivable

When recognizing the amounts receivable they are stated at their fair value. Later short-term amounts receivable are stated evaluating their impairment and long-term amounts receivable are stated at discounted value minus impairment.

(e) Cash and Cash Equivalents

Cash includes cash on hand and in bank. Cash equivalents comprise short-term (up to three months) liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

In the Cash Flow Statement cash and cash equivalents include cash on hand, in bank and other short-term liquid investments.

(f) Liabilities

Loan charges are recognized as expenses when they are incurred. At the beginning the loans are recognized at the fair value of received funds after subtracting transaction costs. Consequently they are accounted for at amortized cost and the difference between the amount received and the amount that will be repaid during the period of the loan is included into profit or loss of the related period. The loans are presented as long term liabilities if the financial agreement valid at the date of confirmation of the financial statements confirms that at the balance sheet date the liability is long term in nature.

(g) Provisions

Provisions are recognized only if the Company has a legal obligation or irrevocable undertaking as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required for discharging a legal obligation or irrevocable undertaking, and a reliable estimate can be made of the amount of obligation. Provisions should be revised on each balance sheet date adjusting their value having regard to new events and circumstances. If the amount of provisions is materially affected by changes in the value of money, provisions should be discounted to their current value. When the discounting is used the increase of the provision is accounted as interest expenses.

(h) Income Tax

Calculation of income tax is based on yearly profit and is estimated according to the Lithuanian tax law requirements. Deferred income tax is computed on the basis of temporary differences between the values of assets and liabilities in the financial statements and for tax purposes. The amount of deferred tax depends on the planned period of asset usage and liabilities' coverage as well as on future tax rate. Deferred tax assets and deferred tax liabilities are offset only to the extent that deferred income tax liability will be realized at the same time as deferred income tax assets. The standard rate of income tax applied in Lithuania is 15 % but in 2006 – 2007 social tax (4 % and 3 %) will be computed following the same rules as income tax, therefore it is treated as an increase of the income tax rate and additional deferred income tax is computed.

(i) Foreign Currency

Transactions in foreign currency are registered in accounting in the national currency, litas, on the basis of the official rate of litas and the corresponding foreign currency announced by the Bank of Lithuania at the date of transaction, except for accrued income and expenses, which are registered at the official rate of litas and the corresponding foreign currency announced by the Bank of Lithuania at the last date of the accounting period.

Foreign currency entries of the balance sheet are stated on the basis of the official rate of litas and the corresponding foreign currency announced by the Bank of Lithuania at the date of the financial statements. Foreign currency entries include cash in foreign currency as well as all amounts receivable and payable in foreign currency.

Changes in currency entries, which are due to changes in the rate of litas and the corresponding foreign currency announced by the Bank of Lithuania and arise because of performed transactions in foreign

currency or revaluation of previously registered foreign currency entries, are recognized as income or expenses of the accounting period to which they are related.

(j) Recognition of Income

The moment of providing services is recognized as the moment of earning income. Services are considered to be rendered if a buyer pays for them at once or without significant additional conditions takes on the responsibility to pay later (when both parties of the transaction sign the appropriate document: invoice, waybill, etc.) Money received as advance payment for services in accounting records are shown as an increase in the Company's liabilities to the buyers. In such case income is recognized only after rendering the services.

Income from other activities includes income from profit of sold non-current assets and other income.

(k) Recognition of Expenses

An indicator of cost of services provided is always related to services rendered in the accounting period. This indicator includes only those charges, which were made for providing services in the accounting period. In cases when it is impossible to relate charges of the reporting period to particular income and those charges will not earn income in the future, they are recognized as expenses of the period when they are incurred.

(l) Application of Estimates in Preparation of Financial Statements

In the course of preparation of the financial statements, the management must make some assumptions and estimates, which influence the presented values of assets, liabilities, income and expenses as well as disclosed contingencies. These significant areas, in which estimates are applied, include depreciation, evaluation of assets' impairment and provisions. Future events can alter assumptions applied in such evaluations. The result of changes in such estimates will be presented in the financial statements when they are reviewed.

(m) Contingencies

Contingent liabilities are not presented in the financial statements. They are disclosed in the financial statements except in those cases when the possibility to lose resources used to gain economic benefit is very low.

Contingent assets are not presented in the financial statements. They are disclosed in the financial statements when it is probable that income or economic benefits will be received

(n) Management of Financial Risks

The Companies transactions are made on international markets in euros and USA dollars, therefore significant risk related to changes in foreign currency rates exists. Credit risk or risk related to partners not fulfilling their liabilities is controlled by applying the control of credit terms and procedures. The Company is not exposed to significant credit risk with any of its partners or partner groups. The Company prevents liquidity risk by maintaining a sufficient flow of cash and cash equivalents or getting financing through credits and by planning cash flows in advance. The Company does not use any financial instruments to prevent the financial risk

(o) Events Occuring after the Balance Sheet Date

Events occurring after the balance sheet date which provide additional information about the financial position of the Company at the date of the balance sheet (adjustments) should be presented in the financial statements. Events occurring after the balance sheet date which do not effect financial position of the Company should be disclosed in the explanatory notes if they are significant.

Organizational Structure and Main Activity

AB "Lietuvos jūru laivininkystė" (LJL) is a joint stock company, founded after restructuring AB „Lietuvos jūru laivininkystė" (LISCO). LJL was registered in the Company Register, the certificate No. 027245. The date of registration is 27 June 2001. The Company's code is 110865039. The address is Malūninkų g. 3, Klaipėda.

The Company's management bodies are the general meeting of shareholders, the council of members, the board of directors and the general director.

The main Company's activity is shipping and lease of ships. At the end of the reporting period 555 employees (64 on shore and 491 on board) were working in the Company

Balance Sheet

B.1. Non-current intangible assets, thousands Lt

	Acquisition cost	Amortisation	Residual value
01 January 2005	288,2	246,3	41,9
Amortisation		28,7	
31 December 2005	288,2	275,1	13,1

There were no acquisitions of non-current intangible assets during 2005.

B.2. Non-current tangible assets, thousands Lt

Items	Buildings and plant	Machinery	Ships	Other transport means	Repairs	Other tangible assets	Total
Carrying amount at the end of the previous financial year	3,561,526	2,093,300	188,962,166	84,092	676,835	254,555	195,632,474
a) Acquisition cost							
At the end of previous financial year	3,737,366	4,688,369	302,251,449	168,552	676,835	572,305	312,094,876
Current year changes:							0
- acquisition of assets		524,483	68,550,689	557,866	13,508,708	58,424	83,200,170
- sold and written off assets (-)		580,771	24,475,391	3	4,783,320	50,883	29,890,368
At the end of the previous financial year	3,737,366	4,632,081	346,326,747	726,415	9,402,223	579,846	365,404,678
c) Depreciation							
At the end of the previous financial year	175,840	2,595,069	76,403,352	84,460		317,750	79,576,474
Current year changes:							0
- current year depreciation	57,070	558,696	19,677,748	99,796		74,081	20,467,390
- depreciation of assets sold to third parties and written off (-)		380,604	11,526,798			43,276	11,950,679
At the end of the previous financial year	232,910	2,773,161	84,554,302	184,256	0	348,555	88,093,184
d) Impairment							0
At the end of the previous financial year			36,885,931				36,885,931
Current year changes:							0
- current year impairment							0
- reversal entries (-)							0
- impairment of assets sold to third parties and written off (-)							0
- transfer from one account to another +/-(-)							0
At the end of the current year			36,885,931				36,885,931
e) Carrying amount at the end of current year (a) + (b) - (c) - (d)	3,504,456	1,858,920	224,886,514	542,159	9,402,223	231,291	240,425,563

At the end of the financial year LJJ's non-current tangible assets included 19 ships, administrative building, warehouse, transport means, machinery and equipment.

In May 2005 vessel "Alka" and in November 2005 vessel "Romuva" were purchased. Acquisition cost of ships – 68556,5 thousands Lt. In February vessel "Mūša" and in April vessel "Vokė" were sold, residual value of these two ships amounted to 13154,7 thousands Lt.

The acquisition costs of ships were reviewed according to 36 IAS. In accordance with ships' values of company "English White Shipping Limited" as of 31-12-2004, the values of vessels "Asta", "Akvilė", "Daina", "Audrė" were reduced by total amount of 36 885,9 thousands Lt. 36 IAS requires that loss related to the assets' value reduction would immediately be recognized as expenses of the current period in a profit (loss) statement, but in 2004 this operation was not done. Consequently, in order to correct this mistake, the assets' value reduction was retrospectively revealed in the statement of changes in equity.

Other non-current tangible assets

In 2005 financial year the purchases of other tangible assets were as follows: a bus – 557,9 thousands Lt, computer equipment, radio-navigational devices and domestic electric appliances – 439,7 thousands Lt.

B.3. Repairs of vessels:

Repair charges that were recognized as assets – 9402,2 thousands Lt.
The following amounts will be transferred to expenses:

Year 2006	-	4870,3
Year 2007	-	3529,4
Year 2008	-	1002,5

B.4. Deferred tax assets:

	31.12.2004	31.12.2005
DEFERRED TAX ASSETS	sum, LTL	sum, LTL
written-off interest	4,020,272	3,680,301
reduced value (ships)	36,885,932	33,759,554
provisions for invoices that were not received	300,000	300,000
social insurance on accrued vacation	470,568	376,203
other	43,560	47,000
Total temporary differences	41,720,332	38,163,058
Total deferred tax assets	6,258,050	5,724,459
Used in 2005		533,591

B.5. Inventories and prepayments, thousands Lt

Inventories are registered in accounting records applying FIFO method, i.e. the inventories which were purchased earlier are used at the earliest.

	31-12-2005	31-12-2004
Diesel	-	27,6
Fuel oil in ships	38,4	26,3
Spare parts	173,4	347,7
Food reserves in ships	250,9	209,7
Prepayments	1592,5	802,4
Total:	2055,2	1413,7

B.6. Amounts receivable, thousands Lt

	2005-12-31	2004-12-31
Debts of Lithuanian customers	24,0	20,2
Debts of foreign customers	195,4	563,5
Amounts receivable from the state budget	29,9	48,1
Advances for ships	161,7	169,6
Other amounts receivable	14,3	20,8
Total:	425,3	822,2

B.7. Other tangible assets, thousands Lt

	2005-12-31	2004-12-31
Time deposits	8958,7	21646,1
Other tangible assets	0,7	1,1
Iš viso:	8959,4	21647,2

Time deposits at the end of 2005 declined because a vessel "Romuva" for the amount of 32526,0 thousands Lt was purchased.

B.8. Cash and cash equivalents, thousands Lt

	2005-12-31	2004-12-31
Cash in national currency	125,1	46,9
Cash in foreign currency in bank accounts	98,7	424,1
Cash in LJL's till in national currency	9,4	8,7
Cash in LJL's till in foreign currency	42,9	23,8
Total:	276,1	503,5

B.9. Capital, thousands Lt

	Authorized capital	Share premium	Total
01-01-2005	200901,3	-	200901,3
Emission of new shares			-
Acquired own shares			-
31-12-2005	200901,3	-	200901,3

Authorized share capital as of 31-12-2005 consisted of 200 901 296 ordinary registered shares. Nominal value of one share is equal to 1 Lt.

B.10. Reserves, thousands Lt

	31-12-2005	31-12-2004
Legal reserves	25 947,3	29 355,3
Other reserves	510,0	-
Total:	26 457,3	29 355,3

In 2005 the amount of 451,3 thousands Lt was used from the other reserves (bonuses and etc.) and stated in the profit (loss) statement.

B.11. Retained profit (loss)

	31-12-2005
Total retained profit (loss)	(-16375,7)
This includes:	
- changes in accounting policy (ships' value reduction)	(35116,4)
- net profit	17566,4
- retained profit of previous periods	1174,3

Retained loss of 2005, which amounted to 16375,7 thousands Lt, incurred when the value reduction (36885,9 thousands Lt) and interest, that was previously added to the value of vessels "Asta", "Audrė", „Akvilė“, „Daina“, were eliminated.

B.12. Financial debts to credit institutions, thousands Lt

	31-12-2005	31-12-2004
Financial debts payable after one year	25866,0	17888,4
Financial debts payable within one year	8139,9	4743,5

Assets are pledged for all financial bank loans of LJL. Six vessels are pledged: "Staris", "Asta", "Audrė", "Daina" and "Akvilė". Liabilities are paid in US dollars. Credit balance as of 31-12-2005 was 7057,9 thousands Lt US dollars, whereof 700,0 thousands USD have to be repaid until 2007, the rest of amount 6357,9 thousands Lt have to be returned until 2010. On 16th of November 2005 a credit of 3900,0 thousands Lt was obtained according to the credit contract No. 0440509012534/06 with the intention of buying vessel "Romuva". New ship was not pledged because the value of six earlier pledged vessels was sufficient to guarantee this credit. Repayment term of this credit will begin starting from March 2006 and will have to be returned until 2010. All credits mentioned above, according to the contracts, are obtained from AB SEB "Vilniaus bankas".

B.13. Deferred taxes

	31-12-2005	31-12-2004
Deferred taxes	4583,9	3140,4

Deferred tax liabilities are calculated evaluating the differences between the value of assets and liabilities stated in the financial statements and their values for the tax purposes. After evaluation of accrued repair expenses for 2007-2008, deferred profit tax liability amounts to 1410,3 thousands Lt. Establishing LJL, a vessel "Daina" was transferred to the Company's disposal. This vessel was included into appliance of investment exemption by LISCO Company in accordance with the clause No. 21 of the Law on Income Tax of Legal Entities of the Republic of Lithuania. Therefore depreciation of this vessel does not reduce income tax and income tax liability for the amount of 2872,8 thousands Lt is recognized. Regarding introduction of social tax, which basically corresponds to income tax, the additional amount of 300,7 thousands Lt of social tax was computed.

B.14. Liabilities, thousands Lt

Liabilities related to employment relations are: accruals for vacation - 1213,6 thousands Lt, accruals for social insurance related to vacation allowances - 376,2 thousands Lt, payable salaries - 10,2 thousands Lt, payable amount to social insurance - 408,8 thousands Lt, payable amount to guarantee fund - 2,4 thousands Lt.

LJL liabilities not reflected in the balance sheet

	Items	Sum
1.	Pledge to court (France)	230 000 EUR
2.	Letter of indemnity on behalf of „North of England“	25 000 USD
3.	Letter of indemnity to „Venezolona de terminales“	25 000 USD

1. LJL paid a bail (230 000 EUR) to court of France because its vessel "Kapitonas Kaminskis" polluted the water of France on 15-10-2004. The insurance company "Ingosstrakh" paid this amount to LJL. LJL obligates to return this amount to insurance company if the bail would be returned. Trial is in progress. 03-01-2006 court of France made a verdict of guilt of vessel "Kapitonas Kaminskis", LJL appealed the court decision.

2. Letter of indemnity on behalf of "North of England P&I association" for the amount of 25 000 US dollars was turned in concerning cargo damage in Djendjen (Maroc) harbour (12-08-1999). When investigation about this claim will end LJL will pay part of this claim according to its fault. Maximum payable amount is provided in the letter of idemnity – 25 000 USD.

3. Guarantee for the amount of 25 000 USD was issued because the vessel "Svilas" damaged crane in harbour terminal (Venesuela).

Shareholders and control

On 31 December 2005 65,55% of LJL shares belonged to the government, 56,56% was controlled by Ministry of Transport and Communications, 8,99% belonged to the State Property Fund, which pays for unreturned land in shares, 6,36% of shares belonged to "DFDS Tor Line" A/S (Denmark), rest of shares were controlled by private shareholders.

P.15. Income

Sales, thousands Lt	31-12-2005	31-12-2004	%
Time charter income	92805,6	80506,5	115,3
Other time charter income	278,2	248,5	111,9
Income of short term freight contracts	3333,7	5367,0	62,1
Total:	96417,5	86122,0	

The increase of time charter income mainly was caused by all new contracts with the higher rates for freight. Income of short term contracts is lower because vessel "Daina" was working under this kind of contracts only until June 2005.

Income from other activity was 13731,5 thousands Lt. This was income from sales of non current tangible assets, amongst them – sold vessels "Mūša", „Voké" – 13569,9 thousands Lt.

Income from financing and investing activity consisted of 637,0 thousands Lt, income from time deposits is included it this amount – 636,8 thousands Lt.

P.16. Cost of sales and expenses

Cost of sales includes expenses for: harbour charges, vessel maintenance in harbours, vessel depreciation, salaries of crew members, social insurance fees, daily allowances, vessel repairs, expenses of vessel exploitation and other expenses related to vessels.

Operational expenses include: salaries of coast employees, social insurance fees, depreciation of coast assets, different taxes, expenses incurred in course of typical activities, transportation expenses.

P.17. Financing and investing activity

Negative influence of changes in currency exchange rates, which amounted to 2435,5 thousands Lt, and interest paid for the credits, which was 1119,4 thousands Lt, had a negative impact on the result of financing and investing activity

Income from other activity amounted to 13731,5 thousands Lt, including 13569,9 thousands Lt for sold non-current assets (two ships)..

P.18 Profit per share

Profit per share was calculated dividing the profit which belonged to the shareholders (17566,4 thousands Lt) by the amount of ordinary shares at the end of the period (200 901 296).

Statement of changes in equity

Loss in the statement of changes in equity occurred mainly because of the impairment of non current tangible assets in 2004 – 36885,9 thousands Lt, when the values of the vessels were recalculated.

Cash flow statement

On 31 December 2005 cash flows declined by 12915,1 thousands Lt. This mainly happened because LJL purchased vessels "Alka" (purchased in May) and "Romuva" (purchased in November) for the amount of 68556,5 thousands Lt. Also negative influence of changes in currency exchange rates (2435,5 thousands Lt) had a negative impact too.

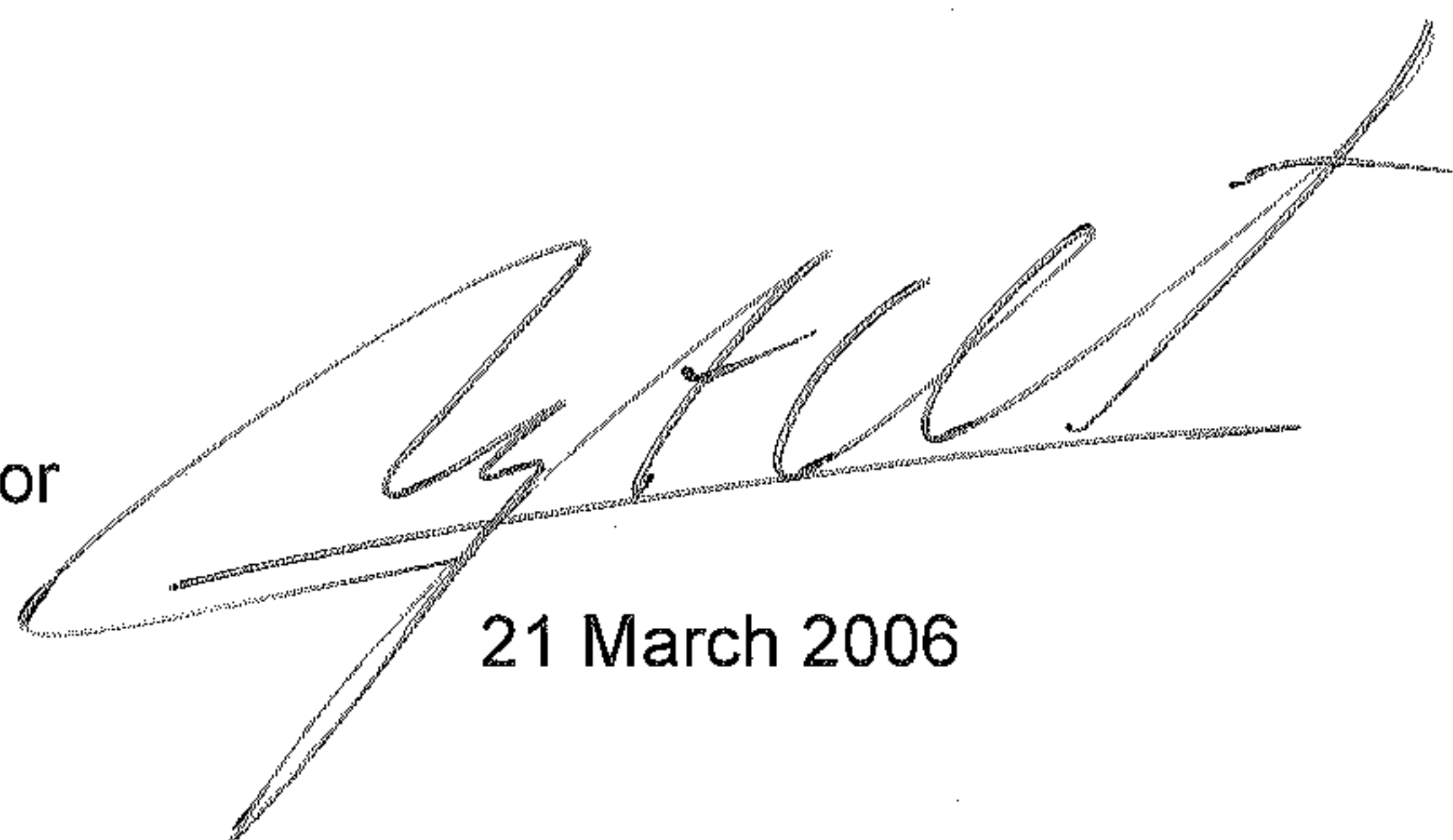
Events after the balance sheet date

In the first quarter of 2006 two old "Kapitan Panfilov" type vessels: "Kapitonas Andžejauskas" ir "Kapitonas Marcinkus", were sold. In March 2006 a vessel "Voruta" for general cargos was purchased (17546 DWT).

Other issues

LJL has subsidiary "Lithuan Shipping Corporation" which is located in Liberia and was transferred to LJL after the reorganization. The address of subsidiary is 80 Broad Street, Monrovia. Shares of this subsidiary are worthless, it does not have any assets, no economical or financial activity is performed. The liquidation process of this subsidiary is in progress.

General director



21 March 2006

Vytautas Vismantas