AKCINĖ BENDROVĖ
"LIETUVOS JŪRŲ LAIVININKYSTĖ"

PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

Attn.: The Securities Commission of the Republic of Lithuania
Konstitucijos pr. 23
LT – 08105 Vilnius

Date 28 04 2008

Our ref (01)-5-222a

Your ref

CONFIRMATION OF THE RESPONSIBLE PERSONS

With reference to the Law on Securities of the Republic of Lithuania, Article 22, and the Rules of the Securities Commission of the Republic of Lithuania on preparation and submission of the periodical and further information, we, Vytautas Petras Vismantas, Director General, and Arvydas Stropus, Accountant General of the Public Company „Lithuanian Shipping Company", hereby confirm that to the extent of our knowledge the enclosed financial statement of the Public Company „Lithuanian Shipping Company" for the year ended 2007, made in accordance with the International Financial Reporting Standards, corresponds to the facts and properly demonstrates the assets, liabilities, financial state, profit, and loss of the Public Company „Lithuanian Shipping Company".

We further confirm that to the extent of our knowledge the enclosed report for the year ended 2007 contains the properly indicated review of business development and activities of the company as well as the state of the company together with the description of the main risks and uncertainties that the company faces.

Enclosed:
Financial statement of the Public Company „Lithuanian Shipping Company" for the year ended 2007;
Annual report of the Public Company „Lithuanian Shipping Company" for the year ended 2007.

Public Company „Lithuanian Shipping Company"
Director General — Vytautas Petras Vismantas

Public Company „Lithuanian Shipping Company"
Chief Accountant — Arvydas Stropus

UAB FMĮ "Jūsų tarpininkas" hereby certifies that the present report has been prepared by applying the information, submitted by the Public Company "Lithuanian Shipping Company". Public Company „Lithuanian Shipping Company" shall be liable for the propriety of the information submitted. Marius Dubnikovas, Financial broker of UAB FMĮ "Jūsų tarpininkas", shall be liable for due execution of the annual report as well as putting down of the information that meets the requirements of the laws.

UAB FMĮ „Jūsų tarpininkas"
Financial Broker — Marius Dubnikovas

"LITHUANIAN SHIPPING COMPANY"
(PUBLIC COMPANY)

CONCLUSION OF THE INDEPENDENT AUDITOR, FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007, AND ANNUAL INFORMATION

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CONCLUSION OF THE INDEPENDENT AUDITOR

ATTN.: THE SHAREHOLDERS OF THE PUBLIC COMPANY „LITHUANIAN SHIPPING COMPANY“

Conclusion on the financial statement

We have performed the audit of the financial statement of the Public Company “LITHUANIAN SHIPPING COMPANY” (hereinafter referred to as the Company), given in pages 5-21, which consists of the balance-sheet of 31 December 2007 and profit (loss) statement, statement of changes in equity, cash flow statements for the year ended, as well as generalized significant accounting principles and other comments of the explanatory letter.

Liability of the management for the financial statement

The management shall be liable for the preparation of the present financial statement and correct submission thereof in accordance with the International Financial Reporting Standards, approved for application within the European Union. The present statement covers the following: development and maintenance of the internal control system, intended for the preparation of the financial statement and correct submission thereof without any significant inaccuracies that may occur due to fraud or error; selection and application of due accounting principles; and, according to the situation, performance of due accounting assessments.

Liability of the auditor

Our duty, based on the audit performed, is to comment the present financial statement. We have performed the audit in accordance with the International audit standards. These standards require that we meet the requirements of professional ethics as well as plan and perform the audit in a way that we could reasonably assure that the financial statement does not contain any significant inaccuracies.

The procedures, intended to receive the audit evidence, confirming the amounts and disclosures in the financial statement, are performed during the course of the audit. The selected procedures are subject to the auditor’s professional decision as well as risk assessment of the significant inaccuracies due to fraud or error in the financial statement. By taking this risk into account, the auditor shall consider the internal controls of the Company, related to the preparation of the financial statement and correct submission thereof in order to determine due audit procedures under those circumstances, however, not to comment the efficiency of internal controls of the Company. The feasibility of the accounting principles applied, validity of the accounting assessments, performed by the management, as well as general presentation of the financial statement is also assessed during the course of the audit.

We think that the audit evidence received provides sufficient and due grounds for our audit v.

Opinion

In our opinion, the enclosed financial statement provides a real and correct picture of the financial statement of the Company of 31 December 2007 as well as results of the activities and cash flows of the Company for the year ended in accordance with the International Financial Reporting Standards, approved for application within the European Union.

Conclusion of other information to be submitted within the framework of the law

Moreover, we have read the annual report, given in pages 21-60, together with the Appendix for the year ended 31 December 2007, and we have not observed any significant inaccuracies in respect of the financial information, given therein, as compared with the audited financial statement for the year ended 31 December 2007.

UAB “Moore Stephens Vilnius”
(License No. 001226)

Director and Auditor D. Pranckėnienė
(License No. 000345)

7 March 2008
Vilnius

Approved at the general shareholders’ meeting
28 April 2008
Minutes No. 1

BALANCE-SHEET (part of the assets, thousands of Litas, if not indicated otherwise)

	Comment No.	For the year ended 31 December 2007	2006
Computer software	1	7,3	10,8
Fixed intangible assets		7,3	10,8
Buildings and plant		3.390,3	3.447,4
Machinery and equipment		3.005,6	2.542,6
Vehicles		300,7	384,2
Vessels		274.181,5	240.042,8
Repairs		3.510,2	5.436,1
Other tangible assets		253,8	178,6
Fixed tangible assets	2, 3	284.642,1	252.031,7
Prepayments for the fixed assets	2	7.990,9	
Deferred tax assets	4		5.216,2
Other tangible assets		7.990,9	5.216,2
Total fixed assets		292.640,3	257.258,7
Raw materials and consumables	5	2.329,5	813,2
Prepayments	5	935,2	836,0
Trade debtors	6	591,3	545,2
Other amounts receivable	6	370,0	200,0
Short term investments		0,0	0,4
Term deposits	7	21.955,0	13.299,6
Cash and cash equivalents	7	1.034,6	314,3
Total current assets		27.215,7	16.008,7
TOTAL ASSETS:		319.856,0	273.267,4

BALANCE-SHEET (part of the assets, thousands of Litas, if not indicated otherwise)

	Comment No.	31 December 2007	31 December 2006
Subscribed capital	9	200.901,3	200.901,3
Legal	10	10.467,3	9.901,6
Other reserves	10	9.779,5	180,0
Profit (loss) of the reporting year	11	30.137,1	11.314,8
Profit (loss) of the previous year		0,0	
Shareholders' capital		251.285,2	222.297,6
Credit institutions	12	44.345,9	30.020,0
Deferred tax liabilities	13		3.583,2
Long term liabilities		44.345,9	33.603,2
Credit institutions	12	16.689,9	9.494,2
Trade creditors	17	1.389,0	1.261,0
Prepayments received	17	2.519,0	988,1
Profit tax liabilities	14	91,3	2.067,3
Liabilities related with labor relations	15	2.160,9	2.340,7
Provisions	16	896,6	755,1
Other amounts payable and short term liabilities	17	478,2	460,0
Short term liabilities		24.224,9	17.366,5
Liabilities		68.570,7	50.969,7
Total shareholders' equity and liabilities		319.856,0	273.267,4

The explanatory letter, given in pages 11 – 22, is an integral part of the present financial statement.

*The bank loans are repaid under the terms and in the amounts, provided in the agreements. There were no claims from the banks received as of the establishment of the Company. The Company are planning to repay the loans during the period from 2010 to 2012.

Approved at the general shareholders' meeting
28 April 2008
Minutes No. 1

PROFIT (LOSS) STATEMENT (thousands of Litas, if not indicated otherwise)

No.	Items	Comment No.	2007	2006
I.	Sales	19	91.701,3	102.205,5
II.	Expenses			
II.1	Personnel employment expenses	23	29.741,3	30.630,3
II.2	Vessel operation expenses		28.876,3	26.545,3
II.3	Vessel repair expenses		14.695,4	11.116,3
II.4	Other administration and sales expenses		1.672,9	1.109,0
	Total expenses		74.986,0	69.400,9
	Earnings before interest, taxes, depreciation, and amortization (EBITDA)		16.715,3	32.804,7
III.	Profit from sales of the vessels	2	41.740,4	7.724,4
IV.1.	Vessel depreciation	2	26.522,2	24.394,7
IV.2.	Depreciation of other assets	2	1.070,9	852,1
	Earnings before interest, taxes, and amortization (EBITA)		30.862,5	15.282,3
V.1.	Currency exchange gain (loss)	20	4.168,1	315,6
V.2	Interest expenses (net)	20	3.178,6	1.560,7
	Profit before taxes		31.852,0	14.037,3
VI.	Profit tax	21	1.714,9	2.722,5
	Net profit		30.137,1	11.314,8
	Profit per one share in Litas	22		
	Base profit per one share in Litas		0,15	0,06
	Reduced profit per one share in Litas		0,15	0,06

The explanatory letter, given in pages 11 – 22, is an integral part of the present financial statement.

Approved at the general shareholders' meeting
28 April 2008
Minutes No. 1

STATEMENT OF CHANGES IN EQUITY (thousands of Litas, if not indicated otherwise)

	Share capital	Legal reserves	Other reserves	Retained earnings (loss)	Total
Balance at 31 December 2005	200.901,3	25.947,3	510,0	-16.375,7	210.982,9
Net profit (loss)				11.314,8	11.314,8
Dividends					
Reserves made			180,0	-180,0	
Reserves used		-16.045,7	-510,0	16.555,7	
Balance at 31 December 2006	200.901,3	9.901,6	180,0	11.314,8	222.297,6
Net profit (loss) of the accounting period				30.137,1	30.137,1
Dividends				-1.149,5	-1.149,5
Reserves made		565,7	9.779,5	-10.345,3	
Reserves used			-180,0	180,0	
Balance at 31 December 2007	200.901,3	10.467,3	9.779,5	30.137,1	251.285,2

The explanatory letter, given in pages 11 – 22, is an integral part of the present financial statement.

Approved at the general shareholders' meeting
28 April 2008
Minutes No. 1

CASH FLOWS STATEMENT (thousands of Litas, if not indicated otherwise)

Items	Comment No.	2007	2006
Cash flow from main activities of the company			
Profit (loss) before taxes		31.852,0	14.037,3
Adjustments due to:			
Depreciation	2	31.828,9	25.200,3
Foreign currency loss (profit) influence	20	-4.168,1	-315,6
Investment income		-41.740,4	-7.724,4
Interest expenses	20	3.178,6	1.560,6
Deferred profit tax and change in charged profit tax	4,13,21	9,3	-492,5
Increase (decrease) of receivables	6	-215,8	436,9
Increase (decrease) of payables	17	1.612,5	-905,2
Increase (decrease) of inventories	5	-1.516,3	-350,5
Income from main activities			
Profit tax paid	14	-2.067,3	-2.245,6
Interest paid	20	-3.826,8	-1.983,9
Net cash from main activities		14.946,6	27.217,4
Cash flow from investing activities			
Purchases of fixed assets	2	-79.125,6	-46.622,2
Sales of fixed assets	2	48.340,2	17.542,4
Dividends and interests received	20	648,2	423,3
Cash flow from investing activities		-30.137,2	-28.656,5
Cash flow from investing activities			
Payment of dividends to shareholders	11	-1.123,7	-6,1
Loans gained	12	48.540,3	17.954,6
Loans paid	12	-21.732,9	-10.713,9
Cash flow from financial activities		25.683,6	7.234,6
Influence of changes in foreign currency exchange rates to balance of cash and cash equivalent	20,12	-1.117,8	-1.416,8
Net increase of cash and cash equivalent		9.375,2	4.378,7
Cash and cash equivalent in the beginning of the period	8,7	13.614,3	9.235,6
Cash and cash equivalent in the end of the period	8,7	22.989,7	13.614,3

The explanatory letter, given in pages 11 – 22, is an integral part of the present financial statement.

Approved at the general shareholders' meeting
28 April 2008
Minutes No. 1

EXPLANATORY LETTER

I. General

Public Company "Lithuanian Shipping Company" (LJL) is a public company, established after the reorganization of the Public Company "Lithuanian Shipping Company" (LISCO). LJL is incorporated in the Register of Legal Entities, Certificate No. 027245. Date of incorporation of LJL is 27 June 2001, organization number 110865039. Address of LJL is at: Malūnininkų g. 3, Klaipėda. Main activities of the Company are cargo carriage by sea transport and vessel hire.

Management bodies of the Company are the general shareholders' meeting, supervisory board, board, and head of administration.

At the end of the accounting year there were 517 employees working in the Company, including 63 onshore and 454 offshore.

The shareholders of the Company for the year ended 31 December were as follows:

	2007	
	Number of shares	Ownership share, percentage
State Enterprise State Property Fund	16.689.155	8,30%
Ministry of Communication of the Republic of Lithuania	113.833.000	56,66%
„Hansabank clients"	16.849.753	8,40%
DFDS TOR LINE A/S	11.108.420	5,50%
Other small-sized shareholders	42.420.968	21,14%

II. Accounting policy

The basic accounting principles, in accordance with which the present financial statement has been prepared, are described hereunder. These principles are consistently applied to all given years, if not indicated otherwise.

Where preparing the financial statement in accordance with the International Financial Reporting Standards, the management of the Company has to make assessments and assumptions that have influence on the values of the accounting assets and liabilities as well as required disclosures on the day of preparation of the statement and the amounts of income as well as expenses, accounted during the accounting period. These assessments may vary from the actual results.

(a) Basis for preparation

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS), approved for application within the European Union.

The financial statements have been prepared based on the accrual-basis accounting and operation continuity principles. In accordance with the accrual-basis accounting principle, the influence of the transactions and other events is acknowledged when it emerges, registered in the accounting records, and given in the financial statements of the periods that they are related to.

The financial statements have been prepared based on the assumption that the Public Company "Lithuanian Shipping Company" (LJL) do not have any intentions or need for liquidation or significant reduction of the scope of their activities.

During the current year the Company started applying al new or revised standards as well as interpretations, published by the International Accounting Standards Board (IASB) as well as the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB), which are relevant to the activities of the Company and valid for the accounting periods that commenced from 1 January 2007.

The amendments to IAS 39 „Financial instruments: recognition and measurement" and IFRS 4 „Insurance contracts – financial guarantee contracts" are compulsory for the accounting periods of the Company that commence from or as of 1 January 2007. The purpose of these amendments is to ensure that the organizers of the financial guarantee contracts accounted the relevant liabilities in their balance sheets. Since the Company does not have such transactions, the application of this standard did not have any significant influence on the statement of the Company.

Amendments to IAS 19 „Actuarial gains and losses, group plans and disclosures". These amendments are not relevant for the Company;

Amendments to IAS 39 „Fair value option". These amendments are not relevant for the Company;

Amendments to IAS 21 „Net investment in a foreign operation". These amendments are not relevant for the Company;

Amendments to IAS 39 „Cash flow hedging of highly probable forecast transactions". These amendments are not relevant for the Company;

Amendments to IFRS 6 „Exploration for and evaluation of mineral resources". These amendments are not relevant for the Company;

IFRIC interpretation 4 „Determining whether an arrangement contains a lease". Having reviewed the agreements, the Company has not determined any influence of this standard;

IFRIC interpretation 5 „Rights to interests arising from decommissioning, restoration, and environmental rehabilitation funds". This interpretation is not relevant for the Company;

IFRIC interpretation 6 „Liabilities arising from participating in a specific market – waste electrical and electronic equipment". This standard is not relevant for the Company;

Amendments to IFRS 1 „First-time adoption of International Financial Reporting Standards" as well as Amendments to IFRS 6 "Exploration for and evaluation of mineral resources ". These amendments are not relevant for the Company;

IFRIC interpretation 7 „Applying the Restatement Approach under IAS 29 „Financial Reporting in Hyperinflationary Economies“. The management does not think that this interpretation is relevant for the Company;

IFRIC interpretation 8 „Scope of IFRS 2 “. The management does not think that this interpretation is relevant for the Company;

IFRIC interpretation 9 „Reassessment of embedded derivatives“. The management does not think that this interpretation is relevant for the Company;

IFRIC interpretation 11 „IFRS 2 – Share-based payment“. The management does not think that this interpretation is relevant for the Company;

IFRIC interpretation 12 „Service concession arrangements“. The management does not think that this interpretation is relevant for the Company;

(b) Fixed assets

In the financial statement all economic resources, held by the Company, are recognized as the assets, if the Company expects to get benefit in the future from the use of these resources as well as the latter are of value, which can be measured reliably.

The fixed assets, given in the financial statement, are evaluated at the actual acquisition or production net cost of that asset less the accrued depreciation and reduction in the asset value. In accordance with the fixed assets accounting procedure, approved by the board on 18 July 2001, the objects with the initial acquisition value, which is not less than 1 000 LTL, and which are in service for more than one year, are attributed to the fixed tangible assets of LJL. The residual value of the fixed assets is 1 Litas, except for the vessels “Akvilė“, “Asta“, “Audrė“, and “Daina“ (residual value is 9-9,5% of the acquisition value), “Alka”, “Deltuva” (Clipper Eagle), “Clipper Falcone” (10% of the acquisition value), “Romuva” (2%),”Voruta”, “Svilas”, “Staris” (9,5%), and administration building (6,3%).

Depreciation is calculated from the first day of next month as of the transfer of the fixed assets for use and the calculation is stopped from the first day of next month as of write-off or sales and when the total value of the used fixed assets (less the residual value) is transferred to the net cost of production (works, services). The assets are depreciated by applying the directly proportional depreciation calculation method.

The management determines the serviceable time of the fixed tangible assets at the moment of acquisition thereof and revises the same annually. The serviceable time is determined based on the retrospective experience of similar assets as well as predictable future events, which can influence the serviceable time.

The value of the repair works of the fixed tangible assets, which do not improve the useful characteristics for the period of several years (and these repair expenses will not bring any income in the future), is included in the expenses immediately in that accounting period, during which the repair works tae place.

The evaluation amounts of the assets of the Company are revised on the day of each balance sheet in order to determine the depreciation thereof. If the depreciation is observed, the recoverable value of such assets is calculated. The recoverable value is calculated as higher of two values: net realizable or use value of the assets. The loss due to the depreciation of the assets is accounted, when the asset unit calculated value exceeds the recoverable value. The loss, incurred due to depreciation, is accounted in the profit (loss) statement.

The vessels are repaired periodically in accordance with the requirements of the classification companies: the class of the vessel is confirmed after repairs every 5th year (SS), after 3 years after SS repairs the dock repairs is carried out. LJL write off the repair expenses for the confirmation of the class of the vessel to expenses within 3 years, dock repair expenses – within 2 years.

Intangible assets are written off within 3 years.

(c) Inventories

Inventories are accounted at the acquisition net cost or net possible sale value subject to which one is lower. The net cost is determined by applying the FIFO method. The net possible sale value consists of the appraised sales value, reduced by the amount of expenses, related to the sales.

The acquisition net cost of the inventories, when purchasing from other persons, is determined by adding to the purchase price all purchase-related fees (customs, etc.), transportation, preparation, as well as other direct expenses, related to the acquisition of the inventories, as well as deducting the purchase discounts and concessions. Insignificant (or if they are stable for several accounting periods) amounts for transportation and preparation of the inventories for use are not included in the acquisition net cost thereof, but written off as the operating expenses.

(d) Amounts receivable

Amounts receivable during the time of recognition are appraised at fair value. Subsequently the short term amounts receivable are accounted in consideration of the reduction in value, whereas the long term amounts receivable – at the discounted value, less the depreciation loss.

(e) Cash and cash equivalents

Cash consists of cash in hand and in bank. Cash equivalents are convertible investment, freely convertible to the established amount of money. The term of such investment does not exceed three months and the risk of change in value is very insignificant.

In the cash flow statements the cash and cash equivalents consist of the cash in hand, deposits in the current account, as well as other short term convertible investment.

(f) Debts

Borrowing expenses are recognized as expenses when incurred. The debts are initially recognized at the fair value of the funds received less the transaction costs. Subsequently they are accounted at the charged off value and the difference between the funds received and the amount to be paid during the term of the debt is included in the profit or loss of the period. The debts are attributed to the long-term debts, if the financing agreement, entered into before the date of approval of the financial statement, demonstrates that the liability at the date of the balance sheet was long-term according to its nature.

(g) Provisions

The provision is only accounted when the Company has legal obligation or irrevocable engagement due to the event in the past and it is believed that the resources, bringing economic benefit, will be required for fulfillment thereof, as well as the amount of engagement can be reliably appraised. The provisions are revised on the day of making of each balance sheet and adjusted in order to reflect the most accurate current appraisal. In cases, where the influence of the cash time value is significant, the amount of the provision is the present value of expenses, which are believed, will be necessary to cover the engagement. Where the discounting is used, the increase in provision, reflecting the past time, is accounted as interest expenses.

(h) Profits tax

The calculation of the profits tax is based on the annual profit and is calculated in accordance with the requirements of the Lithuanian tax laws. The deferred profit tax is calculated in consideration of temporary differences between assets and liability amounts in the financial statements for the purposes of tax purposes. The amount of the deferred tax is subject to the predictable assets use time and covering of the liabilities in the future as well as provided tax rates, applicable at the moment. Standard profits tax rate, applicable to the Lithuanian companies, is 15%, however, in 2007 the company chose paying the tonnage tax and calculating the profits tax of the tonnage of the available vessels. Deferred profits tax assets and liabilities are no longer calculated thereinafter.

Public Company "Lithuanian Shipping Company", with reference to the amendments as well as supplements to the Law on Corporate Income Tax of the Republic of Lithuania of 3 May 2007, has chosen to pay the fixed profits tax to calculate the assessable profits of the fiscal period that commenced in 2007 and subsequent fiscal periods. The base of the fixed profits tax is calculated for each 100 maritime vessel payload capacity unit, applying the fixed amount of the day and multiplying the received amount by the number of days of the fiscal period of the maritime unit.

(i) Currency reappraisal

Currency transactions are registered in the accounting at national currency, Litas, in accordance with the official Litas rate on the day of transaction as well as Litas and foreign currency ratio, announced by the Bank of Lithuania, except for the accumulated income and expenses, which are registered in accordance with the official Litas rate on the last day of the accounting period as well as Litas and foreign currency ratio, announced by the Bank of Lithuania.

Currency items in the balance sheet are appraised in accordance with the official Litas rate on the day of making the statement as well as Litas and foreign currency ratio, announced by the Bank of Lithuania. Currency items are considered to be the currency, held by the Company as well as all amounts receivable and payable in currency.

Changes in currency items that take place due to the change in Litas and foreign currency rate, announced by the Bank of Lithuania, and that take place during the performance of currency transactions or reappraising the previously registered currency items, are recognized as the income or expenses of the financial activities of that accounting period, during which they have taken place.

(j) Recognition of income

The moment of earning income is considered to be the moment of rendering services. The services are considered to have been rendered, if the buyer has paid for them immediately or has undertaken to pay later without any substantial further terms (when both parties of the transaction sign a respective document: invoice, delivery note, etc.). Money, received from paying for the services in advance, is recorded in the accounting as increase of the liabilities of the Company against the buyers. Income in this case is only recognized after provision of services.

(k) Recognition of expenses

The rate of the net cost of the services rendered is always associated with the services, rendered during the accounting period. Only that part of expenses, which was incurred for provision of the services, sold during the accounting period, is included in this rate. In those cases, where the expenses, incurred during the accounting period, cannot be directly associated with earning particular income and they will not generate income during the coming periods, these expenses are recognized as income during the period they were incurred.

(l) Use of appraisals in preparation of the financial statement

When preparing the financial statement, the management has to make particular assumptions and appraisals, which influence the presented amounts of assets, liabilities, income, as well as expenses, and disclosure of uncertainties. The significant fields of the present financial statement, where the estimations are used, cover wear and tear, depreciation estimations, as well as provisions. The events that will take place in the future can change the assumptions, used for making the estimations. The result of changes in such appraisals will be accounted in the financial statement when disclosed.

(m) Uncertainties

Indefinite liabilities are not recognized in the financial statement. They are described in the financial statement, except for those cases, when the chance that the economic benefit generating resources will be lost is very low.

Indefinite assets are not recognized in the financial statement; however, they are described in the financial statement, when there is a chance that the income or economic benefit will be received.

(n) Financial risk management

The transactions of the Company take place on the international markets in Euros and US dollars; therefore, a significant risk of fluctuation and exchange of foreign currency rates is inevitable. The credit risk or the risk of partners' default is controlled by applying the credit terms and procedure control. The Company does not have a significant credit risk with any of the partners or group of partners. The Company avoids the liquidity risk, by maintaining sufficient cash and cash equivalent flow or having the financing through respective credit and planning the cash flows in advance. The Company does not use any financial instruments in order to protect its financial risk.

(o) Post balance sheet events

The post balance sheet events, which give further information about the state of the Company on the day of making the balance sheet (adjusting events), are reflected in the financial statement. The post balance sheet events, which are not the adjusting events, are described in the comments, if this is significant.

III. Comments of the explanatory letter

1. Intangible fixed assets

Indicators	Software
Acquisition value	
31 December 2005	288,2
Acquired	11,2
Written off	
From one item to another item	
31 December 2006	299,4
Acquired	3,3
Written off	1,5
From one item to another item	
31 December 2007	301,2
Accrued depreciation	
31 December 2005	275,1
Accrued for the period	13,5
Written off	
From one item to another item	
31 December 2006	288,6
Accrued for the period	6,8
Written off	1,5
From one item to another item	
31 December 2007	293,9
Book value	
31 December 2005	13,1
31 December 2006	10,8
31 December 2007	7,3

2. Tangible fixed assets, thousands of Litas

Indicators	Buildings and plant	Machinery and equipment	Vessels	Other vehicles	Repairs	Other tangible assets	In total
Acquisition value							
31 December 2005	3.737,0	4.632,0	346.327,0	726,0	9.402,0	580,0	365.404,0
Acquired		1.461,0	43.348,0	0,0	1.766,0	36,0	46.611,0
Written off		681,0	9.981,0	0,0	5.733,0	138,0	16.533,0
From one item to another item							
31 December 2006	3.737,0	5.412,0	379.694,0	726,0	5.435,0	478,0	395.482,0
Acquired		1.860,7	66.609,4	75,4	2.311,7	175,7	71.032,9
Written off		-1.827,4	-26.549,8		-4.236,9	-92,3	-32.706,4
From one item to another							

item							
31 December 2007	3.737,0	5.445,3	419.753,6	801,4	3.509,8	561,4	433.808,5
Reappraisal/devaluation							
31 December 2005			-36.886,0				
Reappraised (+), devalued (-)							
Worn down during the period							
31 December 2006	0,0	0,0	-36.886,0	0,0	0,0	0,0	0,0
Reappraised (+), devalued (-)							
Worn down during the period							
31 December 2007	0,0	0,0	-36.886,0	0,0	0,0	0,0	0,0
Accrued depreciation							
31 December 2005	233,0	2.773,0	84.554,0	184,0		348,0	88.092,0
Accrued for the period	57,0	526,0	24.395,0	158,0		52,0	25.188,0
Written off		430,0	6.183,0	0,0		102,0	6.715,0
From one item to another							
31 December 2006	290,0	2.869,0	102.766,0	342,0	0,0	298,0	106.565,0
Accrued for the period	57,1	786,7	26.522,2	158,9		60,2	27.585,1
Written off		-1.216,4	-20.601,4			-51,9	-21.869,7
From one item to another							
31 December 2007	347,1	2.439,3	108.686,8	500,9	0,0	306,3	112.280,4
Book value							
31 December 2005	3.504,0	1.859,0	224.887,0	542,0	9.402,0	232,0	240.426,0
31 December 2006	3.447,0	2.543,0	240.042,0	384,0	5.435,0	180,0	252.031,0
31 December 2007	3.389,9	3.006,0	274.180,8	300,5	3.509,8	255,1	284.642,1

Vessels

The tangible fixed assets of LJL at the end of the financial year consisted of 15 vessels, administration building, warehouse, vehicles, as well as machinery and equipment.

In March 2007 the Company purchased M/V ”Deltuva” (Clipper Eagle) and “Clipper Falcon”. In 2007 the Company sold: M/V ”Kapitonas Šimkus”, “Kapitonas A. Lučka”, ”Kapitonas Kaminskas”, “Kapitonas Domeika”, and “Mindaugas” .

The Company paid in 7990,9 thousand LTL prior deposit for the vessel to be purchased in 2008.

6 vessels are mortgaged for the loans, received from SEB Vilniaus bankas (See Comment 12).

<u>Other tangible fixed assets</u>

In the financial year 2007, the tangible fixed assets – machinery and equipment – were purchased for 1860,8 thousand LTL, where the ventilation system of the holds of M/V “Voruta” cost 614,0 thousand LTL and fire extinguishing CO2 system - 255,2 thousand LTL.

3. Ship repair:

The repair expenses were recognized as the assets – 3510,1 thousand LTL
Whereof the following will be transferred to the expenses:

2008	-	2259,1 thousand LTL
2009	-	1074,6 thousand LTL
2010	-	176,4 thousand LTL

4. Deferred tax assets

	31/12/2007	31/12/2006
Written off interest	-	3 340,3
Reduced value of the vessels	-	30 633,2
Provisions for invoices pending to be received	-	300,0
Social insurance from the provisions for the leave s	-	445, 6
Other provisions (audit)	-	54,8
Total temporary differences	-	34 773,9
Profits tax rate	-	15%
Total deferred tax assets:	-	5 216,1

The deferred tax assets are the profits tax amounts to be recovered in future accounting periods, which comprise due to included temporary differences and transfer of unused taxing losses. The profits tax base has changed after the Company started applying the fixed profits tax in 2007 (for the coming 10-year period), therefore, the deferred profits tax assets in the amount of 5216,1 thousand LTL (31/12/2006) as well as the deferred profits tax liabilities in the amount of 3583,2 thousand LTL (2006-12-31) will not be used in future accounting periods. Therefore, the difference thereof is written off to the profits tax expenses.

5. Resources and advance payments

	31/12/2007	31/12/2006
Spare parts	2193,1	605,6
Provision on board	136,4	207,6
Advance payments	935,2	836,0
In total:	3264,7	1649,2

6. Amounts receivable

	31/12/2007	31/12/2006
Trade debtors	81,1	60,5
Foreign trade debtors	503,8	478,8
Amounts receivable from the state budget	39,8	12,9
Advances for the vessels	164,3	161,7
Other amounts receivable	172,3	31,3
In total:	961,3	745,2

The foreign trade debtors of 2007 contain the amount of 325,5 thousand LTL, accrued for M/V “Skalva” (in the beginning of 2006) cargo damage. This case is subject to insurance, therefore, the insurance companies are examining the circumstances of cargo damage and the debt should be repaid to the Company.

7. Other current assets

	31/12/2007	31/12/2006
Time deposit	21955,0	13299,6
Other current assets	-	0,4
In total:	21955,0	13300,00

8. Cash and cash equivalents

	31/12/2007	31/12/2006
Cash in national currency	122,1	112,0
Cash in bank I foreign currencies	864,3	165,8
Cash in hand in national currency	9,9	5,0
Cash in hand in foreign currencies	38,3	31,5
In total:	1034,6	314,3

9. Capital

	Authorized capital	Share premiums	In total
31/12/2006	200901,3	-	200901,3
New issue of the shares	-	-	-
Bought own shares	-	-	-
31/12/2007	200901,3	-	200901,3

The authorized capital of the Company for the year ended 31/12/2007 consisted of 200 901 296 ordinary registered shares.
The par value of one share is equivalent to 1 LTL.

10. Reserves

	31/12/2007	31/12/2006
Legal reserves	10467,3	9901,6
Reserve for the acquisition of the vessels	9599,5	
Reserve for the bonus of the employees	150	180
Reserve for the social-cultural needs	30	
In total:	20246,9	10 081,6

The reserve is subject to cancellation by the decision of the shareholders after the reserve has been used for the salaries of the employees by increasing the retained earnings. Bonus, paid to the employees, is included in the profit (loss) statement. In 2007, the reserve in the amount of 69 thousand LTL was used for the bonus of the employees, which are reflected as expenses in the profit (loss) statement, line „Personnel employment expenses“.

11. Retained earnings (loss)

	31/12/2007	31/12/2006
Balance in the beginning of the yea	11314,8	-16375,7
Net profit (loss) of the year	30137,1	11314,8
Allocated for the dividends (transferred to the amounts payable)	-1149,5	
Allocated for other reserves	-9779,5	-180

Cancelled reserves	180	16555,7
Allocated for the legal reserve	-565,7	
Balance in the end of the year	30137,2	11314,8

12. Financial debts (credit institutions)

	31/12/2007	31/12/2006
Payable after one year up to five years	44345,9	30020
Payable in one year	16689,9	9494,2
Total	61035,8	39514,2
Loan balance in the beginning of the year	39514,2	34005,9
Loans received	48540,3	17954,6
Loans repaid	-21732,9	-10713,9
Change in exchange rate	-5285,8	-1732,4
Loan balance in the end of the year	61035,8	39514,2

All financial debts of LJL to the bank are guaranteed with the assets. 6 vessels are mortgaged with the book value of 145767,5 thousand LTL. The increase in the debt in 2007 was determined by the acquisition of 2 vessels “Deltuva” (Clipper Eagle) and “Clipper Falcon” in March. The loan for the acquisition of these vessels was received from AB SEB Vilniaus bankas. The loan repayment term is during the period from 2010 to 2012.

13. Deferred profits tax liabilities

Due to the change in the profits tax base in 2007, the deferred tax liabilities were written off to the tax expenses.

14. Profits tax liabilities

	31/12/2007	31/12/2006
Profits tax payable in the beginning of the year	2.067,3	1.590,4
Profits tax accrued	91,3	2.722,5
Profits tax paid	-2.067,3	-2.245,6
Profits tax payable in the end of the year	91,3	2.067,3

15. Liabilities related with labor relations

	31/12/2007	31/12/2006
Leave reserve (wages)	1377,7	1443,1
Leave reserve (social insurance)	426,8	447,1
Wages payable		7,4
Social insurance amount payable	354,2	440,6
Guarantee fund amount payable	2,2	2,5
Total	2160,9	2340,7

16. Provisions

	31/12/2007	31/12/2006
Provisions for the invoices pending to be received	896,6	755,1

17. Other amounts payable

	31/12/2007	31/12/2006
Debts, payable to the brokers	152,6	93,4
Trade amounts payable	1236,4	1167,6
Advance payments, receivable from the buyers	2519	988,1
Dividend debts	103,2	77,5
Freight debts	167,4	143,2
Accumulative expenses	191,6	226,3
Other debts	16	13
Total	4386,2	2709,1

18. Liabilities, which are not indicated in the balance sheet

The letter of guarantee in the amount of 25000 US dollars has been presented for the benefit of "North of England P&I Association" for the damage of the cargo of M/V "Algirdas" on 12/08/1999 in Djendjen (Morocco) harbor. On the expiration of the hearing of this claim for the cargo damage, LJL will cover the part of the claim pro rata the amount of their fault. Maximum possible payment amount and the amount, given in the letter of guarantee, amounts to 25 000 US dollars.

19. Sales

Sales, thousands of LTL	31/12/2007	31/12/2006	%
Time-charter income	91239,5	102129,2	89,3
Other time-charter income	1,9	-	-
Short-term contract freight income	358,1	-	-
In total:	91599,5	102129,2	89,7

Time-charter income reduced due to smaller number of working days of the vessels, previously sold and subsequently acquired vessels, as well as reduced dollar rate. In 2007, all vessels operated under the time-charter contracts.

20. Financial and investing activities

	31/12/2007	31/12/2006	%
Interest received	648,2	423,2	
Positive change in currency rate	4168,0	315,6	
Interest paid	(3826,8)	(1983,9)	192,9
Negative change in currency rate		-	
Total:	989,4	(1245,1)	

21. Profits tax expenses

	2007	2006
Net profit before taxes	31.852	14.037
Profits tax (fixed)	91	2.527
Expenses, which do not reduce the assessable profits		4.587
Income, which does not increase the assessable profits		
Increase of the profits tax due to taxing differences		688
Influence of the deferred profits tax assets	5.216	508
Influence of the deferred profits tax liabilities	-3.583	-1.001
Profits tax expenses	1.724	2.722

22. Profit per one share

Profit per one share is calculated by dividing the net profit of the period in the amount of 30137085 LTL that belongs to the owners of the shares by the number of ordinary shares in the end of the period – 200901296 shares.

23. Relations with the persons concerned

The persons concerned in the Company are considered to be the members of the board, director general, fleet management director, technical director, financial director, accountant general, and the family members. The wages in the amount of 615,2 thousand LTL were calculated and paid to these persons in 2007, 417,3 thousand LTL – in 2006.

24. Fair value determination test

The vessels, owned by the Company, on 07/12/2007 were assessed by the vessel assessors of English White Shipping Limited, who determined that on the day of assessment the value of each vessel and total value of the vessels is higher than the book value. Total determined price of the fleet amounts to 162 million USD or 381,9 million LTL.

The Company depreciated the following vessels: “Asta”, “Audrė”, “Akvilė”, and “Daina“.

25. Post balance sheet events

During the 1st quarter of 2008 the warehouse in Melnragė was sold. The Company foresees to acquire the vessel of a higher tonnage (over 24,0 thousand ton deadweight) in April of 2008.

PUBLIC COMPANY "LITHUANIAN SHIPPING COMPANY"

ANNUAL DATA FOR 2007

KAUNAS, 2008

I. GENERAL DATA CONCERNING ISSUER

1. REPORTING CYCLE, FOR WHICH ANNUAL REPORT HAS BENN PREPARED

Annual report for the public company "Lithuanian shipping company" for the year 2007 was prepared for the period from 1st January of 2007 to 31st December of 2007.

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 aslo 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.

Ahter 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.

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	Max.	Min.	Last session		(units)	(Lt)
2006 01 01	2006 03 31	0,62	0,49	0,57	478.883	0	3.089	2006 03 31	7.393.979	3.998.826
2006 04 01	2006 06 30	0,60	0,44	0,49	257.003	0	39.977	2006 06 30	6.767.904	3.543.052
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

Sales of issuer's securities outside the Exchange

Period	2006 1st quarter	2006 2nd quarter	2006 3rd quarter	2006 4th quarter
Cash payment				
Turnover, Lt	-	-	194.695,05	3.717.913,21
Turnover, units	-	-	487.783	10.481.563
The lowest price, Lt	-	-	0,25	0,00
The highest price, Lt	-	-	0,51	0,41
Non-cash requital				
Turnover, units	-	-	23.636	165.045

Period	2007 1st quarter	2007 2nd quarter	2007 3rd quarter	2007 4th quarter
Cash payment				
Turnover, Lt	-	10.8196,10	426.078,70	115.961,72
Turnover, units	-	186.545	734.515	195.799
The lowest price, Lt	-	0,58	0,58	0,58
The highest price, Lt	-	0,58	0,58	0,58
Non-cash requital				
Turnover, units	909.090	74.836	3.049	28.854

*Prepared in accordance with www.csdl.lt information announced in on deals made outside exchange over the year 2007 m. as well as the report over the year 2007 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 reporting financial year of 2007 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

ABOUT THE COMPANY

Public company "Lithuanian shipping company" (LJL, Company code 110865039, Malūnininkų g. 3, Klaipėda) founded on 27th June, 2001.
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 Lt;
- total nominal value of the issue - 200.901.296,00 Lt.

14.12.2007 the following shareholders, held more than 5 percent of the issuer's authorised capital:
- Public organization State Property Fund– 16 689 155 units of shares (8,3 percent);
- "DFDS Tor Line" A/S – 11 108 420 units of shares (5,5 percent);
- Ministry of transport and Communications of the Republic of Lithuania – 113 833 000 units of shares (56,66 percent);
- "Hansabank Clients" – 16 849 753 units of shares (8,4 percent).

Small shareholders kept 21,14 percent of shares. Public organization State Property delivers shares to citizens of the Republic of Lithuania as compensation for land or realty , therefore, in the long run the quantity of shares held by the Fund is to be passed to small shareholders.
Over teh year 2007 2 shareholders' meeting took place: 26.04.2007 – a commmon shareholders' meeting, 14.12.2007– uncommon, where the auditor for the financial years of 2007, 2008, and 31st December of 2009 as well as for the Company's operations was chosen, that is, UAB "Moore Stephens Vilnius". There were 1 681 shareholders of the Company on the recent day of shareholders' meeting.
Over the year 2007 the Company had 7 management meetings, 2 onlookers' Council meetings, besides, 9 management decisions were approved.
Since its founding the Company has participated in the activities of Lithuania's ship owners and in those of Klaipėda Industrialists' Association, also, it is the member of BIMCO (The Baltic and International Maritime Council).

MANUFACTURING (SERVICE) CHARACTERISTICS

Total quantity of services provided over 2005 – 2007, Lt

Title	2005	2006	2007
Items sold and services provided	96.417.514	102.129.181	91.701.300

Use of cargo ships, average quantity per year

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

Types of cargo transported

Types of cargo transported	2005	2006	2007
	Percent	Percent	Percent
Bulk cargo	40	59	51
Timber	36	21	24
Metals	16	7	20
General cargo	8	8	
Cargo of other type	-	5	5
Total:	**100**	**100**	**100**

OPERATION OF COMPANY SHIPS OVER THE YEAR 2007

Fleet composition for the year 2007

The Company had the following ships over the reporting year:
1. at the start of the year 6 for bulk cargo, “Kapitan Panfilov” type (14 632 DWT each), 4 of these were sold:
1.1. motor-ship “Kapitonas Šimkus” operated until 28.02.2007;
1.2. motor-ship “Kapitonas A. Lučka” - until 20.04.2007;
1.3. motor-ship “Kapitonas Kaminskas” - until 18.08.2007;
1.4. motor-ship “Kapitonas Domeika” - until 14.11.2007.
2. 2 universal (“Staris”, “Svilas”) – 9650 DWT each;
3. 1 general cargo (“Skalva”) – 9498 DWT (since 03.06.2004);
4. 4 universal, “Asta” type –5820 DWT each;
5. 2 universal “Uglegorsk” tipo –4500 DWT each:
5.1. “Algirdas”
5.2. “Mindaugas” until 20.09.2007.
6. 1 general cargo (“Alka”) – 7346 DWT;
7. 1 general cargo (“Romuva”) – 17504 DWT;
8. 1 general cargo (“Voruta”) – 17504 DWT;
9. 1 general cargo (“Clipper Eagle”, now – “Deltuva”) since 08.03.2007;
10. 1 general cargo (“Clipper Falcon”, po remonto – “Raguva”) since 15.03.2007.

Demand for dry load ships of *Handysize*

LJL exported ships are ascribed to the ships of *Handysize*. The market conditions for such ships have been favorable for the last few years, howver, they have not become the source of big profit as did the big ships. As the following table indicates, the demand for small ships has been increasing quite steadily when compared to that for the big ones. Expressed in load units (that is, deadweight – DWT), the demand has increased on average by 3,4 per cent over the last 4 years (including prognosis for the year 2007), while the whole fleet of dry-load ships increased on average by 6,7 per cent over the last 4 years (including prognosis for the year 2007).

It is prognozed that, the demand for dry-load ships of *Handysize* is to continue to grow, by leaving a noticeable gap from heavier segments. Analysts hope that the demand for them shall slightly decrease in 2008 and 2009. The main reason for such potential vulnerability of the market for *Handysize* in respect of demand is the decrease in milk import to China, which resulted from rapid expansion of Chinese domestic production and restraints on export.

The demand for dry-load ships of Handysize

	Tons per mile (milliards)	Change, %	Deadweight (million)	Change, %
2002	1,660	n/a	34.1	n/a
2003	1,723	3.8 %	35.4	3.8 %
2004	1,864	8.2 %	38.3	8.2 %
2005	1,912	2.6 %	39.7	3.7 %
2006	2,022	5.8 %	39.9	0.5 %
2007	2,111	4.4 %	40.3	1.0 %
2008	2,138	1.3 %	40.1	-0.5 %
2009	2,200	2.9 %	39.5	-1.5 %
2010	2,267	3.0 %	39.7	0.1 %
2011	2,308	1.8 %	38.4	-3.3 %

Source: *Drewy shipping consultants*

General remarks on the fleet operation

The Company strategy is based on establishing long-term relationships with freighters, who tend to hire LJL ships for a short or medium length period. It can be said that LJL is willing to have lower, but stable and more easily prognozed income from rent operations and thus it avoids more profitable but risky operations of "Spot" market.

The fleet has worked under long-term contracts with such companies as: "Arctic Trading" (Greece), "UB Trading" (Germany), "Navalis Shipping" (Germany), "Brodin Shipping" (Sweden), "Olof Brodin" (Sweden), "Clipper" (Denmark), "Onego Shipping & Chartering" branches in America, Estonia, Holland and Russia.

Stable and profitable operations of the fleet have been achieved when it changed ship navigation regions and by signing contracts and their timely renewal.

Market trends. Specified publications do not provide navigation market analysis for small ships, which are operated by LJL. Global navigation index includes such ships as *Handymax* (35 000 – 50 000 tdw). Downturns or up-rise in the market of bigger ships affect the market of smaller ships. Therefore, *Baltic Dry Index (BDI)*, can be used for its analysis, as it presents summary about all sectors, where ships *Capesize, Panamax* and *Handymax* are operating.

FINANCIAL ACTIVITY

Public company "Lithuanian shipping company" for the year 2007 had accounts in AB SEB Vilnius bank (since 24.01.2008 its name changed into AB SEB bank), AB *DnB NORD* Klaipėda branch, AB *Sampo* bank. The main cash turnover (77 %) was carried through AB SEB Vilnius bank.

The Company concentrates its capital in those banks, which offer more competitive and more attractive services. The Company performs bank operations via the Internet, as it helps to decrease expenses and has become an operative way. LJL constantly looks for ways to decrease bank service and operation costs to the maximum: in 2002 such costs made up 365 thousand Litas, and were constantly decreasing, and in 2007 they made up 124 thousand Litas, that is, decreased by more than 66 %.

The main income is earned by the Company in US dollars and euros. Its average income in US dollars (ship sales not included) made up 52 %. In 2007 on average US dollar cost 2,5230 Lt, while in 2006 -

2,7513 Lt. The Company sold its services for the average price of a US dollar 2,5313 Lt, and in 2006 - 2,75 Lt. In order to make payments in Lithuania the company sold currency to those banks, which offered more competitive and more beneficial exchange rate for the Company. For payments in other currency than the income received, the Company buys it – no reserves of such currencies are kept by LJL, that is, it does not keep frozen capital, as for it no interest is uncured.
Payment is given for the staff under the Collective Agreement of 30th March, 2004 of the Public company "Lithuanian shipping company", regulations for work payment system for coast workers as well as the schedule for payment for work performed by Director General, directors and chief accountant. The main expenditure on payments for labor force in the Company comprises salaries for seamen. Seamen's salary for work, including sums allocated for their holidays and days off make up 78 % of all expenditures dedicated for payments for workers, business trip expenditures make up - 95 %. In 2007 average gross salary per month comprised 2248, 1 Lt (2006 - 2304, 3 Lt). This index has been taken from average provisory number of workers according to the method of the DA-01K report from the Department of Statistics under the Government of the Republic of Lithuania. On 31st December, there were 516 workers in the Company, 63 of them in coast units and 453 in the fleet (respectively in 2006 - 533 workers, 64 of them in coast units and 469 in the fleet). The average number of the Company workers in 2007 was 539, average provisory number of workers was - 498, 9. The average number of workers in 2006 was 539, in 2005 - 555.
LJL cash and forward deposits over the year 2007 increased by 9, 4 million Lt up to 23 million Lt. In 2007 redeemed the rest of VVP, inherited after the reorganization. The Company seeks to acquire greater cargo capacity a new ships by implementing the scheme for renovation of the fleet. In 2007 LJL acquired 2 "Clipper" ships 16, 9 thousand DWT each for 63, 4 million Lt, by taking the credit of 18, 5 million US dollars from the bank (48,6 million Lt or 77 %).
LJL keeps its capital, which is free from payments, in terminated deposits and/or one night deposits. Free cash accumulates while looking for ships suitable for purchase. In 2007 LJL received from banks for free cash control 0,644 million Lt income, in 2006 - 0,423 million Lt.
LJL from the previous LISCO inherited 55,9 million Lt financial obligations for 4 "Asta" series ships in US dollars with the changing interest rate (LIBOR for choice of the period, bank margin 1,5 % of annual interest). This inherited debt had a very complicated scheme and the Company had additional expenses without expenses on interest (administrational, tonnage, registration, insurance, representation fees), related to 4 firms, and registered in Cyprus under the names of ships. By seeking to decrease its expenditure and risk, in 2003-2004 LJL changed the existing scheme into a credit from AB Vilnius bank. Even though the negotiations were not easy due to continuous privatization process of the Company, LJL managed to gain more favorable conditions for the contract.
Over the year 2007 the Company paid to SEB bank 25,6 million Lt of the credit together with the interest (respectively in 2006– 12,7 million Lt, in 2005 - 6,3 million Lt). These credits were taken to acquire: 4 "Asta"_type ships, in 2005 "Romuva", in 2006 "Voruta", and in 2007 2 "Clipper". The Company returns credits with calculated interest to banks under terms and sums indicated in the agreement. LJL has not received any pretensions from banks since its establishment
55,9 million Lt of financial obligations to the banks, inherited from the previous LISCO after the reorganization, including credits received by LJL for purchasing the ships mentioned earlier, at the end of 2007 made up 61,0 million Lt. Credits in euros made up 53 %, while credits in US dollars - 47 %.
In 2007 LJL paid 3,8 million Lt interest to the bank or 1,8 million Lt more than in 2006 m. due to credits taken to acquire 2 "Clipper" ships. If compared with the budget, less, that is, by 0,9 million Lt interest was paid due to smaller credit (instead the planned 20,5 million US dollars for 7 years, the credit of 18,5 million US dollars was taken for 5 years). Besides, according to the budget plan it was intended to receive the credit on 15th January in 2007 with 7 % annual interest rate, by covering a part of the credit, that is, 7,7 million US dollars. The ships were factually acquired on 7th and 14th March, 2007, about 6,1 % interest paid for the credit, in the current year a part of the credit, that is, 4,9 million US dollars was covered. The exchange rate for US dollar was 2,52 Lt, which also differed from that projected in the budget as it was 2,71 Lt. It is important that at the start of 2004 LIBOR in US dollars made up over 1 %, in 2006 it was increasing and at the end of the year it reached more than 5 % (according to fixed interest). However, LIBOR in US dollars was increasing more slowly than LIBOR in euros (01.01.2007

for 6 months. LIBOR in US dollars was higher than that on 29th December, 2005 by 14 %, while LIBOR in euros - 46%). Over the year 2007 LIBOR in euros increased by 21 %, while LIBOR in US dollars decreased by about 17 %.
The Company has given much attention to its business analysis, to administration or financial reporting preparation process, improvement of accounting. Management effectiveness shall not be achieved in the absence of such analysis and improvement of reports dedicated for such purpose, indeed, the Company has given much attention to that. Freighters' debts and payment situation are always under control. LJL takes care of constantly improving work organization and its structure. LJL is reliable in respect of suppliers. The turnover for loan providers in 2007 as well as in 2006 was less than 5 days.
In 2007 the Company chose to apply fixed profit tax for the taxable profit of the starting taxing period and later taxing periods.
Over 2007 taxable financial year the Company did not acquire, transfer any shares, nor does it have such

MAINTENANCE OF THE TECHNOLOGY OF THE FLEET

In 2007 repair works were performed in order to approve class of motor-ships "Akvilė", "Audrė", "Mindaugas", dock repair works for motor-ships "Voruta", "Deltuva".
Expenditure of ship repair works over the year 2007 makes up 14695426 million Lt.
Motor-ship "Deltuva" has had major repair works done. Ballast tanks and all the holds were cleaned and painted. Motor-ship "Voruta" had CO2 extinguishing system, smoke detectors and ventilation systems for holds installed in cargo holds. This allowed transporting hazardous cargo.
Due to breakdowns ships "Svilas" and "Alka" had undergone unscheduled repair works.
In 2007 technology of two acquired ships "Deltuva" and "Clipper Falcon" was mastered. Major works were completed by preparing their maintenance, ISPS plans, instructions, and other documents.
Worn out ship radars, satellite stations GPRS receivers, satellite buoys and other means of communication and navigation were changed. The sum of 791 296 Lt was spent on that.
Ship repair costs became hard to predict in Europe. It took longer to complete repair works. Repair works are much cheaper in China, but LJL ships do not navigate in the region of Asia, thus, none of the Company ships were repaired there In 2008 motor-ship "Clipper Falcon" is to be repaired in China.
Prices of spare parts have greatly increased and terms of their delivery have become longer. In order to avoid stand-by due to technical faults, spare parts are ordered and bought earlier and in greater quantities.
The 2007 was a very good year to sell ships. Under the permission of administration, 4 old bulk cargo ships were sold: "Kapitonas Šimkus", "Kapitonas A. Lučka", motor-ship "Kapitonas Kaminskas", motor-ship "Kapitonas Domeika". It would have been too expensive to carry out repair works of high quality, and expenses up to other repair works would not have paid off. In 2008 ship utilization convention is to be accpeted, after its commencement it will be quite difficult to give ships away to scrap metal sites.

SAFE NAVIGATION MANAGEMENT

In 2007 SLVT workers carried out the following important safe navigation works in the spheres of arranging juridical ship documents:

1. All the necessary documents related to preparation of the obligatory plans *US Non Tank Vessel Response Plan* for two LJL ships were prepared and sent to the U.S.A. Agreements with two US companies "Donjon – Smit LLC" and "National Response Corporation" were complemented concerning service provision in emergencies in USA inland water and territorial sea. The ships "DELTUVA" and "CLIPPER FALCON" were timely provided with the plans mentioned above, which were prepared by the USA company "Hudson Marine Management Services". Additionally the same company prepared other plans for these ships - Panama channel SOPEP, which are required for ships navigating in Panama channel.

2. The ships “DELTUVA” and “CLIPPER FALCON” were registered in Marine Ship Register of the Republic of Lithuania and provided with required normative documents. Also, these ships had waste handling, water ballast management and SOPEP plans arranged (the plans were prepared by the company “Baltic Engineering Centre” and an individual principal I. Žukov) as well as packages for post, ship and technical instructions in languages used at work arranged.

3. The company’s auditors performed the audit of inner ship safety management system in 16 ships and once in the coast departments of the company. The official responsible for company safety carried out audit of inner ship protection in 6 ships.

4. Correction in safety management guidelines was done once.

5. Corrections in ship SOPEP plans related to contact addresses were made 4 times and it was distributed among the ships.

6. 14 pilots received certification to occupy higher posts. Uncommon additional testing for ship masters’, mates’ and chief mechanics’ knowledge for ship safety system management was undertaken (during the months of November and December knowledge of 11 specialists has been checked).

7. All the ships were periodically provided with national documents and those of International Marine Organization, regulating ship safety and protection, safety control and environmental protection via sea logs and seafaring manuals.

8. Organizational work was performed when preparing modern computerized calculation software for stability, seat and hull stretch of the ships “DELTUVA” and “CLIPPER FALCON”. The program was prepared by the company “Spro – Invest LLC”.

9. Organizational work was performed when preparing protection plans for motor-ships “DELTUVA” and “CLIPPER FALCON” and when providing certificates for the same ships according to the International Protection Code for ship and port plant and according to the requirements of International Safe Management Code.

10. Review of emergency events for LJL ships prepared for 2006. All conclusions for emergency events of the investigation of 2006 were distributed to LJL ships.

11. PSC inspection analysis according to incompliance features was performed for LJL ships in 2006. Information was presented to the company management.

12. Lists of critical equipment were made relevant and complemented for all ships according to LSLA requirements.

13. Manuals for using life boat systems were prepared according to the requirements of TJO 15.05.2006 of circular note MSC.1/Circ.1205 in Lithuanian and Russian languages, instructions for other specific life saving means, for exploiting fire-fighting and plants were made reliable in languages used at work on ships “VORUTA”, “DELTUVA”, and “CLIPPER FALCON”. Plans – schedules for technical service for life saving means were made reliable according to the new requirements of the earlier mentioned TJO 15.05.2006 of circular note MSC.1/Circ.1205 for all ships.

14. Organizational work was performed when implementing independent ship SVS safety audit.

14.1. The Audit of 4 ships SVS was completed by inspectors of Marine Navigation Register of Russia (RJLR) , the Audit of 5 ships – by LSLA inspectors.

14.2. 7 the audit for ship protection was completed by LSLA inspectors.

15. Organizational work was performed when preparing reliable information of stability and hull capacity of the ships “KAPITONAS SERAFINAS” and “KAPITONAS STULPINAS” for carrying general cargo. Such document was prepared by UAB “Baltic engineering centre” and it was confirmed by RJLR. However, the expected result was not reached, as for official legalization for haul of general cargo, motor-ship ‘KAPITONAS SERAFINAS” RJLR asked to prepare additional documents, in fact, without such documents the ship carries general cargo for 26 years.

Implementation of *ISM Code, ISPS Code* and of requirements for environmental protection in LJL in 2007.

In 2007 representatives of Marine Navigation Register of Russia and of Safe Navigation Administration of Lithuania (LSLA) inspected ad issued renewed control certificates (SVL) for 5 LJL motor ships: “Kapitonas Serafinas”, “Kapitonas Stulpinas”, “Asta”, “Staris”, and “Svilas”. After completion of preparatory works, “Deltuva” and “Clipper Falcon” were certified to receive temporary SVL for 2007. A

few months later ships "Deltuva" and "Clipper Falcon" underwent audit once again, they were given permanent SVL.
Under the request of Safe Navigation Administration of Lithuania, additional audits were carried out in ships "Alka", "Kapitonas Domeika" and "Kapitonas Stulpinas" after their arrest.
In May, 2007 the representatives of Safe Navigation Administration of Lithuania carried out an annual company audit so that new reliable document shall be completed. Safe Navigation Control Service, Personnel Department, Technical Maintenance Department and Fleet control department were inspected. 8 incompliance notes were made. One incompliance noted by the LSLA inspectors is reliable today as well: Superintendents of Technical Maintenance Department cannot guarantee that annual inspection of technical conditions of ships is carried out on LJL ships. As this remark was noted by LSLA representatives in 2007, the results will be investigated in 2008 during the company audit. During inner audit carried out in December it was established in Technical Maintenance Department that over the year 2007 superintendents investigated 9 ships, and completed the checklists for inspection of technical condition.
In 2007 inner audit was carried out in all the ships according to a prearranged plan.
In 2007 necessary documentation of *ISM Code* and *ISPS Code* was prepared for the acquired ships "Deltuva" and "Clipper Falcon". They were certified according to the requirements of *ISM Code* and according to those of *ISPS Cod*.
At the end of 2007 auditors carried out inner audit for company departments and services.
In 2008 interim SVS inspection for motor-ships "Alka", "Romuva" and "Daina" are to be carried out in order to renew the certificate of safe management. In May company annual audit shall be carried out.
In 2007 6 ships had inner audit *ISPS Code* carried out. Most common incompliance: 1. the zone door of restricted access even if it is not used id left open; 2. There is no proof that the company annually carries out external and inner tests for ship protection equipment.
In the middle of 2007 trainings according to *ISPS Code* were completed in all LJL ships by imitating ship protection system damage. Ship and seamen's preparation, actions, knowledge of the ship safety plan, operative work of communication ship-company-Klaipeda coordination rescue group were assessed. The same trainings have been prearranged for the end of 2008.
In 2007 7 LJL ships had external interim inspections of *ISPS Code* carried out in order to renew the certificate of International ship protection. The inspection was carried out by the representatives of Safe Navigation Administration of Lithuania. In 2008 3 ships ("Alka", "Voruta", "Romuva") are to have interim inspections of *ISPS Code* carried out.
Evaluation of safety of ships "Deltuva" and "Clipper Falcon" acquired in 2007 was given, prepared new ship protection plans and the ships were certified according to *ISPS Code* requirements.
Corrected protection plans of the majority of LJL ships, as ship alarm systems as well as AIS use and testing instructions had to be specified.
As renewal of SVS certificates of the ships "Kapitonas Serafinas", "Staris", "Svilas", "Deltuva" and "Kapitonas Stulpinas" were carried by Safe Navigation Administration of Lithuania through issuing a new Safe management certificate, the documents of continual record for ship history had to be renewed as well .
In 2007 newly acquired motor-ships. "Deltuva" and "Clipper Falcon" had new plans for special means for oil pollution prevention (SOPEP plan), waste management plans, water ballast control plans prepared. All these plans were approved by Safe Navigation Administration of Lithuania.

ACTIVITIES IN OTHER COAST DEPARTMENTS

<u>Insurance and pretensions</u>

During the reporting year Insurance and Pretensions Department had the following pretensions:

1. Related to cargo transportation.

According to the data of the 1st January, 2007, LJL presented 12 pretensions and received 8 reports about pretensions. Over the year 2007, 5 pretensions were analyzed and rejected, which made up the total sum of - 837 666,00 US dollars and 2 pretensions fell out. Negotiations were made for one pretension of 85 433,00 US dollars and a certain deal was reached, and the total amount paid consisted of 10 000,00 US dollars.

Over the year 2007 the following pretensions were submitted and rejected:

1. 3 pretensions for the sum of 4 653,86 euros;
2. 1 pretension for the sum 2 200,00 US dollars;
3. 1 pretension, whose sum of 11 000,00 euros was negotiated and agreed on 2 337,00 euros.

01.01.2008 6 pretensions were left, 2 of them pretensions for - 297 444,89 euros, 4 pretensions for - 94 323,76 US dollars, 8 notes about pretensions. 3 of the rest comprise big pretensions:

- motor-ship “Kapitonas Lučka”, *Moerdijk* port, 30.10.2004– 225 000,00 euros;

- motor-ship “Skalva”, *Puerto Cortes* port, 08.11.2004 – 72 444,89 euros;

- motor-ship “Skalva”, *New Orleans* port, 04.12.2007, cargo pollution with oil - 50 000,00 US dollars

2. Other pretensions.

01.01.2007 there were 22 pretensions, 31.12.2007 21 were left, including new pretensions.

During the reporting period one big pretension was fulfilled: motor-ship “Skalva” *Gaspe* port 04.01.2006 cargo damaged due to the fire on the hold, pretension sum– 1 052 112,00 US dollars. 179 250,00 US dollars were paid from the funds of the insurance club “Skuld”.

In Schtralsunde (Germany) court tail has been completed concerning the declaration of bankruptcy of the company “Whitle Dolphin Shipping and Trading GmbH”.

11 small pretensions were fulfilled, insurance payouts were received for them.

In 2007 new big pretensions received:

1. Motor-ship “Svilas” 18.11.2006 *Sunndalsor* damaged port quay, pretensions sum – 290 000,00 US dollars

2. Motor-ship “Daina” collision with Motor-ship “Nordana Andrea” 09.11.2007 in Kiel Channel, preliminary pretensions sum – 120 000,00 euros.

3 Motor-ship “Asta” illness of the crew member K. Bogdanov, patients transportation from Mexico to Klaipeda, pretensions sum – 180 000,00 US dollars paid from the funds of mutual insurance club “Skuld”.

The public company “Lithuanian shipping company” has insured ship owners’ liability due to cargo and other pretensions insurance agencies and mutual insurance clubs.

3. Coast pretensions.

1. 10.01.2007 M. Trijonienė and L. Uniokaitė submitted request to the bailiff agency concerning shares of the public company “Lithuanian shipping company” belonging to the Company “Trident Marine Aps” of the Danish Kingdom, these shares are in UAB finance broker company’s “Suprema” accounting report, according to the arrest decree p.c. No. 2A-4521/2006 of the Court of Appeals of Lithuania.

2. 17.03.2007 the Court of Appeals of Lithuania looked into p.c. No. 2A-85/2007 according to the plaintiff’s the Company “Trident Marine Aps” of the Danish Kingdom letter of appeals concerning the decree of Vilnius District Court on 19th July, 2006 decreed p.c. No. 2-1231-28/2006 concerning the Company’s “Trident Marine Aps” of the Danish Kingdom claim to the defendants of the public company “Lithuanian shipping company” that is to the Bureau of Special Investigations of the republic of Lithuania, the third party State Treasury Fund concerning revelation of news which do not correspond the reality, humiliate business reputation of the juridical entity, for the compensation for damage done in order to disprove such news and damage for the spread of such news. The letter of appeals shall be partially satisfied, reduced legal costs wee assigned to the public company “Lithuanian shipping company”.

3. 02.05.2007 Vilnius District Court issued receiving order No. 2-1231-28/2006 under which recovery has been implemented 29.10.2007. The case closed.

4. 05.06.2007 Klaipėda District Court looked into p.c. No. 2-518-538/2007 concerning Tatjana Žgunova claim for immediate return to work, salary adjudging for the whole period of the forced absence from work, for reestablishing continuity of incessant work standing, for adjudging severance pay, for retrieval of annual and unpaid holidays, for adjudging payment for removing date of discharge

from work, for adjudging allowance to work salary for annual holiday, for adjudging payment for payment for extra work done, for paying compensation for financial and moral damage. 04.07.2007-07-04 the Court of Appeals of Lithuania received T. Žgunova's letter of appeal concerning 05.06.2007 Klaipėda District Court decree. The Court of Appeals of Lithuania looked into the civil case No. 2A-83/2008 according to T. Žgunova's letter of appeal concerning Klaipėda District Court decree, 03.01.2008-01-03, the claim rejected.

ACTIVITIES OF THE DEPARTMENT OF INFORMATION TECHNOLOGIES

1. Expenses:
1.1. Software maintenance - 97 746 Lt, if compared to the budget this sum is smaller, 12 254 Lt .
1.2. Computer hardware and net maintenance - 13019,92 Lt, if compared to the budget this sum is greater 19,92 Lt.
2. Investments:
2.1. Modernization of technical equipment of computer network and software –33 882,23 Lt;
2.2. Modernization of fleet computer technologies and software – 6 382 Lt.
Total sum of investment – 40 264,23 Lt, budget has 208 000 Lt. Non-realized funds of investments, as the following were not purchased: processing system for documentation of large format (copying, printing, scanning, new server; module for time charter has not been bought nor has it been installed; module of GPRS connection has not been modernized on ships).
3. Programming (aims):
3.1. A new version of programming task has been created for "Crew knowledge testing", according to the requirements of MARPOL convention and ISM code.
3.2. A new version of program for information transferring from ships has been installed in ships, entering USA ports.
3.3. Electronic catalogue of engine parts has been created and implemented for ships of "Asta" type. The catalogue makes it easier to find a necessary part and facilitates forming the request for their purchase.
4. Modernization of computer network and its systems:
4.1. A new integrated centralized protection system of several levels has been installed in the computer network of LJL. The system has a system against *spam*, anti-virus e-mail and WEB protection and protection from hackers' attacks installed. The system has been installed in the server, which provides more opportunities to control and monitor the protection.
4.2. The server base has new technology installed for transferring Internet data from information medium from the office to ships. This facilitates program service updating and makes information transferring to ships easier.
4.3. 3 work posts have been modernized in LJL coast departments.
4.4. A new version of protection program *Panda Platinum 2007 Internet Security* has been installed in ship computers.

ACTIVITIES OF BUSINESS MAINTENANCE DEPARTMENT

In 2007 96 500 Lt (VAT included) received for the rent of nonresidential premises.
In 2007 the following rent agreements have been signed for nonresidential premises:
28.02.2007- concerning the rent of 25,08 m2 administration premises on the 2 floor,
31.01.2007– concerning the rent of l 32,22 m2 administration premises on the 2 floor,
27.02.2007– concerning the storehouse premises of 204,45 m2, Vėtros g. 7 Melnragėje, ,
13.03.2007– concerning the storehouse premises of 273,07 m2, Vėtros g. 7 Melnragėje,.
Insuance expenses:
Insurance of realty (administration premises, office equipment and storehhouse)
UAB "IF draudimas" - 4300 Lt;
Insurance of general civil responsibility - 500 Lt;
Insurance of means of transport UAB "IF draudimas" – 32614 Lt;

Insurance for journeys UAB "IF draudimas" - 5932 Lt;
Expenses on maintenance of administrative premises:
For the rent of state owned land (0,1618 ha) 2957,76 Lt paid to Klaipeda municipality;
For rain leakage pipes to AB "Klaipėdos vanduo" - 201,60 Lt (VAT not included);
For cold water used and waste water to AB "Klaipėdos vanduo" - 2096,08 Lt (VAT not included);
For heating of premises to AB "Klaipėdos energija" - 25130,08 Lt (VAT not included);
For electrical power used to AB "Vakarų skirstomieji tinklai" branch "Klaipėdos elektros tinklai" – 23 553,52 Lt (VAT not included);
For garbage removal to UAB "Švaros diena" - 677,4 Lt (VAT not included);
For security services (reacting on the pressure of the danger alarm) R. Jonaičio IĮ "Argus" - 600 Lt (VAT not included).
For telephone communications it was paid to:

AB "Lietuvos telekomas" – 46 669,73 Lt (VAT not included);
UAB "Telekomunikacijų grupė" – 316,59 Lt (VAT not included);
UAB "Linkotelus" – 4 309,53 Lt (VAT not included);
UAB "Bitė GSM" – 73 099,20 Lt (VAT not included).

Roof repair works of administrative building - 4146 Lt (VAT not included).
Repair works in inner premises - 4705,20 Lt (VAT not included).
Repair works for security alarm - 480 Lt (VAT not included).
Plumbing maintenance in administration premises - 1510 Lt (VAT not included).
Preparations for heating season of 2007-2008 - 7109,30 Lt (VAT not included).
Over the year 2007 1 382,5 kg of copying paper was purchased for 4 096,44 Lt (VAT not included).
Over the year 2007 maintenance expenses for storehouse in Melnragė:
Land fee to Klaipėda National Port Direction – 10446 Lt;
For electrical power used to AB "Klaipėdos jūrų krovinių kompanija" - 3348,30 Lt (VAT not included);
For telephone connection to UAB "Bitė GSM" - 221,22 Lt (VAT not included);
For garbage removal to UAB "Švaros diena" - 365,14 Lt (VAT not included);
For security services R. Jonaičio IĮ "Argus" - 1200 Lt (VAT not included);
For electricity installation works in the storehouse - 300 Lt (VAT not included);
For storehouse gate repair works - 1400 Lt (VAT not included).

Realty fee to the budget – 14 799 Lt.
The user fee of owners or controllers of means of transport – 2500 Lt.
Eight seat vehicle has been acquired "Renault Trafic" for 75423,73 Lt (VAT not included).
When exchanging crews of ships, the bus "Iveco Irisbus Midys", licence plate No. ARJ 535 and an automobile "Renault Trafic", licence plate No. DEL 125 were used, total distance covered in Lithuania and abroad 42 191 km.
Over the year the Company bought fuel in Lithuania and abroad from UAB "Lietuva Statoil" for 46 609,73 Lt (VAT not included) for its means of transport (bus "Iveco Irisbus Midys", cargo vehicle "Peugeot Boxer", " Renault Trafic", "VW Passat" and "Peugeot 406").

COMPANY BUSINESS AIMS

In order to ensure faster increase in profit it is necessary:
<u>1. to obtain ships of greater cargo capacity.</u> The fleet renewal issue has been solved since 2002. Since the establishment of the Company in 27.06.2001, when the main aim was to survive, it was considered that , new ships and those of greater capacity could operate more effectively. By 31.12.2007 LJL sold 12 old ships and it bought 8 newer ones of greater cargo capacity. By renewing its fleet the Company seeks to solve one more issue: to possess at least 2 ships of the same type. The demand for such minimal ship fleet is greater in the market.
Currently 24 000 – 26 000 dwt size ships can be employed to receive 18 000 – 24 000 US dollars per day. This serves as substitute for the sum rate of a day for such ships as "Alka", "Algirdas", and

"Kapitonas Serafinas". Maintenance expenses of such a ship would be equal to maintenance expenses of the two ships mentioned above.

2. to stop using little profit earning and operating with unreliable equipment "Uglegorsk" type ship "Algirdas" (built in 1991 in Turkey, 4470 dwt). This aim can be achieved by renewing the fleet. In 2007 motor-ship "Mindaugas" was sold, in 2008 we plan to sell motor-ship "Kapitonas Serafinas", as the repair works are near for the motor-ship "Algirdas", it would be sensible to sell it. Expenses for repair works for such a ship will be greater, as it has poor quality of construction.

In order to significantly decrease maintenance expenses for all ships, it is necessary to decrease expenses for their repair works, which make up a significant part of maintenance expenses.

Expenses on repair works can be decreased by:

1. Organizing repair works for major ships in Asian countries, giving priority to china, where prices are significantly lower than those in Europe or America. Contact has already been established with several ship repair yards of China.
2. While going to the repair base, on the way to haul some freight. In this way, major expenses will be cut down when going with ballast, without any cargo.

To find work in a more expensive market of hauling freight is possible if there are ships of 20 000 t deadweight. Such ships can be employed for a longer period of time and higher rates can be imposed. In 2008 it is planned to purchase a ship of 24 200 dwt. There is a great hope that it will be possible to employ it successfully.

Save navigation and work without ship arrest in foreign ports – aims, which after being reached, shall guarantee high reputation for the Company, and the image of the Republic of Lithuania as the seafaring country would be strengthened.

The Company has been constantly reaching for these aims. LJL has protection control system installed (SVS), which helps to guarantee:

1. navigation free of accidents and mechanical breakdowns,
2. environmental protection, by avoiding pollution from ships,
3. security for workers, by eliminating risk factors, which may result in fatalities, traumas and injuries,
4. safe cargo transportation technologies, which help to avoid damage to or loss of transported cargo.

In order to make SVS more effective, over the period of 2008-2009 the following issues shall be solved:

- revise ship documentation looked through during ship inspection,
- to arrange the order for ship preparation for repair works, so that ship repair logs would be as correct as possible, describing technical condition of ship mechanisms and the range of needed repair works.

In order to make SVS more effective, it is planned to reach the following aims:

1. to send all seamen to paid training courses (UAB "Novikontas") where they would be taught of International Safety Management Code.
2. to send all superintendents form Technical Maintenance Department to training courses (UAB "Novikontas") where they would be taught of International Safety Management Code.
3. to make ship masters, their mates and chief engineersindividually repeatedly study Safety Management regulations, 02.01.2007 General Director's Decree No. 1-02, by testing their knowledge during Safe Navigation Control at work.
4. to make specialists of Safe Navigation Control Service responsible for organizing for all LJL ship masters, their mates and chief engineers knowledge testing related to Protection Management systems for the company and ships, and the results of such testing shall be documented in the minutes.

The strategic plan for 2008 of the public company "Lithuanian shipping company" was calculated when the rate of Euro was - 3,4528 Lt, and that of US dollar – on average 2,38 Lt. Unexpectedly decreased rate of dollar and its future perspectives negatively affect the Company's income (over the year 2007 income from ten months in US dollars on average made up 55 % of major income). Relatively low rate of US dollar may result in some changes in the activities of the Company and in the necessity to make corrections in its strategic plan.

Even though ship market can hardly be prognosed, the Company is planning to purchase a ship of 24 200 DWT for 33,9 million US dollars in April of 2008, by taking the credit of 23 million US dollars for 7 years.
There are intended sales of 15 ships for services - 95,6 million Lt, calculated according to agreements signed by the Fleet Management Department for different ship types, when ships work for 5138 days, are under repairs 281 days, and do not operate 50 days (going to repair bases), and the equivalent of the whole time charter for a day - 18 118 Lt, or 5 247 euros. Income in US dollars in the budget is to comprise 48 % of all income, however, in order to avoid negative effects of decreasing value of the dollar on its activities, the company is going to apply euros for day rate whenever it is possible.
In 2008 planned repair works of 10 ships (about 67 % of ships in possession: "Kapitonas Stulpinas", "Alka", "Skalva", "Daina", "Staris", "Svilas", "Romuva", "Voruta", "Raguva", of newly acquired ship) are to be performed over 281 days for 17,4 million Lt, no spare parts included. According to the order indicated in the report for expenses on ship repair works and confirmed following the requirements of 12 VAS page 34, the Company shall ascribe expenses on repair works for the confirmation of ship class as well as for the dock over the period prior to the next course of repair works. In this way, strategic plan of activities of 2008 foresees 2,4 million Lt expenses on repair works, tansferred from the previous year and 16,4 million Lt of expenses on repair works for the current year. It has been planned to allocate 3,4 million Lt. for expenses of the following periods (2009-2010).
It has been planned to allocate 6,0 million Lt. for the purchase of spare parts. Expenses on operation have been calcluated for a month for every ship equally, that is, 3,4 million Lt.
Since 01.01.2008 seamen's salaries have been increased. The salary consists of occupational payment (permanent share) and changing allowance, the size of which depends on the qualifications of a seaman and on other factors related to work.

TYPES OF RISK AND GENERALITIES

The following risk factors have been identified, as posing threat to the Comapny:

Economic

Competitiveness of production (services provided)

As rates of freight have dramatically increased, global market has started building new ships, which will make competition even harsher. Having evaluated growing market of transportation and increasing demand for sea transport, the Company shall not face any difficulties in employing its ships. The Company intends to stay in competitive poison in the market, and for this purpose it: maintains good long-term relationships (including standard ones as well) with its clients, continues the program of fleet renovation and equipment modernization, increases qualifications of its employees, implements woks in the spheres of safe navigation, workers' safety and their health care and fire prevention.

Acquiring raw material and set details

Dependence on suppliers does not pose high risk, due to their great competitiveness in the sphere of fuel and oil. The significance of suppliers of spare parts and ship equipment is far greater; however, the Company has established long-term cooperation and has signed long-term agreements with its suppliers.

Rise in fuel prices

The activities of the Company are vulnerable to this type of risk, which is very hard to control. In this case, service rates increase at later periods and at slower pace, therefore, the Company incurs loses.

Fluctuation in currency exchange rates

The Company makes deals in inernational markets in euros and US dollars, therefore, fluctuations and changes in currency exchange rates have a significant role. Various financial instruments are used to control currency rate risks; however, long-term agreements concluded often restrict from reacting instantaneously to occuring changes.

Seasons
Seasonal changesdo not pose greeater risk, as extreme seasonal occurances are not charactertistic of specifications for cargo transported by the Company .

The problem of personnel change
Without those workers, who were dismissed from work under the law: Employment Code of the Republic of Lithuania article 126 (when the term expires) as well as when the term form practice expires, personnel change does not reach 10 %, although the Company faces some problems related to labor force. Indeed, the problem lies in the lack of qualified personnel in the market, or in the lack of certain specialists, their limited training, their leaving to work for foreign fleets, after privatization senior workers, that is, a certain number of people of pre-retirement age was allowed to stay, hard working conditions compared to work on the coast, in ports, lower salary than that on the ships registered under the flag of convenient countries etc.
The preparation system of seamen completely lacks direction towards work in national navigation companies of Lithuania even though educational institutions are maintained from Lithuanian budget.
To avoid great chnges in personnel, occupational list is constantly revised, workers' salaries ae gradually increased, various motivation and stimulation systemas are applied for workers.

Payment to suppliers and users
Freighters' debts and their payability are constantly controlled.
LJL has been realiable in respect of suppliers. The Company pays a lot of attention to its relationships with suppliers. The risk of credit or the risk of partners' failing to fulfill their obligations is controlled by establishing credit terms and procedure control. The Company does not face a significant credit risk with any of its partners or a group of partners.

Political
The ships of the public company "Lithuanian shipping company" operate in international market of sea cargo tranportation and its activities depend on international deals, as well as on state regualtions (legal and post-statutory acts). After Lithuania's accession into the EU, the risk for frequent change in legal acts has significanntly decreased, which had negative influence on the stability of the Company. International Marine Law regulations regulating relationships between the company and companies of other countries are stable. No restrictions for the activities of the company are imposed from the state.

Social
Increasing salary has direct influence on the Company's financial results, howver, this trend is only a fact, and the Company has foreseen the influence of increasing salaries.
In order to make qualified emplyees stay, occupational list is constantly revised, workers' salaries ae gradually increased, various motivation and stimulation systemas are applied for workers.

Technical - technologial
In order to control this type of risk, the fleet of the company is constantly renovated, inspection of compliance with the standards of technical condition of ships applied to international ships is constantly implemented, temporary and dock repair works are performed, new equipment installed so that the fleet would comply with good technical condition. Woks are constantly performed in the spheres of safe navigation, work safety and fire prevention, implementation of the code of ship protection, document arrangement.

Ecological
There is no possiblity that the Company's activities might be stopped due to its hazardous activities in respect of the environment. Then main ecological risk factor is related to the possibility of the accident of a ship. The Compoany ships have insurance from accidents and in the events of their consequances;

therefore, an accident and its consequances shall not have major effect on the Comapany's financial state.

7. ANALYSIS OF THE RESULTS OF ECONOMIC AND NON-ECONOMIC ACTIVITIES

2007 M. FINANCIAL INDICATORS

Name of indicator	2005	2006	2007	Change when compared to 2005 %	Change when compared to 2006 %
	Value	Value	Value		
Net profitability, percentage Net profit / sales * 100	18,22	11,08	32,86	-39,19	196,57
Average asset change, percentage Net profit / (assets at the beginning of the period + assets at the end of the period) /2 *100	6,81	4,26	10,16	-37,44	138,50
Debt coefficient, percentage. Liabilities / assets	18,19	18,65	21,44	2,53	14,96
Liabilities - property coefficient, percentage Liabilities / owned capital	22,23	22,93	27,29	3,15	19,01
Average liquidity coefficient Short-term assets / short-term liabilities	0,71	0,92	1,12	29,58	21,74
Asset turnover Sales /assets	0,37	0,37	0,29	-	-21,62
Accounting value of a share, Lt. Owned capital / number of shares	1,05	1,11	1,25	5,71	12,61
Net profit, for a share, Lt. Net profit / average weighted number of shares	0,09	0,06	0,15	-33,33	150,00

RESULTS OF ACTIVITIES OF 2007

In 2007 the public company "Lithuanian Shipping Company" realized the profit amounting up to 31,9 million Litas. If to compare with the planned budget, the current year profit before taxes was higher by 20,6 million Litas.

In 2007 the company earned 145,6 million Litas income, including 91,6 million Litas from the fleet activity, 48,5 million Litas were received after the selling of old, maintained ships and from the rendering of other services (lease of the premises, other services) and 5,5 million Litas were the bank interest income in line with operations in foreign currencies. In 2007 expenses amounted to 113,7 million Litas, including 75,1 million Litas of staff costs, ships repair and operating costs, other operating and selling expenses, the residual value of sold old ships made 6,6 million Litas, 27,6 million Litas were the depreciation of ships and other assets, 3,8 Litas were the interests paid to bank and 0,6 million Litas were the expenses related to changes in exchange rates.

In 2007 the sales revenue was 11,0 million Litas lower than in 2006 as the ships worked 473 days and nights less. All the ships of the Company were employed under the time charter agreements.

The company sold its services at the average rate of 2,5313 Litas per USA dollar, while the rate of dollar anticipated in the budget was 2,71 Litas. Due to the discrepancy between the actual and anticipated rate of dollar the average income was by less than 3,4 million Litas for the reporting period. The other reason of the freight income deviation from the forecasts was the less number of the of the working days and

nights of the ship park, that resulted into the income lower by 5,6 million Litas. The ship park operated 461 days less than it was planned due to the later acquisition of two “Clipper” type ships, earlier or unplanned sales of ships and longer than planned repair works of ships “Akvile”, “Mindaugas”, “Voruta” , “Deltuva” (totally 68 days and nights).
Income received from ship park exceeded ships operating and other administrative, sales, ships repair and employment expenses, hence the Company had gained the profit prior to ships depreciation and sales. In 2007 the profit prior to depreciation of the ships and other assets and ship sales amounted to 16,7 million Litas. After the sale of old or unfit for operating ships or ships that did not comply ships operating requirements of the Company received after the reorganization of previous LISCO , the Company received the 48,3 million Litas income where the residual value made 6,6 million Litas, i.e. it earned 41,7 million Litas of profit.
Without analyzing all the compound parts of the expenses of the Company we will submit a detailed review of some most significant expenses.
Staff employment costs in 2007 made 29,7 million Litas and were lower by 0,7 million Litas than planned. Crew sustenance expenses made the goal staff employments costs of 25,4 million Litas (86%) They were lower than planned ones by 0,3 million Litas.
In 2007 ships repair costs made 14,7 million Litas and exceeded the planned ones by 2,4 million Litas due to unplanned repair works. The unplanned repairs were 3,6 million Litas and made 25% of all repair costs.
Costs on spare parts, lubricants, ship insurance, commissions, supplies to ships, water expenses, off – hire (charter not received due to ship failures, accidents, detentions, etc.) costs make ships operating costs that amounted to 28,9 million Litas in the period of 2007. If to compared with forecasted, the lubricant costs were lower by 2,5 million Litas.
Off – hire expenses due to ship failures, accidents, detentions and similar events made 3,6 million Litas or 12% of ships’ operating costs. Due to some technical reasons 3,3 million of income (93%) was not received.
Ships supply costs (overalls, laundry, laundering, utensils) amounted to 0,9 million Litas . They were 0,3 million Litas higher than planned.
Water expenses to ships made 0,2 million Litas. They complied with the planned ones.
Communication costs of the ship park were 0,2 million Litas and they were lower than planned.
The depreciation costs of the ship park were 27,2 million Litas, 97% of them made the depreciation expenses of the ship park. The depreciation costs during the period of 2007 were lower than planned 1,6 million Litas, including 1,0 million Litas due to later than planned acquisition of “ Clipper” type ships (ships were purchased in March instead of February) and 0,4 million Litas due to earlier sale of the “Kapitan Panfilov” type ships.
Costs related to maintenance of premises, including insurance of assets and life on shore, made 0,104 million Litas or 0,1% of the Company’s expenses including insurance costs of 0,047 million Litas (in 2006 it was 0,045 million Litas), electricity costs (together with a warehouses) of 0,027 million Litas, (in 2006 it was 0,027 million Litas) and heating costs – 0,025 million Litas (in 2006 it was 0,022 million Litas).
The profit of the Company before interest and foreign exchange rates was 30,9 million Litas. The Company receives interest from banks for fixed - time and current deposits and pays interest to banks for loans granted for ship acquisition.
In 2007 the Company paid via banks 12,4 million Litas for wages and salaries, 8,0 million Litas of daily allowances, transferred 4,7 million Litas to the Social Insurance Fund Board, transferred 0,6 million Litas of income tax, settled the suppliers invoices on 65,3 million Litas and made other payments for the amount of 29,3 million Litas (insurance, contributions to trade – unions, payments to banks under loan contracts; income tax, etc.). The Company paid to banks 0,16 million Litas (including 0,036 million Litas of loan administration fee).

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

All financial data submitted in this annual report are 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. IMPORTANT EVENTS THAT HAVE HAPPENED SINCE THE END OF THE FISCAL YEAR

The Board of the public company " Lithuanian Shipping Company" in profit distribution draft announced in 18-04-2008 suggested to allocate 2,5% (997916 Litas) of distributed profits of 2007 for dividends. Following the Resolution No. 377, dated by 24-04-2008, the Government of the Republic of Lithuania authorized the representative of The Ministry of Transport and Communications (owns 56,66% of shares) to suggest to allocate 1,25% for dividends (498958 Litas) and to vote for that proposal at the meeting of the shareholders that took place in 28-04-2008. Dividends par a share were 0,0025 Litas. The latter project was approved at the general meeting of the shareholders.

11. 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 property 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.

<u>Political factors</u>, making impact on international navigation market in line with our Company, like international conflicts (for example, the war in Iraqi), 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.

<u>Economic factors</u>.

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). Following *Drewy*, the general demand for dry cargo transportation in 2007 should grow by 6.1 percent in comparison with 2006. Notwithstanding that it is anticipated that the average demand on dry cargo transportation, expressed in tons per a mile, should increase r by 3 percent in the coming year and the demand for dry cargo capacities expressed in deadweight (DWT) will continue increasing rapidly and should increase by 5-6 percent. Such a heavy demand growth will allow maintaining the exploitation of the park of dry cargo ships at 90 percent of the present level, because it is forecasted, that the capacity of world dry cargo ship park will grow at similar rates.

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. There was a great deficiency of simple seamen and pilots in the summer of 2007.

Technological factors. Rapid development of informational technologies in navigation and ship service activities should be highlighted. Therefore the Company had to allot rather big sums of money for implementation of state of the art communication devices on boards and renovation of information technology devices in the coast divisions.

Analysis of internal factors. Since the establishment of the Company in 27-06-2001 its structure has been constantly improved. After reorganization of LISCO, LJL received 620 seafarers (113 persons more than necessary) and 92 employees in coast divisions. While improving the structure of the Company, the number of seafarers and part – time employees of coast divisions has been reduced: in 01-01-2007 the number of people working in LJL was 536 including 64 employees on shore and 472 in fleet.

ACTIVITY TASKS OF THE COMPANY FOR IMPLEMENTATION OF OBJECTIVES

In order to achieve more rapid income growth it is necessary to:

Acquire ships with bigger cargo capacity. The task of ship park renovation has been solved since 2002. From the start of the Company, when the main goal was to survive, it has been considered that modern ships and ships with bigger capacity could operate more efficiently. By 01-11-2007 the company has sold 12 old and purchased 8 newer ships with bigger cargo capacity. While renovating the ship park the Company pursuits to solve another task, i.e., to have at least two ships of the same type. Such a demand of minimal ship group in the market is better.
Presently ships with capacity of 24 000 - 26 000 dwt can be employed receiving 18 000 – 22 000 USA dollars per a day. This equals to the total tariff of such ships as “Alka”, “ Algirdas”, “ Kapitan Serafin”. The maintenance costs of such ship should equal to maintenance costs of two above mentioned ships.
In 2008 the Company is planning to acquire for 33,9 million USA dollars the ship constructed in 1995, with the capacity of 24 200 dwt, over 150 meters in length and 26 meters in beam. For this purpose the

Company will take the loan from the bank and sell old ships at the auction, two “Kapitan Panfilov” type ships “Captain Serafin” and “Captain Stulpinas”, constructed in 1980 – 1981.

III. OTHER INFORMATION ABOUT THE ISSUER

12. THE STRUCTURE OF AUTHORIZED CAPITAL OF THE ISSUER (NUMBER OF SHARES, THE NOMINAL VALUE OF ONE SHARE, RIGHTS AND LIABILITY PROVIDED BY CLASS OF SHARES AND EVERY CLASS OF SHARES, PERCENT CONSTITUTED BY SEPARATE CLASS OF SHARE IN TOTAL SHARE CAPITAL)

The key characteristics of shares of the issuer

Name of Securities	ISIN code of Securities	Amount of emission	Nominal value	Total nominal value	The part in authorized capital, percent
ORS	LT000125999	200.901.296 units	1 Lt	200.901.296 Lt	100 %

On May 26, 2001 an extraordinary public meeting of the share holders of the public company “Lithuanian Shipping Company” (further referred to as Lisco) was held where Lisco reorganization project, i.e. splitting into two companies, among other resolutions, was approved. Lisco was divided into two new public companies: the stock company “Lisco Baltic Service” and the public company “Lithuanian Shipping Company”.
On June 27, 2001 the constitutive (first) public meeting of the public company “Lithuanian Shipping Company” was held, where, following the item 2 of the clause 4 of the article 10 of the Law on Companies of the Republic of Lithuania and the project of Lisco reorganization resolution to establish the public company “ Lithuanian Shipping Company” was approved.
On June 27, 2001 The Securities Commission of the Republic of Lithuania registered the emission of 200. 901.296 ordinary registered shares with the par value of 1 Litas.
On June 27, 2001 the public company “Lithuanian Shipping Company” with authorized capital of 200.901.296 Litas was registered at the Ministry of Economy of the Republic of Lithuania.

Property rights of the shareholders of the Company

- To receive the part of profit (dividend);
- To acquire bonus shares in case the authorized capital is increased from the funds of the Company, excluding the exceptions determined by the Law on Companies of the Republic of Lithuania;
- To obtain the emitted sharers of the Company on pre- emptive rights, excluding the case when the general meeting issues the resolution to override this right to all shareholders;
- To leave under testamentary capacity all or part of shares to single or several persons;
- To transfer all or part of shares to the property of other persons excluding the cases determined by the laws of the Republic of Lithuania.
- Other property rights stipulated by law or by the Company.

Non – property rights of the share holders of the Company:

- To participate in all meetings of the shareholders and vote (the right to vote in general meetings of share holder may be forbidden or limited under the cases determined in the Laws on Companies of the Republic of Lithuania and other laws or in the case the property right to a share is challenged);
- To receive information about the Company determined in the article 1 of the clause 18 of the Laws on Companies of the Republic of Lithuania;

- To apply the court with the lawsuit requiring to award damages to the Company that occurred due to poor discharge of obligations of the director of the Company or Board members or in case they fail to comply with their commitments stipulated by the Law on Companies of the Republic of Lithuania or other cases stipulated by law.
- Other non - property right stipulated by law or by the Articles of the Company.

13. ALL RESTRICTIONS ON SECURITIES TRANSFER (FOR EXAMPLE, RESTRICTIONS APPLIED TO SECURITIES PACKAGES OR REQUIREMENTS TO RECEIVE THE APPROVAL OF THE OWNERS OF THE COMPANY OR THE OWNERS OF SECURITIES)

Shares of the issuer have no transfer limitations.

14. SHAREHOLDERS (THE TOTAL NUMBER OF SHAREHOLDERS AND SHAREHOLDERS OWNING OR POSSESSING UNDER THE PROPERTY RIGHT OVER 5 PERCENT OF ISSUER'S AUTHORIZED CAPITAL (NAMES AND SURNAMES OF PHYSICAL ENTITIES, NAMES OF ENTERPRISES, JURIDICAL FORMS, ENTERPRISE CODES, ADDRESSES OF THE COMPANY) AT THE END OF ACCOUNTING PERIOD (INDICATE THE CONCRETE DATE, THE AMOUNT OF SHARES BELONGING TO SHAREHOLDERS UNDER THE PROPERTY RIGHTS ACCORDING TO CLASSES, THE PART OF AUTHORIZED CAPITAL AND VOTES IN PERCENTAGE (INDICATE SEPARATELY THE PERCENTAGE OF VOTING SHARES BELONGING TO EVERY PERSON UNDER THE PROPERTY RIGHTS AND THE PERCENTAGE OF INDIRECT VOTES).

The total number of shareholders in the Company on the 28 th of April 2007 (the day of ordinary or accounting meeting) was 1704..

Share holders owning or possessing under the property right over 5 percent of issuer's authorized capital

Share holders	The number of ordinary registered shares, units		The part of authorized capital and votes, in percents		
	totally	including shares possessed by a share holder on the property right	Total	Including votes granted by ordinary registered shares possessed by a share holder under the property right tame	With the group of persons operating together
The Ministry of Transport and Communications	113.833.000	113.833.000	56,66	56,66	-
Hansabank Clients**	16.289.741	16.289.741	8,11	8,11	-
SE "State Property Fund" ***	16.669.791	16.669.791	8,30	8,30	-
DFDS A/S****	10.414.449	10.414.449	5,18	5,18	-

* - The Ministry of Transport and Communications of the Republic of Lithuania , enterprise code 188620589, address Gedimino av.. 17, Vilnius.

** - Hansabank Clients enterprise code 14066488, address Liivalaia, Talinas

*** - SE "State Property Fund" , enterprice code 110073154, address Vilniaus str.. 16, Vilnius.

**** - DFDS A/S enterprise code14194711, address Sundkrogsgade 11 , Copenhagen, Denmark.

Small share holders under the property right owned 21,75 percent of shares

15. SHAREHOLDERS WITH SPECIAL CONTROL RIGHTS AND THE DESCRIPTION OF THESE RIGHTS

The share holders have no special control rights.

16. ALL LIMITATIONS OF VOTING RIGHTS (FOR EXAMPLE, LIMITATIONS OF VOTING RIGHTS FOR PERSONS WITH A CERTAIN PERCENTAGE OR AMOUNT OF VOTES, DEADLINES OF VOTING RIGHTS OR SYSTEMS UNDER WHICH THE PROPERTY RIGHTS GRANTED BY SECURITIES ARE SEPARATED FROM SECURITIES POSSESSION).

Share holders have no mutual agreements the issuer is aware of and due to which the transfer of securities or voting rights may be limited.

18. PERSONNEL (THE AVERAGE NUMBER OF PERSONNEL, CHANGES DURING THE LAST FISCAL YEAR, REASONS DETERMINING IMPORTANT CHANGES (OVER 10 PERCENT), GROUPING OF PERSONNEL ACCORDING TO THEIR EDUCATION, THE NUMBER OF TOP SPECIALISTS AND WORKERS AND THE AVERAGE EARNINGS OF THE RELEVANT GROUP WITHOUT INCOME DEDUCTION, SPECIAL RIGHTS AND OBLIGATIONS OF ISSUER'S EMPLOYEES OR PART OF THEIR STIPULATED UNDER LABOR OR COLLECTIVE AGREEMENTS)

PERSONNEL MANAGEMENT

In 01-01-2007 the number of people working in the Company was 533, including 64 in coast divisions and 469 seafarers. In 01-01-2008 the number of people working in the Company was 516, including 63 in coast divisions and 453 seafarers.
In 2007 141 seafarer was employed: 46 AB seafarers, 17 motorists, 2 turners, 10 third mates, 8 second mates, 8 third engineers, 3 second engineers, 4 chief engineers, 6 cooks, 6 motorists – midshipmen, 4 midshipmen;
In 2007 157 seafarers were discharged, including 50 of them under the article 127 (at one's free will), 69 under article 126 (expired term), 25 under the article 125 (under mutual agreement), 10 after the practice.
Dismissed according to positions: 3 captains, 4 chief mates, 9 second mates, 9 second mates, 7 chief engineers, 10 second engineers, 6 third engineers, 3 electro – engineers, 47 AB seafarers, 5 boatswains, 17 motorists, 3 turners, 4 cooks.

Special rights of employees or part of them are stipulated in Labor or Collective Agreements.

The average number of employees and earnings

The group of employees	The average number of employees					The average earnings Lt				
	2004 y.	2005 y.	2006 y.	2007 I half	2007 y.	2004 y.	2005 y.	2006 y	2007 I half	2007 y.
Administration	10	10	10	10	10	6.607	7.421	6.989*	6.938**	7.598***
Specialists	295	267	272	280	307	2.257	2.489	2.523	2.390	2.273
Workers	257	277	257	234	222	1.362	1.456	1.543	1.548	1.473
Totally	**562**	**554**	**539**	**524**	**539**	**1.925**	**2.061**	**2.142**	**2.101**	**2,042**

* including the profit 1754.77 Lt.
** including the profit 1693.57 Lt.
*** including the profit 1163.70 Lt.

The structure of employees according to their education 2004 – 2007

Education	The number of employees				
	2004 y.	2005 y.	2006 y.	2007 I half.	2007 y.
The higher	181	198	201	183	164
The special secondary	179	198	184	177	149
The secondary	202	158	231	222	226

EMPLOYEES SAFETY AND HEALTH STATE, FIRE PREVENTION AND CIVIL PROTECTION

In 2007 four light accidents and one incident took place.
364 employees were ill for a combined time of 6511 days during 2007.
In 2007 143 introductory trainings were conducted for newly-hired employees of LJL.
In 2007 LTL 87 751 Litas were spent on medicaments for the ships' first-aid sets and seafarers' treatment, 54 952 Litas – on individual protection measures.
Prior the seafarers' departure to ships 24 hour works safety trainings were carried out with the participation of 265 sailors.
In 2007 the issues related to fire prevention and civil protection was tackled in accordance with the legal acts of the Republic of Lithuania. Measures and instructions submitted in the orders of the Director General of the Company were implemented.
In 2007 the state of fire prevention and civil protection was satisfactory, the officials did not find any cases of non-compliance in these spheres during their inspections.

The crewmembers and employees of coast divisions receive permanent methodological assistance, information and consultations. All members of the crews prior to departure to foreign ports receive additional trainings and the new legal acts are presented to them. In 2007 ten welders had training on the basis of the technical minimum program, and 143 newly hired employees passed introductory training. Following the plan of the Company the acting committee for work safety and fire prevention, inspections were carried out on ships at and coast divisions. The findings of these inspections were discussed with the captains of the ships and heads of the divisions.

19. THE ORDER OF CHANGING THE ARTICLES OF THE COMPANY

The Law on Stock Companies of the Republic of Lithuania stipulates that the change of the Articles is an exclusive right of the general meeting of shareholders. The Articles of the company stipulate that resolution concerning the change of the Articles is adopted under the majority of votes of 2/3 part of shareholders participating at the meeting. Providing for the resolution to change the Articles of the Company was adopted by the general meeting of shareholders, the total text of amended Articles is make down and signed by the person authorized by the general meeting of share holders.

20. BODIES OF THE ISSUER (THEIR EMPOWERING, THE ORDER OF THE APPOINTMENT AND CHANGE OF BODY MEMBERS)

It is stipulated in the Articles of the Company that the bodies of the Company are the general meeting of the shareholders, the Supervisory Board and the head of the Company. The Laws on Stock Companies of the Republic of Lithuania stipulate the restriction of the rights of body members.

The Supervisory Board

- The Supervisory Board is a collegial body performing the supervision of the activity of the Company;
- The Supervisory Board is elected by the general shareholders' meeting for he period of 4 years and consists of 5 members;
- The Supervisory Board elects a chairman from its members;
- The number of reelections of the members of the Supervisory Board and the chairmen is not limited;
- The Supervisory Board or its members may be removed by the general meeting of shareholders before the end of their term of office.

The Board of the Company

- The Board of the Company is a collegial governing body;
- The Board of the Company is elected by the Supervisory Board for he period of 4 years and consists of 5 members;
- The Board of the Company elects a chairman from its members;
- The number of reelections of the members of the Board of the Company and the chairmen is not limited;
- The Board of the Company or its members may be removed by the Supervisory Board before the end of their term of office.

The head of the Company

- The head of the Company is elected or revoked by the Board of the Company under the order stipulated in the Law on Stock Companies of the Republic of Lithuania;
- The competence of the head of the Company is stipulated in the Law on Stock Companies of the Republic of Lithuania;
- The head of the Company is responsible for the organization of the activities of the Company, implementation of its objectives, he or she has the right to conclude contracts autocratically excluding the cases stipulated in Law on Stock Companies of the Republic of Lithuania when the decision concerning the contract is adopted by the Board of the Company;
- The head of the Company follows the resolutions of the general meeting of shareholders, the Supervisory Board and the Board of the company.

21. THE MEMBERS OF COLLEGIAL BODIES, THE HEAD OF THE COMPANY, THE CHIEF FINANCIER (NAMES AND SURNAMES, DATA ABOUT THEIR PARTICIPATION IN THE AUTHORIZED CAPITAL OF THE ISSUER, THE BEGINNING AND THE END OF THE TERMS OF OFFICE OF EVERY PERSON, INFORMATION ABOUT THE SUMS OF MONEY REMUNERATED BY THE ISSUER DURING THE ACCOUNTING PERIOD, ANOTHER TRANSFERRED PROPERTY AND GRANTED GUARANTEES TO THESE PERSONS, TOTAL AND AVERAGE AMOUNTS FOR ONE COLLEGIAL BODY MEMBER, THE HEAD OF THE COMPANY AND THE CHIEF FINANCIER)

The Supervisory Board of the public company "Lithuanian Shipping Company":

The members of the Supervisory Board, the terms of the office whereof have been lasted since 2005, were:

Name, surname	Position	Amount of shares	Share of votes, in percent	Participation in the activities of other enterprises
Liudmila Zumeriene	the chairman of Supervisory Board	-	-	the chairman of the Board of the company “Railways of Lithuania”; SE International Vilnius Airport – the chairman of the Board; SE Air Navigation - the chairman of the Board the company “ The ferry terminal of Smiltyne” – the chairman of Supervisory Board
Evaldas Zacharevicius	the member of Supervisory Board	21081	0,01	does not participate
Ona Barauskiene	the member of Supervisory Board	-	-	does not participate
Helena Ragoza	the member of Supervisory Board	-	-	does not participate
Kazimieras Gimbutis	the member of Supervisory Board	2000	0,001	does not participate

The Board of the public company “Lithuanian Shipping Company”:

The members of the Board, the terms of the office whereof have been lasted since 2005, were:

Name, surname	Position	Amount of shares	Share of votes, in percent	Participation in the activities of other enterprises
Arvydas Vaitkus	the chairman of the Board	-	-	the chairman of the Board of SE “ Klaipeda State Seaport Authority” the member of the Board of the company “Railways of Lithuania”; the chairman of the Board of the company “ The ferry terminal of Smiltyne”
Jelena Antonevic	the member of the Board	-	-	does not participate
Livita Kretkovskiene	the member of the Board	-	-	does not participate
Vidute Sarkiene	the member of the Board	-	-	the member of the Board of the company “ Detonas”

Vytautas Vismantas	the member of the Board	16400	0,01	does not participate

Authority of the public company "Lithuanian Shipping Company":

Name, surname	Position	Amount of shares	Share of votes, in percent	Participation in the activities of other enterprises
Vytautas Vismantas	the director general	16400	0,01	does not participate
Arvydas Stropus	the chief financier	-	-	does not participate
Sigute Noreikaite	the director for finances	-	-	does not participate
Viktoras Cepys	technical director	12093	0,01	does not participate
Ivan Salajev	the director for fleet management	-	-	does not participate

The members of governing bodies have never been convicted. The beginning of the terms of office of every member is 27-06-2002, excluding Sigute Noreikaite , whose the terms of office started in 09-03-2001.

Information about remunerations and loans granted to the members of governing bodies:

Salaries and remunerations	other from the profit	Bonus		Dividends		The category of persons
total sum	average amount for 1 person per one month	total sum	average amount for 1 person per one month	total sum	average amount for 1 person per one month	
-	-	-	-	-	-	the Supervisory Board
143501	11958	-	-	-	-	the Board
613977	10233	-	-	-	-	authority

∗Indicated data are only about the issuer's employees (information about the members of Supervisory Board and other members of the Board who are not the issuer's employees is not submitted).
During the accounting period the members of governing bodies were not granted any loans, allowed guarantees assuring the performance of their commitments.

22. ALL IMPORTANT AGREEMENTS WHERE ONE OF THE PARTIES IS THE ISSUER AND WHICH SHOULD COME INTO FORCE, CHANGE OR TERMINATE IN CASE OF THE CHANGE OF THE ISSUER'S CONTROL AND THEIR IMPACT, EXCLUDING THE CASES WHEN DUE TO THE NATURE OF THE AGREEMENT THE DISCLOSURE OF THEM SHOULD CAUSE A GREAT DAMAGE TO THE ISSUER.

The issuer has not concluded such type of agreements.

23. ALL AGREEMENTS OF THE ISSUER AND THE MEMBERS OF ITS BODIES OR EMPLOYEES, ANTICIPATING THE COMPENSATION IN CASE THEY SHOULD RESIGN OR SHOULD BE DISMISSED WITHOUT ANY REASONABLE CAUSE OR IN CASE THEIR ACTIVITY SHOULD CEASE DUE TO THE CHANGE OF THE ISSUER'S CONTROL

The issuer and the members of its bodies have no such type of agreements anticipating the compensation in case they should resign or should be dismissed without any reasonable cause or in case their activity should be ceased due to the change of the issuer's control.

24. LARGER TRANSACTIONS OF RELATED PARTIES – THE SUM OF THESE TRANSACTIONS, THE NATURE OF RELATIONS OF THE RELATED PERSONS AND OTHER INFORMATION ABOUT TRANSACTIONS THAT IS NECESSARY IN ORDER TO REALIZE THE FINANCIAL SATE OF THE COMPANY, IF SUCH TRANSACTIONS ARE SIGNIFICANT OR THEY WERE CONDUCTED NOT UNDER USUAL MARKET CONDITIONS. THE CONCEPTION "RELATED PERSON" HAS THE SIMILAR MEANING AS IN THE ACCOUNTING STANDARDS APPLIED BY THE ISSUER

There were no larger transactions of related parties.

25. INFORMATION ABOUT THE COMPLIANCE TO THE MANAGEMENT CODE OF THE COMPANIES

The Public Company "Lithuanian Shipping Company" follows the recommendations of the management code of listed stock companies, approved by Vilnius Stock Exchange**.**

26. THE DATA ABOUT PUBLICATION OF INFORMATION

Date	The essential event
17 12 2007	**Resolutions of the extraordinary meeting of the shareholders of the public company " Lithuanian Shipping Company"** Resolutions of the extraordinary meeting of the shareholders of the public company " Lithuanian Shipping Company": 1. to approve the results of the tender on the audit enterprise. 2. to approve such a sequence of proposals of audit enterprises: Joint Stock Company "Moore Stephens Vilnius" – 88 points; Joint Stock Company "Reviser" – 76 points; Joint Stock Company "KPMG Baltics" – 51 point. 3. to choose the Joint Stock Company " Moore Stephens Vilnius" as the auditor of financial statement and annual report of December 1 of 2007, 2008 and 2009 of the public company " Lithuanian Shipping Company", paying for services not more than 69 620 Litas, including VAT, for every year. 4. in case the winner of the tender selected as the auditor of the Company fails to arrive by the time indicated in the notice to conclude the contract or in case the auditor refuses

	to conclude it, to consider the winner of the tender and the chosen auditor of the company another participant of the tender following the sequence approved by this meeting of the shareholders and to pay him under the price suggested.
04 12 2007	**Resolution drafts of the extraordinary meeting of the shareholders of the public company" Lithuanian Shipping Company"** 1**.** . to approve the results of the tender on the audit enterprise. 2. to approve such a sequence of proposals of audit enterprises: Joint Stock Company "Moore Stephens Vilnius" – 88 points; Joint Stock Company "Reviser" – 76 points; Joint Stock Company "KPMG Baltics" – 51 point. 3. to choose the Joint Stock Company " Moore Stephens Vilnius" as the auditor of financial statement and annual report of December 1 of 2007, 2008 and 2009 of the public company " Lithuanian Shipping Company", paying for services not more than 69 620 Litas, including VAT, for every year. 4. in case the winner of the tender selected as the auditor of the Company fails to arrive by the time indicated in the notice to conclude the contract or in case the auditor refuses to conclude it, to consider the winner of the tender and the chosen auditor of the company another participant of the tender following the sequence approved by this meeting of the shareholders and to pay him under the price suggested.
23 11 2007	**The 9 months interim information of the public company " Lithuanian Shipping Company"** The 9 months interim non - audited financial statement of 2007 and the approval of responsible persons of the public company "Lithuanian Shipping Company" were submitted.
22 11 2007	**The interim information of the I half of the year and the financial statement of the public company " Lithuanian Shipping Company"(amended)** The amended interim report of the I half of the year, the approval of responsible persons and the non - audited financial statement of the public company " Lithuanian Shipping Company" was submitted.
10 11 2007	**The results of the 9 months activity of the public company " Lithuanian Shipping Company"** The non - audited pre - taxed income of the 9 months of 2007 made 24 575 742 Litas (7

	117 627 Euros), the net income was 22 892 973 Litas (6 630 263 Euros); income from sales was 69 568 668 Litas (20 148 479 Euros).
10 11 2007	**Summoning of the extraordinary general meeting of the shareholders of the public company " Lithuanian Shipping Company"** In December 14, 2007 the extraordinary meeting of the public company "Lithuanian Shipping Company" (enterprise code 110865039, the address Malunininku str. 3, Klaipeda) was summoned at 3.00 p.m. The day of the accounting of the meeting was the 27th December 2007. The agenda of the meeting: 1. the selection of the audit enterprise and the determination of the payment conditions.
31 08 2007	**The interim information of the I half of the year and the financial statement of the public company " Lithuanian Shipping Company"(amended)** The interim information of the I half of the year, the approval of responsible persons and the non - audited financial statement of the public company " Lithuanian Shipping Company" was submitted.
24 08 2007	**The results of the 9 months activity of the public company " Lithuanian Shipping Company"** The non - audited pre - taxed income of the I half of the of 2007 made 10 242 600 Litas (2 966 462 Euros), the net income was 8 556 927 Litas (2 478 257 Euros); income from sales was 47 257 633 Litas (13 686 756 Euros).
29 05 2007	**The financial statement of the I quarter** The financial statement of the 1st quarter was submitted.
27 04 2007	**The results of the activity of the I quarter of the public company " Lithuanian Shipping Company"** - non - audited pre - taxed income of the I quarter of 2007 made 3093834 Litas

	(896036 Euros); -net income was 2400012 Litas (695092 Euros); - income from sales was 23617740 Litas (6840170 Euros**).**
27 04 2007	**Resolutions of the ordinary meeting of shareholders of the public company “ Lithuanian Shipping Company”** 1.” The annual 2006 report of the public company “Lithuanian Shipping Company” was presented to the shareholders. 2. “The audit conclusion for 2006was presented to the shareholders 3. “The documents of financial accountability for 2006 were approved.” 4. “To cancel 161526 Litas (46 781 Euros) from the reserve of 180000 Litas (52 131 Euros) and to increment the undistributed profit. To transfer the remaining sum of 18474 Litas (5 35 Euros) from reserves for distribution. 4. “ To approve the income (loss) distribution **:** **---** - the undistributed profit of the previous fiscal year at the end of fiscal year --- - net profit of fiscal accounting year 11 314 752 --- - transfers from reserves 180 000 --- - distributed profit (loss) totally 11 494 752 --- - the part of the income – to the required reserves 565 738 **---** - the part of the income – for investments (purchasing of ships) 9 599 539 --- - the part of the income – for dividends 1 149 475 --- - the part of the income – for social – cultural needs 30 000 --- - the part of the income – for premiums of employees 150 000 --- Dividends 0,00572 Litas per one share ;

16 04 2007	**Regarding the annual report and audited financial statement of 2006** The annual report and audited financial statement of 2006 was submitted**.**
16 04 2002	**Resolutions drafts of the ordinary meeting of shareholders of the public company " Lithuanian Shipping Company"** 1." To approve the annual report of 2006 of the public company "Lithuanian Shipping Company" was submitted". 2. "To listen to audit conclusion for 2006." 3. "To approve the documents of financial statement for 2006" 4. "To cancel 161526 Litas used from the reserve of 180000 Litas and to increment the undistributed profit by this sum. To transfer the remaining sum of 18474 Litas from reserves for distribution. 4. " To approve the income (loss) distribution : 5. The suggested income distribution**:** **--** - the undistributed profit of the previous fiscal year at the end of fiscal year -- - net profit of fiscal accounting year 11 314 752 -- - transfers from reserves 180 000 -- - distributed profit (loss) totally 11 494 752 -- - the part of the income – to the required reserves 565 738 -- - the part of the income – for investments (purchasing of ships) 9 599 539 -- - the part of the income – for dividends 1 149 475 -- - the part of the income – for social – cultural needs 30 000 -- - the part of the income – for premiums of employees 150 000 -- Dividends 0,00572 Litas per one share ;

28 02 2007	**The preliminary non – audited result of 2006** The preliminary non – audited result of the activities of 2006 of the public company " Lithuanian Shipping Company": - pre – taxed profit was 14 037 257 Litas (4 065 471 Euros); - net profit was 11 314 752 Litas (3 276 979 Euros); - income from sales was 102 129 181 Litas (29 578 655 Euros).

Annex No.1

Disclosure form concerning the compliance with the Governance Code for Public Company "Lithuanian Shipping Company", 2007, listed on the regulated market

The public company ***„Lithuanian Shipping Company"***, following Article 21 paragraph 3 of Law on Government Securities of the Republic of Lithuania and item 20.5 of Trading Rules of Vilnius Stock Exchange, discloses its compliance with Governance Code, approved by VSE for the companies listed on the regulated market, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENT
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	Financial reports are the key source of information about the company. Development strategy and objectives of the company are published and declared at the annual general shareholders' meeting following the end of the financial year.
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	In other case, the implementation of the strategic objectives is impossible.
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	Manager is elected, revoked, as well as dismissed by the board of the company. Manager in his activities follows the Articles of Association of the company as well as the decisions of the bodies of the company – general shareholders' meeting, supervisory board, as well as board. The board discusses, approves, analyzes, assesses, and accepts. The supervisory board elects, supervises, presents offers to the board and the manager, as well as solves supervisory matters related to the activities of the management bodies of the company.
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.	Yes	The company complies with this recommendation. Management bodies of the company are the general shareholders' meeting, the supervisory board, the board, as well as the manager of 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	The supervisory board is a collegial body performing the supervision of the activities of the company. The board is a collegial management body 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.	Not applicable	Both the supervisory board and the board are formed in the company.
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	Supervisory board consists of 5 members, as well as the board – 5 members.
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.	Yes	The supervisory board of the company is elected for the period of 4 years. The number of reelections of the member of the supervisory board is not limited. The members of the board are elected by the supervisory board for the period of four years. The number of reelections of the members of the board and the chairman of the board is not limited.

[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, 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.

2.7. 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	Company complies with this recommendation by implementing the provisions thereof in practice – the chairman of the supervisory board of the company has not been the manager of the company.
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	
3.2. 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] 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.

3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition 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.	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	

[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.

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 dependant 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 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	Yes	The portfolio of the company is owned by the State, represented by the Ministry of Communication of the Republic of Lithuania, the employees of which form the supervisory board as well as the majority of the board.

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.	Yes	

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	The portfolio of the company is owned by the State, represented by the Ministry of Communication of the Republic of Lithuania, the employees of which form the supervisory board as well as the majority of the board.
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.	Yes	The general shareholders' meeting of the company has not approved such remuneration yet.
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 monitoring7 of the company's management bodies and protection of interests of all the company's shareholders.		
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	

[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.

[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.

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	According to the data, available to the company, all members of the supervisory board and the board act in good faith in respect of the company, follow the interests of the company rather than their own interests or those of the third persons, trying to keep their independence in decision-making.
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	The portfolio of the company is owned by the State, represented by the Ministry of Communication of the Republic of Lithuania, the employees of which form the supervisory board as well as the majority (4/5) of the board. Other data is not available to the company.
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	
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.	Maybe	This is provided for in the Articles of Association of the company.

[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.

4.6. 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.	Yes	
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. 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.	Yes	The board of the company elects and revokes as well as dismisses the director general – a single-person management body of the company, moreover, it determines his remuneration, approves his job description, promotes him, as well as imposes penalties. The board discusses and approves the management structure of the company and job descriptions of the employees, as well as job descriptions for positions, which are filled in through announced competitive vacancies. The director general organizes the everyday activities of the company, issues procures and powers of attorney, employs and dismisses employees, enters into and terminates employment contracts with them, promotes and imposes penalties on them. He is also responsible for the organization of the activities of the company as well as express implementation thereof. The company operates in accordance with the Articles of Association of the company as well as the work regulations of the supervisory board and the board.

[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.

4.8. 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 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.	Not applicable	Committees are not formed in the company. Such functions are implemented by the collegial body.
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 up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors.	Not applicable	Committees are not formed in the company. So far there have not been any requirements concerning the establishment of the committees in the Law on Companies.
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.	Not applicable	See items 4.8 and 4.9.
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.	Not applicable	See items 4.8 and 4.9.

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) 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; 2) 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; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) 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.	Not applicable	See items 4.8 and 4.9.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) 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; 2) 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, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the	Not applicable	Remuneration as well as other payouts are paid to the employees in the company following the Collective Agreement as of March 30, 2004, Regulation on the wages system for the onshore personnel of the public company "Lithuanian Shipping Company", declaration of the remuneration procedure of the Director General, directors, and accountant-general, which are approved by the board.

affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) 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); 5) 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: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) 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.		

4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) 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); 2) 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; 3) 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; 4) 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; 5) 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; 6) 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 approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose vehicles (organizations) and justification of	Not applicable	See items 4.8 and 4.9. The procedure for the selection of the audit firm is approved in the company.

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.	Yes/No	

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[11].	Yes	The company discusses all the matters, which are in the competence of the collegial bodies. This is provided in the work regulation of the collegial bodies.
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	

[11] 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.

5.4. 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.	Yes	
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	The authorized capital of the company amounts to 200 901 296 Litas. Authorized capital of the company is divided into 200 901 296 ordinary registered shares with the par value of 1 Litas. Shares of the company are of one class – ordinary registered.
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	This is provided in both the Law on Companies as well as the Articles of Association of the company. Only the general shareholders' meeting has a prerogative right to establish the class, number, par value, and minimum issue price of the shares, issued by the company.
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.[12] 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, are discussed.	Yes	It is provided in the Articles of Association of the company that the board makes the decisions regarding the investment, transfer, lease, mortgage, and hypothec of the capital asset with the book value higher than 1/20 of the authorized capital of the company. This provision is not against the Law on Companies and it has been adopted seeking not to encumber the activities of the company, the number of shareholders of which, according to the last data of the company, is 1848.
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. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	

[12] 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 authorized 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.

6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance[13]. 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 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	The procedure of calling the general shareholders' meeting of the company, decision-making, as well as its organization is established in the Law on Companies of the Republic of Lithuania as well as the Articles of Association of the company, and it is followed by the company. Substantial events, as well as the agenda, resolutions and draft resolutions of the shareholders' meeting, are published on the website of Vilnius Stock Exchange. The company does not have a possibility to translate all the documents into foreign language, and they think that the public interest might be violated in this way. The company prefers the content to the form. Under the necessity of distributing the information in other than the state language, we offer to do so in a centralized way, moreover, maybe by even by unifying the form of presentation of information.
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	This is provided by the Articles of Association of the company.
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 in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	Yes /Not applicable	Company is planning to use modern technologies for voting at the shareholders' meeting without increasing the expenses and (or) costs significantly, which might violate the interests of the same shareholders. At present there is no need to implement that.

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	The members of the supervisory and management bodies of the company are aware of that.

[13] The documents referred to above should be placed on the company's website in advance with due regard to a 10-day period before the general shareholders' meeting, determined in paragraph 7 of Article 26 of the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574).

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	The members of the supervisory and management bodies of the company have not had any transactions with the company. They are aware of these requirements.
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). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	Yes /No	Now the company declares the average number of employees as well as the monthly salaries following the procedure, established by the Lithuanian Securities Commission, in the prospectus of the year of the company – report for the year ended. This information about the company is available at the company, Lithuanian Securities Commission (Konstitucijos pr. 23, Vilnius), Listing Department of Vilnius Stock Exchange (Konstitucijos pr. 7, 15th floor, Vilnius), as well as websites of the last-mentioned companies, where the information is public and available for everyone.
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.	No	Not prepared, as it is not provided for by either the legal acts or the Articles of Association of the company. As compared with the last financial year, no fundamental changes have taken place in the remuneration policy.

8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors, but commercial information should not be presented in remuneration reports.	No	Annual bonus system is not available, such bonuses are not awarded, extra pensions and early retirement plan are not available either, therefore, the main characteristics thereof are not described. Payouts are paid to the employees following the documents mentioned above and the same has been indicated in the reports on the activities.
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.	No	So far the company has not practiced such policy, as there is no and there has not been any legal grounds and (or) legal base for that.
8.5. 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.		See an explanation to item 4.13.
8.6. 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.		So far it has not taken place, as this is not covered by the laws and other legal acts.
8.7. 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 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 1) 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; 2) The remuneration and advantages received from any undertaking belonging to the same group;	Not applicable	Remuneration statement is not formed and there are no legal grounds for that. Also see the explanation to item 4.13.

3) 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; 4) 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; 5) 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; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) 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; 3) 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; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) 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. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements 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 payments or guarantees, including the amount outstanding and the interest rate.		
8.8. 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.	Not applicable	This is not practiced by the company.

8.9. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) 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.	Yes/Not applicable	
8.10. 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.	Not applicable	The Articles of Association of the company do not cover that.
8.11. Provisions of Articles 8.8 and 8.9 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.	Yes/Not applicable	The Articles of Association of the company do not cover that.
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, 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.		Introduction to the draft decisions is provided for both in the Law on Companies as well as the Articles of Association of the company.

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	For the noncompliance with them, respective penalties are provided for in the laws. The company seeks to avoid the conflict of interests.

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.	Yes	The company operates as provided for in the Law on Companies and the Articles of Association of the company.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	In other case, there is no participation in the management process of the company.

Principe 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: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) 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.	Yes	This has been disclosed so far in the reports on activities of the company, and since 2007 – in the annual report. This has been disclosed in the prospectus-reports of the company (annual, six months) following the procedure and terms, established by the Lithuanian Securities Commission and Vilnius Stock Exchange. Information on the compliance with individual items of this list is disclosed following the procedure, established by the laws as well as other standard acts, and the procedure set by as well as practice formed by the company. Public interest of the shareholders is governed by the Law on Companies, other standard acts, which must be observed by the company and which are actually observed.
10.2. It is recommended 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.	Yes/Not applicable	There is no group.
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.		The existence of these relations is governed by the legal acts, the Articles of Association of the company, as well as assumed contractual undertakings. They are assumed seeking to avoid the conflict of interests and providing the interest holders with the right of choice.

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	However, first of all, the interests of the shareholders and the main shareholder shall not be violated or discriminated against the interests of the future investor.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient 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	The company is planning to publish the information on the website of the company.
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/No	We think that these means protect the rights of the shareholders less than the placement of information on the special websites, which are specially intended and meet their expectations, such as the websites of Vilnius Stock Exchange, Lithuanian Securities Commission, or similar. If the company duplicates the same information, it costs extra resources.
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 statements and report 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/No	An independent audit firm carries out the audit of the annual financial statements of the company and up to present used to carry out the audit of the report on activities in accordance with the provisions of the Law on Companies. Since 2007, an independent audit firm reviews if the information provided in the annual report conforms to the data presented in the financial statements, as well as carries out the audit of the financial statements in accordance with the provisions of the laws. Interim financial statements are not audited by the audit company.
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/Not applicable	A candidate audit firm is selected following the terms, approved by the board of the company for the selection of the auditor. The board presents the winner of the tender to the general shareholders' meeting for the election as the auditor of the company. The supervisory board does not have a right to propose a candidate according to its working regulations.

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/Not applicable	Following the resolution of the Lithuanian Securities Commission No. 9 as of 14/04/2005 "Regarding the establishment of further requirements for the audit enterprises and auditors", the candidate audit firm and auditor prior to presentation to the general shareholders' meeting are submitted to the Lithuanian Securities Commission's approval following the set order, respective appendixes are filled in, as well as respective information is presented in them.

Director General Vytautas Vismantas

Financial Director Sigutė Noreikaitė