

AB "LIETUVOS JURU LAIVININKYSTE"
Financial Statements for the Year Ended 31 March 2007

EXPLANATORY NOTES

1. Accounting Policy

(a) Basis of Accounting

The Company's financial statements are prepared following IAS regulations, which came into force on the 1 of January 2007

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

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

(b) Non-current Assets

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

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

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

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

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

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

(c) Stocks

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

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

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

(d) Cash and Cash Equivalents

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

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

(e) Provisions

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

(f) Foreign Currency

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

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

Changes in currency entries, which are due to changes in the rate of litas and the corresponding foreign currency announced by the Bank of Lithuania and arise because of performed transactions in foreign currency or revaluation of previously registered foreign currency entries, are recognized as income or expenses of the accounting period to which they are related.

(g) Recognition of Income

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

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

(h) Recognition of Expenses

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

2. Organizational structure and main activity

AB "Lietuvos jūrų laivininkystė" (LJL) is a joint stock company, founded after restructuring AB "Lietuvos jūrų laivininkystė" (LISCO).

LJL was registered in the Company Register, the certificate No. 027245. The date of registration is 27 June 2001. The Company's code is 110865039. The address is Malūnininkų g.3, Klaipėda.

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

The main Company's activity is shipping and lease of ships.

At the end of the reporting period 523 employees (62 on shore and 461 on board) were working in the Company.

Balance sheet

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

	Acquisition cost	Amortisation	Residual value
1, January 2007	299,4	288,6	10,8
Acquisitions	2,4	-	-
Amortisation		1,8	
31 March 2007	301,8	290,4	11,4

In March 2007 non – current intangible assets increased by 2,4 thousands Lt as a result of purchase of the software for server service

B.2. Ships, , thousands Lt

	Acquisition cost	Amortisation	Residual value
1, January 2007	342808,6	102765,8	240048,8
Acquisitions	63364,8		
Amortisation		6185,3	
Sold and written of assets (-)	-3333,6	-2463,9	-
31 March 2007	402839,8	106487,2	296352,6

The mvs "Clipper Eagle" and "Clipper Falcon" were purchased in March 2007.

B.3. Repairs of vessels

At the end of the financial period repairs charges that were recognized as assets – 4876,5 thousands Lt

The following amounts will be transferred to expenses 2007 – 2009 years.

B.4. Inventories, thousands Lt

	2007-03-31	2006-03-31
Inventories	860,7	215,7

The inventories increased because of 713,2 thousand Lt cost of spare parts and extension of time requested for spare parts supplies.

B.5. Prepayments, thousands Lt

	2007-03-31	2006-03-31
Prepayments	1537,2	1514,8

The main part of advance payments until 31.03.2007 is insurance cost of 691, 3 thousand Lt and payments for technical supplies and services of 530,0 thousand Lt.

B.6. Other current assets, thousands Lt

	2007-03-31	2006-03-31
Current investments	0,35	0,7
Time deposits	7457,4	3217,5
Advance of profit and social taxes	679,1	313,6
Total :	8136,8	3531,8

B.7. Cash and cash equivalents 31 March 2007 was 141,0 thousand Lt this includes:

Cash in national currency in bank accounts	67,5
Cash in foreign currency in bank accounts	80,3
Cash in L.JL's till in national currency	8,4
Cash in L.JL's till in foreign currency	52,3

B.8. Financial debts thousands Lt

	2007-03-31	2006-03-31
Financial debts payable after one year	65128,2	40989,3
Financial debts payable within one year	19786,0	8632,4
Total:	84914,2	49621,7

Until 31.03.2007 financial debts increased because of the bank loans received in March for purchases of the mvs " Clipper Eagle " and " Clipper Falcon ". The bank loans were provided by AB SEB " Vilniaus bankas ".

Profit (loss) statement

P.9. Income, thousands Lt

	2007-03-31	2006-03-31
Sales		
(Time charter income)	23617,7	28647,3

The income decreased in 2007 year due to the following reasons:

- decreased working days of vessels on hire;
- decreased hire rate equivalent per day;
- USD currency exchange rate in the first quarter was less than in 2006 year (50 % of the company income was earned in USD currency).

In the first quarter of 2007 all vessels were employed under long term time charter parties.

P.10. Cost of sales, thousands Lt

	2007-03-31	2006-03-31
Depreciation	6334,5	5840,6
Salaries and social insurance	4184,7	3716,3
Day allowance and food for sailors	2456,8	2504,9
Repair expenses	2065,0	2695,4
Broker and address committee	662,1	847,9
Insurance	1265,5	1390,2
Various port charges and taxes	-	32,1
Spare parts and materials	1674,7	1903,0
Journeys (changing crew) and transport	267,3	230,9
Diesel and fuel oil	39,5	244,1
Lubricants (various)	786,4	571,8
Other	3691,2	2498,5
Total :	23427,7	22475,7

The increase of depreciation in the first quarter of 2007 year (as compared with 2006 year) was caused by the purchase of two vessels in March and May of 2006.

P.11. Operational expenses, thousands Lt

	2007-03-31	2006-03-31
Salaries and social insurance	946,7	1064,0
Business trips expenses	135,9	116,5
Depreciation	94,1	100,9
Premise maintenance	16,4	20,9
Insurance	14,8	18,1
Transportation expenses	15,7	22,5
Business maintenance expenses	45,8	38,2
Repair	2,5	0,8
Connection	50,6	50,3
Advertising and selling expenses	6,2	12,7
Bank services	66,5	39,0
Taxes	20,2	9,7
Consultations, legal and audit services	68,0	-1,0
Other	77,9	172,3
Total :	1561,3	1664,9

P. 12 Financing and investing activities expenses.

Until 31.03.2007 the financing and investing activities expenses were 697,5 thousand Lt of bank interest paid under the bank loan agreements for purchase of vessels. On 31.03.2006 the financing and investing expenses were 781,9 thousand Lt including 434,5 thousand Lt of bank interest paid under the bank loan agreements.

P.13. Profit per share, thousands Lt

Profit per share was calculated dividing the profit which belonged to the shareholders 2400,0 thousands Lt by the amount of ordinary shares at the end of the period 200 901 296 shares.

Cash flow statement

On 31.03.2007 cash flows decreased by 6015,5 thousand Lt as compared with the beginning of the reported year. The decrease was because of the purchase of two

vessels in March. A part of the vessels purchase price was paid from the company own cash.

Statement of changes in equity

On 31.03.2007 the company equity was of 224697,6 thousand Lt. The company equity increased by 2400,0 thousand Lt as compared with the beginning of the reported year because of received cash profit.

General director

A handwritten signature in black ink, appearing to read 'Vytautas Vismantas', written over a horizontal line.

Vytautas Vismantas

AB "Lietuvos jūrų laivininkystė"

(enterprise name)

110865039, Malūnininkų g.3, LT-92264 Klaipėda

(enterprise identification number, address, other information)

APPROVED

by General meeting of shareholders

Minutes No.....

of , 200..

BALANCE SHEET as of 31 March 2007

(date of formation of financial statements)

2007.01.01 - 2007.03.31

(reporting date)

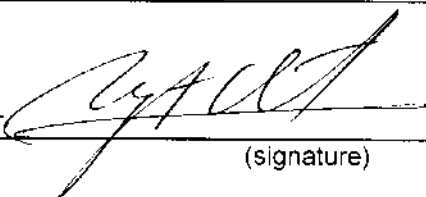
LTL

(currency of financial statement)

	ASSETS	Note, No	31 March 2007	31 December 2006
A.	NON-CURRENT ASSETS		313.559.602	257.258.660
I.	INTANGIBLE ASSETS	B.1.	11.389	10.838
I.1.	Research and development			
I.2.	Goodwill			
I.3.	Patents, licenses			
I.4.	Computer software	B.1.	11.389	10.838
I.5.	Other intangible assets			
II.	TANGIBLE ASSETS		308.449.334	252.031.734
II.1.	Land			
II.2.	Buildings and constructions		3.433.119	3.447.386
II.3.	Machinery		3.244.081	2.542.614
II.4.	Vehicles and other transport means		344.762	384.242
II.5.	Ships	B.2.	296.352.551	240.042.755
II.6.	Repairs	B.3.	4.876.528	5.436.101
II.7.	Other tangible assets		198.293	178.636
III.	FINANCIAL ASSETS			
III.1.	Investments in subsidiaries and associates			
III.2.	Loans to subsidiaries and associates			
III.3.	Amounts receivable after one year			
III.4.	Other financial assets			
IV.	ASSETS OF DEFERRED INCOME TAX		5.098.879	5.216.088
B.	CURRENT ASSETS		12.447.245	16.008.690
I.	INVENTORIES PREPAYMENTS and CONTRACTS IN PROGRESS		2.397.907	1.649.229
I.1.	Inventories	B.4.	860.682	813.198
I.1.1.	Raw materials and components	B.4.	860.682	813.198
I.1.2.	Work in progress			
I.1.3.	Finished goods			
I.1.4.	Goods for resale			
I.2.	Prepayments	B.5.	1.537.225	836.031
I.3.	Contracts in progress			
II.	AMOUNTS RECEIVABLE WITHIN ONE YEAR		1.771.509	745.204
II.1.	Trade amounts receivable		1.520.303	545.201
II.2.	Receivables from subsidiaries and associates			
II.3.	Other amounts receivable		251.206	200.003
III.	OTHER CURRENT ASSETS	B.6.	8.136.846	13.299.968
III.1.	Current investments		350	350
III.2.	Time deposits		7.457.429	13.299.618
III.3.	Other current assets		679.067	
IV.	CASH and CASH EQUIVALENTS	B.7.	140.983	314.289
	TOTAL ASSETS :		326.006.847	273.267.350

	EQUITY AND LIABILITIES	Note No	31 March 2007	31 December 2006
C.	EQUITY		224.697.651	222.297.639
I.	CAPITAL		200.901.296	200.901.296
I.1.	Subscribed capital		200.901.296	200.901.296
I.2.	Subscribed uncalled capital (-)			
I.3.	Share premium			
I.4.	Own shares (-)			
II.	REVALUATION RESERVE (RESULTS)			
III.	REZERVAI		10.081.591	10.081.591
III.1.	RESERVES		9.901.591	9.901.591
III.2.	Legal reserves			
III.3.	Other reserves		180.000	180.000
IV.	RETAINED EARNINGS (LOSSES)		13.714.764	11.314.752
IV.1.	Profit (loss) of the reporting year		2.400.012	11.314.752
IV.2.	Profit (loss) of the previous year		11.314.752	
D.	GRANTS and SUBSIDIES			
E.	AMOUNTS PAYABLE and LIABILITIES		101.309.196	50.969.711
I.	NON - CURRENT AMOUNTS PAYABLE AND LIABILITIES		68.518.283	33.603.164
I.1.	Financial debts	B.8.	65.128.203	30.020.006
I.1.1.	Leases and similar obligations			
I.1.2.	Credit institutions	B.8.	65.128.203	30.020.006
I.1.3.	Other financial debts			
I.2.	Trade amounts payable			
I.3.	Amounts received in advance			
I.4.	Provisions			
I.4.1.	For covering liabilities and demands			
I.4.2.	For pensions and similar obligations			
I.4.3.	Other provisions			
I.5.	Deferred taxes		3.390.080	3.583.158
I.6.	Other amounts payable and non-current liabilities			
II.	CURRENT AMOUNTS PAYABLE AND LIABILITIES		32.790.913	17.366.547
II.1.	Current portion of non-current debts			
II.2.	Financial debts	B.8.	19.786.023	9.494.232
II.2.1.	To credit institutions	B.8.	19.786.023	9.494.232
II.2.2.	Other debts			
II.3.	Trade amounts payable		1.648.003	1.261.002
II.4.	Amounts received in advance		2.157.197	988.110
II.5.	Profit tax liabilities		2.836.994	2.067.302
II.6.	Liabilities related to employment relations		3.903.204	2.340.749
II.7.	Provisions		1.660.000	755.109
II.8.	Other amounts payable and current liabilities		799.492	460.043
	TOTAL EQUITY AND LIABILITIES :		326.006.847	273.267.350

General director
(Chief Executive)



(signature)

Vytautas Vismantas
(full name)

AB "Lietuvos jūrų laivininkystė"

(enterprise name)

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PROFIT(LOSS) STATEMENT as of 31 March, 2007

2007.01.01 - 2007.03.31

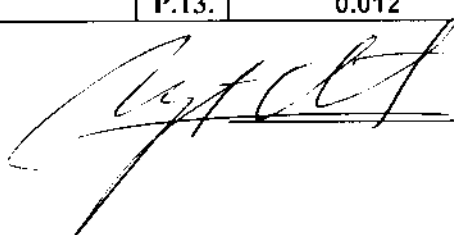
(reporting period)

LTL

(currency of financial statement)

No.	Items	Note No	31 march. 2007	31 march. 2006
I.	SALES REVENUE	P.9.	23,617,740	28,647,476
II.	COST OF SALES	P.10.	23,427,713	22,475,725
III.	GROSS PROFIT (LOSS)		190,027	6,171,751
IV.	OPERATING COSTS	P.11.	1,561,340	1,664,864
IV.1.	Sales		6,172	12,679
IV.2.	General and administrative		1,555,168	1,652,185
V.	OPERATING PROFIT (LOSS)		-1,371,313	4,506,887
VI.	OTHER ACTIVITIES		4,411,812	7,761,578
VI.1.	Income		4,416,420	7,799,991
VI.2.	Expenses		4,608	38,413
VII.	FINANCING AND INVESTING ACTIVITIES		53,335	-671,663
VII.1.	Income		750,880	110,270
VII.2.	Expenses	P.12.	697,545	781,933
VIII.	PROFIT(LOSS) FROM ORDINARY ACTIVITIES		3,093,834	11,596,802
IX.	EXTRAORDINARY GAIN			
X.	EXTRAORDINARY LOSSES			
XI.	PROFIT (LOSS) BEFORE TAXATION		3,093,834	11,596,802
XII.	PROFIT TAX		693,822	-5,505
XIII.	NET PROFIT (LOSS)		2,400,012	11,602,307
XIV.	PROFIT PER SHARE (Lt)	P.13.	0.012	0.058

General director



Vytautas Vismantas

AB "Lietuvos jūrų laivininkystė"

(enterprise name)

110865039, Malūninkų g.3, LT-92264 Klaipėda

(enterprise identification number, address, other information)

CASH FLOW STATEMENT as of 31 March, 2007

2007-01-01 - 2007-03-31

(reporting period)

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Minutes No.

of 2007

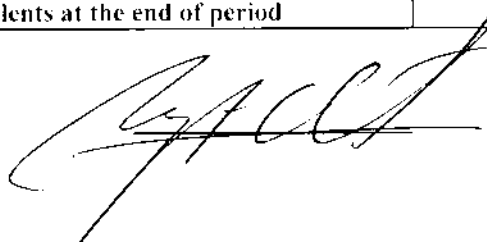
LTL

(currency of financial statement)

No	Items	Note No	31 march, 2007	31 march, 2006
I.	Cash flows from operating activities			
I.1.	Net profit (loss)		2,400,012	11,602,307
I.2.	Depreciation and amortisation expenses		6,428,668	5,941,590
I.3.	Decrease (increase) in amounts receivable after one year			
I.4.	Decrease (increase) in inventories		-47,484	247,007
I.5.	Decrease (increase) in advance payments received		-701,194	77,703
I.6.	Decrease (increase) in contracts in progress			
I.7.	Decrease (increase) in trade receivables		-975,102	-915,174
I.8.	Decrease (increase) in amounts receivable from subsidiaries and associates			
I.9.	Decrease (increase) in other amounts receivable		-51,202	-16,596
I.10.	Decrease (increase) in other current assets		-679,067	-313,554
I.11.	Increase (decrease) in non-current payables to suppliers and advance payments received			
I.12.	Increase (decrease) in payables to suppliers and advance payments received		1,556,089	-997,756
I.13.	Increase (decrease) in payable profit tax		769,692	-5,505
I.14.	Increase (decrease) in liabilities to employees		1,562,455	1,059,970
I.15.	Increase (decrease) in provision		829,021	253,000
I.16.	Increase (decrease) in other amounts payable and liabilities		339,450	-282,300
I.17.	Elimination of results of financing and investing activities		1,108	2,482
	Net cash flows from operating activities		11,432,446	16,653,174
II.	Cash flows from investing activities			
II.1.	Acquisition of non-current assets (excluding investment)		-64,369,806	-43,404,249
II.2.	Transfer of non-current assets (excluding investment)		1,522,987	5,219,931
II.3.	Acquisition of long-term investments			
II.4.	Transfer of long-term investments			
II.5.	Loans granted			
II.6.	Loans recovered			
II.7.	Dividends and interest received			
II.8.	Other increase in cash flows from investing activities			
II.9.	Other decrease in cash flows from investing activities			
	Net cash flows from investing activities		-62,846,819	-38,184,318
III.	Cash flows from financing activities			
III.1.	Cash flows related to the owners of enterprise:			
III.1.1.	Issue of shares		-1,108	-2,482
III.1.2.	Owner's contributions to cover losses			
III.1.3.	Purchase of own shares			
III.1.4.	Dividends paid		-1,108	-2,482

No.	Items	Note No	31 march. 2007	31 march. 2006
III.2.	Cash flows related to other financing sources		45,399,987	15,615,786
III.2.1.	Increase in financial debts		48,540,300	17,954,560
III.2.1.1	Loans received		48,540,300	17,954,560
III.2.1.2	Issue of bonds			
III.2.2.	Decrease in financial debts		-3,140,313	-2,338,774
III.2.2.1	Loans received		-2,377,947	-2,020,168
III.2.2.2	Issue of bonds		-762,366	-318,606
III.2.2.3	Interest paid			
III.2.2.4	Payments of lease (financial lease) liabilities			
III.2.3.	Increase in other enterprise liabilities			
III.2.4.	Decrease in other enterprise liabilities			
III.3.	Other increase in cash flows from financial activities		589,532	
III.4.	Other decrease in cash flows from financial activities			-347,447
	<u>Net cash flows from financing activities</u>		45,988,411	15,265,857
IV.	Cash flows from extraordinary items		0	0
IV.1.	Increase in cash flows from extraordinary items			
IV.2.	Decrease in cash flows from extraordinary items			
V.	The effects of changes in foreign exchange rates on the balance of cash and cash equivalents		-589,532	347,446
VI.	Net increase (decrease) in cash flows		-6,015,494	-5,917,841
VII.	Cash and cash equivalents at the beginning of period		13,614,257	9,235,550
VIII.	Cash and cash equivalents at the end of period		7,598,763	3,317,709

General director



Vytautas Vismantas

AB "LIETUVOS JURU LAIVININKYSTĖ"
(enterprise name)

110865039 Maluninku 3 LT-92264 Klaipeda
(enterprise identification number, address, other information)

Approved
By General meeting of shareholders
Minutes No.
of 2007

STATEMENT OF CHANGES IN EQUITY
as of 31 March, 2007

01.01.2007-31.03.2007
(reporting period)

LJL
(currency of financial statements)

	Paid share capital	Reserves provided by law		Other reserves	Retained earnings (losses)	Total
		Legal reserves	Acquisition of own shares			
Balance as of 31 December 2005	200 901 296	25 947 313		510 000	-16 375 722	210 982 887
Net profit (loss)					11 314 752	11 314 752
Dividends						
Formed reserves				180 000	-180 000	
Used reserves		16 045 722		-510 000	16 555 722	
Balance as of 31 December 2006	200 901 296	9 901 591		180 000	11 314 752	222 297 639
Net profit (loss)					2 400 012	2 400 012
Dividends						
Formed reserves						
Used reserves						
Balance as of 31 March 2007	200 901 296	9 091 591		180 000	13 714 764	224 697 651

General director
(Chief Executive)

