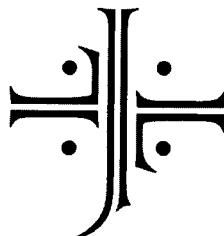


AKCINĖ BENDROVĖ
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

To: Lithuanian Securities commission
Konstitucijos pr.23,
LT-08105 Vilnius,
Lithuania

2009-07-15

Nr. 101-5-269

Klaipėda

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Nr.

CONFIRMATION BY THE RESPONSIBLE PERSONS OF PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

Following the Rules of Preparation and Submission of Periodic and Supplemental of the Securities Commission of the Republic of Lithuania as well as the Law on Securities of the Republic of Lithuania, Item 22, we hereby confirm that, to the best of our knowledge Financial statements for the year ended 31 December 2008, drawn in accordance with the International Financial Reporting Standards, corresponds to the reality and properly reflects the assets, liabilities, financial state, profit or loss of Public Company "Lithuanian Shipping Company".

We hereby also confirm that, to the best of our knowledge, the report on business development and activities, Company's state and the description of the main risks and uncertainties encountered by the Company, as provided in the enclosed Annual Report for the year 2008, is correct.

Public Company "Lithuanian Shipping Company"
Acting General director

Viktoras Čepys

Public Company "Lithuanian Shipping Company"
Chief Accountant

Arvydas Stropus

L. Kubilius g. 6
LT-08234 Vilnius
Lietuva

Tel: +370 (5) 268 5940
Fax: +370 (5) 268 5939
admin@moorestephens.lt
www.moorestephens.lt

**Independent Auditor's Report
to the shareholders of AB "Lietuvos jūrų laivininkystė"**

Report on the Financial Statements

We have audited the accompanying financial statements of AB "Lietuvos jūrų laivininkystė", which comprise balance sheet as at December 31, 2008, income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, confirmed for application within the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with National Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects the financial position of AB "Lietuvos jūrų laivininkystė" as of December 31, 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, confirmed for application within the European Union.

UAB "Moore Stephens"
įstaigos adresas: Lietuva
Lietuvos Respublika
Lietuvos Respublika
Lietuvos Respublika

L. Kubilius g. 6
LT-08234 Vilnius
Lietuva

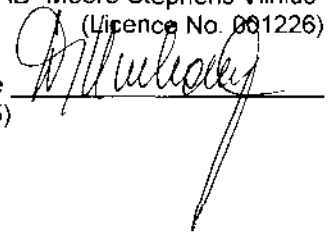
Tel. +370 (0) 268 5930
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Report on Other Legal and Regulatory Requirements

Furthermore, we have reviewed Annual Report of AB "Lietuvos jūrų laivininkystė" for the year 2008, added on pages 28 to 72 including the management code, considered to be the integral part, and have not noted any material inconsistencies between the financial information included in it and the audited financial statements.

UAB "Moore Stephens Vilnius"
(Licence No. 001226)

Auditor D. Pranckėnienė
(Licence No. 000345)



26 February 2009
Vilnius

AB „Lietuvos jūrų laivininkystė“

Company code 110865039, address Malūnininkų str. 3, LT – 92264 Klaipėda

Financial statements for the period ended on 31 December 2008

(in thousands of Litas, if not specified otherwise)

Approved by general meeting of shareholders
of 2009
Minutes No.**BALANCE SHEET**

ASSETS	Notes No.	31.12.2008	31.12.2007
NON-CURRENT ASSETS		313.968	292.640
INTANGIBLE ASSETS		57	7
TANGIBLE ASSETS			
Buildings and constructions	2,3	313.911	284.642
Plant and machinery	2	3.317	3.390
Vehicles and transport means	2	3.570	3.006
Ships	2	136	301
Repair	2,3	298.416	274.182
Other tangible assets	2,3	8.246	3.510
OTHER NON-CURRENT ASSETS	2	226	254
Prepayments for non-current assets		---	7.991
	4	---	7.991
CURRENT ASSETS		9.613	27.216
Inventories			
	4	1.012	2.329
Prepayments			
	4	1.994	935
Trade amounts receivable			
	5	1.066	591
Other amounts receivable			
	5	163	370
Time deposits			
	8	4.006	21.955
Other current assets			
		144	---
CASH AND CASH EQUIVALENTS			
	9	1.228	1.035
TOTAL ASSETS:		323.581	319.856

AB „Lietuvos jūrų laivininkystė“

Company code 110865039, address Malūnininkų str. 3, LT – 92264 Klaipėda

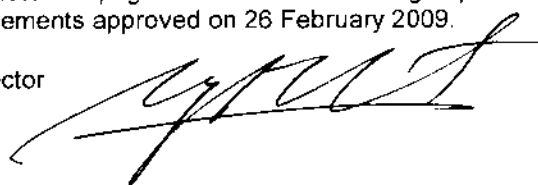
Financial statements for the period ended on 31 December 2008

(in thousands of Litas, if not specified otherwise)

EQUITY AND LIABILITIES	Notes No.	31.12.2008	31.12.2007
EQUITY		231.059	251.285
CAPITAL		200.901	200.901
Authorised (subscribed)	8	200.901	200.901
RESERVES		49.885	20.247
Legal reserve	9	20.090	10.467
Other reserves	9	29.795	9.780
RETAINED PROFIT (LOSSES)	10	(19.727)	30.137
AMOUNTS PAYABLE AND LIABILITIES		92.522	68.571
AMOUNTS PAYABLE AFTER ONE YEAR AND NON-CURRENT LIABILITIES		67.607	44.346
To credit institutions	11	67.607	44.346
Other financial debts			
AMOUNTS PAYABLE WITHIN A YEAR AND CURRENT LIABILITIES		24.915	24.225
To credit institutions	11	16.162	16.690
Trade amounts payable	15	1.082	1.389
Amounts received in advance	15	3.690	2.519
Income tax liabilities	12	---	91
Liabilities related to employment relations	13	2.741	2.161
Provisions	14	959	897
Other amounts payable and current liabilities	15	281	478
TOTAL EQUITY AND LIABILITIES:		323.581	319.856

Explanatory notes on pages 10 to 27 are the integral part of these financial statements.
Financial statements approved on 26 February 2009.

General Director



Vytautas Vismantas

AB „Lietuvos jūrų laivininkystė“

Company code 110865039, address Malūnininkų str. 3, LT – 92264 Klaipėda

Financial statements for the period ended on 31 December 2008

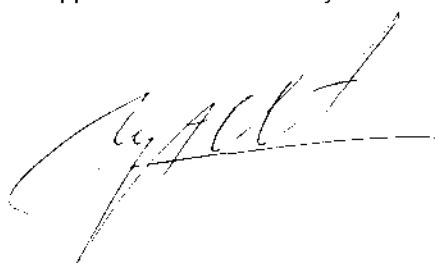
(in thousands of Litas, if not specified otherwise)

Approved by general meeting of shareholders
of 2009
Minutes No.....**INCOME STATEMENT**

				t. amount in IV quarter	
	Notes No.	2008	2007	2008	2007
SALES	16	87.617	91.701	21.155	22.053
EXPENSES					
Employment expenses	17	31.293	29.741	7.596	7.227
Ship exploitation expenses	18	33.154	28.876	14.135	7.989
Ship repair expenses		15.077	14.695	3.158	5.794
Other administrative and sales expenses	19	1.095	1.674	219	475
Total expenses		80.619	74.987	25.107	21.486
Profit before depreciation (EBITDA)		6.998	16.714	(3.952)	567
Profit from ship sales		33.344	41.740	0	12.906
Depreciation of ships		(28.103)	(27.250)	(7.393)	(6.690)
Depreciation of other assets		(328)	(343)	(92)	(78)
Ship impairment		(24.521)		(24.521)	
Profit before interests (EBIT)		(12.610)	30.863	(35.958)	6.706
Effect (profit (loss)) of changes in currency exchange rates	20	(4.430)	4.168	(1.261)	1.262
Interest expenses (net)	20	(2.590)	(3.179)	(808)	692
Profit before tax		(19.630)	31.852	(38.027)	7.276
Profit tax		(97)	(1.715)	(96)	(32)
NET PROFIT (LOSS)		(19.727)	30.137	(38.123)	7.244
Profit per share Lt	21	-0,10	0,15	-0,19	0,04

Explanatory notes on pages 10 to 27 are the integral part of these financial statements.
Financial statements approved on 26 February 2009.

General Director



Vytautas Vismantas

AB „Lietuvos jūrų laivininkystė“

Company code 110865039, address Malūnininkų str. 3, LT – 92264 Klaipėda

Financial statements for the period ended on 31 December 2008

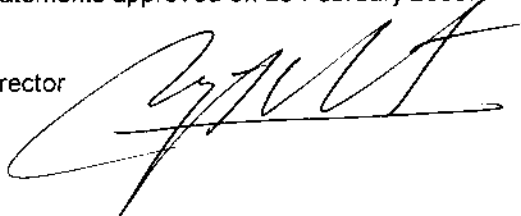
(in thousands of Litas, if not specified otherwise)

Approved by general meeting of shareholders
of 2009
Minutes No.....**STATEMENT OF CHANGES IN EQUITY**

	Paid share capital	Compulsory	Other reserves	Retained profit (loss)	Total
Balance as of 31 December 2006	200.901	9.902	180	11.315	222.298
Net profit / loss of the reporting period	0	0	0	30.137	30.137
Dividends	0	0	0	-1.149	-1.149
Other payments	0	0	0	0	0
Formed reserves	0	566	9.780	-10.345	0
Used reserves	0	0	-180	180	0
Balance as of 31 December 2007	200.901	10.467	9.780	30.137	251.285
Net profit / loss of the reporting period	0	0	0	-19.727	-19.727
Dividends	0	0	0	-499	-499
Other payments	0	0	0	0	0
Formed reserves	0	9.623	29.795	-39.418	0
Used reserves	0	0	-9.780	9.780	0
Balance as of 31 December 2008	200.901	20.090	29.795	-19.727	231.059

Explanatory notes on pages 10 to 27 are the integral part of these financial statements.
Financial statements approved on 26 February 2009.

General Director



Vytautas Vismantas

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Company code 110865039, address Malūnininkų str. 3, LT – 92264 Klaipėda

Financial statements for the period ended on 31 December 2008

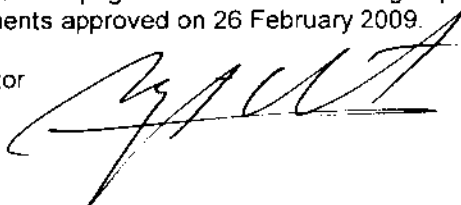
(in thousands of Lit, if not specified otherwise)

Approved by general meeting of shareholders
of 2009
Minutes No.....**CASH FLOW STATEMENT**

	Notes No.	31.12.2008	31.12.2007
Cash flows from operating activities			
Profit (loss) before tax		(19.630)	31.852
Corrections due to:			
Depreciation		30.694	31.829
Effect of profit (loss) from foreign currency		4.431	(4.168)
Asset impairment		24.521	
Investment income		(33.344)	(41.740)
Interest expenses		2.590	3.179
Changes in deferred income tax and provisions		114	9
Decrease (increase) in amounts receivable		(1.470)	(216)
Increase (decrease) in amounts payable		1.247	1.613
Decrease (increase) in inventories		1.317	(1.516)
Income from operating activities			
Paid income taxes		(240)	(2.067)
Paid interests		(3.329)	(3.827)
Net cash flows from operating activities		6.901	14.947
Cash flows from investing activities			
Acquisition of non-current assets		(77.841)	(79.126)
Transfer of non-current assets		34.641	48.340
Received dividends, interests		739	648
Cash flows from investing activities		(42.461)	(30.138)
Cash flows from financing activities			
Paid dividends		(499)	(1.124)
Received loans		51.775	48.540
Repaid loans		(33.073)	(21.733)
Cash flows from financing activities		18.203	25.684
Effect of changes in currency exchange rates on the balance of cash and cash equivalents			
		(399)	(1.118)
Net Increase (decrease) in net cash and cash equivalents		(17.756)	9.375
Net cash and cash equivalents at the beginning of the period	7	22.990	13.614
Net cash and cash equivalents at the end of the period	7	5.234	22.990

Explanatory notes on pages 10 to 27 are the integral part of these financial statements.
Financial statements approved on 26 February 2009.

General Director



Vytautas Vismantas

AB „Lietuvos jūrų laivininkystė“

Company code 110865039, address Malūnininkų str. 3, LT – 92264 Klaipėda

Financial statements for the period ended on 31 December 2008

(in thousands of Litas, if not specified otherwise)

Approved by general meeting of shareholders
of 2009
Minutes No.....

EXPLANATORY NOTES

I. General Information

AB "Lietuvos jūrų laivininkystė" (LJL) is a joint-stock company established after reorganizing AB "Lietuvos jūrų laivininkystė" (LISCO) by way of division. LJL was registered in the Registry of Legal Entities, certificate No. 027245. LJL registration date is 27 June 2001, its company code is 110865039. The address of LJL is Malūnininkų str. 3, Klaipėda. Main activities of the Company are cargo carrying by sea transport and lease of ships.

The Company's management bodies are general meeting of shareholders, supervisory board, board of directors and head of management.

On 31 December 2008 the Company had 454 employees, of which 54 in coast divisions and 400 on board.

On 31 December 2008 the Company's shareholders were:

	2008-12-31		2007-12-31	
	Number of shares	Ownership percent	Number of shares	Ownership percent
State Property Fund (VI Valstybės turto fondas)	16.669.791	8,30%	16.689.155	8,3%
Ministry of Transport and Communication	113.833.000	56,66%	113.833.000	56,66%
„Hansabank clients“	5.929.741	2,95%	16.849.753	8,4
DFDS TOR LINE A/S	10.414.449	5,18%	11.108.420	5,5%
JNG Luxemburg S.A.	10.360.000	5,16%	-	-
Other small shareholders	43.694.315	21,75%	42.420.968	21,14%

II. Accounting Policy

Compliance with the standards

Main principles of accounting, which are the basis of preparation of these financial statements, are set out below. These principles were applied consistently in all presented periods, unless stated otherwise.

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), confirmed for application within the European Union.

AB „Lietuvos jūrų laivininkystė“

Company code 110865039, address Malūnininkų str. 3, LT – 92264 Klaipėda

Financial statements for the period ended on 31 December 2008

(in thousands of Litas, if not specified otherwise)

Functional and presentation currency

In the financial statements numbers are presented in Litas. This currency is the functional currency of the Company. Transactions in foreign currencies are stated at the functional currency according to the official exchange rate on the day of transaction. Impact of changes in currency exchange rates is presented in the income statement. Litas is tied to Euro on the exchange rate of 1 Euro being equal to 3,4528 Litas.

Standards, standard adjustments and interpretations valid in 2008, but not applicable to the Company

The below stated standards, standard adjustments and interpretations, which are due to apply on the reporting periods starting on (or after) the 1st of January 2008, but not applicable to the activity of the Company:

IAS 11 Construction contracts
IAS 20 Accounting for government grants and disclosure of government assistance
IAS 28 Investments in associates
IAS 29 Financial reporting in hyperinflationary economies
IAS 31 Interests in joint ventures
IAS 41 Agriculture
IFRS 2 Share-based payment
IFRS 3 Business combinations
IFRS 4 Insurance contracts
IFRS 6 Exploration for and evaluation of mineral resources
IFRIC 2 Member's shares in co-operative entities and similar instruments
IFRIC 5 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
IFRIC 6 Liabilities arising from participating in a specific market – waste electrical and electronic equipment
IFRIC 7 Applying the Restatement Approach under IAS 29 Financial reporting in hyperinflationary economies
IFRIC 8 Scope of IFRS 2
IFRIC 9 Reassessment of embedded derivatives
SIC 7 Introduction of the euro
SIC 10 Government assistance – no specific relation to operating activities
SIC 12 Consolidation – special purpose entities
SIC 29 Disclosure – service concession arrangements

Standards, standard adjustments and interpretations, which are not yet valid and Company did not apply them before time

Below stated standards, standard adjustments and interpretations, which are due to be applicable on the Company's reporting periods starting on or after the 1st of January 2009 or any later periods, but which Company did not apply before time:

IFRIC 15 "Agreements for the Construction of Real Estate" will not be applicable to the Company and will not have significant influence on financial statements.

IAS 23 (adjustment) "Borrowing costs" (valid since 1 January 2009). This standard requires company to capitalise the borrowing costs directly attributable to criteria-matching asset (the one which takes a significant amount of time to prepare for use or sell) acquisition, construction or production, as a part of the asset acquisition cost. Possibility to immediately recognise these borrowing costs as expenses will be eliminated. The Company will start applying IAS 23 (adjusted) on 1 January 2009. The impact on the financial statements will not be present, because the Company has no such assets.

AB „Lietuvos jūrų laivininkystė“

Company code 110865039, address Malūnininkų str. 3, LT – 92264 Klaipėda

Financial statements for the period ended on 31 December 2008

(in thousands of Litas, if not specified otherwise)

IFRS 8 “Operating segments” (valid since 1 January 2009). IFRS 8 changed IFRS 14 and the information on segment presentation was matched with USA standard SFAS 131 “Disclosures about Segments of an Enterprise and related information” requirements. The new standard requires to apply “management method”, according to which information on segments is presented in the same way as the one used for the inner accounting purposes. The Company will start applying IFRS 8 on 1 January 2009.

SIC 13 “Jointly controlled entities – non-monetary contributions by ventures” and SIC 15 “Operating leases – incentives” will not be applicable to the Company because the Company does not pursue such activities.

IAS 1 “Presentation of financial statements”: adjustment, valid after 1 January 2009, changes the order of information presentation in the statement of changes in equity. The Company will start applying it on 1 January 2009, but no impact will be present.

IFRS 2 “Share-based payment” adjustment valid since 1 January 2009 and explains the indications of share-based payments and share-provision conditions, when shares become services. This standard will not be applicable to the activity of the Company.

IAS 32 “Financial instruments: presentation” related to financial instruments and obligations of sales, which arise when liquidating. This standard will not be applicable to the Company.

IAS 27 “Consolidated and separate financial statements”, IFRS 1 “First-time adoption of international financial reporting standards”, IFRS 28 “Investments in associates”, IFRS 29 “Financial reporting in hyperinflationary economies”, IFRS 31 “Interests in joint ventures”, IAS 40 “Investment property”, IAS 41 “Agriculture”, IAS 20 “Accounting for government grants and disclosure of government assistance”, IFRS 5 “Non-current assets held for sale and discontinued operations”, IAS 27 “Consolidated and separate financial statements (reviewed)”, IFRS 3 “Business combinations (reviewed)” adjustments, valid since 1 January 2009, but will not be applicable to the Company.

IAS 38 “Intangible assets”, IAS 16 “Property, plant and equipment”, IAS 7 “Cash-flow statements”, IFRS 7 “Financial instruments: disclosures”, IAS 39 “Financial instruments: recognition and measurement”, IAS 36 “Impairment of assets”, valid since 1 January 2009 and will be applied to the Company since 1 January 2009, but will not have any significant impact on the results.

Non-current Tangible Assets

In the financial statements all economic resources controlled by the Company are recognised as assets if the Company can reasonably expect to obtain future economic benefits from using the resources and they have a value which can be measured reliably.

Non-current assets presented in the financial statements are stated at the acquisition or production cost of the assets less their accumulated depreciation and impairment value. Acquisition value of ships is presented together with all of the ship equipment.

Depreciation is calculated from the first day of the next month having started using a non-current tangible asset; it is discontinued from the first day of the next month after its write-off, sale or when all value of a non-current asset in use (less the residual value) is transferred into the cost of goods or services. The assets are depreciated on the basis of the straight-line method.

AB „Lietuvos jūrų laivininkystė“

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Financial statements for the period ended on 31 December 2008

(in thousands of Litas, if not specified otherwise)

Asset groups	Average period of useful life (in years)
Ships	7 - 16
Plant and machinery	7 - 16
Vehicles and other transport means	6-10
Other fittings, fixtures, tools and equipment	4

The management determines the useful life of an asset at the moment of acquisition, later it is reviewed every year. Useful life of assets is determined on the basis of past experience related to similar items as well as expected future events, which may affect the useful life. The Company reviews the liquidation value of the assets every year.

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there are indications of impairment. If such indications are noticed, the recoverable amounts of such assets are determined. A recoverable amount is the higher of an asset's expected net realisable value and its value in use. An impairment loss is recognised if the balance value of an asset is higher than its recoverable value. All losses related to impairment are presented in the income statement.

In accordance with the requirements of classification companies ships are repaired periodically: every five years the class of ship is confirmed after repairs (SS); three years after SS repairs dock repair works are carried out. LJJ writes off repair expenses related to class-certification within 3 years, dock repairs – within 2 years.

Non-current Intangible Assets

Computer software and other intangible assets with the limited using period, are stated at cost less the amortization and losses due to impairment. Amortization is calculated applying direct method during the period of useful life. Non-current intangible assets are depreciated within the period of 3 years.

Inventories

Inventories are presented in the balance sheet at the lower of purchase cost and expected net realisable value. In order to determine the cost of inventories sold FIFO method is applied. Net realisable value is estimated as expected selling price less expenses related to the sale.

When inventories are purchased from third parties, their cost of purchase is their purchase price combined with all purchase-related taxes (custom duties, etc.), transportation, preparation for use and other costs directly attributable to the purchase of the inventories, less received discounts and rebates. Insignificant (or stable for several reporting periods) amounts of inventories transportation and preparation for use costs are written off to operating expenses rather than included into the cost of purchase.

Amounts Receivable

On recognition amounts receivable are measured at their fair value. Thereinafter, current amounts receivable are measured taking into account their impairment, non-current amounts receivable are measured at a discounted value less any impairment loss in value.

AB „Lietuvos jūrų laivininkystė“

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Financial statements for the period ended on 31 December 2008

(in thousands of Litas, if not specified otherwise)

Cash and Cash Equivalents

Cash comprises cash in hand and in bank accounts. Cash equivalents are liquid investments readily convertible into a known cash amount. The term of these investments is up to three months and they are subject to insignificant risk of changes in value. The Company has no cash equivalents currently.

In the cash flow statement cash comprise cash on hand, in bank accounts, at current accounts, deposits.

Liabilities

Borrowing expenses are written off when they are incurred. At the initial recognition, liabilities are stated at the fair value of received funds. Thereinafter, they are accounted for at amortised cost, and the difference between the funds received and amount payable within the period of loan is included into the profit or loss for the period. Liabilities are recognised as non-current if a financing agreement made by the date of the financial statements' approval confirms that they are long-term in substance.

Provisions

Provisions are recognised when and only when the Company has a legal obligation or irrevocable commitment as a result of past events; and it is probable that an outflow of resources embodying economic benefits will be required to settle it; and the amount of obligation can be measured reliably. Provisions are reviewed at each balance sheet date and adjusted to reflect the most accurate current estimates. When the time effect on the value of money is significant, the amount of provision is equal to the present value of outflows, which are expected to be required for the settlement of obligation. When discounting is used, an increase in provision reflecting the past period is recorded as interest expenses.

Income Tax

Computation of corporate income tax is based on a yearly profit and is made in accordance with the requirements of the tax laws of the Republic of Lithuania. Deferred income tax is calculated on the basis of temporary differences in the carrying amounts of assets and liabilities in the financial statements and their tax bases. An amount of deferred income tax depends on expected useful lives of assets and future repayments of liabilities and expected tax rates of the corresponding periods. Deferred income tax assets and liabilities are not further calculated, because according to the Corporate Income Tax Law of the Republic of Lithuania no temporary differences occur.

In accordance with the amendment of 3 May 2007 of the Law on Corporate Income Tax of the Republic of Lithuania, AB "Lietuvos jūrų laivininkystė" chose to calculate a fixed rate corporate income tax for the tax period beginning with 2007 and subsequent tax periods. The base of the fixed rate corporate income tax is calculated for each 100 payload capacity units (CU) of a sea-going vessel by applying a fixed daily amount and multiplying the resulting amount by the number of days in a tax period of a shipping entity.

Revaluation of Currency

In the accounting records transactions in foreign currencies are stated in the national currency, litas (LTL), in accordance with the official exchange rate of litas and foreign currency announced by the Bank of Lithuania at the transaction date, except for accumulated income and expenses, which are stated based on the official exchange rate of litas and foreign currency announced by the Bank of Lithuania on the last day of the reporting period.

AB „Lietuvos jūrų laivinkystė“

Company code 110865039, address Malūnininkų str. 3, LT – 92264 Klaipėda

Financial statements for the period ended on 31 December 2008

(in thousands of Litas, if not specified otherwise)

In the balance sheet currency entries are stated in accordance with the official exchange rate of litas and foreign currency announced by the Bank of Lithuania at the date of the financial statements. The Company's owned cash in foreign currencies as well as all amounts receivable and payable in foreign currencies are considered to be currency entries.

Changes in currency entries, which occurred due to changes in the exchange rate of litas and foreign currency announced by the Bank of Lithuania and arose when performing currency transactions or revaluating currency entries registered earlier, are recognised as income or expenses from financial activities of the related reporting period.

Segments

Accountable segments are active segments meeting the stated criteria. The Company gets separate financial information on these segments and the management makes decisions on evaluation of operating results on the basis of this information. Active segments are provided with segment liabilities, segment assets, particular income and expense article valuations, gross profit (loss) and it is all matched with financial statements of the Company. The Company does not divide it's segments in primary and secondary ones.

Payments to the Employees

The Company considers salaries, social security fees, holiday allowances, compensations for two first days of sickness, premiums, grants, leave allowances, holiday accruals to be the payments to the employees and they are recognized as expenses when an employee has fulfilled his duties in exchange to the received allowance.

Income Recognition

The moment of rendering services is recognised as the moment of earning income. Service provision is completed when the buyer pays for services at once or takes on an obligation to pay for them later without any significant additional conditions (when both parties sign a corresponding document: invoice, delivery note, etc.). Cash received as prepayment is recorded in accounts as an increase in the Company's liabilities to clients. In this case, income is recognised when the services are rendered.

Expenses Recognition

The cost of rendered services is always connected with the services rendered during the reporting period. It comprises a portion of costs incurred during the reporting period in order to render the services sold. When it is impossible to relate directly the costs of the reporting period with earning some specific income and they are not going to earn income in the coming periods, such costs are recognised as expenses of the period when they are incurred.

Use of Estimates in Preparation of Financial Statements

When they prepare the financial statements, the management have to make certain assumptions and estimates, which influence the presented amounts of assets, liabilities, income and expenses and disclosures of contingencies. Significant accounts of these financial statements, which are influenced by estimates, include depreciation, impairment and provisions. Future events may influence the assumptions used to make estimates. The results of such changes in estimates will be presented in the financial statements when they are uncovered.

AB „Lietuvos jūrų laivininkystė“

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Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed, except for the cases when it is hardly probable that the outflow of economic resources will be required.

Contingent assets are not recognised in the financial statements. They are disclosed, except for the cases when it is probable that the income or economic benefits will be received.

Events after the Balance Sheet Date

Events after the balance sheet date, which provide additional information about the Company's position at the balance sheet date (events leading to adjustment), are reflected in the financial statements. Post balance sheet events not leading to adjustment are disclosed in the notes if they are significant.

Factors of Financial Risks

When managing the risks, the Company mainly concentrates on credit, market, currency exchange rate, liquidity and interest rate, operating and legal risks. Main goal of financial risk management is to draw the line for the risk and then assure that the scope of risk does not cross this line. Proper functioning of internal rules is the basis for decreasing the operating and legal risks.

Financial risks arise from trade amounts receivable, cash and cash equivalents, trade amounts payable and other payables, loan liabilities. Credit risk arises from cash, bank deposits, residue of amounts receivable. The Company only chooses the banks with high rankings, trade amounts receivable are being reviewed every week to determine the status of the payment. There is no concentration of significant credit risk in the Company.

Management of liquidity risks allows to keep a sufficient amount of cash and also financing according to the agreed credit instruments. The Company manages liquidity risk by planning cash flows ahead, considering the level of liquid assets and terms of loan returning. The Company is avoiding the liquidity and credit risks by having 1 million EUR in the term deposits.

The Company's income does not depend on changes in interest rates due to the fact that the Company has no material interest earning assets, except for the term deposits. Interest rate risks arise from long-term loans, provided with changing interest rate (LIBOR, EURIBOR). The Company did not use any derivative financial instruments to control the risks of interest rate fluctuations. Considering the pursued simulations, the management of the Company assumes that even if the interest rate increases or decreases by 0,5%, the change of net profit and equity would not be significant to the financial statements of the Company. In the reporting year the Company returned the loan of 800 thousand USD before the due term due to the worsen situation in the international markets.

The Company has a significant risk of currency exchange rates fluctuations, because 47% of Company's income is earned in USD and the rest in Euros. Euro is tied to functional currency Litas, so no significant fluctuations are present, but the USD is widely used in payments to the partners and no derivative financial instruments are used to reduce the risks of currency exchange rate fluctuations.

Other price risk, residual asset value risk is evaluated every time when preparing the financial statements. The Company has insured the ships, risk of transporting, risk of cargo losses, risk of environment pollution (when travelling to the USA) in the insurance companies and unions.

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Management of Capital Risks

The goal of capital risk management is to assure Company's going concern, to earn profit for the shareholders, to maintain the optimal structure of capital by decreasing the cost of capital. To maintain and adjust the structure of capital, the Company is able to adjust the amount of dividends paid to the shareholders, to return the capital to the shareholders, to issue new shares, to sell assets and in this way reduce the debts.

The Company is in control of capital based on the debt and equity capital ratio, which is calculated by dividing the debts in net value by total capital. Debt in net value is calculated by subtracting cash and cash equivalents from the gross amount of debts. Total capital is calculated as equity capital, presented in the balance sheet, with added debts in net value.

According to the Company Law of the Republic of Lithuania, the capital of the company has to be at least 150 thousand Litas and the amount of equity capital has to be at least 50% of company's authorized capital. The Company fulfilled these requirements.

Evaluation at fair value

Fair value is the amount payable or paid in the market environment between the buyer and seller. When management thinks that fair value of financial assets and liabilities significantly differs from their book value, the calculation of such fair value is disclosed separately in the explanatory notes.

When determining the ship use value, the future cash flows were evaluated on a basis of a five year budget confirmed by the management. Future cash flows included planned cash inflow when constantly using the assets, planned cash outflows to collect the planned cash inflows, net cash flows, received due to asset transfer at the end of it's useful life. Discount rate was selected considering the cash timing value and risks typical to these assets and business activity.

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III. Explanatory Notes**1. Non-current Intangible Assets**

	Computer software
Acquisition value	
31 December 2006	299,4
Acquisitions	3,3
Write-offs	1,5
31 December 2007	301,2
Acquisitions	59,6
Write-offs	-
31 December 2008	360,8
Accumulated amortisation	
31 December 2006	288,6
Calculated during the period	6,8
Write-offs	1,5
Transfers to other accounts	
31 December 2007	293,9
Calculated during the period	9,6
31 December 2008	297,4
Carrying amount	
31 December 2006	10,8
31 December 2007	7,3
31 December 2008	57,3

Increase in non-current intangible assets in 2008 is due to the purchase of MS Windows and Office licenses in September. Non-current intangible assets are depreciated within the period of 3 years.

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2. Non-current Tangible Assets, in thousand LTL

Items	Buildings and constructions	Plant and machinery	Ships	Other transport means	Repair	Other tangible assets	Total
Acquisition value							
31 December 2006	3.737	5.412	379.695	726	5.436	477	395.483
Acquired	---	1.861	66.609	75	2.311	176	71.032
Written-off (-)	---	(1.827)	(26.550)	(0)	(4.237)	(92)	(32.706)
Reclassifications	---	---	---	---	---	---	---
31 December 2007	3.737	5.445	419.754	802	3.510	561	433.809
Acquired	---	1.490	77.222	-	6.995	65	85.772
Written-off (-)	(65)	(513)	(10.971)	(0)	(2.259)	(58)	(13.866)
Reclassifications	---	(5.220)	5.220	-	---	---	---
31 December 2008	3.672	1.202	491.226	802	8.246	567	505.716
Nuvertėjimas							
31 December 2006	---	---	(36.886)	---	---	---	(36.886)
31 December 2007	---	---	(36.886)	---	---	---	(36.886)
Impaired (-)	---	---	(24.521)	---	---	---	(24.521)
Reversed impairment	---	---	---	---	---	---	---
31 December 2008	---	---	(61.407)	-	---	---	(61.407)
Accumulated depreciation							
31 December 2006	290	2.869	102.766	342	---	299	106.566
Accounted for the period	57	787	26.522	159	---	60	27.585
Written-off (-)	---	(1.216)	(20.601)	---	---	(52)	(21.870)
31 December 2007	347	2.439	108.687	501	---	307	112.281
Accounted for the period	---	806	---	---	---	---	28.421

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	52		27.336	165		61	
Written-off (-)	(44)	(393)	(9.840)	---	---	(28)	(10.304)
Reclassifications	---	(1.914)	1.914	---	---	---	---
31 December 2008	355	939	128.096	666	---	341	130.398
Balance value	---	---	---	---	---	---	---
31 December 2006	3.447	2.543	240.043	384	5.436	179	252.032
31 December 2007	3.390	3.006	274.182	301	3.510	254	284.642
31 December 2008	3.317	263	301.723	136	8.246	227	313.911

Ships

At the end of the financial year the non-current tangible assets of UAB "Lietuvos jūrų laivininkystė" included 14 ships, administrative building, machinery and equipment. During the reporting year tools and ship equipment were included in the value of ships.

In may 2008 "Venta" (over 24 thousand dwt) was acquired and "Kapitonas Stulpinas" and "Kapitonas Serafinas" were sold.

8 ships are mortgaged for loans received from SEB bankas (No 11 note)

3. Ship Repairs

Ship repair expenses of LTL 824, 8 thousand were recognized as assets.
This amount will be transferred to expenses according to the table below:

2009	-	LTL 5.869,4 thousand
2010	-	LTL 2.240,7 thousand
2011	-	LTL 135,7 thousand

4. Inventories and Prepayments

	31-12-2007	31-12-2008
Spare parts	2.193,1	852,8
Food provision on ships	136,4	159,5
Prepayments	935,2	1994,0
Total:	3.264,7	3.006,3

The reason for increase in advance payments in 2008 was the prepayment of LTL 599 thousand to the agents for the repair of m/v "ALKA" and prepayment of LTL 404,2 thousand for the technical supply of the vessels.

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5. Amounts Receivable

	31-12-2007	31-12-2008
Trade receivables	81,1	180,7
Foreign trade debtors	503,8	742,3
Amounts receivable from State budget	39,8	7,9
Prepayments to ships	164,3	108,7
Other amounts receivable	172,3	188,9
Total:	961,3	1228,5

In the foreign trade amounts receivable of 2008 the amount of LTL 326 thousand due to the damage of the cargo of motor ship "Skalva" (at the beginning of 2006) is included. This amount is covered by insurance, so insurance company is examining the circumstances of the cargo damage and the amount should be paid back to the Company. In 2008 year foreign trade receivables increased as a result of the m/v "Alka" accident, which will also be covered by insurance company. No doubtful debts were detected and insurance cases are beneficial to the Company.

As of 31 December 2008 the debts according to the currencies sorted out in this way:

	total	EUR	USD	GBP	CAD	LTL
Trade receivables:	180,7	-	119,8	3,2	-	57,7
Foreign trade receivables	742,3	21,2	592,7	-	128,4	-
Amounts receivable from the State budget	7,9	-	-	-	-	7,9
Advances for ships	108,7	67,9	40,8	-	-	-
Other amounts receivable	188,9	142,5				46,4
Total:	1228,5	231,6	753,3	3,2	128,4	112,0

6. Term Deposits

	31-12-2007	31-12-2008
Term deposits	21955,0	4006,0

Fixed time deposit reduced due to purchase of the m/v Venta in May 2008.

The purchase was partly secured by cash payment from the LJJ funds, and advance bank loan repayment.

7. Cash and Cash Equivalents

	2007-12-31	2008-12-31
Cash in bank in national currency	122,0	181,8
Cash in bank in foreign currencies	864,3	1.016,8
LJJ's cash on hand in national currency	9,9	4,4
LJJ's cash on hand in foreign currencies	38,3	25,0
Total:	1.034,6	1.228,0

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8. Capital

	Authorised capital	Share premiums	Total
31 December 2007	200901,3	-	200901,3
New emission of shares	-	-	-
Acquisition of own shares	-	-	-
31 December 2008	200901,3	-	200901,3

On 31 December 2008 the Company's authorised capital consisted of 200 901 296 ordinary registered shares. With par value of LTL 1 for each share.

9. Reserves

	31-12-2007	31-12-2008
Compulsory legal reserves	10467,3	20090,1
Reserve for acquisition of ships	9599,5	29594,1
Reserve for employees' bonuses	150,0	150,0
Reserve for social and cultural activities	30	50,8
Total:	20246,9	49885,0

When the reserve for employees' bonuses is used, it is cancelled with the decision of the shareholders by increasing the retained profit. Bonuses paid to employees are included into the income statement.

In 2008 LTL 110,7 thousand were paid as bonuses to company seamen personnel's reserve. This payment is included as expenses in the income statement in the article of manpower employment expenses.

10. Retained Earnings (Losses)

	31-12-2007	31-12-2008
Balance at the beginning of the year	11.314,8	30.137,2
Appropriated during 2008	-	(30.137,2)
Net profit (loss) for the year	30.137,1	(19727)
Allocated to dividends (transferred to amounts payable)	(1.149,5)	
Allocated to other reserves	(9.779,5)	
Cancelled reserves	180	
Allocated to compulsory legal reserve	(565,7)	
Balance as of 31 December 2008	30.137,2	(19.727)

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11. Financial Liabilities (to credit institutions)

	31-12-2007	31-12-2008
Payable after one to five years	44.345,9	67.606,9
Payable within one year	16.689,9	16.162,0
Total	61.035,8	83.768,9
Balance of loans at the beginning of the year	39.514,2	61.035,8
Loans received	48.540,3	51.775,3
Loans repaid	(21.732,9)	(33.072,9)
Effect of exchange rates	(5.285,8)	4.030,7
Balance of loans at the end of 2008	61.035,8	83.768,9

All financial liabilities of LJI to banks are secured by assets. 8 ships with the carrying amount of LTL 192.992,4 thousand are mortgaged. The increase in loans in 2008 was caused by the acquisition of ship "Venta" in May. The loan for the acquisition of the ship was received from AB SEB bank. Loan repayment term is due in 2015. Most of the loans are received in USD in the amount of LTL 69.932,7 thousand and the rest are received in Euros in the amount of LTL 13.836,2 thousand. A part of the loan received in USD (LTL 10.446,6 thousand) was returned before the term was due.

12. Income Tax Liabilities

	2007-12-31	2008-12-31
Corporate income tax payable at the beginning of the year	2.067,3	91,3
Calculated corporate income tax	91,3	79,8
Paid corporate income tax	(2.067,3)	(91,3)
Corporate income tax payable at the end of the year	91,3	

The Company is paying a fixe tonnage fee. At the end of the reporting year the Company has an overpayment of income tax in the amount of LTL 144 thousand.

13. Liabilities Related to Employment Relations

	31-12-2007	31-12-2008
Provision for annual leaves (salaries)	1.377,7	1.772,3
Provision for annual leaves (social insurance)	426,8	549,1
Payable social insurance contributions	354,2	418,4
Amount payable to guarantee fund	2,2	1,2
Total	2.160,9	2.741,0

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14. Provisions

	31-12-2007	31-12-2008
Provisions for not received invoices	896,6	959,0

15. Other Amounts Payable

	31-12-2007	31-12-2008
Debts to agents	152,6	15,2
Debts to suppliers	1.236,4	1.066,5
Prepayments from clients	2.519,0	3.689,8
Dividends payable	103,2	103,2
Liabilities related to freight	167,4	-
Accrued expenses	191,6	93,7
Other liabilities	16	84,6
Total	4.386,2	5.052,8

Amounts payable in currencies as of 31 December 2008 spread like this:

	total	EUR	USD	LTL	kita
Debts to agents	15	13	0	0	2
Debts to suppliers	1.067	572	232	0	262
Prepayments from clients	3.690	1.343	2.208	0	139
Dividends payable	103	0	0	103	0
Liabilities related to freight	62	60	2	0	0
Accrued expenses	94	16	51	0	27
Other liabilities	23	0	0	23	0
Total	5.053	2.003	2.494	126	430

16. Sales

Sales revenue, LTL thousand	31-12-2007	31-12-2008	%
Time charter income	91.239,5	87.567,9	96,0
Other time charter income	1,9	-	
Freight income from short-term agreements	358,1	-	
Other income	101,8	49,0	48,1
Total:	91.701,3	87.616,9	95,5

Time charter income decreased due to a smaller number of ships, as well as due to the decrease in the exchange rate of the dollar in 2008. All ships operated on the basis of time charter agreements. An important client is involved in 39% of sales amount.

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17. Personnel expenses

	2007-12-31	2008-12-31	%
Remuneration and social security	17.528,4	20.182,1	115,4
Daily allowances	8.147,7	7.568,4	92,9
Crew victualling	1.713,9	1.453,6	84,8
Crew change transport	1.300,0	1.055,3	81,2
Business trips	329,2	366,1	111,2
Other personnel expenses	722,1	667,9	92,5
Total :	29.741,3	31.293,4	105,2

In 2008 expenses relating to manpower employment have been increased because of growing seaman wages. The reason for decrease of daily allowances and victual expenses was the reduction of the company fleet in 2008 when compared to 2007.

18. Ship maintenance expenses

	31-12-2007	31-12-2008	%
Address and brokers commission	2492,1	2341,7	94,0
Supply	625,8	824,5	132,2
Spares and materials	7905,4	13549,6	171,4
Lubricants	2683,7	2759,6	125,9
Inspection, maintenance of lifesaving, fire safety equipment	614,0	734,1	119,6
Ship appraiser services	1394,6	1755,6	125,9
Maintenance of radio, navigation equipment electronic device	787,2	1711,3	217,4
Insurance	4648,4	3917,4	84,3
Communication expenses	191,7	233,7	121,9
Seamaps, navigation guides	311,7	256,5	82,3
Bunkers	469,5	166,3	35,4
Other expenses	6752,2	4903,7	72,6
Total :	28876,3	33153,7	114,8

19. Other administrative and selling expenses

	31-12-2007	31-12-2008	%
Bank services	160,7	137,0	85,3
Fuel used for cars, maintenance expenses	65,4	67,1	102,6
Computer programs, computers net maintenance expenses	111,0	132,3	119,2
Telecommunications and post services	205,5	235,3	114,5
Public services	56,2	73,0	129,9
Experts property valuation services	194,8	20,6	10,6
Property insurance, deductibles	323,8	293,9	90,8
Other expenses	556,6	135,6	24,4
Total :	1674,0	1094,8	65,0

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20. Financing and Investing Activities

	31-12-2007	31-12-2008	%
Received interests	648,2	739,0	114,0
Positive effect of currency exchange rates	4168,0	-	-
Paid interests	(3826,8)	(3328,8)	87,0
Negative effect of currency exchange rates	-	(4430,6)	-
Total:	989,4	(7020,4)	-

21. Profit (Earnings) per Share

Profit per share is calculated by dividing the net losses of the period belonging to the owners of the shares (LTL 19.727 thousand) by the number of ordinary shares at the end of the period – 200.901.296 shares.

22. Cash Flow Statement

At the end of the period (31 December 2008) the cash consisted of LTL 5234 thousand. The cash flow cut down by LTL 17755,6 thousand compared with the beginning of the reporting year. The reason of reduction was the purchase of the ship "Venta" and increased amounts of bank loan repayments. In 2008 LTL 33072,9 thousand were repaid and in 2007 – LTL 21732,9 thousand.

23. Statement of Changes in Equity

At the end of 2008 the equity capital of the company consisted of LTL 231.059 thousand. Due to the reporting period net loss of LTL 19.272 thousand and dividends to be paid, equity capital decreased by the amount of LTL 20.226 thousand compared to the beginning of the period.

24. Related Party Transactions

The Company regards the members of the board of directors, General Director, ship park management director, technical director, director of finance, chief accountant and members of their families as related parties. In 2007 LTL 406,6 thousand of the wages were paid to these persons and in 2008 – LTL 524,6 thousand LTL.

25. Liabilities not Disclosed in the Balance Sheet

The Company did not have any liabilities that were not disclosed in the balance sheet. Assets pledged according to the credit contracts are presented in note no. 2. No other guarantees were provided or received.

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26. Test for Fair Value Determination

On every date of financial statement preparation the Company determines if there is any evidence of asset impairment and evaluates the asset at the recoverable value. Recoverable value is determined by comparing fair value with asset use value. Recoverable value was higher of the two, which was determined by the English White Shipping Limited. Asset appraisers from English White Shipping Limited evaluated the ships owned by the Company on the value of USD 134 million or LTL 365, 6 million. Referring to the asset impairment test, the ship "Venta" was impaired and in the income statement ship value decrease by LTL 24.521 thousand was presented. Balance value of the ships was decreased by the same amount.

27. Segments

The Company operates in one business segment. Geographical segments are not determined.

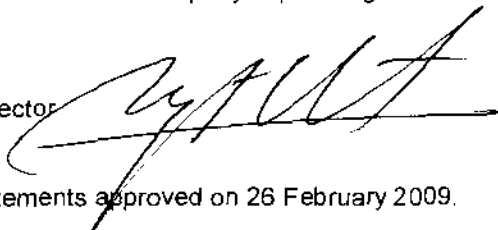
28. Events after the Balance Sheet Date and Going Concern

Since all of the Company's ships were operating according to the long-term contracts (time-charter) in 2008, the world wide financial crisis did not have significant impact on the annual results. However, at the end of 2008 and especially at the beginning of 2009, ship freight market experienced a fall down and particular rates for the ships of the Company decreased by 35-45%. The lease conditions also changed (decreased to 3 months). At the end of the lease period lease rates will be reviewed. If the current situation remains on the same track, financial situation of the Company in 2009 will get worse, but the approximate forecast states that the credit return should be pursued according to the timetables stated in the budget, salaries should be paid on time, although the management of the Company does not reject the possibility of negotiating with the banks on the prolonged terms of credit return.

The going concern report by the management of the Company, considering the forecasts and budget, necessity to borrow, fulfilling of the obligations, risks of trade receivables, products and markets, financial risks, states that there are no doubts about the going concern of the Company. No material misstatements when evaluating the going concern of the Company were determined and there are no doubts about the proceeding of the activities.

The management of the Company is planning to sell motor-ship "Algirdas" in 2009.

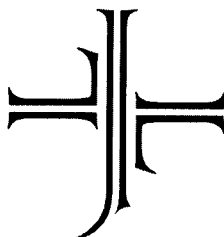
General Director



Vytautas Vismantas

Financial statements approved on 26 February 2009.

AKCINĖ BENDROVĖ
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

2009-07-10 No. (01)-5-240
Klaipėda
Ref. No.

ANNUAL REPORT 2008

I. ABOUT THE COMPANY

Akcinė bendrovė "Lietuvos jūrų laivininkystė" (English name - Public company "Lithuanian shipping company") (hereinafter referred to as LJL), company code 110865039, Malūnininkų g. 3, Klaipėda, Tel.: + 370 46 393 105, Fax: + 370 (46) 393 119, E-mail: gp@ljl.lt, founded on 27 June 2001.

Details of registration in the company register:

Date of incorporation: 27 June 2001.

Manager of the register: State Enterprise Center of Registers

Company registration No.: BĮ 01 – 128

Company code: 110865039

Former company code: 1086503

Website: <http://www.ljl.lt>

Branch of economy – sea transport.

23 types of activities are provided in the Articles of Association of the company, whereof the main one is:

50.2. Sea and coastal cargo water transport.

1. The securities of Public Company „Lithuanian Shipping Company“ (LSC) are entered in the Current List of the National Stock Exchange as of 09/07/2001. The National Stock Exchange (NSE) – later Vilnius Stock Exchange (VSE). After VSE Board approved the amendments to the trade rules of AB “Vilniaus vertybinių popierių birža” (Vilnius Stock Exchange) on 18 May 2007, the Current List has been modified to the Supplementary List. Since then, the company has been entered in the Supplementary List.

- the quantity of the issue - 200.901.296 units;

- nominal value - 1 LTL;

- total nominal value of the issue - 200.901.296,00 LTL.

Information about the shareholders, owning over 5 percent of the authorized capital of the company, is given in the annual financial statement.

Since its establishment the Company has been participating in the activities of the Association of Lithuanian Ship Owners and Association of Klaipėda Industrialists, it is a member of BIMCO (The Baltic and International Maritime Council).

1 company shareholders' meeting, 7 board meetings, 1 supervisory board meeting was held, moreover, 2 board decisions were taken in 2008.

II. DATA RELATED TO SALE OF LJL SECURITIES

Since 9 July 2001, 200.901.296 ordinary registered shares of Public company “Lithuanian shipping company” with nominal value of one Litas (total nominal value 200.901.296 LTL) have been quoted in Vilnius Exchange of Securities (former National Exchange of Securities) in the supplementary sales list.

After new regulations of Vilnius Exchange of Securities came into effect on 30/05/2005, direct deals are calculated as automatically handled deals, together with other deals of central market. The results of the last 8 quarters (each separately) for securities sold by automatic handling deals are given in Table II 1. Sale of issuer’s securities outside the exchange is given in Table II 2.

Sales of the issuer’s securities in other exchange markets or other organized markets shall not be carried out. Over the accounting financial year 2008 the company did not obtain its own shares nor did it transfer them. None of the third parties submitted an official offer to acquire the issuer’s securities. The issuer has not submitted an official offer to obtain securities issued by a third party.

On 1 November 2002, Public company “Lithuanian Shipping Company” signed the Securities service agreement with UAB FMĮ “Jūsų tarpininkas”, A. Mickevičiaus g. 29-3, 44245 Kaunas, Tel.: + 370 37 322 995, Fax: + 370 37 322 373.

Table II.1

Securities sold in the automatically handled deals, results* of the last 8 quarters

Reporting period		Price			Turnover (LTL)			Date of the last session		Bendra apyvarta	
From	To	Max.	Min.	Last session	Max.	Min.	Last session		(units)	(LTL)	
2007 01 01	2007 03 31	0,71	0,56	0,59	322.672	0	8.693	2007 03 31	7.378.103	4.823.176	
2007 04 01	2007 06 30	0,62	0,56	0,59	233.129	0	87.732	2007 06 30	3.355.014	1.979.230	
2007 07 01	2007 09 30	0,63	0,58	0,60	211.734	0	43.800	2007 09 30	3.210.125	1.957.307	
2007 10 01	2007 12 31	0,65	0,57	0,57	272.478	0	1.425	2007 12 30	4.063.110	2.537.589	
2008 01 01	2008 03 31	0,60	0,50	0,54	99.025	0	3.153	2008 03 31	1.861.381	998.559	
2008 04 01	2008 06 30	0,56	0,45	0,49	40.543	0	0	2008 06 30	1.333.941	689.458	
2008 07 01	2008 09 30	0,50	0,35	0,36	908.191	0	43.083	2008 09 30	9.154.554	3.936.928	
2008 10 01	2008 12 31	0,38	0,15	0,24	372.592	0	56.629	2008 12 30	14.805.954	3.187.381	

Table II.2

Trade in issuers securities outside the exchange market*

Period	2007				2008			
	I quarter	II quarter	III quarter	IV quarter	I quarter	II quarter	III quarter	IV quarter
Paid in cash								
Turnover, LTL	-	10.8196,10	426.078,70	115.961,72	2.270.060	1.647.564	2.264.116	1.273.675
Turnover, units	-	186.545	734.515	195.799	5.670.379	716.272	6.476.029	4.601.730
Minimal price, LTL	-	0,58	0,58	0,58	0,55	0,33	0,26	0,26
Maximum price, LTL	-	0,58	0,58	0,58	0,29	0,48	0,48	0,42
Paid non-cash								
Turnover, units	909.090	74.836	3.049	28.854	19.364	33.523	49.023	19.882

*Based on the information on outside exchange market deals during 2008 presented in www.csdl.lt and bookkeeping by UAB FMĮ „Jūsų tarpininkas“ during 2008.

III. INFORMATION ABOUT THE MANAGEMENT BODIES OF THE COMPANY

Members of management bodies

The supervisory board is a collegial body supervising the activities of the company. The supervisory board is elected by the general shareholders' meeting for the period of 4 years and consists of 5 members. The supervisory board is managed by its chairman. The supervisory board elects a chairman from its members. The number of re-elections of a member of the supervisory board is not limited.

The members of the supervisory board with the period of office going back to 2005, are as follows:

Liudmila Zumerienė, Chair,
Ona Barauskienė, Member,
Kazimieras Gimbutis, Member,
Helena Rogoža, Member,
Evaldas Zacharevičius, Member.

The board of the company is a collegial management organ of the company, consisting of 5 members. The members of the board are elected by the supervisory board for the period of four years. The board shall elect its chairman from among its members. The number of re-elections of the members of the board of the company and the chairman is not limited.

The members of the board with the period of office going back to 2005, are as follows:

Arvydas Vaitkus, Chair,
Jelena Antonevič, Member,
Livita Kretkovskienė, Member,
Vidutė Šarkienė, Member,
Vytautas Petras Vismantas, Member.

IV. EMPLOYMENT OF THE COMPANY'S VESSELS. SCOPE OF SERVICES. TYPES OF CARGO CARRIED

In the beginning of 2008, there were 15 vessels employed in the company, for the year ended 31/12/2008 – 14. During 2008, the company sold 2 “Kapitan Panfilov” type vessels: “Kapitonas Serafinas”, “Kapitonas Stulpinas” (remaining as of establishment of the company) as well as acquired one 24202 t deadweight (DWT) multipurpose bulky cargo vessel “Venta” (former “Dual Confidence”), built in 1995 in Japan.

The fleet of the company consists of the following vessels:

1. 1 general cargo (“Venta”) – 24202 DWT.
2. 2 general cargo (“Romuva”, “Voruta”) – 17504 DWT each.
3. 2 general cargo “Clipper” type (“Deltuva”, “Raguva”) - 16900 DWT each.
4. 2 multipurpose (“Staris”, “Svilas”) – 9650 DWT each.
5. 1 general cargo (“Skalva”) – 9498 DWT.
6. 1 general cargo (“Alka”) – 7346 DWT.
7. 4 multipurpose “Asta” type (“Asta”, “Akvilė”, “Daina”, “Audrė”) – 5820 DWT each.
8. 1 multipurpose “Uglegorsk” type (“Algirdas”) – 4470 DWT.

The scope of services rendered in 2005 – 2008 is given in Table IV.1, employment of the vessels per year – in Table IV.2, and types of cargo carried – in Table IV.3.

**Scope of services rendered in 2005 – 2008,
LTL**

Table IV.1

Title	2005	2006	2007	2008
Goods sold and services rendered	96.417.514	102.129.181	91.701.300	87.616.934

Employment of freighters, average per year

Table IV.2

Indicator	2006	2006	2007	2007	2008	2008
	In total	Whereof dry cargo	In total	Whereof dry cargo	In total	Whereof dry cargo
Number of vessels employed	18,1	18,1	17,3	17,3	15,3	15,3
Deadweight, thousand tons	220,43	220,43	189,77	189,77	158,67	158,67
Cargo carried, thousand tons	2237	2237	2255	2255	1574	1574

Types of cargo carried

Table IV.3

Types of cargo carried	2005	2006	2007	2008
	Percent	Percent	Percent	Percent
Bulky materials	40	59	51	45
Timber products	36	21	24	21
Metals	16	7	20	20
General cargo	8	8		10
Other cargo	-	5	5	4
In total:	100	100	100	100

V. AVERAGE LISTED NUMBER OF EMPLOYEES AND WAGES, PERSONNEL STRUCTURE BY EDUCATION

The average listed number of employees and wages for the period from 2004 to 2008 are given in Table V.1, company's personnel structure by education for the period from 2004 to 2008 – in Table V.2.

Table
V.1

Average number of listed employees and wages

Personnel group	Average number of listed employees				Average monthly wages (LTL)					
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Executives	10	10	10	10	10	6.607	7.421	6.989*	7.598**	7.715***
Technicians	295	267	272	307	283	2.257	2.489	2.523	2.273	2.837
Workers	257	277	257	222	181	1.362	1.456	1.543	1.473	1.951
In total:	562	554	539	539	474	1.925	2.061	2.142	2.042	2.602

*Whereof from profit 1754.77 LTL

**Whereof from profit 1163.70 LTL

***Whereof profit 1744.55 LTL

Structure of personnel of the company by educational background 2004-2008

Table
V.2

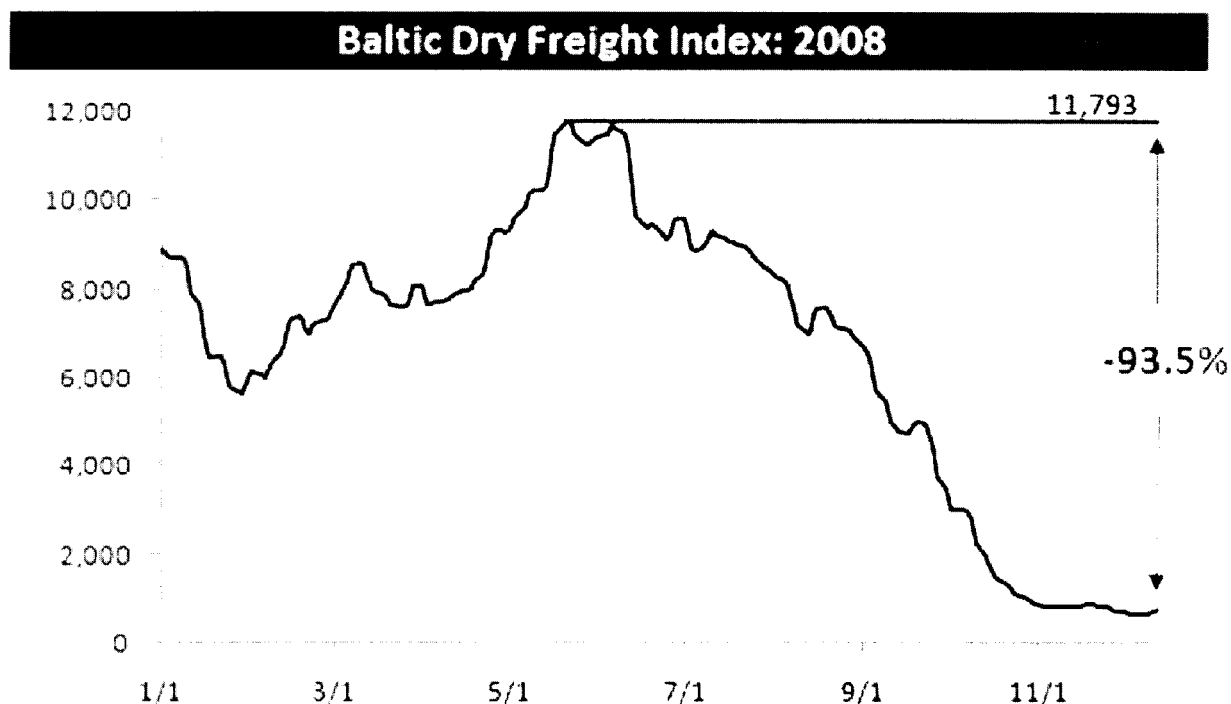
Educational background	Number of employees				
	2004	2005	2006	1st half of 2007	1st half of 2008
University	181	198	201	183	164
Special secondary (college)	179	198	184	177	140
Secondary	202	158	231	222	174
				226	186

VI. NAVIGATION MARKET

The tendency of particularly intense cyclic recurrence prevailed in 2008. The value of *Baltic Dry Index* (BDI), reflecting the navigation markets, in the beginning of the year was 8580 points, by the end of February it dropped to 5720, later it was increasing, and in May reached the record heights (11793 points), where it was holding out for one and a half months only, and then started falling. The downfall persisted until the end of November, when BDI index reached 815 points, and it remained at the same level until the end of the year.

BDI index reflects the market situation of big vessels – from 170 000 DWT (Cape Size), 75 000 DWT (Panamax), 52 000 DWT (Supramax), and 28 000 DWT (Handy size). Only one vessel of the company, acquired in 2008 – motor vessel “Venta” – is qualified for this segment. The vessel under the time charter was hired by the company “Aug.Bolten Wm.Miller’s Nachfolger.GmbH” in May at the price of 24 400 US dollars per day. The market downfall has directly affected this contract as well. After the market decline by 93,50% in November, the company had to renegotiate the time charter terms with the charterer with regard to the level of 4 600 US dollars per day for the period of two months (-80%). After two months the terms were slightly improved – up to 6,150 US dollars per day.

2008 Baltic Exchange Dry Index



The market of vessels with lower deadweight (this type of vessels is the majority in LJL fleet) usually varies much less. Unfortunately, the indexes, calculated for smaller ships, are not available, however, LJL vessel activities demonstrate that the price fluctuations correspond to BDI changes in lower value only. Below is the comparative table of the time charter rates in 2007 and 2008:

VESSEL TYPE	2007	2008
ASTA	EUR 4050	EUR 4600
ALGIRDAS	EUR 3000	EUR 3750
STARIS / SVILAS / SKALVA	USD 6100	USD 7300
ALKA	USD 5450	USD 6400
ROMUVA / VORUTA	USD 8150	USD 9500
DELTUVA / RAGUVA	-	USD 9500
VENTA	-	USD 24,000 –
		USD 4600

The vessels, hired under the time charters, unlike the ones hired on *Spot* (one day market) basis, maintain better stability, whereas the rates are revised on the expiration of the contracts or given special situation on the markets. Therefore, most of the rates, as seen in the table, managed to hold up until February 2009, when *Spot* rates on the market in November 2008 have already been dropping to “antirecord” ones – 0 US dollars per day. This means that the charterers have only covered fuel and harbor costs – the only benefit for the ship-owner was that the ship would be transferred after such voyage to conditionally better geographical region.

The situation of 2009 looks vague. All over the world the ship hire contracts are entered into for extremely short terms as well as the objective is to keep the ships busy and avoid lay-up, which would mean zero income and remaining, though lower, expenses. The solutions are different: ship time charter hire for extremely short terms, where the rates between the ship-owner and charterer are revised every 3 months; ship time charter hire at fixed rate (only covering the ship upkeep); as well as further profit/loss sharing contract.

Time charters are currently entered into with the charterers, who still have cargo and are able to ensure at least partial ship load, since working on *Spot* markets only in the present circumstances would not even cover the ship upkeep.

The complication of the situation is demonstrated by many reports from different segments of the navigation market on idle ships (for example, the container carriage segment already covers approximately 10% of idle world displacement), contracts terminated before term, etc.

VII. THE DESCRIPTION OF THE MAIN RISK AND UNCERTAINTIES ENCOUNTERED BY THE ENTERPRISE

Economically, the shipping company is a reliable and competitive company. The vessels have all valid necessary documents, which enable all-year-round cargo carriage without any restrictions.

There are no restrictions on the activities, established by the state. The company has been established for indefinite period of time. The shipping company is a public company, operating within the framework of the laws and other legal acts of the Republic of Lithuania as well as the Articles of Association of LSC. The company is a limited civil liability legal entity and the company as per its liabilities is liable with its assets only.

We can distinguish the following main risks and uncertainties, faced by the company:

As for each maritime company – water pollution, particularly with oil products, especially working in US region. This risk factor is more related to the possibility of vessel wreck. However, the vessels are covered with insurance in case of wreck and consequences thereof, therefore, it does not highly influence the financial results of the company.

The risk to get into the war zone or be attacked by the pirates. The company, with a view to avoid this, specifies the vessel non-passage zones in the vessel hire contracts or bypass such regions.

Getting of unauthorized immigrants onboard. Though this risk is insurance covered, but income is not received due to dead time for the performance of particular procedures as well as

extradition and disembarkation of unauthorized immigrants.

Rise in fuel prices – as a result whereof, where signing the vessel hire contracts for the next term, the amount of income, generated by the vessels, decreases. The activities of the company are sensitive to this type of risk, which is very hard to control. The service rates in such case grow behind time and slower, as a result whereof the company incurs losses.

The company, operating on the international market, is particularly sensitive to the foreign exchange rates and, especially, US dollar fluctuations. In order to be able to control the risk of currency rates, the company endeavored to start settling in euros, renounce risky currencies, as well as balance by assuming long term liabilities and particular expenses.

With the view of reducing the vessel operating, insurance, repair, and other costs as well as avoiding risks due to the life of vessels, the company sold 2 old – over 25 year-old vessels, and in May 2008 acquired the general-purpose bulk cargo vessel “Venta”, built in 1995. In pursuance of maintaining the competitiveness of the services, the company endeavored and endeavors the modernization of the fleet.

The vessel and cargo damage risk is insured by the company in highly rated insurance companies.

Force Majeure circumstances – the causes, which are not subject to the will of the company, which cannot be either foreseen or avoided (e.g. due to sunken dock in the dockyard, the length of repair of the vessel has significantly protracted, etc., world financial and economic market crises, etc.).

Not all risks, as demonstrated by practice, can be avoided even having the insurance coverage. Moreover, business, particularly today, is governed by profit-seeking at any price principles, not the partnership principles.

VIII. RESULTS OF ACTIVITIES IN 2008

In 2008 the company earned 87,616 million LTL income from the activities and 34,641 million LTL from sales of old used ships, which no longer served the needs of the company, as well as warehouse, rent of premises, and materials. 653,5 thousand LTL was received for the fixed-date deposits. In total the company earned 122,9 million LTL.

Due to the navigation market decline in connection with the world crisis, the value of the ships has dropped as well. The bigger the ship, the higher depreciation. The depreciation of the ships totals 24,521 million LTL loss. 4,431 million LTL loss was incurred due to negative effect of currency rate. The final result is 19,727 million LTL loss.

All vessels of Lithuanian Shipping Company had been working according to time charter agreements. In 2008 income from vessels day rent (time-charter equivalent) – 5173 EUR (17860 LTL). Time-charter equivalent comparing with the previous year period is bigger by 974 EUR, or 3364 LTL, and comparing with the budget is bigger by 2 EUR, or 7 LTL.

The Company earns the main income in Euros and US dollars. Income from fleet activity in US dollars (excluding the sale of ships) amounts to 48 % on the average. In 2008 US dollar on the average equaled to 2,3569 LTL (in December - 2,5650 LTL), when in 2007 on the average it equaled to 2,5230 LTL (in December - 2,3679 LTL). The tendency of going up in US dollar rate has been observed in August-November 2008 and in December it stopped (in November US dollar cost 2,7098 LTL on the average and in December it dropped to 2,57 LTL). The Company's services were sold at the average rate of 2,3378 LTL at US dollar price, whereas during the first six months of the year - 2,26 LTL. US dollar price planned in the budget - 2,313 LTL. Due to the difference between the actual and the planned rate of US dollar, the Company received on average 0,394 million LTL higher income for the reporting period.

Expenditures of the Company on income earning amounted to 118,2 million LTL, including fleet expenditures - 102,8 million LTL (87 %), general and administrative expenditures - 6,3 million LTL (5 %), financial expenditures or interests expenditures of credits for vessel purchase - 3,3

million LTL (3 %), residual values of vessels and warehouse sold - 1,3 million LTL (1 %). 4,4 million LTL loss was incurred over the period from the transactions in foreign currency, which totals 4 % cost of LJL (unplanned in the budget). The cost of LJL is given in the profit-and-loss appropriation account of LJL as per respective activities.

LJL expenditures according to corresponding articles are allocated as follows: 49,3 million LTL (42 %) - vessels operating costs, repair, other administration and sales costs; 31,3 million LTL (26 %) - employees' expenses; 28,4 million LTL (24 %) - vessels and other property wear; 1,3 million LTL (1 %) - residual values of old vessels and warehouse sold; 3,9 million LTL (3 %) - interests for credits for vessel purchase paid to the bank (which together with the interest received for the fixed-date deposits amounted to 2,6 million LTL); 4,4 million LTL (4 %) – negative variation of foreign currency rate due to transactions in foreign currency.

Without covering all components of the Company's expenses, we will present a detailed review of the most significant expenses.

In 2008 personnel expenses amounted to 31,3 million LTL (26 %) and were 3,6 million LTL higher than planned, whereof wages including social insurance - 2,9 million LTL, business trips - 0,2 million LTL, personnel training - 0,1 million LTL, unplanned contingency allowance for leave and days-off including social insurance - 0,5 million LTL.

28,4 million LTL, or 24 %, of the Company's expenses consist of depreciation expenses, 4,0 million LTL (3 %) - insurance costs. This is practically fleet expenses. They are lower than the planned ones. Insurance cost is lower due to lower US dollar rate (ships sold).

In 2008 vessels repair costs amounted to 13,4 million LTL, unforeseen repair – 1,7 million LTL. Spare parts expenses amounted to 14,6 million LTL. Repair and spare parts expenses amounted to 29,7 million LTL, that comprises 25 % of the company's expenses. Over the accounting period they were 9,4 million LTL higher than the planned ones, whereof the repair cost (together with unscheduled) 0,7 million LTL, spare parts cost 8,7 million LTL. There were 8 ships repaired within 444 days over the accounting period. Such ships as "Romuva", "Svilas", "Algirdas" (unscheduled) 40 days, "Skalva", "Daina", "Staris", and "Raguva" have been repaired longer than scheduled.

Due to fallen navigation market, given the ship's "Venta" time charter equivalent 38 181 LTL per day, or 13 929 LTL less than planned (52 110 LTL), income was received in the amount of 2,9 million LTL, or 72 % less.

Off-hire (non-received rent due to vessel breakdown, failures, arrests, etc.) amounted to 2,8 million LTL, i.e. 3 % of the fleet, or 2 % of LJL cost. Causes of *off-hire* are technical and commercial (0,2 million LTL) as well as crew change (0,01 million LTL). The biggest *off-hire* has taken place due to technical reasons - 2,6 million LTL (93 %).

While managing its monetary resources the Company received interests from banks (for fixed-date deposits and demand deposits) and pays to the banks for credits and other services. In 2008 the Company received 0,7 million LTL income for deposits and paid 3,3 million LTL interest to the bank for the loans to acquire the ships.

The company's debt to the bank for the loans to acquire the ships for the year ended 31/12/2008 amounted to 83,7 million LTL. In the summer 2008 credit contract for 23,0 million US dollars (51,8 million LTL) credit for purchase of "Dual Confidence" vessel was made, i.e. 60 % more than the forecasted sale of 2 "Kapitan Panfilov" type ships.

In 2008 the Company paid through bank 13,9 million LTL remuneration, 7,3 million LTL daily allowance, transferred 5,1 million LTL contributions to the State Social Insurance Fund Board, 0,3 million LTL residents' income tax, settled 64,8 million LTL of suppliers' invoices, and carried out other payments for the amount of 38,4 million LTL (insurance, contributions to trade unions on behalf of employees, payments to banks in accordance to loan agreements, income tax, etc.). The Company paid 0,128 million LTL to banks for their services.

Information about LSC segments is indicated in the Explanatory note of the financial statements for

the period ended 31 December 2008, Page 27, Part 27 – Segments.

IX. RISKS MANAGERMENTS

2. Information about the financial risk management is given in the Explanatory letter of the company, Part II – Accounting policy, Page 16.
3. Navigation safety management has been described broadly during 2008 in the Annual report, Part XVIII- Navigation safety management.

An individual internal control subdivision or employee is not available in the company (on shore). The internal control functions are carried out by each subdivision manager within his/her competence or, where necessary, it is performed by the order of the director general, in individual cases, special firms or natural persons are hired for that purpose.

With a view to control different types of risk management, the causes, which have determined particular causes, are analyzed as well as particular preventive measures are applied, providing for to the extent possible, on the analysis basis, compliance with particular requirements in the internal documents, rules of the company, etc. In individual cases collegial decisions are taken as well as commissions are constituted for taking particular steps or decisions or for offering to take such decisions.

X. SUBSIDIARIES AND REPRESENTATIVE OFFICES

The company does not have any subsidiaries and representative offices.

XI. FINANCIAL ACTIVITIES

In 2008 the public company "Lithuanian Shipping Company" had its accounts in these banks: AB SEB Vilniaus bankas (from 24 January 2008 its name was changed to AB SEB bankas), AB *DnB NORD*, Danske Bank A/S, Lithuanian branch (former AB *Sampo* bankas). The main turnover of money - over 86 % - went through AB SEB Vilniaus bankas.

The Company concentrates its financial means in the banks which provide more competitive and attractive services. In order to minimise expenses and ensure quick transactions the Company carries out its bank transactions electronically. LJL constantly searches for ways to minimise its expenses for banking services and transactions fees. In 2008 they were minimized to 128 thousand LTL, or 65 %. In 2002 they totaled 365 thousand LTL.

In order to perform payments in Lithuania, currency was being sold to the banks, which offered more competitive and expedient rates of exchange. For payments in currencies other than those of revenues (DKK, GBP, NOK, SEK, JPY, etc.), LJL performs currency purchase because the Company does not accumulate financial resources in these currencies, i.e. it does not freeze resources, on which no interest accrues. Free of payment funds are transferred to the fixed-date deposit accounts. Free funds comprise during the search for the ships that would fit for purchasing. From the banks for free fund management LJL in 2008 received 0,739 million LTL income, whereas in 2007 - 0,644 million LTL, in 2006 - 0,423 million LTL.

Payments to the personnel are made in accordance with the Collective Agreement of 30 March 2004 of AB "Lithuanian Shipping Company", the Rules of the Work Pay System for Coast Employees and the Order of Payments for the Work of the Director General, Directors and the Chief Accountant. Personnel cost in 2008 totaled 31,3 million LTL. The main personnel cost (84 %) is the ship crew cost. The work pay to sailors constitutes the main personnel expenses of the Company. Salaries to sailors, including provisions for annual leaves and days off with social insurance, amount to 79 % of total Company's salaries expenses. In 2008, the wages of the seamen increased after starting paying the wages to the crew members according to the levels and as of

provision of the Labor Code, applicable in July as amended, concerning the payment for the overtime work, night shifts, and work on holidays, calculated of the average wages. The wages for July, payable to the crew members, was 28,5 % higher than the average monthly wages of the first six months of the year, or 49,2 % higher than planned in the budget. In 2008, the average monthly gross salary amounted to 2786,9 LTL (in 2007 - 2248,1 LTL, in 2006 - 2304,3 LTL). The wages of the seamen in 2008 amounted to 2538,1 LTL or it was 26,3 % higher than in 2007. This indicator is calculated applying the methodology of the statistical report DA-01K of the Department of Statistics, used to determine the average conditional number of employees.

In 2008 cash and fixed-time deposits of LJL decreased by 17,7 million LTL to 5,2 million LTL, whereof 24,5 million LTL was used to acquire the ship "Venta". 23 million US dollars (51,8 million LTL) credit was taken from SEB bankas for the acquisition of the ship. The ship was acquired on 09/05/2008 for 33,9 million US dollars (76,3 million LTL). The ship was acquired cheaper than forecasted (expression in Litas - 77,97 million LTL) due to US dollar rate (forecasted US dollar rate - 2,3 LTL, actual - 2,2511 LTL). Through its ship part renewal program the Company seeks to acquire newer ships of larger carrying capacity. In 2008 the company acquired 1 ship.

Financial obligations by the end of 2008 totaled 83,8 million LTL. Credits in Euros totaled 16 %, in US dollars - 84 %. In 2008 the company covered 36,4 million LTL credit including interest to SEB bankas (respectively in 2007 - 25,6 million LTL, in 2006 - 12,7 million LTL, in 2005 - 6,3 million LTL). These are the credits for the acquisition of 4 "Asta" type ships and credits taken in 2005 for "Romuva", in 2006 for "Voruta", in 2007 for 2 "Clipper", in 2008 for "Venta". 3,3 million LTL interest was paid to the bank, or 0,6 million LTL less than planned due to diminishing LIBOR in US dollars, in which most of LJL loans have been taken, diminished mark-up under all contracts after taking the credit for "Venta", as well as part of credit, covered before term. Credit contract concerning 23,0 million US dollar (51,8 million LTL) credit for the acquisition of the ship "Dual Confidence" was signed in February 2008. The company, having sold 2 "Kapitan Panfilov" type ships at the price 60 % higher than forecasted, covered total amount of credit before term - 3,2 million US dollars, extended for 4 "Asta" type ships until 30/11/2010, as well as part of credit before term - 4,0 million US dollars for 2 "Clipper" type ships. Cost economy, received due to credit redemption before term, is 0,283 million US dollars (0,6 million LTL). The company's debt to the banks for the credit to acquire 5 ships by the end of the year amounted to 28,5 million US dollars and 4,0 million Euros. Interest in US dollars amounts to 3,4-3,9 %, in Euros - 5,1 %. 8 ships have been mortgaged for the bank loans. The company repays the loans including the interest to the banks under the terms and in the amounts, as provided in the agreements. The banks have not laid any claims to LJL since the very establishment of the company.

The Company pays considerable attention to its performance analysis, administration of process of its financial statements preparation and improvement of accounting procedures. Efficient management is impossible without analysis and improvement of relevant reports, so the Company pays constant attention to these issues. The debts of freighters and the status of their settlement are under constant control. LJL continuously improves work organisation and structure. LTL is reliable with regard to suppliers. In 2008 the turnover period of debts to suppliers was 4 days, whereas in 2007 and 2006 - up to 5 days.

For 2007 and later taxation periods the Company chose to apply a fixed income tax rate on its taxable profit.

During reporting financial year 2008 the Company neither acquired nor transferred nor had its own shares.

The amounts of money (LTL), calculated for the director general, who is the member of the board, and the chief financial office over 2008, are given in the table below:

Item No.	Position	Wages, LTL	Average wages (as of the part of the profit), LTL
	Director General Chief Financial Officer	305735	12739 (2087)

The company does not have any information about the amounts, calculated to the members of the supervisory board and other members of the board of the company (not the employees of the company).

XII. MAJOR EVENTS SINCE THE PREVIOUS FINANCIAL YEAR.

Major events, which have taken place as of the end of last financial year, to the extent that the company deems to be necessary to be disclosed and to the extent that it does not constitute the commercial secret of the company, are indicated in the Explanatory letter, Page 23, Part 28, Post-balance events and continuity of activities, as well as Annual report, Page 38, Part XII – Plans and forecasts of the activities.

Information about the changes as of 31 December 2008 among the shareholders and management bodies was given by the company to the Securities Commission of the Republic of Lithuania with the letter No. (01)-5-197 dated 21/05/2009 – Information to the Securities Commission of the Republic of Lithuania.

XIII. Shareholders having special control rights and description of such rights.

– n/a

XIV. Restriction on voting rights.

- n/a

XV. Arrangements among the shareholders.

– n/a.

The shares of the company are single class ordinary registered shares, entitling their owners (shareholders) to equal rights.

An ordinary registered share of the company grants to its owner (shareholder) the following property rights:

Property Rights of the Shareholders of the Company

- to receive a part of the company's profit (dividend);
- to receive shares without payment if the authorised capital is increased out of the company funds, except in cases specified in the Law of Companies of the Republic of Lithuania;
- to have the pre-emption right in acquiring shares or convertible debentures issued by the company, except in cases when the General Meeting decides to withdraw the pre-emption right in acquiring the company's newly issued shares or convertible debentures for all the shareholders;
- to bequeath any or all shares to one or several persons;
- to transfer any or all shares for the ownership of other persons, except for the cases, provided by the laws of the Republic of Lithuania;
- other property rights established by the laws or the company.

Non-property Rights of Shareholders of the Company

- to attend and vote at the General Meetings (the right to vote at the general shareholders' meetings can be forbidden or restricted in cases, established by the Law on Companies and

other laws of the Republic of Lithuania, as well as where the title of ownership of the share is disputed);

- to receive information on the company specified in paragraph 1 of Article 18 of the Law on Companies of the Republic of Lithuania;
- to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the company manager and Board members of their obligations prescribed by the Law on Companies of the Republic of Lithuania and other laws and the Articles of Association of the company as well as in other cases laid down by laws;
- other non-property rights established by the laws or the company.

XVI. Restricted disposition rights

Restricted disposition rights to 70806 shares of the company (arrested). (These shares were bought by two persons).

XVII. TECHNICAL MAINTENANCE OF THE SHIP PARK

In 2008 repairs for confirmation of ships' class were carried out on motor ships "Daina" and "Romuva", and dock repairs were carried out on motor ships "Staris", "Svilas", "Skalva", "Raguva" and "Venta".

The ships' repair expenses in 2008 amounted to LTL 13.4 million, unplanned ships' repair cost another LTL 1.7 mln. Motor ships "Staris" and "Svilas" were repaired in Estonia, motor ship "Skalva" in Latvia, motor ships "Daina" and "Romuva" in Ukraine, motor ships "Raguva" and "Venta" in China. An active search for ships' repairing companies in regions of LJJL ships' operation was done.

Repairs of "Raguva" motor ship in China were especially extensive. Ballast tanks and all holds were cleaned and painted, hold covers, ship's superstructures and decks were painted. Electronic aids to navigation were replaced by installing new conventional equipment which cost LTL 687 129 while repairing LJJL ships.

Ships' repair took 193 days longer than it was planned. Repairs in Ukraine was cheaper, yet, was not justified in essence, since both of the ships lied idle total of 95 days longer than it was planned. With a delay in ships' crane repairs, motor ships "Svilas" and "Staris" were in repair 68 days longer than it was planned. Repairs of "Venta" motor ship were completed 10 days earlier than it was planned. This ship was bought in spring 2008 and successfully mastered.

In 2008 the prices of spare parts have grown significantly and the term of delivery has become longer. Ships' route geography changed; therefore, expenses of spare parts delivery have increased.

2008 was a very favorable year for selling ships. With the permission of the Board, "Kapitonas Stulpinas" and "Kapitonas Serafinas" ships were sold.

XVIII. MANAGEMENT OF SAFE NAVIGATION

In 2008 the employees of the Service of Safe Navigation Management carried out the following major activities in the fields of safe navigation and management of legal ship documents:

1. All the documents required for the preparation of the necessary *US Non Tank Vessel Response Plans* for "VENTA" ship were prepared and sent to the USA. The agreements with two USA companies "Donjon – Smit LLC" and "National Response Corporation" concerning the provision of services in emergency situations in the USA internal waters and territorial sea were supplemented. "VENTA" ship was provided with the above-mentioned plans, prepared by the USA company "Hudson Marine Management Services", in due time. The same USA company prepared

another plans for this ship additionally, namely SOPEP for Panama channel, required for the ships' navigation through Panama channel.

2. "VENTA" ship was registered in the Maritime Register of the Republic of Lithuania and provided with all necessary legal documents. In addition, plans for waste management and SOPEP plans, packages of working, ship and technical instructions in working languages were prepared for "VENTA" motor ship.

3. LJL auditors carried out reviews of internal ship safety management systems (SMS) on 14 ships and once at the coast divisions of the Company. The Company's safety officer also performed internal audits of the ships' safety on 11 ships.

4. Corrections of contact details in ships' SOPEP plans were made four times and distributed to the ships via the office.

5. Four navigators were approved for promotion into higher positions. Special additional testing of ships' captains, chief assistants of captain and chief mechanics on ship safety management system was almost completed (knowledge of 65 professionals was tested in January - October).

6. All ships were periodically provided with International Maritime Organization and national documentation regulating ship safety and security, safety management and environmental protection, sea charts and navigation manuals.

7. Organizational work related to the safety plans for "VENTA" motor ship and certification of this ship in accordance with the requirements of the International Ship and Port Facility Security Code and the International Safety Management Code was completed.

8. A review of emergency cases of LJL ships in 2007 - 2008 was prepared. The conclusions of the analysis of all emergency cases were distributed to LJL ships.

9. An analysis of PAC reviews of LJL ships in 2008 was carried out on the basis of signs of non compliance. The information was presented to the Company's management.

10. Lists of critical equipment for all ships were reviewed and updated in accordance with the Lithuanian Safe Shipping Administration (LSSA) additional requirements.

11. Organizational work related to the performance of independent audits of the ships' safety management system (SMS) and protection was carried out:

11.1.1. Inspectors of the Russian Maritime Register (RMR) performed audit of 2 ships' SMS, inspectors of the Lithuanian Safe Shipping Administration (LSSA) – 1 audit.

11.1. Inspectors of LSSA performed protection audits of 2 ships.

Implementation of *ISM Code*, *ISPS Code* and environmental requirements by LJL in 2008

In 2008 while carrying out further intermediate certification of certificate ships of LJL the representatives of the Russian Maritime Register checked and issued the renewed safe management certificates (SMC) for 2 motor ships of: "ROMUVA" and "ALKA". After the performance of preparatory works, the representatives of the Lithuanian Safe Shipping Administration checked "VENTA" motor ship to receive temporary SMC. After several months "VENTA" motor ship was audited again and it received permanent SMC.

In May 2008 the representatives of the Lithuanian Safe Shipping Administration performed an annual audit of the Company in order to renew the document of compliance. Five cases/notes of non-compliance were formulated with comments. 4 cases of non-compliance were eliminated. One more comment concerning participation of the auditors in qualification refreshment courses is still actual today. These courses are planned in April. The Safe Shipping Management Service, the Personnel Division, and the Technical Maintenance Division were checked during the audit.

In 2008, on the basis of a plan prepared beforehand, an internal audit was performed on all ships.

In 2008, the necessary ISM Code and ISPS code documentation was prepared for the acquired "VENTA" ship. This ship was certified in accordance with the requirements of the ISM Code and ISPS Code.

Title of "Clipper Falcon" motor ship was changed to "RAGUVA", therefore, ship safety management systems and plans for waste management, water ballast management and pollution control were redone.

At the end of 2008 the Company's auditors performed an internal audit of the Company's divisions.

In 2009, the external interim and interim SMS inspections are planned on the motor ships "VORUTA", "AUDRE", "AKVILE", "ASTA", "DAINA", "ALGIRDAS", "STARIS", "SVILAS" in order to renew their safe management certificates. In May the annual audit of the Company will be performed as well.

In 2008, the internal ISPS Code audits were carried out on 11 ships.

In the end of 2008 the ISPS Code trainings were carried out on LJL ships imitating violation of the ship's protection system. Preparation of ships and readiness of sailors, their actions, knowledge of the ship protection plan, and effectiveness of communication between ships were tested. Such exercises are also planned for the end of 2008.

In 2008, the external interim and primary ISPS Code inspections were carried out on 2 LJL ships - "ALKA" and "VENTA" - to renew the International ship safety certificates. These inspections were performed by the representatives of the Lithuanian Safe Shipping Administration.

In 2009 it is planned to carry out renewing ISPS Code inspections 8 ships ("AUDRE", "AKVILE", "SVILAS", "ASTA", "DAINA", "ALGIRDAS", "SKALVA", "STARIS"), and an interim ISPS Code inspection on 2 ships ("ROMUVA" and "VORUTA"). These inspections will be performed by the representatives of the Lithuanian Safe Shipping Administration.

According to *ISPS Code* requirements in the end of 2009 it is planned to carry out trainings on all the ships imitating violation of the ship's protection system. Preparation of ships and readiness of sailors, their actions, knowledge of the ship protection plan, effectiveness of communication between ships will be tested again.

Safety plans of most of LJL ships were amended because the instructions for using ship safety alarm system and using and testing AIS had to be updated.

As in 2008 contact addresses of a majority of countries of shipboard oil pollution emergency plans (SOPEP plans), which were notified about oil pollution that took place, changed, these addresses were changed 4 times and such corrections were sent to LJL ships.

Shipboard oil pollution emergency plans (SOPEP plans) and waste management plans were prepared for "VENTA" motor ship acquired in 2008. All these plans were approved by the Lithuanian Safe Shipping Administration. Preparation of water ballast management plans is planned in the beginning of 2009.

XIX. ACTIVITIES IN OTHER COAST DIVISIONS

Insurance and claims

During the reporting period the Division of Insurance and Claims dealt with the following claims:

1. Concerning transportation of cargo:

Based on the data for 1 January 2009, LJL had 6 claims and received 6 reports about claims. 2 out of remaining amount to EUR 297,444.89 and 4 claims amount to USD 130,927.64.

In 2008 five claims (USD 159,024.00) were coordinated which led to USD 71,882.80 paid, and two claims amounting to EUR 4,012.37 were examined coordinated which led to EUR 1,035.00 paid.

2. Other claims:

On 1 January 2008 there were 21 claims, on 1 January 2007 there remained 19 claims, including the new ones. During the reporting period the following large claims were received:

- motor ship "Svilas", port of Sunndalsor, 18 November 2006, damage to the port's quay, the amount of claim – USD 250,000.00;
- motor ship "Kapitonas A. Lučka", 25 May 2005, Snell Lock 5 St. Lawrence Seaway, damage to the port's quay, the amount of claim – USD 25,011.00.
- motor ship "Kapitonas Stulpinas", 18 March 2008, death case of seaman A. Šalajev, the amount of claim - USD 19,709.45.
- motor ship "Asta", 15 January 2008, illness of seaman M. Zibulskis, the amount of claim – USD 93,222.00.
- motor ship "Asta", 13 June 2008, illness of seaman R. Zlatkus, the amount of claim – USD 27,484.15.
- motor ship "Deltuva", 17 December 2007, damage of the ship's crane in Barranguilla port, the amount of claim – USD 105,946.20.
- motor ship "Algirdas", 4 April 2008, damage of diesel generator, the amount of claim - USD 95,083.00.

The liability of AB "Lithuanian Shipping Company", as the owner of ships, for cargos and other claims is insured by insurance companies and mutual insurance clubs.

3. Claims in the coastal divisions:

- on 28 March 2008 the Court of Klaipeda District examined the application of T. Žgunova concerning issue of enforcement order concerning failure to execute the judgement of the Court of Klaipeda District of 5 June 2007. The application was rejected. Civil case No. 2-518-538/2007.

- on 17 April 2008 the claim by T. Žgunova regarding adjudgement of compensation and restoration of annual and unpaid leaves, and additional leaves for long-term continuous 26 year period of service in the same work place, adjudgement of interests, compensation for material and immaterial damages and other expenses. The claim amount LTL 48,000.00. Civil case No. 2-5258-792/2008. The claim was rejected according to the judgement of the Court of Klaipeda Circuit of 22 July 2008.

- on 12 June 2008 the Court of Appeal of Lithuania examined a separate claim of T. Žgunova regarding the judgement of the Court of Klaipeda District of 28 March 2008 regarding non-issue of enforcement order. The judgement of the Court of Klaipeda District of 28 March 2008 left unchanged. Civil case No. 2-418/2008.

- on 15 July 2008 the Court of Klaipeda Circuit received an appeal of A. Zenkevičius regarding compensation of losses to the respondents Nijolė Žeimienė, UAB „Pamario Andova” and the third person AB "Lithuanian Shipping Company". By the judgment of the Court of Klaipeda Circuit of 21 January 2009 the case was suspended until the judgment of the Court of Klaipeda District in civil case No. 2-309-538/2009 is passed and comes into force. Civil case No. 2-223-792/2009.

- on 28 July 2008 the Court of Klaipeda District received an appeal of I. Smirnova regarding compensation of material and immaterial damages. The appeal amount LTL 335,786.20. On 16 January 2009 the appeal amount was verified amounting to 410,832.28 Lt. Civil case No. 2-295-524/2009 is continued.

- on 20 August 2008 the Court of Klaipeda District received a separate claim of T. Žgunova regarding cancellation of the adjudgement of the Court of Klaipeda Circuit of 22 July 2008 (LTL 48,000.00). Civil case No. 2A-1070-125/2008 is continued.

- on 18 November 2008 the Court of Klaipeda Circuit received an application regarding exaction of debt from UAB "Eurohaus". Total amount - LTL 2,987.05. The court's order passed on 16 January 2009 (came into force on 11 February 2009).

- on 18 November 2008 the Court of Klaipeda Circuit received an application regarding exaction of debt from UAB "Klaipėdos birža". Total amount - LTL 10,207.40. The court's order passed on 27 November 2008 (came into force on 09 January 2009).

Activities of the Division of Information Technology

In 2008 the specialists of the Company's Information Technology Division equipped and installed new "Cisco IP" telephony set and modernized practically the whole server system (installed new servers, systems of data archiving and backup and power systems) in the administrative building.

In 2008 the Company invested total of LTL 261,159.62 into update of information technologies, including Modernisation of computer hardware and software of the office network – LTL 252,239.31; modernisation of computer hardware and software of the ship park – LTL 8,920.31.

Expenses for computer software maintenance in 2008 amounted to LTL 114,408.21, compared to the budget this amount is LTL 4,404.42 bigger; expenses for maintenance of computer hardware and network - LTL 17,733.42, compared to the budget this amount was LTL 4,737.42 higher.

Personnel management

Personnel turnover in 2008: the Company hired 70 employees, dismissed - 127 employees, including: 29 – in accordance with Article 127 (at the initiative of the employee), 63 - in accordance with Article 126 (end of term of the contract), 30 - in accordance with Article 125 (mutual agreement of the parties), 5 - at the end of training. Employees at the following positions were dismissed: 3 captains, 6 chief assistants of captains, 7 second assistants of captain, 4 third assistants of captain, 3 chief mechanics, 8 second mechanics, 9 third mechanics, 9 electro mechanics, 47 AB sailors, 4 boatswains, 14 motorists, 7 cooks, 4 watches, 3 duty officers/communication operators, 1 economist, 1 accountant, 1 engineer.

On 31 December 2008 LJL had 454 employees, including 54 coastal employees.

In 2008 307 employees were ill for total of 5,640 days.

In 2008 6 light accidents took place on board of 6 ships.

During the year 6 employees received disciplinary punishment in form of reprimand.

LTL 28,598 were spent for treatment of seamen in foreign ports, LTL 20,677 were spent for ships' first aid kits replenishment with medicine.

Individual protection means (work clothes) cost LTL 45,170.

11. The number of employees in the end of 2008 was 454 and, as compared with the end of last year, reduced by 12 %. Save and except the employees, dismissed as per the Labor Code of the Republic of Lithuania, Article 126 (upon expiry), upon expiry of practice, or as per Article 127 (upon the notice of an employee), the variation of the dismissed does not go beyond 10 %, though particular problems are faced. These are as follows: the number of senior employees of pre-pension age left after privatization, demanding working conditions as compared with the work on shore, in the harbors, lower wages than on board the ships, registered in the "flag of convenience" countries, leaving of particular experts for work to overseas fleet, etc. The number of employees has also been influenced by changes in work organization, e.g. after selling the warehouse in 2008, the guards have been dismissed; the demand for the crew is subject to the number and size of the vessels.

As particular rights and duties of the personnel or part thereof, provided in the collective contract, we could distinguish the length of the seaman's work during the period of the voyage, in individual cases up to 6-8 months, eventual seamen's work in the war zone with voyage specifics, specifics of work and rest as well as specifics in the navigation company, compliance with the requirements of conventions of international work organizations as well as other international standard documents and legal acts, period, when seamen are on reserve, etc.

The significant arrangements.

There are no significant arrangements among the issuer, managers of the issuer, personnel, and other persons.

Activities of the Business Support Division

In 2008 the Company received LTL 52,162.46 (including VAT) for from lease of uninhabitable premises from UAB "Eksmaris", UAB "Baltic Amadeus", UAB "Audmija", K. Vitkaus commercial company.

In 2008 the Company paid LTL 1,450 to UAB "IF draudimas" and LTL 1,150 to "BTA draudimas" for real estate insurance (administrative premises, office equipment and warehouse); LTL 250 to UAB "IF draudimas" for general insurance of civil liability; real estate fee to the budget amounted to LTL 12,958.

In 2008 expenses of maintenance of administrative premises (without VAT): for the lease of state-owned land (0.1618 ha) to the Municipality of Klaipėda – LTL 2,958; for the management of rain waste to AB "Klaipėdos vanduo" – LTL 201.60; for used cold water and management of waste water to AB "Klaipėdos vanduo" – LTL 2,007.40; for heating of premises and preparation of hot water to AB "Klaipėdos energija" – LTL 34,547.50; for used electricity to the branch "Klaipėdos elektros tinklai" of AB "Vakarų skirstomieji tinklai" – LTL 25,710.82; for disposal of waste to UAB "Švaros diena" – LTL 464.30, to UAB "Klaipėdos regiono atliekų tvarkymo centras" – LTL 1525; for protection services (reaction to alarm button) to R. Jonaičio IĮ "Argus" – LTL 600;

Telecommunication expenses (without VAT): AB "Lietuvos telekomas" – LTL 41,034.01; UAB "Telekomunikacijų grupė" – LTL 335.05; UAB "Linkotelus" – LTL 3,775.93; UAB "Bitė GSM" – LTL 141,379.87.

In 2008 expenses for internal repairs of premises – LTL 500 (without VAT), for repairs of security alarm – LTL 200 (without VAT), for maintenance of plumbing in the administrative premises – LTL 1,566 (without VAT); repair of the main doors – LTL 918; repair of inner electric networks – LTL 293.22 Lt; preparation for 2008-2009 heating season - LTL 5,038 (without VAT).

The expenses of the maintenance the warehouse in Melnragė in 2008: land tax paid to the Klaipėda State Sea Port – LTL 2,611.50; for used electricity to AB "Klaipėdos jūrų krovinių kompanija" – LTL 1,376.82 (without VAT); for telecommunications to UAB "Bitė GSM" – LTL 70.61 (without VAT); for technical maintenance of protection systems to R. Jonaičio IĮ "Argus" – LTL 300 (without VAT).

In 2008 1,387.5 kg of copying paper was bought for LTL 4,416.12 Lt (without VAT).

In 2008 LTL 2,200 were paid for road tailpieces to UAB "Lukoil".

In 2008 vehicles insurance in EUROPA UAB "IF draudimas" amounted to LTL 19,713; compulsory insurance in UAB "IF draudimas" – LTL 6,437, in "BTA draudimas" – LTL 202;

In 2008, the bus "Iveco Irisbus Midys" and the car "Renault Trafic" were used for changing the ships' crews; 51,727 km were travelled in Lithuania and abroad.

In 2008, the fuel for LTL 43,565.41 (without VAT) was purchased from UAB "Lietuva Statoil" in Lithuania and abroad for the Company's vehicles (bus "Iveco Irisbus Midys", vehicles "Peugeot Boxer", "Renault Trafic", "VW Passat" and "Peugeot 406").

XX. OBJECTIVES OF THE COMPANY'S ACTIVITIES

The Company has the same objectives it had last year:

- Safe shipping and work without detentions in foreign ports.

New objectives were set:

- to survive under conditions of global crisis;
- to reduce ships' repair expenses and duration of ships' repair.

Condition on the shipping market. One of the key reasons for changes on the shipping market were problems in credit line opening leading to the trade and freight forwarding suddenly stopping. A considerable influence was made by a suspended global demand leading to a drop in

raw material prices and production stopping. These changes certainly reduced the demand in transportation services. Meanwhile, the tonnage supply increased and construction and transfer of the ships ordered prior to the growth in economics to the ships' owners are in the process of completion.

Due to situation originated on the shipping market, a wave of bankruptcies has started inevitably. Ships' operator who rented the ships in the beginning of 2008 paying high rent fees currently earn only 30-40 % for freight forwarding (in some cases, for example, Capesize* ships – only about 5-10 %) of the sum payable to the ships' owner. Due to this fact they try to return the ships from the *time-charter*. Operators with fewer capacities even become out of business. Also, negative processes are observed in ships' purchase-sale and ships' buildings sections. We can see that the ships ordered a year ago or even six months ago will be unprofitable due to high costs, that is why in majority of cases the companies decide to leave the paid deposit amounting to about 10-20 % of the ship's or a series of ships' price and terminate the order. The same tendencies are observed on old ships' purchase-sale market, when contracts made prior to the meltdown get terminated.

The rent fees changed so that in some cases they even fail to cover the ships' operational costs, covering fuel prices and port dues only.

According to information received on the market of dry-cargo freighters, we can present a several examples about time-charter rates according to the deals made recently: motor ship "Grand Spartuota", building 1989, 135,000 DWT, rate – USD 10,000; motor ship "CIC Piraeus", 2001, 79,296 DWT, rate – USD 5,800; motor ship "Hanjin Marugame", 2008, 28,050 DWT, rate – USD 3,000.

Unfortunately, so far no one is able to predict stabilization in the rates, their further fall or rise and a greater reliability.

Impact of the market changes on LJL operations. The meltdown inevitably influenced the functioning of our company as well.

Due to collapse of the credit market, in 2009 forest products shipments and those shipments rates reduced markedly. Due to this fact, the day rent rates of the ships "Daina" and "Akvilė" (5,820 DWT each) operating in this sphere reduced by 40 per cent and currently amounts to USD 3,200. The day rent rates of the ships "Asta" and "Audrė" operating in the Caribbean Basin reduced by 41 per cent down to USD 3,500 per day. The day rent rates of the largest LJL ship "Venta" reduced by 4 times (USD 24,400 down to USD 6,100). The day rent rates of other ships have dropped in price by 35 per cent. All the ships' rent fees mentioned above are valid only until 1 May 2009.

Growth in prices for ships' repair. Ships' repair prices in Europe became very hard to predict. Duration of repairs increased. Repairs in China are cheaper. Two LJL ships were repaired in Tenjin repair companies in this country. Since the LJL ships do not operate in Asia region, it is quite complex to get the ship to China by water due to great navigation expenses. During January – February 2009 the mentioned company repaired "Voruta" motor ship.

The prices of spare parts have grown significantly and the term of delivery has become longer. In order to avoid the ships' idle time due to breakdowns in equipment, the Company started to order greater amounts of the spare parts earlier.

The strategic plan of AB "Lithuanian Shipping Company" for 2009 was prepared when the rate of Euro was LTL 3.4528, the rate of US dollar - LTL 2.6. Unpredictable the rate of the dollar and its future outlook can have affect the Company's income one way or another. The Company operates on the international scale and uses various foreign currencies for payment, including US dollar and Euro. In 2008 the fleet income in US dollars amounted to 48 % of the main income on the average.

The shipping market is not easily predictable. With consideration of planned hard times in economics and situation on financial market, the Company does not plan to acquire ships

for 2009-2011 and limits acquisition of other assets to the minimum. The Company will attempt to sell "Algirdas" motor ship.

The planned sales revenue of 14 ships is LTL 89.7 million, based on the agreements signed by the Shipping Management Division for separate ships, assuming that the ships operate for the total of 4,895 days, are repaired for 125 days, do not work for 90 days (navigation to the repairs base). It is planned that income in US dollars will amount to around 51 % of the total income. With consideration of the course and impact of the crisis on the shipping market, such result will change.

In 2009, it is planned to carry out planned repair of 5 ships (approximately 29 % of ships available): "Voruta", "Deltuva", "Alka", "Asta", "Algirdas", within 125 days for LTL 5.8 million not including spare parts. The Company set out the procedure for writing off repair expenses in accordance with the requirements of item 34 of BAS 12, whereas class certification repairs and dock repairs are included into expenses within the period until the next planned repairs. Therefore, the strategic plan for 2009 provides for LTL 5.0 million repair expenses deferred in the previous years and LTL 9.7 million of current period repair expenses. It is planned to include LTL 1.1 million into deferred expenses for 2010-2012. It is planned to purchase spare parts for LTL 6.3 million. Operating expenses of LTL 2.9 million are planned.

Crew maintenance expenses were planned to be LTL 24.7 million, which is LTL 1.9 million more than in the plan for 2008 due to increased remuneration after switching to new type of remuneration payment according to procedure of levels provided.

The strategic business plan predicts LTL 28.6 million of the fleet depreciation and LTL 5.0 million of ships' insurance expenses.

With origination of more specific prognoses and tendencies on the shipping market, the results changed in 2009 will be reviewed on the Company's board meeting.

XXI. Below is the summary of published important information.

The issuer, in pursuance of his duties as per applicable legal acts, governing the stock market, in 2008 published the following information:

27/11/2008

Interim financial statement of Public Company "Lithuanian Shipping Company" for nine months of 2008

20/11/2008

Result of activities B of Public Company "Lithuanian Shipping Company" for nine months of 2008

08/09/2008

Specified interim financial statement of Public Company "Lithuanian Shipping Company" for six months of 2008

29/08/2008

Interim information of Public Company "Lithuanian Shipping Company" for six months of 2008

12/08/2008

Result of activities of Public Company "Lithuanian Shipping Company" for six months of 2008

25/07/2008

Notification of acquisition of voting rights

04/06/2008

Specified information of Public Company "Lithuanian Shipping Company" for the year ended 2007

28/05/2008

Interim financial statement of Public Company "Lithuanian Shipping Company" for the period ended

31/03/2008

29/04/2008

Decisions of the general shareholders' meeting of Public Company "Lithuanian Shipping Company"

25/04/2008

LSC: Re. dividends of Public Company "Lithuanian Shipping Company" for the year ended 2007.

18/04/2008

Draft decisions of the general shareholders' meeting of Public Company "Lithuanian Shipping Company"

28/03/2008

Ordinary general shareholders' meeting of Public Company "Lithuanian Shipping Company"

29/02/2008

Interim information of Public Company "Lithuanian Shipping Company" for the period ended 31 December 2007

Information about the essential events, published in 2008, is available from Public Company "LSC" at Malūninkų 3, Klaipėda, as well as on www.ljl.lt.

ENCLOSED. Statement of disclosure of compliance with the management code of Public Company "Lithuanian Shipping Company", the securities whereof are traded on the regulatory market, for the year ended 2008 (Appendix No. 1).

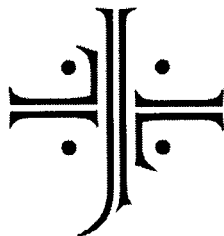
Yours faithfully,

Acting General director

A handwritten signature in black ink, consisting of a stylized 'V' at the top, followed by a horizontal line, and then several vertical strokes of varying lengths that form the rest of the name.

Viktoras Čepys

AKCINĖ BENDROVĖ
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

Attn.: The Securities Commission of the
Republic of Lithuania

21/05/2009

No. _____

Klaipėda

Konstitucijos pr. 23, LT-08105 Vilnius

Ref. _____

No. _____

INFORMATION FOR THE ATTENTION OF THE SECURITIES COMMISSION OF THE REPUBLIC OF LITHUANIA

Pursuant to the "Rules for preparation and submission of recurring and further information", approved by the resolution of the Securities Commission of the Republic of Lithuania No. 1K-3 dated 23 February 2007, we hereby supplement the information about Public Company "Lithuanian Shipping Company" (LSC).

INFORMATION ABOUT THE SHAREHOLDERS OF LSC:

(as of 22 April 2009, i.e. day of account of the general shareholders' meeting):

1. Total number of shareholders of Public Company "Lithuanian Shipping Company" is 1811 shareholders.
2. The biggest shareholders holding over 5% of shares:

Name and address of the shareholder	Number	Number of shares	Vote share, %
Ministry of Transport and Communications of the Republic of Lithuania (Gedimino pr. 17, Vilnius)	188620589	113.833.000	56,66
State Enterprise State Property Fund (Vilniaus g. 16, Vilnius)	110073154	16.619.317	8,27
DFDS A/S (Sundkrogsgade 11, Copenhagen, Denmark)	14194711	11.108.420	5,53
Swedbank AS (Estonia) Clients (Liivalaia 8, Tallinn)	10060701	11.706.741	5,83
UAB Koncernas "Achemos grupė" (Jonalaukis village, Jonava district)	156673480	13.366.219	6,65

PROCEDURE FOR AMENDING THE ARTICLES OF ASSOCIATION OF LSC

The Law on Companies of the Republic of Lithuania establishes that the amendment to the Articles of Association is an exclusive right of the general shareholders' meeting. The Articles of Association of the company establish that the decision regarding the amendments to the Articles of

Association is taken by 2/3 majority of votes, granted by the shares of all shareholders, participating in the meeting. Following the decision by the general shareholders' meeting to amend the Articles of Association of the company, the full text of the amended Articles of Association shall be drawn up and signed by the person authorised by the general shareholders' meeting.

BODIES OF LSC
(AUTHORITY THEREOF, PROCEDURE FOR APPOINTING AND REPLACING OF THE MEMBERS OF THE BODIES)

The bodies of the company are as follows:

1. General shareholders' meeting;
2. Supervisory board;
3. Board;
4. Manager of the company.

The general shareholders' meeting is the supreme body of the company.

The general shareholders' meeting shall have an exclusive right to:

1. amend and supplement the Articles of Association of the company, except in the cases provided for in the Law on Companies of the Republic of Lithuania;
2. elect the members of the Supervisory Board;
3. remove the Supervisory Board or its members;
4. select and remove the firm of auditors, set the conditions for auditor remuneration;
5. determine the class, number and set the nominal value and the minimum issue price of the shares issued by the company;
6. approve the annual accounts;
7. take a decision on profit/loss appropriation;
8. take a decision on the formation, use, reduction and liquidation of reserves;
9. take a decision to issue convertible debentures;
10. take a decision to withdraw for all the shareholders the right of pre-emption in acquiring the shares or convertible debentures of a specific issue of the company;
11. take a decision to increase the statutory capital;
12. take a decision to reduce the statutory capital, except where otherwise provided for by the Law on Companies of the Republic of Lithuania;
13. take a decision for the company to purchase own shares;
14. take a decision on the reorganisation or division of the company and approve the terms of reorganisation or division;
15. take a decision to transform the company;
16. take a decision to restructure the company;
17. take a decision to liquidate the company, cancel the liquidation of the company, except where otherwise provided by the Law on Companies of the Republic of Lithuania;
18. elect and remove the liquidator of the company, except where otherwise provided by the Law on Companies of the Republic of Lithuania.

The general shareholders' meeting may also decide on other matters assigned within the scope of its powers by the Articles of Association of the company, unless these have been assigned under the Law on Companies of the Republic of Lithuania within the scope of powers of other bodies of the company and provided by their essence these are not the functions of the management bodies.

The supervisory board is a collegial body supervising the activities of the company.

The supervisory board is elected for 4 years from 5 members by the general shareholders' meeting. The number of the terms of office a member may serve on the supervisory board shall not be

limited. The supervisory board is managed by its chairman. The supervisory board shall elect the chairman of the supervisory board from among its members.

The supervisory board shall:

1. elect the members of the board and remove them from office. If the company is operating at a loss, the supervisory Board must consider the suitability of the board members for their office;
2. supervise the activities of the board and the manager of the company;
3. submit its comments and proposals to the general meeting on the operating strategy, annual accounts, draft of profit appropriation and the report on the activities of the company as well as the activities of the board and the manager of the company;
4. submit its proposals to the board and the manager of the company to revoke their decisions which are not in conformity with the laws and other legal acts, the Articles of Association of the company or the decisions of the general shareholders' meeting;
5. address other issues assigned within its powers by the Articles of Association of the company as well as by the decisions of the general shareholders' meeting regarding the supervision of the activities of the company and its managing bodies.

The board of the company is a collegial management body of the company, consisting of 5 members.

The members of the board are elected by the supervisory board for the period of four years. The board shall elect its chairman from among its members. There is no limitation on the number of terms of offices a member and chair of the board may serve.

The board shall consider and approve:

1. the operating strategy of the company;
 - 1.1. the annual report of the company;
 - 1.2. the structure of management and positions in the company;
 - 1.3. the positions to which employees are recruited by holding competitions;
 - 1.4. regulations of branches and representative offices of the company;
 - 1.5. procedure for procurement of the goods, works, and services.
2. The board shall take the following decisions:
 - 2.1. decisions for the company to become an incorporator or a member of other legal entities;
 - 2.2. decisions to open branches and representative offices of the company;
 - 2.3. decisions to invest, transfer or lease the tangible long-term assets the book value whereof exceeds 1/20 of the statutory capital of the company (calculated individually for every tape of transaction);
 - 2.4. decisions to pledge or mortgage the tangible long-term assets the book value whereof exceeds 1/20 of the statutory capital of the company (calculated for the total amount of transactions);
 - 2.5. decisions to offer surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the statutory capital of the company;
 - 2.6. decisions to acquire the tangible long-term assets the price whereof exceeds 1/20 of the statutory capital of the company;
 - 2.7. decisions to restructure the company in the cases laid down in the Law on Restructuring of Enterprises of the Republic of Lithuania;
 - 2.8. decisions to enable the manager of the company to close the deals (with the exception of the derivatives, currency purchase-sales, vessel as well as vessel maritime risk insurance deals) at the value exceeding 2 000 000 LTL (excluding taxes), and works procurement deals at the value exceeding 3 000 000 LTL (excluding taxes).
 - 2.9. other decisions within the powers of the board as prescribed by the general shareholders' meeting.

3. Before adopting the decision to invest funds or other assets into another legal entity, the board must notify thereof the creditors with which the company failed to settle within the prescribed time limit, if the aggregate debt to these creditors exceeds 1/20 of the statutory capital of the company.
4. The board shall analyse and evaluate the documents submitted by the manager of the company on:
 - 4.1. the implementation of the operating strategy of the company;
 - 4.2. the organisation of the activities of the company;
 - 4.3. the financial status of the company;
 - 4.4. the results of business activities, income and expenditure estimates, the stocktaking data and other accounting data of changes in the assets.
5. The board shall analyse and assess the company's draft annual accounts and draft of profit/loss appropriation and shall submit them to the supervisory board and the general shareholders' meeting. The board shall determine the methods used by the company to calculate the depreciation of tangible assets and the amortisation of intangible assets.
6. It shall be the duty of the board to convene and organise general shareholders' meetings in due time.
7. Members of the board shall be under duty not to divulge any commercial (industrial) secrets of the company which they learned serving on the board.
8. The board shall timely organize the general shareholders' meetings and ensure due organization thereof.

The manager of the company – the director general is a single-person management body of the company.

1. The director general of the company shall organise daily activities of the company, hire and dismiss employees, conclude and terminate employment contracts with them, provide incentives and impose penalties.
2. The director general of the company shall set the rates used for calculating asset depreciation in the company.
3. The director general of the company shall act on behalf of the company and shall be entitled to enter into the transactions at his own discretion. The director general of the company may conclude the transactions referred to in paragraph 51 of the present Articles of Association, provided that there is a decision of the board to enter into these transactions.
4. The director general of the company shall be responsible for:
 - 4.1. the organisation of activities and the implementation of objects of the company;
 - 4.2. the drawing up of the annual accounts and preparation of the annual report;
 - 4.3. the conclusion of the contract with the firm of auditors;
 - 4.4. the submission of information and documents to the general shareholders' meeting, the supervisory board and the board in cases laid down in the Law on Companies of the Republic of Lithuania or at their request;
 - 4.5. the submission of documents and particulars of the company to the administrator of the Register of Legal Persons;
 - 4.6. the submission of the documents of the company to the Securities Commission and the Central Securities Depository of Lithuania;
 - 4.7. the publication of information referred to in the laws in the daily indicated in the Articles of Association;
 - 4.8. the submission of information to shareholders;
 - 4.9. the fulfilment of other duties laid down in the laws and legal acts as well as in the Articles of Association and the staff regulations of the manager (director general) of the company.

MEMBERS OF COLLEGIAL BODIES, MANAGER OF THE COMPANY, CHIEF FINANCIAL OFFICER (NAMES AND SURNAMES, DATA ON PARTICIPATION IN THE AUTHORIZED CAPITAL OF THE ISSUER AS WELL AS COMMENCEMENT AND END OF THE PERIOD OF OFFICE OF EACH PERSON)

Supervisory board of Public Company „Lithuanian Shipping Company“

Name and surname	Office	Number of LSC shares	Share of the votes, in percentage
Liudmila Zumerinė	Chair of Supervisory Board (since 30/09/2005)	-	-
Evaldas Zacharevičius	Member of Supervisory Board (since 30/09/2005)	21081	0,01
Ona Barauskienė	Member of Supervisory Board (since 30/09/2005)	-	-
Helena Ragoža	Member of Supervisory Board (since 30/09/2005)	-	-
Kazimieras Gimbutis	Member of Supervisory Board (since 27/06/2001)	2000	0,001

Board of Public Company „Lithuanian Shipping Company“

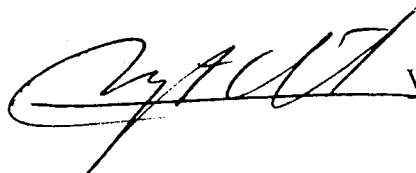
Name and surname	Office	Number of LSC shares	Share of the votes, in percentage
Arūnas Štaras	Chair of the Board (since 10/03/2009)	-	-
Jelena Antonevič	Member of the Board (since 21/10/2005)	-	-

Juozas Darulis	Member of the Board (since 10/03/2009)	-	-
Vidutė Šarkienė	Member of the Board (since 21/10/2005)	-	-
Vytautas Vismantas	Member of the Board (since 21/10/2005)	16400	0,01

Information about the manager and chief financial officer of Public Company „Lithuanian Shipping Company“

Name and surname	Office	Number of LSC shares	Share of the votes, in percentage
Vytautas Vismantas	Director General (since 27/06/2001)	16400	0,01
Arvydas Stropus	Chief accountant (since 27/06/2001)	-	-

General Director



Vytautas Vismantas

S. Noreikaitė, (8~46) 39 31 95

Disclosure form concerning the compliance with the Governance Code for Public Company "Lithuanian Shipping Company", 2008, 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
<p>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
<p>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.</p>	Yes	<p>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.</p>
<p>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.</p>	Yes	<p>In other case, the implementation of the strategic objectives is impossible.</p>
<p>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.</p>	Yes	<p>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.</p>
<p>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.</p>	Yes	
<p>Principle II: The corporate governance framework</p> <p>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.</p>		

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.

<p>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 depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>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.</p>
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p> <p>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</p>		
<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	<p>The candidates who shall be elected to collegial body service are to disclose the information this collegial body about their positions in other companies and how the activities of these companies are connected with this particular company and its affiliated. The members of company supervisory body shall be elected by the supervisory board and the head of the company shall be elected by the board. Within the competence empowered by the law the head of the company – general director is responsible for preparation, supervision and signing of the annual report.</p>

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.

<p>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.</p>	Yes	
<p>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.</p>	Yes	
<p>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 sufficient⁴ number of independent⁵ members.</p>	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.

<p>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:</p> <ol style="list-style-type: none"> 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 	<p>Yes</p>	<p>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. The members of the supervisory board and the board do not have any business relationship with the company.</p>
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<p>current or former external audit company of the company or associated company;</p> <p>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;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>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.</p> <p>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.</p>	<p>Yes</p>	
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<p>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.</p>	Yes	See item 3.7.
<p>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.</p>	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.
<p>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.</p>	Yes	The general shareholders' meeting of the company has not approved such remuneration yet.
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>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.</p>		
<p>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</p>	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.

<p>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).</p>	Yes	<p>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.</p>
<p>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 half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	Yes	<p>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.</p>
<p>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.</p>	Yes	
<p>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.</p>	Maybe	<p>This is provided for in the Articles of Association of the company.</p>

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.

<p>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 bodies¹⁰. 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.</p>	Yes	
<p>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.</p>	Yes	<p>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.</p>

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.

<p>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.</p>	Not applicable	Committees are not formed in the company. Such functions are implemented by the collegial body.
<p>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.</p>	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.
<p>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.</p>	Not applicable	See items 4.8 and 4.9.
<p>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.</p>	Not applicable	See items 4.8 and 4.9.

<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> 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. <p>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.</p>	Not applicable	See items 4.8 and 4.9.
<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> 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.

<p>affiliated companies;</p> <p>3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>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);</p> <p>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.</p> <p>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:</p> <p>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;</p> <p>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>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.</p> <p>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.</p>		
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<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ol style="list-style-type: none"> 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. <p>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</p>	<p>Not applicable</p>	<p>See items 4.8 and 4.9.</p> <p>The procedure for the selection of the audit firm is approved in the company.</p>
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<p>such operations.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>		
<p>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.</p>	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.

<p>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.</p>	<p>Yes</p>	
<p>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 month¹¹.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	

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.

<p>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-ordinating 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.</p>	Yes	
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>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.</p>		
<p>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.</p>	Yes	<p>The authorized capital of the company amounts to 200 901 296 Lit. Authorized capital of the company is divided into 200 901 296 ordinary registered shares with the par value of 1 Lit. Shares of the company are of one class – ordinary registered.</p>
<p>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.</p>	Yes	<p>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.</p>
<p>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.</p>	Yes	<p>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-1704</p>
<p>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.</p>	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.

<p>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 advance¹³. 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.</p>	Yes	<p>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.</p> <p>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.</p>
<p>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.</p>	Yes	<p>This is provided by the Articles of Association of the company.</p>
<p>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.</p>	Yes /Not applicable	<p>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.</p>
<p>Principle VII: The avoidance of conflicts of interest and their disclosure</p> <p>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.</p>		
<p>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.</p>	Yes	<p>The members of the supervisory and management bodies of the company are aware of that.</p>

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	
<p>Principle VIII: Company's remuneration policy</p> <p>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.</p>		
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, 15 th 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.

<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> 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.
<p>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.</p>	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.
<p>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.</p>		See an explanation to item 4.13.
<p>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.</p>		So far it has not taken place, as this is not covered by the laws and other legal acts.
<p>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.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ol style="list-style-type: none"> 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.

<p>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;</p> <p>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;</p> <p>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;</p> <p>6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</p> <p>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:</p> <p>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</p> <p>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;</p> <p>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;</p> <p>4) All changes in the terms and conditions of existing share options occurring during the financial year.</p> <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <p>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</p> <p>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.</p> <p>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.</p>		
<p>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.</p>	<p>Not applicable</p>	<p>This is not practiced by the company.</p>

<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ol style="list-style-type: none"> 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. <p>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.</p>	Yes/Not applicable	
<p>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.</p>	Not applicable	The Articles of Association of the company do not cover that.
<p>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.</p>	Yes/Not applicable	The Articles of Association of the company do not cover that.
<p>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.</p>		Introduction to the draft decisions is provided for both in the Law on Companies as well as the Articles of Association of the company.
<p>Principle IX: The role of stakeholders in corporate governance</p> <p>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.</p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	Yes	For the noncompliance with them, respective penalties are provided for in the laws. The company seeks to avoid the conflict of interests.

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

Principle X: Information disclosure and transparency

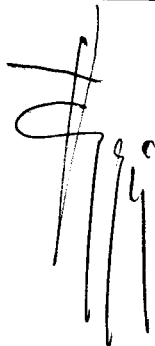
The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> 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. 	<p>Yes</p>	<p>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.</p>
<p>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.</p> <p>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.</p>	<p>Yes/Not applicable</p>	<p>There is no group.</p>
<p>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.</p>		
<p>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.</p>		<p>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.</p>

<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	<p>The company is planning to publish the information on the website of the company.</p>
<p>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.</p>	<p>Yes/No</p>	<p>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.</p>
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>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.</p>	<p>Yes/No</p>	<p>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.</p>
<p>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.</p>	<p>Yes/Not applicable</p>	<p>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.</p>

<p>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.</p>	Yes/Not applicable	<p>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.</p>
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Acting General director



Viktoras Čepys