

AKCINĖ BENDROVĖ
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

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

2008-05-28 Nr. 101)-5-259
Klaipėda
l _____ Nr. _____

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

Following the Rules of Preparation and Submission of Periodic and Supplemental Information 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 statement of Public Company "Lithuanian Shipping Company" 31 March 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".

Attach:

1. Financial statement of Public Company "Lithuanian Shipping Company" 31 March 2008, prepared in accordance with the International Financial Reporting Standards.

Public Company "Lithuanian Shipping Company"
General Director

Vytautas Petras Vismantas

Public Company "Lithuanian Shipping Company"
Chief Accountant

Arvydas Stropus

**“LIETUVOS JURU LAIVININKYSTĖ”
(JOINT STOCK COMPANY)**

**THE INTERMEDIATE FINANCIAL STATEMENTS
AS OF 31 MARCH 2008**

AB "Lietuvos jūrų laivininkystė"

(enterprise name)

110865039, Malūnininkų g.3, LT-92264 Klaipėda

(enterprise identification number, address, other information)

APPROVED

by General meeting of shareholders

Minutes No.....

of, 200..

BALANCE SHEET as of 31 March 2008

(date of formation of financial statements)

2008.01.01 - 2008.03.31

(reporting date)

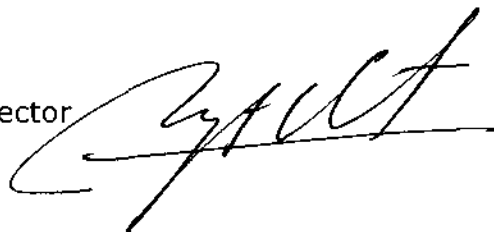
LTL

(currency of financial statement)

| | ASSETS | Note. No | 31 March 2008 | 31 December 2007 |
|-------------|--|-------------|--------------------------|-----------------------------|
| A. | NON-CURRENT ASSETS | | 277.687.936 | 284.649.428 |
| I. | INTANGIBLE ASSETS | 1. | 6.154 | 7.321 |
| I.1. | Development work | | | |
| I.2. | Goodwill | | | |
| I.3. | Licenses and patents | | | |
| I.4. | Computer software | 1. | 6.154 | 7.321 |
| I.5. | Other intangible assets | | | |
| II. | TANGIBLE ASSETS | 2. | 277.681.782 | 284.642.107 |
| II.1. | Land | | | |
| II.2. | Buildings and constructions | | 3.376.049 | 3.390.316 |
| II.3. | Machinery | | 3.058.025 | 3.005.585 |
| II.4. | Vehicles and other transport means | | 258.084 | 300.703 |
| II.5. | Ships | | 267.796.479 | 274.181.522 |
| II.6. | Repairs | 3. | 2.945.413 | 3.510.224 |
| II.7. | Other tangible assets | | 247.732 | 253.757 |
| III. | FINANCIAL ASSETS | | | |
| III.1. | Investments in subsidiaries and associates | | | |
| III.2. | Loans to subsidiaries and associates | | | |
| III.3. | Amounts receivable after one year | | | |
| III.4. | Other financial assets | | | |
| IV. | ASSETS OF DEFERRED INCOME TAX | | 0 | 0 |
| B. | CURRENT ASSETS | | 42.115.480 | 35.206.567 |
| I. | INVENTORIES PREPAYMENTS and CONTRACTS IN PROGRESS | 4. | 14.357.224 | 11.255.591 |
| I.1. | Inventories | | 2.479.152 | 2.329.470 |
| I.1.1. | Raw materials and components | | 2.479.152 | 2.329.470 |
| I.1.2. | Work in progress | | | |
| I.1.3. | Finished goods | | | |
| I.1.4. | Goods for resale | | | |
| I.2. | Prepayments | | 11.878.072 | 8.926.121 |
| I.3. | Contracts in progress | | | |
| II. | AMOUNTS RECEIVABLE WITHIN ONE YEAR | 5. | 1.155.590 | 961.320 |
| II.1. | Trade amounts receivable | | 780.645 | 591.313 |
| II.2. | Receivable from subsidiaries and associates | | | |
| II.3. | Other amounts receivable | | 374.945 | 370.007 |
| III. | OTHER CURRENT ASSETS | 6. | 23.571.670 | 21.955.027 |
| III.1. | Current investments | | 0 | 0 |
| III.2. | Time deposits | | 23.491.670 | 21.955.027 |
| III.3. | Other current assets | | 80.000 | |
| IV. | CASH and CASH EQUIVALENTS | 7. | 3.030.996 | 1.034.629 |
| | TOTAL ASSETS : | | 319.803.416 | 319.855.995 |

| | EQUITY AND LIABILITIES | Note No | 31 March 2008 | 31 December 2007 |
|-------------|--|------------|----------------------|-------------------------|
| C. | EQUITY | | 252.033.077 | 251.285.249 |
| I. | CAPITAL | 8. | 200.901.296 | 200.901.296 |
| I.1. | Authorised (subscribed) | | 200.901.296 | 200.901.296 |
| I.2. | Subscribed uncalled share capital (-) | | | |
| I.3. | Share premium | | | |
| I.4. | Own shares (-) | | | |
| II. | REVALUATION RESERVE (RESULTS) | | | |
| III. | REZERVES | 9. | 20.246.868 | 20.246.868 |
| III.1. | Legal reserve | | 10.467.329 | 10.467.329 |
| III.2. | Reserve for acquiring own shares | | | |
| III.3. | Other reserves | | 9.779.539 | 9.779.539 |
| IV. | RETAINED PROFIT (LOSSES) | 10. | 30.884.913 | 30.137.085 |
| IV.1. | Profit (loss) of the reporting year | | 747.828 | 30.137.085 |
| IV.2. | Profit (loss) of the previous year | | 30.137.085 | |
| D. | GRANTS and SUBSIDIES | | | |
| E. | AMOUNTS PAYABLE and LIABILITIES | | 67.770.339 | 68.570.746 |
| I. | NON - CURRENT AMOUNTS PAYABLE AND LIABILITIES | | 42.170.115 | 44.345.861 |
| I.1. | Financial debts | 11. | 42.170.115 | 44.345.861 |
| I.1.1. | Leases and similar obligations | | | |
| I.1.2. | To credit institutions | 11. | 42.170.115 | 44.345.861 |
| I.1.3. | Other financial debts | | | |
| I.2. | Trade amounts payable | | | |
| I.3. | Amounts received in advance | | | |
| I.4. | Provisions | | | |
| I.4.1. | For covering liabilities and demands | | | |
| I.4.2. | For pensions and similar obligations | | | |
| I.4.3. | Other provisions | | | |
| I.5. | Deferred taxes | | 0 | 0 |
| I.6. | Other amounts payable and non-current liabilities | | | |
| II. | CURRENT AMOUNTS AND LIABILITIES | | 25.600.224 | 24.224.885 |
| II.1. | Current portion of non-current debts | | | |
| II.2. | Financial debts | 11. | 11.953.649 | 16.689.873 |
| II.2.1. | To credit institutions | 11. | 11.953.649 | 16.689.873 |
| II.2.2. | Other debts | | | |
| II.3. | Trade amounts payable | 15. | 4.793.658 | 1.388.989 |
| II.4. | Amounts received in advance | 15. | 3.616.945 | 2.518.960 |
| II.5. | Profit tax liabilities | 12. | 91.309 | 91.309 |
| II.6. | Liabilities related to employment relations | 13. | 3.710.435 | 2.160.948 |
| II.7. | Provisions | 14. | 1.026.255 | 896.573 |
| II.8. | Other amounts payable and current liabilities | 15. | 407.973 | 478.233 |
| | TOTAL EQUITY AND LIABILITIES : | | 319.803.416 | 319.855.995 |

General Director



Vytautas Vismantas

AB "Lietuvos jūrų laivininkystė"

(enterprise name)

110865039, Malūnininkų g.3, LT-92264 Klaipėda

(enterprise identification number, address, other information)

APPROVED

by General meeting of shareholders

Minutes No.....

of, 200..

PROFIT(LOSS) STATEMENT as of 31 March, 2008

2008.01.01 - 2008.03.31

(reporting period)

LTL

(currency of financial statement)

| No. | Items | Note No | 31 March, 2008 | 31 March, 2007 |
|------------|---|-----------|-------------------|-------------------|
| I. | SALES REVENUE | 16 | 22.583.089 | 23.636.276 |
| II. | EXPENSES | | | |
| II.1. | Personnel expenses | | 8.146.411 | 8.085.681 |
| II.2. | Ship maintenance expenses | | 5.019.011 | 6.364.004 |
| II.3. | Ship repair expenses | | 1.987.154 | 3.740.621 |
| II.4. | Other administrative and selling expenses | | 271.517 | 309.642 |
| | Total expenses | | 15.424.093 | 18.499.948 |
| | Profit (earnings) before depreciation (EBITDA) | | 7.158.996 | 5.136.328 |
| III | Profit from sales of ships | | 0 | 4.332.838 |
| IV.1 | Depreciation of ships | | 6.572.768 | 6.334.532 |
| IV.2 | Depreciation of other assets | | 79.734 | 94.136 |
| | Profit (earnings) before interest (EBIT) | | 506.494 | 3.040.498 |
| V.1 | Effect of changes in exchange rates (profit) | 17 | 794.196 | 589.532 |
| V.2 | Net interest expenses | 17 | 552.862 | 536.196 |
| | Profit before tax | | 747.828 | 3.093.834 |
| VI. | Income tax | | 0 | 693.822 |
| | NET PROFIT | | 747.828 | 2.400.012 |
| | Profit (earnings) per share, LTL | 18 | 0,0037 | 0,0120 |

General Director



Vytautas Vismantas

AB "Lietuvos jūrų laivininkystė"

(enterprise name)

110865039, Malūnininkų g.3, LT-92264 Klaipėda

(enterprise identification number, address, other information)

CASH FLOW STATEMENT as of 31 March, 2008

2008.01.01 - 2008.03.31

(reporting period)

APPROVED

by General meeting of shareholders

Minutes No.....

of, 200...

LTL

(currency of financial statement)

| No. | Items | Note No | 31 March, 2008 | 31 March, 2007 |
|-------------|--|------------|-------------------|--------------------|
| I. | Cash flows from operating activities | | | |
| I.1. | Net profit (loss) | | 747.828 | 2.400.012 |
| I.2. | Depreciation and amortisation expenses | | 6.652.503 | 6.428.668 |
| I.3. | Decrease (increase) in amounts receivable after one year | | | |
| I.4. | Decrease (increase) in inventories | | -149.682 | -47.484 |
| I.5. | Decrease (increase) in advance payments received | | -2.951.951 | -701.194 |
| I.6. | Decrease (increase) in contracts in progress | | | |
| I.7. | Decrease (increase) in trade receivables | | -189.332 | -975.102 |
| I.8. | Decrease (increase) in amounts receivable from subsidiaries and associates | | | |
| I.9. | Decrease (increase) in other amounts receivable | | -4.939 | -51.202 |
| I.10. | Decrease (increase) in other current assets | | -80.000 | -679.067 |
| I.11. | Increase (decrease) in non-current payables to suppliers and advance payments received | | | |
| I.12. | Increase (decrease) in payables to suppliers and advance payments received | | 4.502.654 | 1.556.089 |
| I.13. | Increase (decrease) in payable profit tax | | 0 | 769.692 |
| I.14. | Increase (decrease) in liabilities to employees | | 1.549.487 | 1.562.455 |
| I.15. | Increase (decrease) in provision | | 129.682 | 829.021 |
| I.16. | Increase (decrease) in other amounts payable and liabilities | | -70.260 | 339.450 |
| I.17. | Elimination of results of financing and investing activities | | 1.260 | 1.108 |
| | Net cash flows from operating activities | | 10.137.250 | 11.432.446 |
| II. | Cash flows from investing activities | | | |
| II.1. | Acquisition of non-current assets (excluding investment) | | -260.282 | -64.369.806 |
| II.2. | Transfer of non-current assets (excluding investment) | | 569.272 | 1.522.987 |
| II.3. | Acquisition of long-term investments | | | |
| II.4. | Transfer of long-term investments | | | |
| II.5. | Loans granted | | | |
| II.6. | Loans recovered | | | |
| II.7. | Dividends and interest received | | | |
| II.8. | Other increase in cash flows from investing activities | | | |
| II.9. | Other decrease in cash flows from investing activities | | | |
| | Net cash flows from investing activities | | 308.990 | -62.846.819 |
| III. | Cash flows from financing activities | | | |
| III.1. | Cash flows related to the owners of enterprise: | | | |
| III.1.1. | Issue of shares | | | |
| III.1.2. | Owner's contributions to cover losses | | | |
| III.1.3. | Purchase of own shares | | -1.260 | -1.108 |
| III.1.4. | Dividends paid | | -1.260 | -1.108 |

| No. | Items | Note No | 31 March, 2008 | 31 March, 2007 |
|-----------|---|---------|-------------------|-------------------|
| III.2. | Cash flows related to other financing sources | | -6.911.970 | 45.399.987 |
| III.2.1. | Increase in financial debts | | 0 | 48.540.300 |
| III.2.1.1 | Loans received | | 0 | 48.540.300 |
| III.2.1.2 | Issue of bonds | | | |
| III.2.2. | Decrease in financial debts | | -6.911.970 | -3.140.313 |
| III.2.2.1 | Loans received | | -4.144.128 | -2.377.947 |
| III.2.2.2 | Issue of bonds | | -2.767.842 | -762.366 |
| III.2.2.3 | Interest paid | | | |
| III.2.2.4 | Payments of lease (financial lease) liabilities | | | |
| III.2.3. | Increase in other enterprise liabilities | | | |
| III.2.4. | Decrease in other enterprise liabilities | | | |
| III.3. | Other increase in cash flows from financial activities | | 794.196 | 589.532 |
| III.4. | Other decrease in cash flows from financial activities | | | |
| | <u>Net cash flows from financing activities</u> | | -6.119.034 | 45.988.411 |
| IV. | Cash flows from extraordinary items | | 0 | 0 |
| IV.1. | Increase in cash flows from extraordinary items | | | |
| IV.2. | Decrease in cash flows from extraordinary items | | | |
| V. | The effects of changes in foreign exchange rates on the balance of cash and cash equivalents | | -794.196 | -589.532 |
| VI. | Net increase (decrease) in cash flows | | 3.533.010 | -6.015.494 |
| VII. | Cash and cash equivalents at the beginning of period | | 22.989.656 | 29.005.150 |
| VIII. | Cash and cash equivalents at the end of period | | 26.522.666 | 22.989.656 |

General Director



Vytautas Vismantas

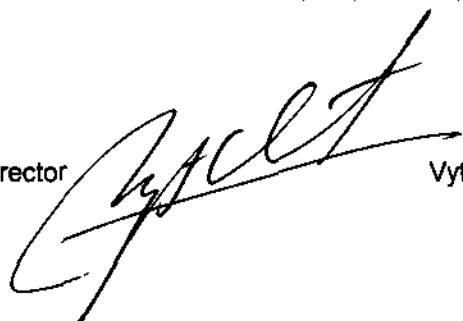
Approved by the General meeting of shareholders

Minutes No. _____ 2008

STATEMENT OF CHANGES IN EQUITY
 AS OF 31 MARCH 2008

| | Authorised capital | Compulsory legal reserve | Other reserves | Retained (loss) | pro Total |
|---|-----------------------|-----------------------------|-------------------|--------------------|--------------|
| Balance as of 31 Decemb 2006 | 200,901,296 | 9,901,591 | 180,000 | 11,314,752 | 222,297,639 |
| Net profit (loss) of the reportir period | | | | 30,137,085 | 30,137,085 |
| Dividends | | | | -1,149,475 | -1,149,475 |
| Formed reserves | | 565,738 | 9,779,539 | -10,345,277 | |
| Used reserves | | | -180,000 | 180,000 | |
| Balance as of 31 Decemb 2007 | 200.901,3 | 10.467,3 | 9.779,5 | 30.137,1 | 251.285,2 |
| Net profit (loss) of the reportir period | | | | 747,828 | 747,828 |
| Dividends | | | | | |
| Formed reserves | | | | | |
| Used reserves | | | | | |
| Balance as of 31 March 2008 | 200,901,296 | 10,467,329 | 9,779,539 | 30,884,913 | 252,033,077 |

General Director



Vytautas Vismantas

**Financial statements of AB "Lietuvos Jūrų Laivininkystė" 31 March 2008
(in thousands LTL, if not stated otherwise)**

Approved by the General meeting of shareholders

2008

Minutes No. _____

EXPLANATORY NOTES

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 Malunininku 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 March 2008 the Company had 468 employees, of which 61 in coast divisions and 407 on board.

On 31 March 2008 the Company's shareholders were:

| | 2008-03-31 | |
|---|------------------|-------------------|
| | Number of shares | Ownership percent |
| State Property Fund (VĮ Valstybės turto fondas) | 16.689.155 | 8,3% |
| Ministry of Transport and Communication | 113.833.000 | 56,66% |
| „Hansabank clients“ | 16.849.753 | 8,4 |
| DFDS TOR LINE A/S | 11.108.420 | 5,5% |
| Other small shareholders | 42.420.968 | 21,14% |

II. Accounting Policy

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.

In the process of preparing financial statements in accordance with International Financial Reporting Standards, the Company's management have to make estimates and assumptions, which have an effect on the carrying amounts of assets and liabilities as well as on required disclosures

**Financial statements of AB "Lietuvos Jūrų Laivininkystė" 31 March 2008
(in thousands LTL, if not stated otherwise)**

on the reporting date and on amounts of income and expenses recognised during the reporting period. These estimates may vary from the actual results.

(a) Basis of Preparation

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements are prepared in accordance with the accrual and going concern principles. Following the accrual principle, transactions and other events are recognised and recorded in the accounts when they occur, and are presented in the financial statements of such periods.

The financial statements are prepared assuming that AB "Lietuvos Jūrų Laivininkystė" (LJL) does not have any intentions or requirements to be liquidated or reduce significantly the scope of its operations.

During the reporting period the Company has started to apply all new and revised Standards and Interpretations approved by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC), which are relevant to the Company's operations and become effective from the reporting periods beginning on 1 January 2007.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 4 "Insurance Contracts" related to "Financial Guarantee Contracts" have to be applied in the reporting periods of the Company starting on or after 1 January 2007. The purpose of these amendments is to ensure that the issuers of financial guarantee contracts account for liabilities related to such contracts in their balance sheets. As the Company does not have any transactions of such nature, the application of this Standard did not have any significant effect on the Company's financial statements.

Amendment to IAS 19 related to "Actuarial Gains or Losses, Group's Plans and Disclosures". This amendment is not relevant to the Company;

Amendment to IAS 39 related to "Fair Value Option". This amendment is not relevant to the Company;

Amendment to IAS 21 related to "Net Investment in a Foreign Operation". This amendment is not relevant to the Company;

Amendment to IAS 39 related to "Cash Flow Hedges of Forecast Intragroup Transactions". This amendment is not relevant to the Company;

IFRS 6 "Exploration for and Evaluation of Mineral Resources". This Standard is not relevant to the Company;

**Financial statements of AB "Lietuvos Jūrų Laivininkystė" 31 March 2008
(in thousands LTL, if not stated otherwise)**

IFRIC 4 "Determining Whether an Arrangement Contains a Lease". The Company reviewed its agreements and determined they are not affected by this Interpretation;

IFRIC 5 "Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds". This Interpretation is not relevant to the Company;

IFRIC 6 "Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment". This Interpretation is not relevant to the Company;

Amendment to IFRS "First-time Adoption of International Financial Reporting Standards" and IFRS 6 "Exploration for and Evaluation of Mineral Resources". This amendment is not relevant to the Company;

IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies". The management believe this Interpretation is not relevant to the Company;

IFRIC 8 "Scope of IFRS 2". The management believe this Interpretation is not relevant to the Company;

IFRIC 9 "Reassessment of Embedded Derivatives". The management believe this Interpretation is not relevant to the Company;

IFRIC 11 "IFRS 2: Group and Treasury Share Transactions". The management believe this Interpretation is not relevant to the Company;

IFRIC 12 "Service Concession Arrangements". The management believe this Interpretation is not relevant to the Company.

(b) Non-current 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. In accordance with the procedure for non-currents assets accounting approved on 18 July 2001 by the board of directors, LJI recognises assets as non-current tangible assets if their acquisition value is at least LTL 1000 and they are going to be used for more than one year. Residual value of non-current assets is LTL 1, except for "Akvile", "Asta", "Audre" and "Daina" ships (residual value 9-9,5% of acquisition value), "Alka", "Deltuva" (Clipper Eagle) and "Clipper Falcone" ships (10% of acquisition value), "Romuva" (2%), "Voruta", "Svilas" and "Staris" (9,5%) and administrative building (6,3%).

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

**Financial statements of AB "Lietuvos Jūrų Laivininkystė" 31 March 2008
(in thousands LTL, if not stated otherwise)**

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.

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.

If repairs of a non-current tangible asset do not upgrade its useful features (nor will these repairs lead to future income), the value of such works is recognised as expenses of the reporting period when they are carried out.

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 carrying amount of an asset is higher than its recoverable amount. All losses related to impairment are presented in the income statement.

In accordance with the requirements of classification companies the 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. LJI writes off repair expenses related to class-certification within 3 years, dock repairs – within 2 years.

Non-current intangible assets are amortised within the period of 3 years.

(c) Inventories

Inventories are accounted for at the lower of cost of purchase 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.

(d) 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.

(e) Cash And Cash Equivalentents

**Financial statements of AB "Lietuvos Jūrų Laivininkystė" 31 March 2008
(in thousands LTL, if not stated otherwise)**

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.

In the cash flow statement cash and cash equivalents comprise cash in hand, cash at current accounts, other short-term liquid investments.

(f) Liabilities

Borrowing expenses are written off when they are incurred. At the initial recognition, liabilities are stated at the fair value of received funds less the cost of transaction. 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.

(g) 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.

(h) 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. A standard rate of corporate income tax for Lithuanian entities is 15%, however, in 2007 the Company chose to pay a tonnage tax and computes corporate income tax on the basis of ships' payload capacity. Deferred income tax and assets are no longer computed.

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.

**Financial statements of AB "Lietuvos Jūrų Laivininkystė" 31 March 2008
(in thousands LTL, if not stated otherwise)**

(I) 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.

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 revaluing currency entries registered earlier, are recognised as income or expenses from financial activities of the related reporting period.

(j) 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.

(k) 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.

(l) 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.

**Financial statements of AB "Lietuvos Jūrų Laivininkystė" 31 March 2008
(in thousands LTL, if not stated otherwise)**

(m) Contingencies

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

(n) Managing Financial Risks

The Company's transactions are made on international markets in euros and US dollars, therefore, the risk related to fluctuations and changes in foreign currency exchange rates is unavoidable. Credit risk or risk related to the failure of partners to fulfil their obligations is controlled through applying credit terms and control of procedures. The Company does not face a significant credit risk related to any of its partners or partner groups. The Company avoids liquidity risk by keeping a sufficient flow of cash and cash equivalents or receiving financing in a credit form, by planning its cash flows in advance. The Company does not use any financial instruments to mitigate its financial risks.

(o) 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.

III. Explanatory Notes to Accounts

31 *Non-current Intangible Assets*

| Indicators | Computer software |
|-------------------------------------|-------------------|
| Acquisition cost | |
| 31 December 2005 | 288,2 |
| Acquisitions | 11,2 |
| Write-offs | |
| Transfers to other accounts | |
| 31 December 2006 | 299,4 |
| Acquisitions | 3,3 |
| Write-offs | 1,5 |
| Transfers to other accounts | |
| 31 December 2007 | 301,2 |
| 31 March 2008 | 301,2 |
| Accumulated amortisation | |
| 31 December 2005 | 275,1 |
| Calculated during the period | 13,5 |
| Write-offs | |
| Transfers to other accounts | |
| 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 | 1,2 |
| 31 March 2008 | 295,1 |
| Carrying amount | |
| 31 December 2005 | 13,1 |
| 31 December 2006 | 10,8 |
| 31 December 2007 | 7,3 |
| 31 March 2008 | 6,1 |

**Financial statements of AB "Lietuvos Jūrų Laivininkystė" 31 March 2008
(in thousands LTL, if not stated otherwise)**

2. Non-current Tangible Assets, in thousand LTL

| Indicators | Buildings and construction | Machinery | Ships | Other vehicles | Repairs | Other tangible assets | Total |
|---------------------------------|-----------------------------------|------------------|------------------|-----------------------|----------------|------------------------------|------------------|
| Acquisition cost | | | | | | | |
| 31 December 2005 | 3.737,0 | 4.632,0 | 346.327,0 | 726,0 | 9.402,0 | 580,0 | 365.404,0 |
| Acquisitions | | 1.461,0 | 43.348,0 | | 1.766,0 | 36,0 | 46.611,0 |
| Write-offs | | 681,0 | 9.981,0 | | 5.733,0 | 138,0 | 16.533,0 |
| Transfers to other accounts | | | | | | | |
| 31 December 2006 | 3.737,0 | 5.412,0 | 379.694,0 | 726,0 | 5.435,0 | 478,0 | 395.482,0 |
| Acquisitions | | 1.860,7 | 66.609,4 | 75,4 | 2.311,7 | 175,7 | 71.032,9 |
| Write-offs | | -1.827,4 | -26.549,8 | | 4.236,9 | -92,3 | -32.706,4 |
| Transfers to other accounts | | | | | | | |
| 31 December 2007 | 3.737,0 | 5.445,3 | 419.753,6 | 801,4 | 3.509,8 | 561,4 | 433.808,5 |
| Acquisitions | | 246,0 | | | | 14,2 | 260,2 |
| Write-offs | | 4,5 | | | 564,8 | 14,5 | 583,8 |
| 31 March 2008 | 3.737,4 | 5.686,4 | 419.754,1 | 801,8 | 2.945,4 | 560,3 | 433.485,4 |
| Revaluation / impairment | | | | | | | |
| 31 December 2005 | | | -36.886,0 | | | | |
| Revalued (+), impaired (-) | | | | | | | |
| Depreciated during the period | | | | | | | |
| 31 December 2006 | | | -36.886,0 | | | | |
| Revalued (+), impaired (-) | | | | | | | |
| Depreciated during the period | | | | | | | |
| 31 December 2007 | | | -36.886,0 | | | | |
| Accumulated depreciation | | | | | | | |
| 31 December 2005 | 233,0 | 2.773,0 | 84.554,0 | 184,0 | | 348,5 | 88.092,5 |
| Calculated during the period | 57,0 | 526,0 | 24.395,0 | 158,0 | | 52,0 | 25.188,0 |
| Write-offs | | 430,0 | 6.183,0 | | | 102,0 | 6.715,0 |
| Transfers to other accounts | | | | | | | |
| 31 December 2006 | 290,0 | 2.869,0 | 102.766,0 | 342,0 | | 298,5 | 106.565,5 |
| Calculated during the period | 57,1 | 786,7 | 26.522,2 | 158,9 | | 60,2 | 27.585,1 |
| Write-offs | | -1.216,4 | -20.601,4 | | | -51,9 | -21.869,7 |

| | | | | | | | |
|------------------------------|----------------|----------------|------------------|--------------|----------------|--------------|------------------|
| Transfers to other accounts | | | | | | | |
| 31 December 2007 | 347,1 | 2.439,3 | 108.686,8 | 500,9 | | 16,1 | 6.651,3 |
| Calculated during the period | 14,3 | 193,3 | 6.385,0 | 42,6 | | 306,8 | 112.280,8 |
| Write-offs | | 4,2 | | | | 10,3 | 14,5 |
| 31 March 2008 | 361,4 | 2628,4 | 115071,8 | 543,5 | | 312,6 | 118.917,7 |
| Carrying amount | | | | | | | |
| 31 December 2005 | 3.504,4 | 1.858,6 | 224.887,5 | 542,4 | 9.402,4 | 232,7 | 240.426,0 |
| 31 December 2006 | 3.447,4 | 2.542,6 | 240.042,5 | 384,4 | 5.435,4 | 178,7 | 252.031,0 |
| 31 December 2007 | 3.390,3 | 3.005,6 | 274.181,3 | 300,9 | 3.510,2 | 253,8 | 284.642,1 |
| 31 March 2008 | 3.376,0 | 3.058,0 | 267.796,5 | 258,1 | 2.945,4 | 247,7 | 277.681,7 |

Ships

At the end of the financial year the non-current tangible assets of LJI included 15 ships, an administrative building, a warehouse, vehicles and machinery.

The Company paid LTL 7990,9 thousand for the planned acquisition of a ship in 2008.

6 ships are mortgaged for loans received from SEB Vilniaus bankas

3. Ship Repairs

Ship repairs recognised as assets – LTL 2945,4 thousand
of which planned write-offs to expenses in:

| | | |
|---------|---|------------------------|
| 2008 m. | - | LTL 1694,4 thousand |
| 2009 m. | - | LTL 1074,6 thousand |
| 2010 m. | - | LTL 176,4 thousand |

4. Inventories and Prepayments

| | 2007-03-31 | 2007-12-31 |
|-------------------------|----------------|----------------|
| Spare parts | 1856,1 | 2193,1 |
| Food provision on ships | 103,7 | 136,4 |
| Prepayments | 11878,1 | 8926,1 |
| Total: | 14357,2 | 11255,6 |

5. Amounts Receivable

| | 2008-03-31 | 2007-12-31 |
|--------------------------------------|------------|------------|
| Trade debtors | 104,6 | 81,1 |
| Foreign trade debtors | 672,7 | 503,8 |
| Amounts receivable from State budget | 29,5 | 39,8 |

| | | |
|--------------------------|--------|-------|
| Prepayments to ships | 171,5 | 164,3 |
| Other amounts receivable | 177,3 | 172,3 |
| Total: | 1155,6 | 961,3 |

In 2008-03-31 the foreign trade debtors included the amount of LTL 325,5 thousand related to the damage of cargo of the motor ship "Skalva" (at the beginning of 2006). This amount is covered by insurance, so insurance companies were examining the circumstances of the cargo damage and the amount should be repaid to the Company.

6. Other Current Assets

| | 2008-03-31 | 2007-12-31 |
|----------------------|------------|------------|
| Fixed-time deposits | 23491,7 | 21955,0 |
| Other current assets | 80,0 | 0,4 |
| Total: | 23571,7 | 21955,4 |

7. Cash and Cash Equivalents

| | 2008-03-31 | 2007-12-31 |
|--|------------|------------|
| Cash in national currency | 177,1 | 122,0 |
| Cash in banks in foreign currencies | 2818,7 | 864,3 |
| LJL's cash in hand in national currency | 11,1 | 9,9 |
| LJL's cash in hand in foreign currencies | 24,1 | 38,3 |
| Total: | 3031,0 | 1034,6 |

8. Capital

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

On 31 March 2008 the Company's authorised capital consisted of 200 901 296 ordinary registered shares. A nominal value of each share in LTL 1.

9. Reserves

| | 2008-03-31 | 2007-12-31 |
|----------------------------------|------------|------------|
| Compulsory legal reserves | 10467,3 | 10467,3 |
| Reserve for acquisition of ships | 9599,5 | 9599,5 |
| Reserve for employees' bonuses | 150,0 | 150,0 |

| | | |
|--|---------|---------|
| Reserve for social and cultural activities | 30 | 30 |
| | 20246,9 | 20246,9 |

Total:

When the reserve for employees' bonuses is used, it is cancelled by the decision of the shareholders by increasing the retained earnings. Bonuses paid to employees are included into the income statement. In 2007 LTL 69 thousand of reserve for employees' bonuses was used, which was presented as expenses in the income statement line "Personnel expenses".

In 2008 the new reserves will be confirmed by the shareholder's meeting.

10. Retained Earnings (Losses)

| | 2008-03-31 | 2007-12-31 |
|---|------------|------------|
| Balance at the beginning of the year | 30137,1 | 11314,8 |
| Net profit (loss) for the year | 747,8 | 30137,1 |
| allocated to dividends (transferred to amounts payable) | | -1149,5 |
| allocated to other reserves | | -9779,5 |
| cancelled reserves | | 180 |
| allocated to compulsory legal reserve | | -565,7 |
| Balance at the end of the year | 30884,9 | 30137,2 |

11. Financial Liabilities (to credit institutions)

| | 2008-03-31 | 2007-12-31 |
|---|----------------|----------------|
| Payable after one year within five | 42170,1 | 44345,9 |
| Payable within one year | 11953,6 | 16689,9 |
| total | 54123,7 | 61035,8 |
| Balance of loans at the beginning of the year | 61035,8 | 39514,2 |
| Loans received | | 48540,3 |
| Loans repaid | -4144,1 | -21732,9 |
| Effect of exchange rates | -2768,0 | -5285,8 |
| Balance of loans at the end of the year | 54123,7 | 61035,8 |

All financial liabilities of LJJ to banks are secured by assets. Six ships with the carrying amount of LTL 143126,1 thousand are mortgaged. The increase in loans in 2007 was caused by the acquisition of two ships "Deltuva" (Clipper Eagle) and "Clipper Falcon" in March. The loan for the acquisition of these ships was received from AB SEB Vilniaus bankas. Loan repayment term is set in 2010-2012.

12. Income Tax Liabilities

| | <u>2008-03-31</u> | <u>2007-12-31</u> |
|---|-------------------|-------------------|
| Corporate income tax payable at the beginning of the year | 91,3 | 2.067,3 |
| Calculated corporate income tax | | 91,3 |
| Paid corporate income tax | | -2.067,3 |
| Corporate income tax payable at the end of the year | 91,3 | 91,3 |

13. Liabilities Related to Employment Relations

| | <u>2008-03-31</u> | <u>2007-12-31</u> |
|--|-------------------|-------------------|
| Provision for annual leaves (salaries) | 1811,7 | 1377,7 |
| Provision for annual leaves (social insurance) | 561,3 | 426,8 |
| Payable salaries | 933,6 | |
| Payable social insurance contributions | 395,7 | 354,2 |
| Amount payable to guarantee fund | 2,4 | 2,2 |
| Paid corporate income tax | 5,7 | |
| Total | 3710,4 | 2160,9 |

14. Provisions

| | <u>2008-03-31</u> | <u>2007-12-31</u> |
|--------------------------------------|-------------------|-------------------|
| Provisions for not received invoices | 1026,3 | 896,6 |

15. Other Amounts Payable

| | <u>2008-03-31</u> | <u>2007-12-31</u> |
|--------------------------------|-------------------|-------------------|
| Debts to agents | 75,1 | 152,6 |
| Debts to suppliers | 4793,7 | 1236,4 |
| Prepayments from clients | 2529,7 | 2519 |
| Dividends payable | 101,9 | 103,2 |
| Liabilities related to freight | 216,1 | 167,4 |
| Accrued expenses | 1087,3 | 191,6 |
| Other liabilities | 14,8 | 16 |
| Total | 8818,6 | 4386,2 |

In 2008-03-31 increase of the other payable amounts (for the dept's suppliers) basically was caused by the beforehand received amount for the warehouse sale and gained contributions for the participation in the auction.

16. Sales

| Sales revenue, LTL thousand | 2008-03-31 | 2007-03-31 | % |
|---|------------|------------|------|
| Time charter income | 22564,9 | 23617,8 | 95,7 |
| Other time charter income | 18,2 | 18,5 | 98,4 |
| Freight income from short-term agreements | - | - | |
| Total: | 22583,1 | 23636,3 | 95,7 |

Time charter income decreased due to a lower number of ships' work days, earlier sale of ships and later acquisition 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.

17. Financing and Investing Activities

| | 2008-03-31 | 2007-03-31 | % |
|--|------------|------------|---|
| Received interest | 227,5 | 161,3 | |
| Positive effect of changes in exchange rates | 794,2 | 589,5 | |
| Paid interest | (780,3) | (647,5) | |
| Negative effect of changes in exchange rates | | | |
| Total: | 241,4 | 53,3 | |

18. Profit (Earnings) per Share

Profit per share is calculated by dividing the net profit of the period belonging to the owners of the shares LTL 747828 by the number of ordinary shares at the end of the period – 200901296.

19. Related Party Transactions

The Company regards the members of the board of directors, Director General, ship park management director, technical director, director of finance, chief financial officer and members of their families as related parties.


20. Test of Determining Fair Value

On 7 December 2007 the ship valuers from English White Shipping Limited determined that at the date of ship valuation the value of each ship and the total value of ships were higher than the carrying amounts. The total value of the ship park was USD 162 million or LTL 381,9 million.

21. Events After the Balance Sheet Date

In April 2008 it is planned to acquire a ship with a higher carrying capacity (above 24 thousand DWT). The ships "Kapitonas Serafinas" and "Kapitonas Stulpinas" were sold by auction in March. These ships' transference to the customer's property is planned in April-May 2008.

General Direktor



V. Vismantas