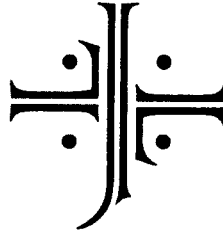


AKCINĖ BENDROVĖ  
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY  
"LITHUANIAN SHIPPING COMPANY"

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

2009-02-27

Nr.

(05)-5-172

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 upondited Financial statement 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".

Attach:

1. Financial statement of Public Company "Lithuanian Shipping Company" of the year ended 31 December 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

**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**

<b>ASSETS</b>	<b>Notes No.</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>NON-CURRENT ASSETS</b>		<b>313.968</b>	<b>292.640</b>
INTANGIBLE ASSETS		57	7
TANGIBLE ASSETS			
	2,3	313.911	284.642
Buildings and constructions	2	3.317	3.390
Plant and machinery	2	3.570	3.006
Vehicles and transport means	2	136	301
Ships	2,3	298.416	274.182
Repair	2,3	8.246	3.510
Other tangible assets	2	226	254
<b>OTHER NON-CURRENT ASSETS</b>		<b>---</b>	<b>7.991</b>
Prepayments for non-current assets	4	---	7.991
<b>CURRENT ASSETS</b>		<b>9.613</b>	<b>27.216</b>
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	---
<b>CASH AND CASH EQUIVALENTS</b>	9	<b>1.228</b>	<b>1.035</b>
<b>TOTAL ASSETS:</b>		<b>323.581</b>	<b>319.856</b>



**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)

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

General Director



Vytautas Vismantas

AB "Lietuvos jūrų laivinkystė"  
 (enterprise name)  
 110865039, Malūninkų g.3, LT-92264 Klaipėda  
 (enterprise identification number, address, other information )

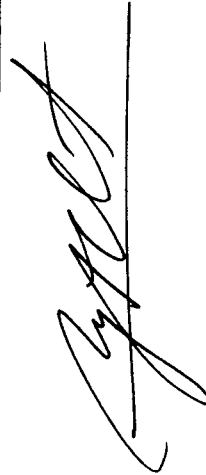
**APPROVED**  
 by General meeting of shareholders  
 Minutes No.....  
 of .... , 200..

**PROFIT(LOSS) STATEMENT as of 31 December, 2008**

2008.01.01 - 2008.12.31  
 (reporting period)

No.	Items	Note No	31 December, 2008	31 December, 2007	01 October to 31 December, 2008	01 October to 31 December, 2007
I.	<b>SALES REVENUE</b>	16	<b>87,617</b>	<b>91,701</b>	<b>21,155</b>	<b>22,053</b>
II.	<b>EXPENSES</b>					
II.1.	Personnel expenses	17	31,293	29,741	7,596	7,227
II.2.	Ship maintenance expenses	18	33,154	28,876	14,135	7,989
II.3.	Ship repair expenses		15,077	14,695	3,158	5,794
II.4.	Other administrative and selling expenses	19	1,095	1,674	219	475
	<b>Total expenses</b>		<b>80,619</b>	<b>74,987</b>	<b>25,107</b>	<b>21,486</b>
	<b>Profit (earnings) before depreciation (EBITDA)</b>		<b>6,998</b>	<b>16,714</b>	<b>-3,952</b>	<b>567</b>
III	Profit from sales of ships		33,344	41,740	0	12,906
IV.1	Depreciation of ships		28,103	27,250	7,393	6,690
IV.2	Depreciation of other assets		328	343	92	78
IV.3	Ship impairment		-24,521		-24,521	
	<b>Profit (earnings) before interest (EBIT)</b>		<b>-12,610</b>	<b>30,863</b>	<b>-35,958</b>	<b>6,706</b>
V.1	Effect of changes in exchange rates (profit)	20	-4,431	4,168	-1,261	1,262
V.2	Net interest expenses	20	2,590	3,179	808	692
	<b>Profit before tax</b>		<b>-19,630</b>	<b>31,852</b>	<b>-38,027</b>	<b>7,276</b>
VI.	Income tax		97	1,715	96	32
	<b>NET PROFIT</b>		<b>-19,727</b>	<b>30,137</b>	<b>-38,123</b>	<b>7,244</b>
	<b>Profit (earnings) per share, LTL</b>	21	-0.0982	0.1500	-0.1898	0.0361

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  
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STATEMENT OF CHANGES IN EQUITY

	Paid share capital	Compulsory	Other reserves	Retained profit (loss)	Total
<b>Balance as of 31 December 2006</b>	<b>200.901</b>	<b>9.902</b>	<b>180</b>	<b>11.315</b>	<b>222.298</b>
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
<b>Balance as of 31 December 2007</b>	<b>200.901</b>	<b>10.467</b>	<b>9.780</b>	<b>30.137</b>	<b>251.285</b>
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
<b>Balance as of 31 December 2008</b>	<b>200.901</b>	<b>20.090</b>	<b>29.795</b>	<b>-19.727</b>	<b>231.059</b>

General Director



Vytautas Vismantas

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**CASH FLOW STATEMENT**

	<b>Notes No.</b>	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>			
Net profit (loss)		(19.727)	30.137
Depreciation and amortisation expenses		28.431	27.592
Asset value reduction		24.521	-
Decrease (increase) in inventories		1.317	(1.516)
Decrease (increase) in advance payments received		6.932	(8.090)
Decrease (increase) in trade receivables		(474)	(46)
Decrease (increase) in other amounts receivable		207	(170)
Decrease (increase) in other current assets		(224)	-
Increase (decrease) in current payables to suppliers and advance payments received		864	1.659
Increase (decrease) in payable income tax		---	(2.067)
Increase (decrease) in liabilities to employees		580	(180)
Increase (decrease) in provisions		62	1.774
Increase (decrease) in other amounts payable and liabilities		(208)	109
<i>Elimination of results from transferring non-current tangible and intangible assets</i>		499	1.124
<i>Elimination of results of financing and investing activities</i>		---	-
<i>Elimination of other non-monetary items</i>		---	-
<b>Net cash flows from operating activities</b>		<b>42.780</b>	<b>50.326</b>
<b>Cash flows from investing activities</b>			
Acquisition of non-current assets (excluding investments)		(78.837)	(68.725)
Transfer of non-current assets (excluding investments)		(3.434)	8.526

**AB „Lietuvos jūrų laivininkystė“**

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<u>Net cash flows from investing activities</u>	<u>(82.270)</u>	<u>(60.199)</u>
<b>Cash flows from financing activities</b>	---	--
Cash flows related to the owners of enterprise:	<u>(499)</u>	<u>(1.124)</u>
Dividends paid	(499)	(1.124)
Cash flows related to other financing sources	<u>22,733</u>	<u>21,521</u>
Increase in financial debts	<u>51.775</u>	<u>48.540</u>
Loans received	51.775	48.540
Issue of bonds	---	--
Decrease in financial debts	<u>(29.042)</u>	<u>(27.019)</u>
Loans returned	(33.073)	(21.733)
Effect of currency differences on loans	4.031	(5.286)
Other increase in cash flows from financial activities	---	3.019
Other decrease in cash flows from financial activities	(4.930)	-
<u>Net cash flows from financing activities</u>	<u>17.804</u>	<u>23,416</u>
<b>The effects of changes in foreign exchange rates on the balance of cash and cash equivalents</b>	4.431	(4.168)
<b>Net increase (decrease) in cash flows</b>	<u>(17.756)</u>	<u>9.375</u>
<b>Cash and cash equivalents at the beginning of period</b>	22990	13.614
<b>Cash and cash equivalents at the end of period</b>	5234	22.990

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

#### 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 (VĮ 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

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

## 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)

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### ( a ) Basis of Preparation

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

The Company applied EU provisions due to IFRS/IAS, which were confirmed according to the EU Commission regulation (EC) No.1126/2008 on 3 November 2008 and embrace certain international accounting standards according to the European Parliament and Council regulation (EC) No. 1606/2002.

Also applied Commission regulation (EC) No. 1274/2008 as of 17 December 2008, which partially changes regulation (EC) No.1126/2008, embracing certain international accounting standards according to the European Parliament and Council regulation (EC) No. 1606/2002, as much as it refers to IAS 1.

Also applied Commission regulation (EC) No. 1263/2008 as of 16 December 2008, which partially changes regulation (EC) No.1126/2008, embracing certain international accounting standards according to the European Parliament and Council regulation (EC) No. 1606/2002, as much as it refers to International Financial Reporting Interpretation Committee's (IFRIC) interpretation 14.

Also applied Commission regulation (EC) No. 1261/2008 as of 16 December 2008, which partially changes regulation (EC) No.1126/2008, embracing certain international accounting standards according to the European Parliament and Council regulation (EC) No. 1606/2002, as much as it refers to IFRS 2.

Also applied Commission regulation (EC) No. 1262/2008 as of 16 December 2008, which partially changes regulation (EC) No.1126/2008, embracing certain international accounting standards according to the European Parliament and Council regulation (EC) No. 1606/2002, as much as it refers to International Financial Reporting Interpretation Committee's (IFRIC) interpretation 13.

When preparing financial statements in accordance with International Financial Reporting Standards, confirmed for application within the European Union, certain accounting evaluations of significant meaning should be considered. Management should also decide upon application of Company's accounting principles. Areas, which require difficult decisions to be made or areas, where assumptions and accounting evaluations are significant to the financial statements, are disclosed in the explanatory notes. Though these evaluations by management are based on the knowledge of current status and activity, actual result might eventually differ from the evaluations.

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 19 Employee benefits  
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

## AB „Lietuvos jūrų laivininkystė“

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Financial statements for the period ended on 31 December 2008

(in thousands of Litass, if not specified otherwise)

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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.

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.

SIC 13 Jointly controlled entities – non-monetary contributions by ventures

SIC 15 Operating leases – incentives

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.

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 38 “Intangible assets”, IAS 40 “Investment property”, IAS 41 “Agriculture”, IAS 20 “Accounting for government grants and disclosure of government assistance”, IAS 16 “Property, plant and equipment”, IAS 7 “Cash-flow statements”, IFRS 7 “Financial instruments: disclosures”, IAS 39 “Financial instruments: recognition and measurement”, IAS 19 “Employee benefits”, IAS 36 “Impairment of assets”, 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 and will be applied by the Company from 1 January 2009.

## AB „Lietuvos jūrų laivininkystė“

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

Financial statements for the period ended on 31 December 2008

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### ( 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, LJL 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), "Raguva" ("Clipper Falcone") and "Venta" 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 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. LJL 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.

## AB „Lietuvos jūrų laivininkystė“

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### ( 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 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.

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 Juru Laivininkyste" 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.

## AB „Lietuvos jūrų laivininkystė“

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### ( l ) 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 revaluating 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.

### ( 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.

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**( 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.

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**III. Explanatory Notes to Accounts**

**1. Non-current Intangible Assets**

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

Non-current intangible assets of 2008 year have increased after purchase of MS Windows and Office licenses in September. Non-current intangible assets are amortised within the period of 3 years.



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**2. Non-current Tangible Assets, in thousand LTL**

	Buildings and construction	Machinery and equipment	Ships	Other vehicles	Repairs	Other tangible assets	Total
<b>Acquisition cost</b>							
31 December 2006	3.737,4	5.411,6	379.694,5	726,0	5.435,4	477,2	395.482,5
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
<b>Transfers to other accounts</b>							
31 December 2007	3.737,4	5.444,9	419.754,1	801,8	3.510,2	560,6	433.809,0
Acquisitions		1490,0	77.222,2		6.994,8	65,0	85.772,0
Write-offs	64,9	512,7	10.970,5		2.259,2	58,1	13.865,5
31 December 2008	3.672,4	6.422,2	486.005,8	801,8	5.245,8	567,5	505.715,5
<b>Revaluation /impairment</b>							
31 December 2006			-36.886,0				-36.886,0
Revalued (+), impaired (-)							
Depreciated during the period							
31 December 2007			-36.886,0				-36.886,0
Revalued (+), impaired (-)			-24521,0				-24521,0
Depreciated during the period							
31 December 2008			-61.407,0				-61.407,0
<b>Accumulated depreciation</b>							
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
<b>Transfers to other accounts</b>							
31 December 2007	347,1	2.439,3	108.686,8	501,1		306,8	112.280,9
Calculated during the period	52,2	806,3	27.336,0	165,2		61,4	28.421,1
Write-offs	43,8	393,0	9.840,1			27,5	10.304,3
31 December 2008	355,5	2.852,6	126.182,6	666,3		340,7	130.397,7
<b>Carrying amount</b>							
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 December 2008	3.316,9	3.569,6	298.416,2	135,5	8.245,8	226,8	313.910,8

**Ships**

At the end of the financial year the non-current tangible assets of LJL included 14 ships, and administrative building, vehicles and equipment.

Within the reporting period of 2008 year the vessels – Kapitonas Stulpinas and Kapitonas

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Serafinas were sold.

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

Ather non-current tangible assets

In 2008 financial year the acquisitions of non-current tangible assets – machinery and equipment – amounted to LTL 1490,0 thousand.

### 3. Ship Repairs

Ship repairs recognised as assets – LTL 8245,8 thousand  
of which planned write-offs to expenses in:

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

### 4. Inventories and Prepayments

	2008-12-31	2007-12-31
Spare parts	852,8	2.193,1
Food provision on ships	159,5	136,4
Prepayments	1994,0	935,2
Prepayments for non-current assets	-	7.990,9
Total:	3.006,3	11.255,6

The reason of advance payments increase in 2008 year was the credit of 599,00 thousand LIT paid to the agents for the m/v "ALKA" repairs and credit of 404,2 thousand LIT paid for the technical supply of the vessels.

### 5. Amounts Receivable

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

In 2008-12-31 the foreign trade debtors included the amount of LTL 326,0 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. In 2008 year foreign traders debts increased as a result of the m/v "Alka" average. This case is covered by H+M insurance.

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**6. Other Current Assets**

	2008-12-31	2007-12-31
Fixed-time deposits	4.006,0	21.955,0
Other current assets	144,0	-
Total:	4150,0	21.955,0

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**

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

**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. A nominal value of each share in LTL 1.

**9. Reserves**

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

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 2008 year 110,7 thousand LIT was paid as bonus to company seamen personnel's reserve. This payment is included as expenses in the Income Statement, position - manpower employment expenses.

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**10. Retained Earnings (Losses)**

	2008-12-31	2007-12-31
Balance at the beginning of the year	30.137,2	11.314,8
From reserves	-30137,2	-
Net profit (loss) for the year	-19727	30.137,1
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 at 31 December 2008	-19.727	30.137,2

**11. Financial Liabilities (to credit institutions)**

	2008-12-31	2007-12-31
Payable after one year	67.606,9	44.345,9
Payable within one year	16.162,0	16.689,9
<b>total</b>	<b>83.768,9</b>	<b>61.035,8</b>
Balance of loans at the beginning of the year	61.035,8	39.514,2
Loans received	51.775,3	48.540,3
Loans repaid	-33.072,9	-21.732,9
Effect of exchange rates	4.030,7	-5.285,8
Balance of loans at 30 September 2008	83.768,9	61.035,8

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 ships "Venta" in May. The loan for the acquisition of these ships was received from AB SEB bankas. Loan repayment term is set till -2015.

**12. Income Tax Liabilities**

	2008-12-31	2007-12-31
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	-91,3	-2.067,3
Corporate income tax payable at the end of the year		91,3

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**13. Liabilities Related to Employment Relations**

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

**14. Provisions**

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

**15. Other Amounts Payable**

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

**16. Sales**

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

Time charter income decreased due to a lower 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.

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**17. Personnel expenses**

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

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

**18. Ship maintenance expenses**

	2008-12-31	2007-12-31	%
Address and brokers commissions	2341,7	2492,1	94,0
Supply	824,5	625,8	132,2
Spares and materials	13549,6	7905,4	171,4
Lubricants	2759,6	2683,7	125,9
Inspection, maintenance of lifesaving, fire safety equipment	734,1	614,0	119,6
Ship valuers services	1755,6	1394,6	125,9
Maintenance of radio, navigation equipment electronic device	1711,3	787,2	217,4
Insurance	3917,4	4648,4	84,3
Communication expences	233,7	191,7	121,9
Seamaps, navigation guides	256,5	311,7	82,3
Bunkers	166,3	469,5	35,4
Other expenses	4900,4	6752,2	72,6
<b>Total :</b>	<b>33153,7</b>	<b>28876,3</b>	<b>114,8</b>

**19. Other administrative and selling expenses**

	2008-12-31	2007-12-31	%
Bank services	137,0	160,7	85,3
Fuel used for cars, maintenance expenses	67,1	65,4	102,6
Computer programs, computers net maintenance expenses	132,3	111,0	119,2
Telecommunications and post services	235,3	205,5	114,5
Public services	73,0	56,2	129,9
Experts property valuation services	20,6	194,8	10,6
Property insurance, deductibles	293,9	323,8	90,8
Other expenses	156,2	556,6	28,1
<b>Total :</b>	<b>1094,8</b>	<b>1674,0</b>	<b>65,0</b>

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### 21. 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 4794210 by the number of ordinary shares at the end of the period – 200901296.

### 22. Cash Flow Statement

On 31.12.2008 the cash flow was of 5234,0 thousand LTL. The cash flow cut down by 17755,6 thousand LTL if it is compared with the beginning of the reported year.

The reason of reduction was the purchase of the mv Venta and increased amounts of bank loan repayments. In 2008 year 33072,9 thousand LTL was repaid and in 2007 year – 21732,9 thousand LTL.

### 23. Statement of Changes in Equity

At the end of 2008 year the company own capital was of 231.059 thousand LTL. Because of 19.727 thousand LTL cash loss the company own capital was decreased by 20.226 thousand LTL if it is compared with the beginning of the reported year.

### 24. 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 accountant and members of their families as related parties. In 2007 year 406,6 thousand LTL of the wages were paid to these persons and in 2008 year – 524,6 thousand LTL.

### 25. Post balance sheet events.

In 2008 year the company fleet had been employed under long term agreements ( time- charter parties ). The worldwide global crisis did not have a big effect on the results of the company activity for the reported year. But at the end of 2008 year and specially in the beginning of 2009 year the shipping freight market dramatically moved down. Daily hire rates of the company fleet declined by 35 – 45 per cent and terms of the charter parties were shortened up to 3 months. When the time charter parties expire the daily hire rates will be revised depending on the market situation. In 2009 year subject to the abovementioned the company financial situation will be getting worse but the preliminary forecast shows that the company will not loan money and bank loans will be repaid in accordance with the approved repayment schedules, wages will be paid without any delay and in full.

General Director



Vytautas Vismantas