

AKCINĖ BENDROVĖ
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

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

2011-02-28 Nr. (01)-5-55
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 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 2010, 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".

Public Company "Lithuanian Shipping Company"
General Director

Arvydas Bogočionkas

Public Company "Lithuanian Shipping Company"
Chief Accountant

Arvydas Stropus

**„ LIETUVOS JŪRŲ LAIVININKYSTĖ“
(LIMITED LIABILITY COMPANY)**

FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2010

AB „Lietuvos jūrų laivininkystė“

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

Financial statements for the period ended on 31 December 2010

(in thousands of Litas, if not specified otherwise)

Approved by general meeting of shareholders
of 2011
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 Malūnininku 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 2010 the Company had 370 employees, of which 49 in coast divisions and 321 on board.

On 31 December 2010 the Company's shareholders were:

	2010-12-31		2009-12-31	
	Number of shares	Ownership percent	Number of shares	Ownership percent
State Property Fund	9.235.145	4,6	9.596.998	4,78
Ministry of Transport and Communication	113.833.000	56,66	113.833.000	56,66
Swedbank AS (Estonia)	11.218.407	5,58	11.828.851	5,89
DFDS TOR LINE A/S	11.108.420	5,5	10.414.449	5,18
UAB koncernas "Ahemos grupe"	10.551.330	5,25	20.714.300	10,31
Other small shareholders	44.944.794	22,38	34.513.692	17,18

II. Accounting Policy

Compliance with the Standards

Financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations, approved by the International Accounting Standards Board (IASB) and provided for application in the EU Regulation EC 1606/2002, concerning the application of international accounting standards.

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Basis for Financial Statement Preparation

In the financial statements the numbers are presented in Litas. This currency is the functional currency of the Company. Annual financial statements are prepared on the basis of historic cost and accounting records managed in accordance with the laws and legal acts of the Republic of Lithuania.

When preparing the financial statements according to IFRS, approved for application in the EU, the management has to make estimates and evaluations for the assumptions, which then influence the application of accounting policy and numbers related to assets, liabilities, income and expenses. Evaluations and related assumptions are based on the historic experience and other factors, which correspond to the current conditions and on the basis of the results of which the conclusion on the residual values of assets and liabilities is made and which cannot be determined based on any other sources. Actual results may differ from the estimates.

Evaluations and related assumptions are reviewed constantly. The influence of the change in the evaluation is recognized in the period of evaluation review, if it has any influence on that period, or in the evaluation review period and future periods, if the evaluation influences both - the review and the future periods.

Standards, standard adjustments and interpretations valid in 2010

In 2010 the Company applied IAS 1 "Presentation of Financial Statements". The adjustment involves different changes including: introduction of new definitions, the changed methods for disclosing equity capital transactions and introduction of the new comprehensive income statement. The requirements, related to the presentation of the financial statements in the presence of the retrospective adjustments, were also changed.

The below stated standards, standard adjustments and interpretations are due to be applied on the reporting periods starting on (or after) the 1st of January 2010, but not applicable to the activities of the Company:

IFRS 1 „First-time Adoption of International Financial Reporting Standards“

IFRS 2 „Share-based payment“

IFRS 3 „Business Combinations (revised)“ and IAS 27 „Consolidated and Separate Financial Statements“ and the out coming adjustments made to IAS 7 „Statement of Cash Flows“, IAS 28 „Investments in Associates“ and IAS 31 „Interests in Joint Ventures“.

IFRS 7 „Financial Instruments: Disclosures“

IFRS 8 „Operating Segments“

IAS 32 „Financial Instruments: Presentations“

IAS 39 „Financial Instruments: Recognition and Measurement“

IFRIC 12 „Service Concession Arrangements“

IFRIC 13 „Customer Loyalty Programmes“

IFRIC 14 „IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction“

IFRIC 15 „Agreements for the Construction of Real Estate“

IFRIC 16 „Hedges of a Net Investment in a Foreign Operation“

IFRIC 17 „Distributions of Non-cash Assets to Owners“

IFRIC 18 „Transfers of Assets from Customers“

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 (revised)“

IAS 38 „Intangible Assets“

IAS 41 „Agriculture“

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Adjustments made to the following standards have no significant influence on the financial statements: IAS 40 „Investment Property“, IAS 16 „Property, Plant and Equipment“, IAS 36 „Impairment of Assets“, IAS 12 „Income Taxes“, IAS 21 „Changes in Foreign Exchange Rate“, IAS 23 „Borrowing Costs“.

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

Below stated standards, standard adjustments and interpretations are due to be applied on the reporting periods of the Company starting on or after the 1st of January 2010 or any later periods, but which the Company did not apply before time:

IAS 1 „Presentation of Financial Statements“ – the adjustment of a standard determines the presentation of convertible instruments in separate groups as current and non-current. Although it is not usual to classify the liabilities, issued as property securities, into current and non-current, but after supplementing the description of current liabilities with the assumption that if a party is allowed to not fulfil the liability for at least 12 months by transferring the property securities or paying in cash, the liability is recognized as non-current. The Company did not issue any such instruments, therefore the financial statements of the Company will not be influenced by the adjustment.

IAS 7 “Statement of Cash Flows” – the adjustment states that only expenses, which are recognized as assets in the statement of financial position (balance sheet), are attributable to the investing activities. The Company assumes the previous recognition of expenses will not differ significantly from the current requirements.

IAS 17 “Leases” – the adjustment removes the differences for classifying the land and building lease. Following the criterions stated in IAS 17, it is determined that the land lease might be classified either as operating lease or finance lease. The validation of the adjusted standard will not influence the financial statements of the Company.

IAS 36 “Impairment of Assets” – the adjustment is related to interpretation, which states that when applying the goodwill impairment test, the unit creating the largest amount of income might be recognized as the operating segment as it is determined in paragraph 5 in IFRS 8, i.e. before the integration of similar segments. The adjustment is not relevant to the Company and therefore will have no influence of the financial statements of the Company.

IAS 38 “Intangible Assets” – the adjustments are related to the requirements in IFRS 3, concerning the accounting and fair value application of the intangible assets, acquired when joining the ventures. The adjustments are not relevant to the Company and therefore will have no influence of the financial statements of the Company.

IAS 39 “Financial Instruments: Recognition and Measurement” – the adjustment involves different changes, including: fines, related to the previous loan return, are recognized as related derivative instruments; interpretations of exceptions applied on joint ventures; assurance by applying internal contracts; supplemented interpretations on cash flow assurance. The adjustments will not influence the financial statements of the Company.

IAS 32 “Financial Instruments: Presentation” – the adjustment specifies the recognition criterions, which determine whether the financial instrument should be recognized as financial liability or as the equity instrument. The adjustment will not influence the financial statements of the Company significantly.

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IAS 18 "Revenue" is supplemented with references on the subject of determining whether the Company operates as the main service provider or as the intermediate. The supplement will not influence the financial statements of the Company.

Changes in the Accounting Principles

The below stated accounting principles of the Company were systematically applied on all periods presented in the financial statements.

Transactions in Foreign Currency

Transactions in foreign currency are evaluated in Litas regarding the official foreign currency exchange rate announced by the Bank of Lithuania on the day of the transaction. Monetary assets and liabilities in foreign currency are evaluated in Litas regarding the foreign currency exchange rate on the day of the statement of financial position. All operations pursued in Euros were converted applying the fixed exchange rate announced by the Bank of Lithuania (1 EUR=3,4528 LTL) and the accounts in US dollars are recalculated applying the exchange rate where 1 USD=2,6099 LTL.

Differences in currency exchange rates, occurred after the operations were pursued, are recognized in the income statement. Non-monetary assets and liabilities in foreign currency and recognized at fair value are recalculated in Litas at the foreign currency exchange rate on the day of value determination.

Derivative Financial Instruments

The Company did not apply any derivative financial instruments during the periods ended on December 31, 2010.

STATEMENT OF FINANCIAL POSITION

(a) 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 actual acquisition or production cost of the assets less the accumulated depreciation and impairment in value.

Depreciation is calculated from the first day of the next month after the non-current asset is started to be used. Calculations of depreciation are discontinued from the first day of the next month after the asset is written-off or sold and all the value of non-current asset in use (less the liquidation value) is transferred into the cost of products (goods or services). The assets are depreciated on the basis of the straight-line method.

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

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The management determines the useful life of an asset at the moment of acquisition, thereafter it is being 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 value of repair works for non-current tangible assets is recognized as the expenses of the reporting period they were incurred in, if the repair works do not improve the beneficial features of the assets for a couple of years (and the repair expenses will not generate future income).

The asset evaluation 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 the recoverable value. All losses related to impairment are presented in the income statement.

As the requirements of classification company state, the ships are repaired periodically: every five years the class of ship is confirmed after the repair (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.

(b) Non-current Intangible Assets

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

(c) Inventories

Inventories are recognized at the lower of the acquisition cost and net realisable value. In order to determine the cost of inventories, FIFO method is applied. Net realisable value is estimated as expected selling price less the expenses related to the sale.

When inventories are purchased from other parties, their acquisition cost 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 the received discounts and rebates. When the amounts of inventory transportation and preparation for use are insignificant or constant for several reporting periods, they 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 in value and non-current amounts receivable are measured at a discounted value less any impairment loss in value.

(e) Cash and Cash Equivalents

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

In the statement of cash flows, cash and cash equivalents comprise cash on hand, in bank accounts, in current accounts and deposits. Income and losses, which are not realized and occurred due to the changes in foreign currency exchange rate, are not recognized as cash flows. However, influence of changes on the

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cash and cash equivalents, maintained or paid in foreign currency, is presented in the statement of cash flows in order to compare the cash and cash equivalents at the beginning of the period with the cash and cash equivalents at the end of the period. The amount of influence is presented separately from the operating, investing and financing cash flows and includes the differences of currency exchange, if such are present, which were determined in the cash flows at the end of the period.

(f) Borrowings

Borrowing costs are recognized as expenses when they are incurred. At the initial recognition, borrowings 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 the loan is included into the profit or loss for the period. Borrowings are recognised as non-current if the financing agreement signed before the date of the financial statements' approval confirms the liability is long-term in substance on the day of the balance sheet date.

(g) Provisions

Provisions are recognised when and only when the Company has a legal obligation or irrevocable commitment as a result of the 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 current value of outflows, which are expected to be required for the settlement of obligation. When the discounting is used, an increase in provision reflecting the past period is recorded as interest expenses.

(h) Income Tax

Calculation of income tax is based on the annual 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. Standard income tax rate of 15% is applicable to Lithuanian entities, but in 2007 the Company decide to pay the tonnage tax and calculates the income tax regarding the tonnage of owned ships. Deferred income tax assets and liabilities are not further calculated, because according to the Income Tax Law of the Republic of Lithuania no temporary differences occur.

Regarding the amendment and supplement to the Income Tax Law of the Republic of Lithuania on May 3, 2007, AB "Lietuvos jūrų laivininkystė" chose to calculate a fixed rate income tax for the tax period beginning on 2007 and subsequent tax periods. The base of the fixed rate 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.

(j) 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

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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 arisen when performing currency transactions or revaluating currency entries registered earlier, are recognised as income or expenses from financing activities of the related reporting period.

(k) 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 accumulations 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.

(l) Transactions with Related Parties

The Company considers members of the board, general director, director for chartering, technical director, director for finance, chief accountant and their family members to be the related parties. The Company is not related to any legal parties.

STATEMENT OF COMPREHENSIVE INCOME

(a) Segments

Accountable segments are actively operating segments, which meet the stated criteria. The Company receives separate financial information on these segments and the management makes decisions on evaluation of operating results on the basis of this information. Operating segments have separate segment liabilities, segment assets, particular income and expense item evaluations, gross profit (loss) and they are all corresponding to the financial statements of the Company. The Company operates in one market sector and therefore the operating segments are not distinguished.

(b) Income Recognition

The moment of rendering services is recognised as the moment of income earning. Transaction of service provision is completed when the buyer pays for the 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 the accounts as an increase in the Company's liabilities to trade partners. In this case, income is recognised when the services are rendered.

(c) Recognition of Expenses

The cost of rendered services is always connected with the services rendered during the reporting period. It comprises a portion of expenses incurred during the reporting period in order to render the services. When it is impossible to directly relate the expenses of the reporting period with the earning of the particular income and they are also not going to generate income in the future periods, they are recognised as income of the period when they are incurred.

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GENERAL NOTES ON THE FINANCIAL STATEMENTS

(a) Use of Estimates in Preparation of Financial Statements

When preparing the financial statements, the management has 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 the estimates, include depreciation, evaluations of impairment and provisions. Future events may influence the assumptions used to make the estimates. The results of such changes in estimates will be presented in the financial statements when they are determined.

(b) Contingencies

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

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

(b) Events after the Balance Sheet Date

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

(c) Factors of Financial Risk

Market insecurities

The long-running worldwide liquidity crisis resulted in lower liquidity levels in the economy, lower level of capital market funding and lower liquidity. The economy in Lithuania and the European Union experienced the slowdown, which influenced and might still influence the activities of the companies operating in shipping business. The financial statements provide management evaluations concerning the influence of worldwide and Lithuanian business environment on the activities and financial position of the Company. Further development in the business environment might differ from the evaluations by the management.

Losses of Impairment in Non-current Assets

The Company reviews the residual values of non-current assets at each date of the statement of financial position (balance sheet) to determine whether there are indications of impairment. If such indications are noticed, the recoverable amounts of the assets are calculated. With the purpose to test the impairment in asset value, assets, which earn cash in the process of non-interrupted usage and generally do not depend on the net cash inflows generated by other assets or asset groups (units generating net cash), are grouped together into the smallest possible groups.

A recoverable amount is the higher of the net realisable value and the value in use. Asset value in use is calculated by discounting the future cash flows to the current value applying the pre-tax discount rate, which reflects the objective market assumptions on cash value in time and the risk related to the asset. The recoverable value of an asset, which does not generate cash inflows independently, is determined in line with the recoverable value of the unit, which generates the cash and to which the asset is attributable.

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Losses of Impairment in Amounts Receivable

The Company reviews the amounts receivable at least once in a quarter of the year. In order to determine whether the impairment in value should be recognized in the income statement, the Company evaluates the existence or non-existence of the evidence, which prove the sufficient decrease in the future cash flows, related to the portfolio of amounts receivable, until the decrease of the particular amounts receivable in the portfolio is determined. Evidence might comprise information providing for the negative change in debt repayment status, economic conditions in the country or region, which influence the amounts receivable.

Following the historic experience on the losses, related to the amounts receivable and similar credit risk, the management evaluates probable cash inflows from the debtors. Methods and assumptions, applied when evaluating the amounts and the duration of future cash flows, are regularly reviewed in order to decrease differences between the calculated and actual amounts of losses.

Capital Management

In order to maintain the trust of the investors, creditors and other market participants, to support the future development of activities and correspond to the external capital requirements, the policy of the Company requires maintaining a significant amount of equity capital when compared to the borrowed funds. The capital comprises equity capital belonging to the owners.

The management also seeks to maintain the balance between the higher return, which could be acquired through the higher level of borrowed funds, and the security provided by the higher level of equity capital.

The Company manages the capital structure and corrects it regarding the changes in economic circumstances and the nature of operating risk. In order to maintain or correct the capital structure, the Company might correct dividend pay out to the shareholders, return the capital to the shareholders or emit new shares.

III. Explanatory Notes to Accounts

1. *Non-current Intangible Assets*

	Computer software
Acquisition cost	
31 December 2008	360,8
Acquisitions	-
Write-offs	-
31 December 2009	360,8
Acquisitions	26,6
Write-offs	-
31 December 2010	387,4
Accumulated amortisation	
31 December 2008	303,5
Calculated during the period	22,2
31 December 2009	325,7

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Calculated during the period	22,4
31 December 2010	348,1
Carrying amount	
31 December 2008	57,3
31 December 2009	35,1
31 December 2010	39,3

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

2. Non-current Tangible Assets, in thousand LTL

	Buildings and construction	Plant and machinery	Ships	Other transport means	Repairs	Other tangible assets	Total
Acquisition value							
31 December 2008	3.672,4	1.202,0	491.226,0	801,8	8.245,8	567,5	505.715,5
Acquired		2,3	1.019,4		2.942,8	38,3	4.002,7
Written-off(-)		(385,8)	(7.951,6)		(5.869,4)	(49,5)	(12.256,4)
31 December 2009	3.672,4	818,4	484.293,7	801,8	5.319,2	556,2	495.461,8
Acquired	-	20,6	211,0	60,2	2.765,8	13,4	3.071,0
Reclassifications	-	(25,8)	25,8				
Written-off(-)		(22,5)	(28.536,1)	(612,4)	(3.500,0)	(50,7)	(32.721,7)
31 December 2010	3.672,4	790,7	455.994,4	249,6	4.585,0	519,0	465.811,1
Reversed impairment							
31 December 2008			(61.406,9)				(61.406,9)
31 December 2009			(61.406,9)				(61.406,9)
31 December 2010			(61.406,9)				(61.406,9)
Accumulated depression							
31 December 2008	355,5	939,1	128.096,2	666,3		340,8	130.397,7
Accounted for the period	50,6	105,6	27.349,2	80,0		61,7	27.647,2
Written-off(-)		(358,8)	(7.479,7)			(44,2)	(7.909,8)
31 December 2009	406,0	658,9	147.965,7	746,3		358,3	150.135,2
Accounted for the period	50,6	95,2	25.861,1	22,1		56,8	26.085,8
Reclassifications		(25,8)	25,8				
Written-off(-)		(22,5)	(10.436,3)	(612,3)		(25,2)	(11.096,3)
31 December 2010	456,6	705,8	163.416,4	156,1		389,9	165.124,8
Carrying amount							
31 December 2008	3.317,0	262,9	301.722,8	135,5	8.245,8	226,7	313.910,8
31 December 2009	3.266,4	159,5	274.921,0	55,5	5.319,2	198,0	283.919,6
31 December 2010	3.215,8	84,9	231.171,1	93,5	4.585,0	129,1	239.279,4

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Ships

Capital tangible asset of Lithuanian Shipping Company for the financial year ended included 11 vessels, administration building, vehicles, machinery and equipment. M/V "Svilas" was sold in January; M/V "Staris" was sold in February of 2010.

The vessels are mortgaged for the loans with SEB bankas (See Note 9).

All vessels, except M/V "Alka", were hired under long-term time charters, concluded for the period of 6 months with subsequent extensions. M/V "Alka" was hired under short-term voyage charters, since the company was operating the vessel by itself. In time charter, income is received in US dollars. In 2010, there were no cases of demurrage, except repair or emergency cases.

In 2010, current value of the vessels, in consideration of the technical condition, terms of handling of the vessels, and earnings, is correspondent with the market value and was not depreciated. In the beginning of the year, the cash flows, generated by the vessels, have reduced, however, since July the company has negotiated 20-30% higher freight rates, which measured up to the market conditions. In view of the above, there are no attributes affecting depreciation of the vessels.

3. Ship Repairs

Ship repairs expenses of LTL 4585,0 thousand were recognized as assets.

This amount will be transferred to expenses according to the table below:

of which planned write-offs to expenses in:

2011 m.	-	LTL 2760,6 thousand
2012 m.	-	LTL 1656,7 thousand
2013 m.	-	LTL 167,7 thousand

4. Inventories and Prepayments

	31-12-2010	31-12-2009
Ships bunker	690,4	574,2
Spare parts	466,5	717,5
Food provision on ships	150,4	149,0
Prepayments	1319,2	1674,6
Total:	2626,5	3115,3

On 31-12-2010 690,4 thousand LT was paid for bunkers of the mv Alka under short term charter parties.

5. Amounts Receivable

	31-12-2010	31-12-2009
Trade debtors	1332,5	498,7
Foreign trade debtors	3054,5	455,9
Amounts receivable from State budget	15,3	22,0
Prepayments to ships	119,6	127,8
Other amounts receivable	37,6	11,7
Total:	4559,5	1116,1

For the year ended 31/12/2010, the accounts receivable increased due to that M/V "Alka" did not receive income in the amount of 1238,6 thousand LTL in the end of December. Income was received in January. Foreign accounts receivable are bad amounts, which may be received in 2011, whereof: 1304,9 thousand LTL – deposit for withholding of M/V "Deltuva" in Puerto Rico in May 2010, 1116,8 thousand LTL – for

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emergency insured events involving the vessels "Alka", "Akvilė", and "Raguva", 605,1 thousand LTL – expenses for the lawyers in regard to withholding of M/V "Deltuva".

6. Cash and Cash Equivalents

	31-12-2010	31-12-2009
Cash in national currency	135,9	14,4
Cash in banks in foreign currencies	1896,5	1189,8
LJL's cash in hand in national currency	7,1	3,7
LJL's cash in hand in foreign currencies	27,1	33,7
Total:	2066,6	1241,6

7. Capital

	Authorised capital	Share premiums	Total
31 December 2009	200901,3	-	200901,3
New emission of shares	-	-	-
Acquisition of own shares	-	-	-
31 December 2010	200901,3	-	200901,3

On 31 December 2010 the Company's authorised capital consisted of 200 901 296 ordinary registered shares. With par value of LTL 1 for each share.

8. Reserves

	31-12-2010	31-12-2009
Compulsory legal reserves	1283,3	20090,1
Reserve for acquisition of ships	-	10001,8
Reserve for employees' bonuses	-	45,3
Reserve for social and cultural activities	-	21,0
Total:	1283,3	30158,2

Reserves in 2010 decreased after covering the loss of 2009.

9. Financial Liabilities (to credit institutions)

	31-12-2010	31-12-2009
Payable after one year	53183,8	62594,6
Payable within one year	22817,8	10874,3
total	76001,6	73468,9
Balance of loans at the beginning of the year	73468,9	83768,9
Loans received	-	-
Loans repaid	-3628,0	-9350,1
Effect of exchange rates	6160,7	-949,9
Balance of loans at 31 December 2010	76001,6	73468,9

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All financial debts of Lithuanian Shipping Company to the bank are ensured with the asset. 11 vessels (M/V "Alka" and M/V "Skalva" were mortgaged in Q4) are mortgaged at the book value of 231170,9 thousand LTL.

Total balance of the loan of AB SEB bankas for the year ended 31/12/2010 amounted to 76001,6 thousand LTL, whereof:

- 9.395,6 thousand LTL (3600,0 thousand USD) for acquisition of M/V "Romuva" and M/V "Voruta". Due date for redemption of the loan – 15/03/2011;
- 45.726,8 thousand LTL (17520,5 thousand USD) for acquisition of M/V "Venta". Due date for redemption of the loan – 27/02/2015;
- 20.879,2 thousand LTL (8000,0 thousand USD) for acquisition of M/V "Raguva" and M/V "Deltuva". Due date for redemption of the loan – 19/02/2012.

The loans are subject to variable interest rate related to 6 months LIBOR (USD). In 2010, the loans were partially restructured and fully translated to payment currency USD, since the company earns income in USD. Under the credit agreement, signed with SEB bankas, the company must comply with the following financial indexes: capital index and credit repayment coefficient. Cash flows have decreased in the beginning of 2010 due to economic crisis; it was the main reason of non-compliance with the indexes, established by the bank. Following increase in freight income in the end of 2010, the amendments to credit agreements were made after negotiations with the bank and in Q4 the company started repaying the agreed loan amounts as per approved schedule by installments.

10. Income Tax Liabilities

The company pays a fixed profits tax. For the year ended 2010, fixed profits tax payable amounted to 67,0 thousand LTL.

11. Liabilities Related to Employment Relations

	31-12-2010	31-12-2009
Provision for annual leaves (salaries)	1144,3	1342,6
Provision for annual leaves (social insurance)	354,4	415,9
Payable salaries	-	586,2
Payable social insurance contributions	350,3	362,3
Amount payable to guarantee fund	0,9	0,9
Total	1849,9	2707,9

12. Provisions

	31-12-2010	31-12-2009
Provisions for not received invoices	1619,9	847,6

13. Other Amounts Payable

	31-12-2010	31-12-2009
Debts to suppliers	986,0	5921,1
Prepayments from clients	4536,0	3687,9
Dividends payable	96,8	98,4
Accrued expenses	357,2	407,9
Other liabilities	6,4	6,0
Total	5982,4	10121,3

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The company fully covered its former accounts payable after increasing its freight income in the second half of 2010.

14. Sales

Sales revenue, LTL thousand	31-12-2010	31-12-2009	%
Income from time charter	53872,5	53873,6	100,0
Other income from time charter	-	534,4	-
Income from short-term freight contracts	8145,7	4418,7	184,3
Other income	168,2	387,1	43,5
Total:	62186,4	59213,8	105,0

Freight income of short-term charter parties in 2010 increased by 84,3%, since the company has been operating M/V "Alka" by itself, earning any and all income.

15. Cost of sales

	2010-12-31	2009-12-31	%
Crew expenses	17306,7	20616,3	83,9
Depreciation	25904,1	27392,7	94,5
Repair expenses	9514,1	11500,0	82,7
Spare parts	5719,2	6301,3	90,8
Ship functional expenses	3432,9	4858,0	70,7
Fuel	3445,7	2353,9	146,4
Lubricants	2393,9	2554,6	93,7
Insurance	3510,5	4115,5	85,3
Broker, address commission	2037,6	1826,9	111,5
Port charges and taxes	1195,9	709,9	168,5
Other ships expenses	5205,6	3747,4	138,9
Total:	79666,2	85976,5	92,7

Decrease in crew cost during the accounting period of 2010 as compared with 2009 was determined by a smaller number of the vessels as well as decrease cost minimization during crisis.

Increase in fuel cost in 2010 was determined by the fact that M/V "Alka" was hired under short-term charter parties and that the company has been operating the vessel by itself.

16. Administrative expenses

	2010-12-31	2009-12-31	%
Employee expenses	3348,9	3388,4	98,8
Amortization and depreciation	204,1	276,7	73,8
Premise maintenance	104,1	98,7	105,5
Transport expenses	75,5	71,6	105,4
Business maintenance expenses	143,1	144,0	99,4
Communication services	100,5	135,5	74,2
Bank services	138,7	98,8	140,8
Consulting, legal services	44,7	65,7	68,0
Asset insurance and insurance franchise	592,1	384,2	154,1
Other expenses	369,0	266,3	138,6
Total:	5120,7	4929,9	103,9

Bank service cost in 2010 increased as a result of reformation of available credit liabilities.

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17. Other operating income

	2010-12-31	2009-12-31	%
Income from sale of non current assets	10093,0	5041,9	-
Remaining value of sold tangible assets	(18123,0)	(476,0)	-
Net income from sale of non current assets	(8030,0)	4565,9	-
Other operating income, net	11,4	42,0	-
Total :	(8018,6)	4607,9	-

18. Financing and Investing Activities

	31-12-2010	31-12-2009	%
Received interests	0,2	29,4	-
Positive effect of changes in currency exchange rates	-	590,3	-
Paid interests	(2250,4)	(2267,9)	-
Negative effect of changes in currency exchange rates	(6171,0)	-	-
Total:	(8421,2)	(1648,2)	-

19. Profit (Earnings) per Share

Profit per share is calculated by dividing net profit (loss) of the period, belonging to the holders of shares (39134177 LTL), by the number of ordinary shares – 200901296 – in the end of the period.

20. Cash Flow Statement

Cash for the period ended (31/12/2010) totaled 2066,6 thousand LTL and since the beginning of the year increased by 825,0 thousand LTL. Increase took place due to higher freight rates, signed in the second half of the year.

21. Statement of Changes in Equity

Owner's equity for the year ended 2010 amounted to 163050,5 thousand LTL and, as compared to the beginning of the period, decreased by 39134,2 thousand LTL due to 39134,2 thousand LTL loss in the accounting period.

22. Related Party Transactions

The persons associated with the company are members of board, general director, director of chartering department, technical director, financial director, chief accountant and their family members. 507,6 thousand LT of salaries in 2009 year and 455,8 thousand LT salaries in 2010 year were calculated to the above persons.

23. Segments

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

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24. Capital management policy

To manage and maintain the capital structure the Company might sell the assets in order to reduce the debts.

Liability – equity ratio

	31.12.2010	31.12.2009
Total liabilities	85.520,8	87.244
Less the cash and cash equivalents	2.066,6	1.242
Liabilities in net amount	83.454,2	86.002
Total equity	163.050,5	202.184
Plus the subordinated debt instruments		-
Less the change in fair value of assurance instruments recognized in the equity		-
Adjusted equity capital	163.050,5	202.184
Liability – equity ratio	0,51	0,43

Liability – equity ratio increased slightly due to the decrease in the equity capital.

25. Financial means

Credit risk

Credit risk or risk of default of the partners is controlled by applying credit terms and procedure control. Residual value of financial asset reflects maximum credit risk, which as of the date of financial statement was as follows:

	31.12.2010	31.12.2009
Prepayments	1.319,2	1.675
Trade receivables	4.387,0	955
Accumulated income and other amounts receivable	172,5	161
Less the doubtful amounts receivable		
Cash and cash equivalents	2.067,0	1.242
TOTAL:	7.945,7	4.033

Liquidity risk

The company, with a view to avoid the liquidity risk, maintains sufficient flow of cash and cash equivalents or has financing through respective credit, planning in advance as well as controlling cash flows. The company has not approved a liquidity index to aspire to; however, the management shall aim at keeping the balance between unattractiveness and flexibility of financing. Liquidity indexes of the company are exhibited in Note 26. The company does not have financial asset.

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Currency rate, interest rate, and other risks

Transactions of the company take place in Euros, US dollars, and Litas, therefore, there is a risk of currency rate fluctuation and exchange.

The loans of the company are taken in US dollars with a variable interest rate. Interest rate is not high and does not have major effect on the activities of the company.

Future cash flows

Book value of the asset (vessels) currently covers any and all benefits in cash, since the asset (vessels) is prepared and continuously used to earn income (with the exception of scheduled repairs).

26. Financial indexes

	Calculation	31.12.2010	31.12.2009
Gross debt rate	$\frac{\text{Total liabilities}}{\text{total assets}}$	0,34	0,30
Gross solvency rate	$\frac{\text{Equity capital}}{\text{Total liabilities}}$	1,91	2,32
Gross profitability	$\frac{\text{Gross profit}}{\text{Sales and services}}$	-0,28	-0,07
Rate of gross current solvency (gross liquidity)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0,29	0,22
Number of times in turnover of accounts receivable	$\frac{\text{Sales and services}}{\text{Accounts receivable}}$	14,17	62,00

Maximum income risk constitutes risk of amounts receivable. The company has introduced the following income policy – the buyers shall pay in advance for shipping services.

The loan of the company constitutes the loans with a variable interest rate related to 6 months USD LIBOR.

27. Unclassified assets and liabilities

M/V "Deltuva" was withheld in San Juan (Puerto Rico) harbor in 2010. Investigation was still not closed in 2010. The company does not anticipate losses as a result of this event. Deposit in regard to this event (500 thousand US dollars) has not been redeemed. The entire business, eventual damages, as well as accidents of the company are covered with insurance. The company has not issued any guarantees.

General Director

Arvydas Bogočionkas

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(company name)

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31 December, 2010

Approved by the Annual General Meeting of Shareholders

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STATEMENT OF FINANCIAL POSITION

31 December 2010

In Thousand of Litas

	Notes No.	2010-12-31	2009-12-31
Intangible assets	1	39	35
Tangible assets	2,3	239.279	283.920
<i>Total non-current assets</i>		<i>239.318</i>	<i>283.955</i>
Inventories	4	1.307	1.441
Prepayments	4	1.319	1.675
Trade receivables	5	4.387	955
Other amounts receivable	5	173	161
Term deposits	6	0	0
Cash and cash equivalents	6	2.067	1.242
<i>Total current assets</i>		<i>9.253</i>	<i>5.474</i>
<i>Total assets</i>		<i>248.571</i>	<i>289.429</i>
Authorized capital	7	200.901	200.901
Legal reserve	8	1.283	20.090
Other reserves	8	-	10.068
Retained profit		(39.134)	(28.875)
<i>Total equity</i>		<i>163.050</i>	<i>202.184</i>
Payables to credit institutions	9	53.184	62.595
<i>Total non-current liabilities</i>		<i>53.184</i>	<i>62.595</i>
Payables to credit institutions	9	22.818	10.874
Trade payables	13	986	5.921
Received prepayments	13	4.536	3.688
Employment related payables	11	1.850	2.708
Income tax liabilities	10	67	98
Provisions	12	1.620	848
Other amounts payable	13	460	513
<i>Total current liabilities</i>		<i>32.337</i>	<i>24.650</i>
<i>Total shareholders' equity and liabilities</i>		<i>248.571</i>	<i>289.429</i>

General Director

Arvydas Bogočionkas

AB "Lietuvos jūrų laivininkystė"

(company name)

110865039, Malūnininkų g.3, LT-92264 Klaipėda

(company code, address)

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Shareholders

As at2011, Minutes No.

STATEMENT OF COMPREHENSIVE INCOME

31 December 2010

In thousand of Litas

Nr.		Notes	31 December, 2010	31 December 2009	October-December 2010	October-December 2009
	Revenue	14	62171,9	59180,8	18813,3	12978,2
	Cost of sales	15	(79666,2)	(85976,5)	(19365,3)	(23228,9)
	Gross profit		(17494,3)	(26795,7)	(552,0)	(10250,7)
	Administrative expenses	16	(5120,7)	(4929,9)	(1015,6)	(1044,5)
	Distribution expenses		(14,0)	(6,4)	(11,4)	(6,3)
	Other operating income, net	17	(8018,6)	4607,9	4,8	3,0
	Operating profit before financing cost		(30647,6)	(27124,1)	(1574,2)	(11298,5)
	Financial income	18	0,2	619,8	0,1	(1225,5)
	Financial expenses	18	(8421,4)	(2267,9)	(2738,9)	(356,0)
	Net financial cost/income	18	(8421,2)	(1648,1)	(2738,8)	(1581,5)
	Profit (loss) before tax		(39068,8)	(28772,2)	(4313,0)	(12880,0)
	Income tax		(65,3)	(102,6)	(65,3)	0
	Total comprehensive income, net of income tax		(39134,1)	(28874,8)	(4247,7)	(12880,0)
	Profit per share (Litas)	19	(0,19)	(0,14)	(0,02)	(0,06)

General Director



Arvydas Bogočionkas

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STATEMENT OF CASH FLOWS**31 December, 2010**

In Thousand of Litas

	Notes Nr.	31 December 2010	31 December 2009
Operating cash flows			
Net profit (loss)		(39.134,2)	(28.875)
Corrections due to:			
Depreciation and long-term repair	2	29.608,2	33.540
Influence of foreign currency profit (losses)	18	6.160,7	(774)
Impairment of assets	2	-	
Income from investments		8.030,0	(4.566)
Interest expenses (net)	18	2.280,2	2.238
Current income tax	10	67	104
Changes in deferred income tax and provisions	12	772,3	(111)
Decrease (increase) in amounts receivable	5	(3.088,0)	576
Increase (decrease) in amounts payable	13	(4.996,8)	4.040
Decrease (increase) in inventories	4	133,4	(429)
Operating income			
Paid income taxes		(1,7)	(6)
Paid interests	18	2.250,4	(2.268)
Net cash flows from operating activities		(2.449,3)	3.469
Cash flows from investing activities			
Acquisition of non-current assets	2	(3.071,0)	(4.002)
Transfer of non-current assets	2	9.964,2	6.042
Received dividends, interests	18	0,2	30
Cash flows from investing activities		6.893,4	2.070
Cash flows from financing activities			
Dividends paid to the shareholders		(1,6)	(5)
Received loans		-	
Returned loans	9	(3.628,0)	(9.350)
Cash flows from financing activities		(3.629,6)	(9.355)
Influence of changes in currency exchange rates on the cash and cash equivalents		10,5	(176)
Total net cash flows		825,0	(3.992)
Net cash and cash equivalents on 1 January		1.241,6	5.234
Net cash and cash equivalents on 31 December		2.066,6	1.242

General Director

Arvydas Bogočionkas

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As at _____ 2011, Minutes No. _____.

STATEMENT OF CHANGES IN EQUITY**31 December 2010**

In Thousand of Lit

	Authorized capital	Legal reserve	Other reserves	Retained profit (loss)	Total
<i>Balance as at 31 December 2007</i>	200.901	10.467	9.780	30.137	251.285
Comprehensive income for the reporting period				(19.727)	(19.727)
Dividends				(499)	(499)
Formed reserves		9.623	29.795	(39.418)	---
Used reserves		---	(9.780)	9.780	---
<i>Balance as at 31 December 2008</i>	200.901	20.090	29.795	(19.727)	231.059
Comprehensive income for the reporting period				(28.875)	(28.875)
Used reserves			(19.727)	19.727	---
<i>Balance as at 31 December 2009</i>	200.901	20.090	10.068	(28.875)	202.184
Comprehensive income for the reporting period				(39.134)	(39.134)
Used reserves		(18.807)	(10.068)	28.875	
<i>Balance as at 31 December 2010</i>	200.901	1.283		(39.134)	163.050

General Director

Arvydas Bogočionkas