

AKCINĖ BENDROVĖ  
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY  
"LITHUANIAN SHIPPING COMPANY"

Attn.: The Securities Commission of the  
Republic of Lithuania  
Konstitucijos pr. 23  
LT – 08105 Vilnius

Date 28 04 2008

Our ref (01)-5-222a

Your ref

#### CONFIRMATION OF THE RESPONSIBLE PERSONS

With reference to the Law on Securities of the Republic of Lithuania, Article 22, and the Rules of the Securities Commission of the Republic of Lithuania on preparation and submission of the periodical and further information, we, Vytautas Petras Vismantas, Director General, and Arvydas Stropus, Accountant General of the Public Company „Lithuanian Shipping Company“, hereby confirm that to the extent of our knowledge the enclosed financial statement of the Public Company „Lithuanian Shipping Company“ for the year ended 2007, made in accordance with the International Financial Reporting Standards, corresponds to the facts and properly demonstrates the assets, liabilities, financial state, profit, and loss of the Public Company „Lithuanian Shipping Company“.

We further confirm that to the extent of our knowledge the enclosed report for the year ended 2007 contains the properly indicated review of business development and activities of the company as well as the state of the company together with the description of the main risks and uncertainties that the company faces.

#### Enclosed:

Financial statement of the Public Company „Lithuanian Shipping Company“ for the year ended 2007;  
Annual report of the Public Company „Lithuanian Shipping Company“ for the year ended 2007.

Public Company „Lithuanian Shipping Company“  
Director General



Vytautas Petras Vismantas

Public Company „Lithuanian Shipping Company“  
Chief Accountant

Arvydas Stropus

UAB FMĮ „Jūsų tarpininkas“ hereby certifies that the present report has been prepared by applying the information, submitted by the Public Company „Lithuanian Shipping Company“, Public Company „Lithuanian Shipping Company“ shall be liable for the propriety of the information submitted. Marius Dubnikovas, Financial broker of UAB FMĮ „Jūsų tarpininkas“, shall be liable for due execution of the annual report as well as putting down of the information that meets the requirements of the laws.

UAB FMĮ „Jūsų tarpininkas“  
Financial Broker



Marius Dubnikovas

**“LITHUANIAN SHIPPING COMPANY”  
(PUBLIC COMPANY)**

**CONCLUSION OF THE INDEPENDENT AUDITOR, FINANCIAL  
STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007, AND  
ANNUAL INFORMATION**

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## CONCLUSION OF THE INDEPENDENT AUDITOR

**ATTN.: THE SHAREHOLDERS OF THE PUBLIC COMPANY „LITHUANIAN SHIPPING COMPANY“**

### Conclusion on the financial statement

We have performed the audit of the financial statement of the Public Company “LITHUANIAN SHIPPING COMPANY” (hereinafter referred to as the Company), given in pages 5-21, which consists of the balance-sheet of 31 December 2007 and profit (loss) statement, statement of changes in equity, cash flow statements for the year ended, as well as generalized significant accounting principles and other comments of the explanatory letter.

### Liability of the management for the financial statement

The management shall be liable for the preparation of the present financial statement and correct submission thereof in accordance with the International Financial Reporting Standards, approved for application within the European Union. The present statement covers the following: development and maintenance of the internal control system, intended for the preparation of the financial statement and correct submission thereof without any significant inaccuracies that may occur due to fraud or error; selection and application of due accounting principles; and, according to the situation, performance of due accounting assessments.

### Liability of the auditor

Our duty, based on the audit performed, is to comment the present financial statement. We have performed the audit in accordance with the International audit standards. These standards require that we meet the requirements of professional ethics as well as plan and perform the audit in a way that we could reasonably assure that the financial statement does not contain any significant inaccuracies.

The procedures, intended to receive the audit evidence, confirming the amounts and disclosures in the financial statement, are performed during the course of the audit. The selected procedures are subject to the auditor’s professional decision as well as risk assessment of the significant inaccuracies due to fraud or error in the financial statement. By taking this risk into account, the auditor shall consider the internal controls of the Company, related to the preparation of the financial statement and correct submission thereof in order to determine due audit procedures under those circumstances, however, not to comment the efficiency of internal controls of the Company. The feasibility of the accounting principles applied, validity of the accounting assessments, performed by the management, as well as general presentation of the financial statement is also assessed during the course of the audit.

We think that the audit evidence received provides sufficient and due grounds for our audit v.

### Opinion

In our opinion, the enclosed financial statement provides a real and correct picture of the financial statement of the Company of 31 December 2007 as well as results of the activities and cash flows of the Company for the year ended in accordance with the International Financial Reporting Standards, approved for application within the European Union.

Conclusion of other information to be submitted within the framework of the law

Moreover, we have read the annual report, given in pages 21-60, together with the Appendix for the year ended 31 December 2007, and we have not observed any significant inaccuracies in respect of the financial information, given therein, as compared with the audited financial statement for the year ended 31 December 2007.

UAB “Moore Stephens Vilnius”  
(License No. 001226)

Director and Auditor D. Pranckėnienė  
(License No. 000345)

7 March 2008  
Vilnius

**BALANCE-SHEET (part of the assets, thousands of Litass, if not indicated otherwise)**

	Comment No.	For the year ended 31 December	
		2007	2006
Computer software	1	7,3	10,8
Fixed intangible assets		7,3	10,8
Buildings and plant		3.390,3	3.447,4
Machinery and equipment		3.005,6	2.542,6
Vehicles		300,7	384,2
Vessels		274.181,5	240.042,8
Repairs		3.510,2	5.436,1
Other tangible assets		253,8	178,6
Fixed tangible assets	2, 3	284.642,1	252.031,7
Prepayments for the fixed assets	2	7.990,9	
Deferred tax assets	4		5.216,2
Other tangible assets		7.990,9	5.216,2
Total fixed assets		292.640,3	257.258,7
Raw materials and consumables	5	2.329,5	813,2
Prepayments	5	935,2	836,0
Trade debtors	6	591,3	545,2
Other amounts receivable	6	370,0	200,0
Short term investments		0,0	0,4
Term deposits	7	21.955,0	13.299,6
Cash and cash equivalents	7	1.034,6	314,3
Total current assets		27.215,7	16.008,7
<b>TOTAL ASSETS:</b>		<b>319.856,0</b>	<b>273.267,4</b>

**BALANCE-SHEET (part of the assets, thousands of Litas, if not indicated otherwise)**

	Comment No.	31 December	
		2007	2006
Subscribed capital	9	200.901,3	200.901,3
Legal	10	10.467,3	9.901,6
Other reserves	10	9.779,5	180,0
Profit (loss) of the reporting year	11	30.137,1	11.314,8
Profit (loss) of the previous year		0,0	
Shareholders' capital		251.285,2	222.297,6
Credit institutions	12	44.345,9	30.020,0
Deferred tax liabilities	13		3.583,2
Long term liabilities		44.345,9	33.603,2
Credit institutions	12	16.689,9	9.494,2
Trade creditors	17	1.389,0	1.261,0
Prepayments received	17	2.519,0	988,1
Profit tax liabilities	14	91,3	2.067,3
Liabilities related with labor relations	15	2.160,9	2.340,7
Provisions	16	896,6	755,1
Other amounts payable and short term liabilities	17	478,2	460,0
Short term liabilities		24.224,9	17.366,5
Liabilities		68.570,7	50.969,7
Total shareholders' equity and liabilities		319.856,0	273.267,4

The explanatory letter, given in pages 11 – 22, is an integral part of the present financial statement.

\*The bank loans are repaid under the terms and in the amounts, provided in the agreements. There were no claims from the banks received as of the establishment of the Company. The Company are planning to repay the loans during the period from 2010 to 2012.

**PROFIT (LOSS) STATEMENT (thousands of Litas, if not indicated otherwise)**

No.	Items	Comment No.	2007	2006
I.	Sales	19	91.701,3	102.205,5
II.	Expenses			
II.1	Personnel employment expenses	23	29.741,3	30.630,3
II.2	Vessel operation expenses		28.876,3	26.545,3
II.3	Vessel repair expenses		14.695,4	11.116,3
II.4	Other administration and sales expenses		1.672,9	1.109,0
	Total expenses		74.986,0	69.400,9
	Earnings before interest, taxes, depreciation, and amortization (EBITDA)		16.715,3	32.804,7
III.	Profit from sales of the vessels	2	41.740,4	7.724,4
IV.1.	Vessel depreciation	2	26.522,2	24.394,7
IV.2.	Depreciation of other assets	2	1.070,9	852,1
	Earnings before interest, taxes, and amortization (EBITA)		30.862,5	15.282,3
V.1.	Currency exchange gain (loss)	20	4.168,1	315,6
V.2	Interest expenses (net)	20	3.178,6	1.560,7
	Profit before taxes		31.852,0	14.037,3
VI.	Profit tax	21	1.714,9	2.722,5
	Net profit		30.137,1	11.314,8
	Profit per one share in Litas	22		
	Base profit per one share in Litas		0,15	0,06
	Reduced profit per one share in Litas		0,15	0,06

The explanatory letter, given in pages 11 – 22, is an integral part of the present financial statement.



**STATEMENT OF CHANGES IN EQUITY (thousands of Litass, if not indicated otherwise)**

	Share capital	Legal reserves	Other reserves	Retained earnings (loss)	Total
Balance at 31 December 2005	200.901,3	25.947,3	510,0	-16.375,7	210.982,9
Net profit (loss)				11.314,8	11.314,8
Dividends					
Reserves made			180,0	-180,0	
Reserves used		-16.045,7	-510,0	16.555,7	
Balance at 31 December 2006	200.901,3	9.901,6	180,0	11.314,8	222.297,6
Net profit (loss) of the accounting period				30.137,1	30.137,1
Dividends				-1.149,5	-1.149,5
Reserves made		565,7	9.779,5	-10.345,3	
Reserves used			-180,0	180,0	
Balance at 31 December 2007	200.901,3	10.467,3	9.779,5	30.137,1	251.285,2

The explanatory letter, given in pages 11 – 22, is an integral part of the present financial statement.

**CASH FLOWS STATEMENT (thousands of Litass, if not indicated otherwise)**

Items	Comment No.	2007	2006
Cash flow from main activities of the company			
Profit (loss) before taxes		31.852,0	14.037,3
Adjustments due to:			
Depreciation	2	31.828,9	25.200,3
Foreign currency loss (profit) influence	20	-4.168,1	-315,6
Investment income		-41.740,4	-7.724,4
Interest expenses	20	3.178,6	1.560,6
Deferred profit tax and change in charged profit tax	4,13,21	9,3	-492,5
Increase (decrease) of receivables	6	-215,8	436,9
Increase (decrease) of payables	17	1.612,5	-905,2
Increase (decrease) of inventories	5	-1.516,3	-350,5
Income from main activities			
Profit tax paid	14	-2.067,3	-2.245,6
Interest paid	20	-3.826,8	-1.983,9
Net cash from main activities		14.946,6	27.217,4
Cash flow from investing activities			
Purchases of fixed assets	2	-79.125,6	-46.622,2
Sales of fixed assets	2	48.340,2	17.542,4
Dividends and interests received	20	648,2	423,3
Cash flow from investing activities		-30.137,2	-28.656,5
Cash flow from investing activities			
Payment of dividends to shareholders	11	-1.123,7	-6,1
Loans gained	12	48.540,3	17.954,6
Loans paid	12	-21.732,9	-10.713,9
Cash flow from financial activities		25.683,6	7.234,6
Influence of changes in foreign currency exchange rates to balance of cash and cash equivalent	20,12	-1.117,8	-1.416,8
Net increase of cash and cash equivalent		9.375,2	4.378,7
Cash and cash equivalent in the beginning of the period			
	8,7	13.614,3	9.235,6
Cash and cash equivalent in the end of the period			
	8,7	22.989,7	13.614,3

The explanatory letter, given in pages 11 – 22, is an integral part of the present financial statement.

## EXPLANATORY LETTER

### I. General

Public Company "Lithuanian Shipping Company" (LJL) is a public company, established after the reorganization of the Public Company "Lithuanian Shipping Company" (LISCO). LJL is incorporated in the Register of Legal Entities, Certificate No. 027245. Date of incorporation of LJL is 27 June 2001, organization number 110865039. Address of LJL is at: Malūnininkų g. 3, Klaipėda. Main activities of the Company are cargo carriage by sea transport and vessel hire.

Management bodies of the Company are the general shareholders' meeting, supervisory board, board, and head of administration.

At the end of the accounting year there were 517 employees working in the Company, including 63 onshore and 454 offshore.

The shareholders of the Company for the year ended 31 December were as follows:

	2007	
	Number of shares	Ownership share, percentage
State Enterprise State Property Fund	16.689.155	8,30%
Ministry of Communication of the Republic of Lithuania	113.833.000	56,66%
„Hansabank clients“	16.849.753	8,40%
DFDS TOR LINE A/S	11.108.420	5,50%
Other small-sized shareholders	42.420.968	21,14%

### II. Accounting policy

The basic accounting principles, in accordance with which the present financial statement has been prepared, are described hereunder. These principles are consistently applied to all given years, if not indicated otherwise.

Where preparing the financial statement in accordance with the International Financial Reporting Standards, the management of the Company has to make assessments and assumptions that have influence on the values of the accounting assets and liabilities as well as required disclosures on the day of preparation of the statement and the amounts of income as well as expenses, accounted during the accounting period. These assessments may vary from the actual results.

(a) Basis for preparation

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS), approved for application within the European Union.

The financial statements have been prepared based on the accrual-basis accounting and operation continuity principles. In accordance with the accrual-basis accounting principle, the influence of the transactions and other events is acknowledged when it emerges, registered in the accounting records, and given in the financial statements of the periods that they are related to.

The financial statements have been prepared based on the assumption that the Public Company "Lithuanian Shipping Company" (LJL) do not have any intentions or need for liquidation or significant reduction of the scope of their activities.

During the current year the Company started applying all new or revised standards as well as interpretations, published by the International Accounting Standards Board (IASB) as well as the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB), which are relevant to the activities of the Company and valid for the accounting periods that commenced from 1 January 2007.

The amendments to IAS 39 „Financial instruments: recognition and measurement“ and IFRS 4 „Insurance contracts – financial guarantee contracts“ are compulsory for the accounting periods of the Company that commence from or as of 1 January 2007. The purpose of these amendments is to ensure that the organizers of the financial guarantee contracts accounted the relevant liabilities in their balance sheets. Since the Company does not have such transactions, the application of this standard did not have any significant influence on the statement of the Company.

Amendments to IAS 19 „Actuarial gains and losses, group plans and disclosures“. These amendments are not relevant for the Company;

Amendments to IAS 39 „Fair value option“. These amendments are not relevant for the Company;

Amendments to IAS 21 „Net investment in a foreign operation“. These amendments are not relevant for the Company;

Amendments to IAS 39 „Cash flow hedging of highly probable forecast transactions“. These amendments are not relevant for the Company;

Amendments to IFRS 6 „Exploration for and evaluation of mineral resources“. These amendments are not relevant for the Company;

IFRIC interpretation 4 „Determining whether an arrangement contains a lease“. Having reviewed the agreements, the Company has not determined any influence of this standard;

IFRIC interpretation 5 „Rights to interests arising from decommissioning, restoration, and environmental rehabilitation funds“. This interpretation is not relevant for the Company;

IFRIC interpretation 6 „Liabilities arising from participating in a specific market – waste electrical and electronic equipment“. This standard is not relevant for the Company;

Amendments to IFRS 1 „First-time adoption of International Financial Reporting Standards“ as well as Amendments to IFRS 6 „Exploration for and evaluation of mineral resources“. These amendments are not relevant for the Company;

IFRIC interpretation 7 „Applying the Restatement Approach under IAS 29 „Financial Reporting in Hyperinflationary Economies“. The management does not think that this interpretation is relevant for the Company;

IFRIC interpretation 8 „Scope of IFRS 2 “. The management does not think that this interpretation is relevant for the Company;

IFRIC interpretation 9 „Reassessment of embedded derivatives“. The management does not think that this interpretation is relevant for the Company;

IFRIC interpretation 11 „IFRS 2 – Share-based payment“. The management does not think that this interpretation is relevant for the Company;

IFRIC interpretation 12 „Service concession arrangements“. The management does not think that this interpretation is relevant for the Company;

#### (b) Fixed assets

In the financial statement all economic resources, held by the Company, are recognized as the assets, if the Company expects to get benefit in the future from the use of these resources as well as the latter are of value, which can be measured reliably.

The fixed assets, given in the financial statement, are evaluated at the actual acquisition or production net cost of that asset less the accrued depreciation and reduction in the asset value. In accordance with the fixed assets accounting procedure, approved by the board on 18 July 2001, the objects with the initial acquisition value, which is not less than 1 000 LTL, and which are in service for more than one year, are attributed to the fixed tangible assets of LJJ. The residual value of the fixed assets is 1 Litas, except for the vessels “Akvilė“, “Asta“, “Audrė“, and “Daina“ (residual value is 9-9,5% of the acquisition value), “Alka“, “Deltuva” (Clipper Eagle), “Clipper Falcone” (10% of the acquisition value), “Romuva” (2%), “Voruta“, “Svilas“, “Staris” (9,5%), and administration building (6,3%).

Depreciation is calculated from the first day of next month as of the transfer of the fixed assets for use and the calculation is stopped from the first day of next month as of write-off or sales and when the total value of the used fixed assets (less the residual value) is transferred to the net cost of production (works, services). The assets are depreciated by applying the directly proportional depreciation calculation method.

The management determines the serviceable time of the fixed tangible assets at the moment of acquisition thereof and revises the same annually. The serviceable time is determined based on the retrospective experience of similar assets as well as predictable future events, which can influence the serviceable time.

The value of the repair works of the fixed tangible assets, which do not improve the useful characteristics for the period of several years (and these repair expenses will not bring any income in the future), is included in the expenses immediately in that accounting period, during which the repair works take place.

The evaluation amounts of the assets of the Company are revised on the day of each balance sheet in order to determine the depreciation thereof. If the depreciation is observed, the recoverable value of such assets is calculated. The recoverable value is calculated as higher of two values: net realizable or use value of the assets. The loss due to the depreciation of the assets is accounted, when the asset unit

calculated value exceeds the recoverable value. The loss, incurred due to depreciation, is accounted in the profit (loss) statement.

The vessels are repaired periodically in accordance with the requirements of the classification companies: the class of the vessel is confirmed after repairs every 5<sup>th</sup> year (SS), after 3 years after SS repairs the dock repairs is carried out. LJL write off the repair expenses for the confirmation of the class of the vessel to expenses within 3 years, dock repair expenses – within 2 years.

Intangible assets are written off within 3 years.

#### (c) Inventories

Inventories are accounted at the acquisition net cost or net possible sale value subject to which one is lower. The net cost is determined by applying the FIFO method. The net possible sale value consists of the appraised sales value, reduced by the amount of expenses, related to the sales.

The acquisition net cost of the inventories, when purchasing from other persons, is determined by adding to the purchase price all purchase-related fees (customs, etc.), transportation, preparation, as well as other direct expenses, related to the acquisition of the inventories, as well as deducting the purchase discounts and concessions. Insignificant (or if they are stable for several accounting periods) amounts for transportation and preparation of the inventories for use are not included in the acquisition net cost thereof, but written off as the operating expenses.

#### (d) Amounts receivable

Amounts receivable during the time of recognition are appraised at fair value. Subsequently the short term amounts receivable are accounted in consideration of the reduction in value, whereas the long term amounts receivable – at the discounted value, less the depreciation loss.

#### (e) Cash and cash equivalents

Cash consists of cash in hand and in bank. Cash equivalents are convertible investment, freely convertible to the established amount of money. The term of such investment does not exceed three months and the risk of change in value is very insignificant.

In the cash flow statements the cash and cash equivalents consist of the cash in hand, deposits in the current account, as well as other short term convertible investment.

#### (f) Debts

Borrowing expenses are recognized as expenses when incurred. The debts are initially recognized at the fair value of the funds received less the transaction costs. Subsequently they are accounted at the charged off value and the difference between the funds received and the amount to be paid during the term of the debt is included in the profit or loss of the period. The debts are attributed to the long-term debts, if the financing agreement, entered into before the date of approval of the financial statement, demonstrates that the liability at the date of the balance sheet was long-term according to its nature.

#### (g) Provisions

The provision is only accounted when the Company has legal obligation or irrevocable engagement due to the event in the past and it is believed that the resources, bringing economic benefit, will be required for fulfillment thereof, as well as the amount of engagement can be reliably appraised. The provisions are revised on the day of making of each balance sheet and adjusted in order to reflect the most accurate

current appraisal. In cases, where the influence of the cash time value is significant, the amount of the provision is the present value of expenses, which are believed, will be necessary to cover the engagement. Where the discounting is used, the increase in provision, reflecting the past time, is accounted as interest expenses.

#### (h) Profits tax

The calculation of the profits tax is based on the annual profit and is calculated in accordance with the requirements of the Lithuanian tax laws. The deferred profit tax is calculated in consideration of temporary differences between assets and liability amounts in the financial statements for the purposes of tax purposes. The amount of the deferred tax is subject to the predictable assets use time and covering of the liabilities in the future as well as provided tax rates, applicable at the moment. Standard profits tax rate, applicable to the Lithuanian companies, is 15%, however, in 2007 the company chose paying the tonnage tax and calculating the profits tax of the tonnage of the available vessels. Deferred profits tax assets and liabilities are no longer calculated thereafter.

Public Company "Lithuanian Shipping Company", with reference to the amendments as well as supplements to the Law on Corporate Income Tax of the Republic of Lithuania of 3 May 2007, has chosen to pay the fixed profits tax to calculate the assessable profits of the fiscal period that commenced in 2007 and subsequent fiscal periods. The base of the fixed profits tax is calculated for each 100 maritime vessel payload capacity unit, applying the fixed amount of the day and multiplying the received amount by the number of days of the fiscal period of the maritime unit.

#### (i) Currency reappraisal

Currency transactions are registered in the accounting at national currency, Litas, in accordance with the official Litas rate on the day of transaction as well as Litas and foreign currency ratio, announced by the Bank of Lithuania, except for the accumulated income and expenses, which are registered in accordance with the official Litas rate on the last day of the accounting period as well as Litas and foreign currency ratio, announced by the Bank of Lithuania.

Currency items in the balance sheet are appraised in accordance with the official Litas rate on the day of making the statement as well as Litas and foreign currency ratio, announced by the Bank of Lithuania. Currency items are considered to be the currency, held by the Company as well as all amounts receivable and payable in currency.

Changes in currency items that take place due to the change in Litas and foreign currency rate, announced by the Bank of Lithuania, and that take place during the performance of currency transactions or reappraising the previously registered currency items, are recognized as the income or expenses of the financial activities of that accounting period, during which they have taken place.

#### (j) Recognition of income

The moment of earning income is considered to be the moment of rendering services. The services are considered to have been rendered, if the buyer has paid for them immediately or has undertaken to pay later without any substantial further terms (when both parties of the transaction sign a respective document: invoice, delivery note, etc.). Money, received from paying for the services in advance, is recorded in the accounting as increase of the liabilities of the Company against the buyers. Income in this case is only recognized after provision of services.

#### (k) Recognition of expenses

The rate of the net cost of the services rendered is always associated with the services, rendered during the accounting period. Only that part of expenses, which was incurred for provision of the services, sold during the accounting period, is included in this rate. In those cases, where the expenses, incurred during the accounting period, cannot be directly associated with earning particular income and they will not generate income during the coming periods, these expenses are recognized as income during the period they were incurred.

#### (l) Use of appraisals in preparation of the financial statement

When preparing the financial statement, the management has to make particular assumptions and appraisals, which influence the presented amounts of assets, liabilities, income, as well as expenses, and disclosure of uncertainties. The significant fields of the present financial statement, where the estimations are used, cover wear and tear, depreciation estimations, as well as provisions. The events that will take place in the future can change the assumptions, used for making the estimations. The result of changes in such appraisals will be accounted in the financial statement when disclosed.

#### (m) Uncertainties

Indefinite liabilities are not recognized in the financial statement. They are described in the financial statement, except for those cases, when the chance that the economic benefit generating resources will be lost is very low.

Indefinite assets are not recognized in the financial statement; however, they are described in the financial statement, when there is a chance that the income or economic benefit will be received.

#### (n) Financial risk management

The transactions of the Company take place on the international markets in Euros and US dollars; therefore, a significant risk of fluctuation and exchange of foreign currency rates is inevitable. The credit risk or the risk of partners' default is controlled by applying the credit terms and procedure control. The Company does not have a significant credit risk with any of the partners or group of partners. The Company avoids the liquidity risk, by maintaining sufficient cash and cash equivalent flow or having the financing through respective credit and planning the cash flows in advance. The Company does not use any financial instruments in order to protect its financial risk.

#### (o) Post balance sheet events

The post balance sheet events, which give further information about the state of the Company on the day of making the balance sheet (adjusting events), are reflected in the financial statement. The post balance sheet events, which are not the adjusting events, are described in the comments, if this is significant.



### III. Comments of the explanatory letter

#### 1. Intangible fixed assets

Indicators	Software
<b>Acquisition value</b>	
31 December 2005	288,2
Acquired	11,2
Written off	
From one item to another item	
31 December 2006	299,4
Acquired	3,3
Written off	1,5
From one item to another item	
31 December 2007	301,2
<b>Accrued depreciation</b>	
31 December 2005	275,1
Accrued for the period	13,5
Written off	
From one item to another item	
31 December 2006	288,6
Accrued for the period	6,8
Written off	1,5
From one item to another item	
31 December 2007	293,9
<b>Book value</b>	
31 December 2005	13,1
31 December 2006	10,8
31 December 2007	7,3

#### 2. Tangible fixed assets, thousands of Litas

Indicators	Buildings and plant	Machinery and equipment	Vessels	Other vehicles	Repairs	Other tangible assets	In total
<b>Acquisition value</b>							
31 December 2005	3.737,0	4.632,0	346.327,0	726,0	9.402,0	580,0	365.404,0
Acquired		1.461,0	43.348,0	0,0	1.766,0	36,0	46.611,0
Written off		681,0	9.981,0	0,0	5.733,0	138,0	16.533,0
From one item to another item							
31 December 2006	3.737,0	5.412,0	379.694,0	726,0	5.435,0	478,0	395.482,0
Acquired		1.860,7	66.609,4	75,4	2.311,7	175,7	71.032,9
Written off		-1.827,4	-26.549,8		4.236,9	-92,3	-32.706,4
From one item to another							

item								
31 December 2007	3.737,0	5.445,3	419.753,6	801,4	3.509,8	561,4	433.808,5	
<b>Reappraisal/devaluation</b>								
31 December 2005			-36.886,0					
Reappraised (+), devalued (-)								
Worn down during the period								
31 December 2006	0,0	0,0	-36.886,0	0,0	0,0	0,0	0,0	0,0
Reappraised (+), devalued (-)								
Worn down during the period								
31 December 2007	0,0	0,0	-36.886,0	0,0	0,0	0,0	0,0	0,0
<b>Accrued depreciation</b>								
31 December 2005	233,0	2.773,0	84.554,0	184,0		348,0	88.092,0	
Accrued for the period	57,0	526,0	24.395,0	158,0		52,0	25.188,0	
Written off		430,0	6.183,0	0,0		102,0	6.715,0	
From one item to another								
31 December 2006	290,0	2.869,0	102.766,0	342,0	0,0	298,0	106.565,0	
Accrued for the period	57,1	786,7	26.522,2	158,9		60,2	27.585,1	
Written off		-1.216,4	-20.601,4			-51,9	-21.869,7	
From one item to another								
31 December 2007	347,1	2.439,3	108.686,8	500,9	0,0	306,3	112.280,4	
<b>Book value</b>								
31 December 2005	3.504,0	1.859,0	224.887,0	542,0	9.402,0	232,0	240.426,0	
31 December 2006	3.447,0	2.543,0	240.042,0	384,0	5.435,0	180,0	252.031,0	
31 December 2007	3.389,9	3.006,0	274.180,8	300,5	3.509,8	255,1	284.642,1	

## Vessels

The tangible fixed assets of LJL at the end of the financial year consisted of 15 vessels, administration building, warehouse, vehicles, as well as machinery and equipment.

In March 2007 the Company purchased M/V "Deltuva" (Clipper Eagle) and "Clipper Falcon". In 2007 the Company sold: M/V "Kapitonas Šimkus", "Kapitonas A. Lučka", "Kapitonas Kaminskas", "Kapitonas Domeika", and "Mindaugas".

The Company paid in 7990,9 thousand LTL prior deposit for the vessel to be purchased in 2008.

6 vessels are mortgaged for the loans, received from SEB Vilniaus bankas (See Comment 12).

## Other tangible fixed assets

In the financial year 2007, the tangible fixed assets – machinery and equipment – were purchased for 1860,8 thousand LTL, where the ventilation system of the holds of M/V "Voruta" cost 614,0 thousand LTL and fire extinguishing CO2 system - 255,2 thousand LTL.

### **3. Ship repair:**

The repair expenses were recognized as the assets – 3510,1 thousand LTL

Whereof the following will be transferred to the expenses:

2008	-	2259,1 thousand LTL
2009	-	1074,6 thousand LTL
2010	-	176,4 thousand LTL

#### 4. *Deferred tax assets*

	31/12/2007	31/12/2006
Written off interest	-	3 340,3
Reduced value of the vessels	-	30 633,2
Provisions for invoices pending to be received	-	300,0
Social insurance from the provisions for the leave s	-	445, 6
Other provisions (audit)	-	54,8
Total temporary differences	-	34 773,9
Profits tax rate	-	15%
Total deferred tax assets:	-	5 216,1

The deferred tax assets are the profits tax amounts to be recovered in future accounting periods, which comprise due to included temporary differences and transfer of unused taxing losses. The profits tax base has changed after the Company started applying the fixed profits tax in 2007 (for the coming 10-year period), therefore, the deferred profits tax assets in the amount of 5216,1 thousand LTL (31/12/2006) as well as the deferred profits tax liabilities in the amount of 3583,2 thousand LTL (2006-12-31) will not be used in future accounting periods. Therefore, the difference thereof is written off to the profits tax expenses.

#### 5. *Resources and advance payments*

	31/12/2007	31/12/2006
Spare parts	2193,1	605,6
Provision on board	136,4	207,6
Advance payments	935,2	836,0
In total:	3264,7	1649,2

#### 6. *Amounts receivable*

	31/12/2007	31/12/2006
Trade debtors	81,1	60,5
Foreign trade debtors	503,8	478,8
Amounts receivable from the state budget	39,8	12,9
Advances for the vessels	164,3	161,7
Other amounts receivable	172,3	31,3
In total:	961,3	745,2

The foreign trade debtors of 2007 contain the amount of 325,5 thousand LTL, accrued for M/V “Skalva” (in the beginning of 2006) cargo damage. This case is subject to insurance, therefore, the insurance companies are examining the circumstances of cargo damage and the debt should be repaid to the Company.

## 7. Other current assets

	31/12/2007	31/12/2006
Time deposit	21955,0	13299,6
Other current assets	-	0,4
In total:	21955,0	13300,00

## 8. Cash and cash equivalents

	31/12/2007	31/12/2006
Cash in national currency	122,1	112,0
Cash in bank I foreign currencies	864,3	165,8
Cash in hand in national currency	9,9	5,0
Cash in hand in foreign currencies	38,3	31,5
In total:	1034,6	314,3

## 9. Capital

	Authorized capital	Share premiums	In total
31/12/2006	200901,3	-	200901,3
New issue of the shares	-	-	-
Bought own shares	-	-	-
31/12/2007	200901,3	-	200901,3

The authorized capital of the Company for the year ended 31/12/2007 consisted of 200 901 296 ordinary registered shares.

The par value of one share is equivalent to 1 LTL.

## 10. Reserves

	31/12/2007	31/12/2006
Legal reserves	10467,3	9901,6
Reserve for the acquisition of the vessels	9599,5	
Reserve for the bonus of the employees	150	180
Reserve for the social-cultural needs	30	
In total:	20246,9	10 081,6

The reserve is subject to cancellation by the decision of the shareholders after the reserve has been used for the salaries of the employees by increasing the retained earnings. Bonus, paid to the employees, is included in the profit (loss) statement. In 2007, the reserve in the amount of 69 thousand LTL was used for the bonus of the employees, which are reflected as expenses in the profit (loss) statement, line „Personnel employment expenses“.

## 11. Retained earnings (loss)

	31/12/2007	31/12/2006
Balance in the beginning of the year	11314,8	-16375,7
Net profit (loss) of the year	30137,1	11314,8
Allocated for the dividends (transferred to the amounts payable)	-1149,5	
Allocated for other reserves	-9779,5	-180

Cancelled reserves	180	16555,7
Allocated for the legal reserve	-565,7	
Balance in the end of the year	30137,2	11314,8

### **12. Financial debts (credit institutions)**

	31/12/2007	31/12/2006
Payable after one year up to five years	44345,9	30020
Payable in one year	16689,9	9494,2
Total	61035,8	39514,2
Loan balance in the beginning of the year	39514,2	34005,9
Loans received	48540,3	17954,6
Loans repaid	-21732,9	-10713,9
Change in exchange rate	-5285,8	-1732,4
Loan balance in the end of the year	61035,8	39514,2

All financial debts of LJL to the bank are guaranteed with the assets. 6 vessels are mortgaged with the book value of 145767,5 thousand LTL. The increase in the debt in 2007 was determined by the acquisition of 2 vessels "Deltuva" (Clipper Eagle) and "Clipper Falcon" in March. The loan for the acquisition of these vessels was received from AB SEB Vilniaus bankas. The loan repayment term is during the period from 2010 to 2012.

### **13. Deferred profits tax liabilities**

Due to the change in the profits tax base in 2007, the deferred tax liabilities were written off to the tax expenses.

### **14. Profits tax liabilities**

	31/12/2007	31/12/2006
Profits tax payable in the beginning of the year	2.067,3	1.590,4
Profits tax accrued	91,3	2.722,5
Profits tax paid	-2.067,3	-2.245,6
Profits tax payable in the end of the year	91,3	2.067,3

### **15. Liabilities related with labor relations**

	31/12/2007	31/12/2006
Leave reserve (wages)	1377,7	1443,1
Leave reserve (social insurance)	426,8	447,1
Wages payable		7,4
Social insurance amount payable	354,2	440,6
Guarantee fund amount payable	2,2	2,5
Total	2160,9	2340,7

## 16. Provisions

	31/12/2007	31/12/2006
Provisions for the invoices pending to be received	896,6	755,1

## 17. Other amounts payable

	31/12/2007	31/12/2006
Debts, payable to the brokers	152,6	93,4
Trade amounts payable	1236,4	1167,6
Advance payments, receivable from the buyers	2519	988,1
Dividend debts	103,2	77,5
Freight debts	167,4	143,2
Accumulative expenses	191,6	226,3
Other debts	16	13
Total	4386,2	2709,1

## 18. Liabilities, which are not indicated in the balance sheet

The letter of guarantee in the amount of 25000 US dollars has been presented for the benefit of “North of England P&I Association” for the damage of the cargo of M/V ”Algirdas” on 12/08/1999 in Djendjen (Morocco) harbor. On the expiration of the hearing of this claim for the cargo damage, LJI will cover the part of the claim pro rata the amount of their fault. Maximum possible payment amount and the amount, given in the letter of guarantee, amounts to 25 000 US dollars.

## 19. Sales

Sales, thousands of LTL	31/12/2007	31/12/2006	%
Time-charter income	91239,5	102129,2	89,3
Other time-charter income	1,9	-	-
Short-term contract freight income	358,1	-	-
In total:	91599,5	102129,2	89,7

Time-charter income reduced due to smaller number of working days of the vessels, previously sold and subsequently acquired vessels, as well as reduced dollar rate. In 2007, all vessels operated under the time-charter contracts.

## 20. Financial and investing activities

	31/12/2007	31/12/2006	%
Interest received	648,2	423,2	
Positive change in currency rate	4168,0	315,6	
Interest paid	(3826,8)	(1983,9)	192,9
Negative change in currency rate		-	
Total:	989,4	(1245,1)	

## **21. Profits tax expenses**

	2007	2006
Net profit before taxes	31.852	14.037
Profits tax (fixed)	91	2.527
Expenses, which do not reduce the assessable profits		4.587
Income, which does not increase the assessable profits		
Increase of the profits tax due to taxing differences		688
Influence of the deferred profits tax assets	5.216	508
Influence of the deferred profits tax liabilities	-3.583	-1.001
Profits tax expenses	1.724	2.722

## **22. Profit per one share**

Profit per one share is calculated by dividing the net profit of the period in the amount of 30137085 LTL that belongs to the owners of the shares by the number of ordinary shares in the end of the period – 200901296 shares.

## **23. Relations with the persons concerned**

The persons concerned in the Company are considered to be the members of the board, director general, fleet management director, technical director, financial director, accountant general, and the family members. The wages in the amount of 615,2 thousand LTL were calculated and paid to these persons in 2007, 417,3 thousand LTL – in 2006.

## **24. Fair value determination test**

The vessels, owned by the Company, on 07/12/2007 were assessed by the vessel assessors of English White Shipping Limited, who determined that on the day of assessment the value of each vessel and total value of the vessels is higher than the book value. Total determined price of the fleet amounts to 162 million USD or 381,9 million LTL.

The Company depreciated the following vessels: “Asta”, “Audrè”, “Akvilè”, and “Daina”.

## **25. Post balance sheet events**

During the 1<sup>st</sup> quarter of 2008 the warehouse in Melnragè was sold. The Company foresees to acquire the vessel of a higher tonnage (over 24,0 thousand ton deadweight) in April of 2008.

**PUBLIC COMPANY “LITHUANIAN SHIPPING COMPANY”**



**ANNUAL DATA FOR 2007**



**KAUNAS, 2008**

**I. GENERAL DATA CONCERNING ISSUER**

**1. REPORTING CYCLE, FOR WHICH ANNUAL REPORT HAS BEEN PREPARED**

Annual report for the public company “Lithuanian shipping company” for the year 2007 was prepared for the period from 1<sup>st</sup> January of 2007 to 31<sup>st</sup> December of 2007.

**2. ISSUER AND HIS CONTACT DETAILS (NAME, JURIDICAL FORM, DATE AND PLACE OF REGISTRY, COMPANY CODE, OFFICE ADDRESS (WHEN ADDRESSES OF REGISTERED AND FACTUAL OFFICES ARE DIFFERENT, INDICATE BOTH), TELEPHONE, FAX NUMBERS, E-MAIL ADDRESS, WEB PAGE ADDRESS)**

Issuer’s name: in Lithuanian Akcinė bendrovė “Lietuvos jūrų laivininkystė“, in English Public company “Lithuanian shipping company”.

Authorised capital: 200.901.296 litas.

Office address: Malūnininkų g. 3, LT - 92264 Klaipėda, the Republic of Lithuania.

Telephone: + 370 (46) 393 105.

Fax: + 370 (46) 393 119.

E-mail: gd@ljl.lt.

Juridical form of the organization: legal entity – public company.

Details in the Docket of Company registry Office :

Date of registry: 27<sup>th</sup> June, 2001.

Docket keeper: State owned company Registry Center

Company registry No.: BĮ 01 – 128

Company code: 110865039

Previous company code: 1086503

Web page: <http://www.ljl.lt>

**3. THE OBJECTIVE OF THE ISSUER’S MAIN BUSINESS (NATURE)**

Business type - marine transport.

Company Business Objective. The Company has 23 business types intended in its statutes, there is also the main, which is being actually implemented:

61.10. Marine and coast water transport.

**4. INFORMATION ON AGREEMENTS WITH AGENTS RELATED TO PUBLIC TURNOVER OF SECURITIES**

On 1<sup>st</sup> November, 2002 the public company “Lithuanian shipping company” signed an agreement for handling securities with UAB FMĮ “Jūsų tarpininkas”, A. Mickevičiaus g. 29-3, 44245 Kaunas, tel.: + 370 (37) 322 995, fax.: + 370 (37) 322 373.

**5. DATA RELATED TO SALES OF THE ISSUER'S SECURITIES IN REGULATED MARKETS (THE NAME OF THE REGULATED MARKET, THE NUMBER OF SECURITIES PRESENTED FOR SALE)**

Since 9<sup>th</sup> July, 2001 200.901.296 ordinary registered shares of the public company “Lithuanian shipping company” with nominal value of one litas (bendroji nominalioji vertė 200.901.296 Lt) have been quoted in Vilnius Exchange of Securities (former National Exchange of Securities) in the current sales list.

After new regulations of Vilnius Exchange of Securities came into effect on 30.05.2005, direct deals are calculated as automatically handled deals, together with other deals of central market.

The results of the last 8 quarters (each separately) for securities sold by automatic handling deals

Reporting cycle		Price			Turnover (Lt)			Date of the last session	Total turnover	
From	To	Max.	Min.	Last session	Max.	Min.	Last session		(units)	(Lt)
2006 01 01	2006 03 31	0,62	0,49	0,57	478.883	0	3.089	2006 03 31	7.393.979	3.998.826
2006 04 01	2006 06 30	0,60	0,44	0,49	257.003	0	39.977	2006 06 30	6.767.904	3.543.052
2006 07 01	2006 09 30	0,55	0,48	0,52	530.000	0	10.400	2006 09 30	5.927.973	3.010.147
2006 10 01	2006 12 31	0,64	0,49	0,62	238.281	0	4.650	2006 12 30	4.851.946	2.667.978
2007 01 01	2007 03 31	0,71	0,56	0,59	322.672	0	8.693	2007 03 31	7.378.103	4.823.176
2007 04 01	2007 06 30	0,62	0,56	0,59	233.129	0	87.732	2007 06 30	3.355.014	1.979.230
2007 07 01	2007 09 30	0,63	0,58	0,60	211.734	0	43.800	2007 09 30	3.210.125	1.957.307
2007 10 01	2007 12 31	0,65	0,57	0,57	272.478	0	1.425	2007 12 30	4.063.110	2.537.589

**Sales of issuer's securities outside the Exchange**

Period	2006 1 <sup>st</sup> quarter	2006 2 <sup>nd</sup> quarter	2006 3 <sup>rd</sup> quarter	2006 4 <sup>th</sup> quarter
<b>Cash payment</b>				
Turnover, Lt	-	-	194.695,05	3.717.913,21
Turnover, units	-	-	487.783	10.481.563
The lowest price, Lt	-	-	0,25	0,00
The highest price, Lt	-	-	0,51	0,41
<b>Non-cash requital</b>				
Turnover, units	-	-	23.636	165.045

Period	2007 1 <sup>st</sup> quarter	2007 2 <sup>nd</sup> quarter	2007 3 <sup>rd</sup> quarter	2007 4 <sup>th</sup> quarter
<b>Cash payment</b>				
Turnover, Lt	-	10.8196,10	426.078,70	115.961,72
Turnover, units	-	186.545	734.515	195.799
The lowest price, Lt	-	0,58	0,58	0,58
The highest price, Lt	-	0,58	0,58	0,58
<b>Non-cash requital</b>				
Turnover, units	909.090	74.836	3.049	28.854

\*Prepared in accordance with [www.csdl.lt](http://www.csdl.lt) information announced in on deals made outside exchange over the year 2007 m. as well as the report over the year 2007 conducted by UAB FMĮ „Jūsų tarpininkas“

Sales of the Issuer's securities in other Exchange parlours or other organized markets shall not be carried out. Over the reporting financial year of 2007 the Company did not obtain its own shares nor did it

transfer them. None of the third parties submitted an official offer to acquire the issuer's securities. The issuer has not submitted an official offer to obtain securities issued by a third party.

## **6. IMPARTIAL OVERVIEW OF THE COMPANY STATE, ITS WORK PERFORMANCE AND EXPANSION, DESCRIPTION OF THE MAIN TYPES OF RISKS GENERALITIES MET BY THE COMPANY**

### **ABOUT THE COMPANY**

Public company "Lithuanian shipping company" (LJL, Company code 110865039, Malūnininkų g. 3, Klaipėda) founded on 27<sup>th</sup> June, 2001.

The Company securities have been included in NVPB current sales list since 09.07.2001:

- the quantity of the issue - 200.901.296 units.;
- nominal value - 1 Lt;
- total nominal value of the issue - 200.901.296,00 Lt.

14.12.2007 the following shareholders, held more than 5 percent of the issuer's authorised capital:

- Public organization State Property Fund– 16 689 155 units of shares (8,3 percent);
- "DFDS Tor Line" A/S – 11 108 420 units of shares (5,5 percent);
- Ministry of transport and Communications of the Republic of Lithuania – 113 833 000 units of shares (56,66 percent);
- "Hansabank Clients" – 16 849 753 units of shares (8,4 percent).

Small shareholders kept 21,14 percent of shares. Public organization State Property delivers shares to citizens of the Republic of Lithuania as compensation for land or realty, therefore, in the long run the quantity of shares held by the Fund is to be passed to small shareholders.

Over the year 2007 2 shareholders' meeting took place: 26.04.2007 – a common shareholders' meeting, 14.12.2007– uncommon, where the auditor for the financial years of 2007, 2008, and 31<sup>st</sup> December of 2009 as well as for the Company's operations was chosen, that is, UAB "Moore Stephens Vilnius". There were 1 681 shareholders of the Company on the recent day of shareholders' meeting.

Over the year 2007 the Company had 7 management meetings, 2 onlookers' Council meetings, besides, 9 management decisions were approved.

Since its founding the Company has participated in the activities of Lithuania's ship owners and in those of Klaipėda Industrialists' Association, also, it is the member of BIMCO (The Baltic and International Maritime Council).

### **MANUFACTURING (SERVICE) CHARACTERISTICS**

#### **Total quantity of services provided over 2005 – 2007, Lt**

Title	2005	2006	2007
Items sold and services provided	96.417.514	102.129.181	91.701.300

#### **Use of cargo ships, average quantity per year**

Title of the indicator	2006	2006	2007	2007
	Total	Dry load	Total	Dry load
Number of operating ships	18,1	18,1	17,3	17,3
Their deadweight, thousands of tons	220,43	220,43	189,77	189,77
<b>Cargo transported, thousands of tons</b>	2237	2237	2255	2255

## Types of cargo transported

Types of cargo transported	2005	2006	2007
	Percent	Percent	Percent
Bulk cargo	40	59	51
Timber	36	21	24
Metals	16	7	20
General cargo	8	8	
Cargo of other type	-	5	5
<b>Total:</b>	<b>100</b>	<b>100</b>	<b>100</b>

## OPERATION OF COMPANY SHIPS OVER THE YEAR 2007

### Fleet composition for the year 2007

The Company had the following ships over the reporting year:

1. at the start of the year 6 for bulk cargo, "Kapitan Panfilov" type (14 632 DWT each), 4 of these were sold:
  - 1.1. motor-ship "Kapitonas Šimkus" operated until 28.02.2007;
  - 1.2. motor-ship "Kapitonas A. Lučka" - until 20.04.2007;
  - 1.3. motor-ship "Kapitonas Kaminskas" - until 18.08.2007;
  - 1.4. motor-ship "Kapitonas Domeika" - until 14.11.2007.
2. 2 universal ("Staris", "Svilas") – 9650 DWT each;
3. 1 general cargo ("Skalva") – 9498 DWT (since 03.06.2004);
4. 4 universal, "Asta" type –5820 DWT each;
5. 2 universal "Ulegorsk" tipo –4500 DWT each:
  - 5.1. "Algirdas"
  - 5.2. "Mindaugas" until 20.09.2007.
6. 1 general cargo ("Alka") – 7346 DWT;
7. 1 general cargo ("Romuva") – 17504 DWT;
8. 1 general cargo ("Voruta") – 17504 DWT;
9. 1 general cargo ("Clipper Eagle", now – "Deltuva") since 08.03.2007;
10. 1 general cargo ("Clipper Falcon", po remonto – "Raguva") since 15.03.2007.

### Demand for dry load ships of *Handysize*

LJL exported ships are ascribed to the ships of *Handysize*. The market conditions for such ships have been favorable for the last few years, however, they have not become the source of big profit as did the big ships. As the following table indicates, the demand for small ships has been increasing quite steadily when compared to that for the big ones. Expressed in load units (that is, deadweight – DWT), the demand has increased on average by 3,4 per cent over the last 4 years (including prognosis for the year 2007), while the whole fleet of dry-load ships increased on average by 6,7 per cent over the last 4 years (including prognosis for the year 2007).

It is prognosed that, the demand for dry-load ships of *Handysize* is to continue to grow, by leaving a noticeable gap from heavier segments. Analysts hope that the demand for them shall slightly decrease in 2008 and 2009. The main reason for such potential vulnerability of the market for *Handysize* in respect of demand is the decrease in milk import to China, which resulted from rapid expansion of Chinese domestic production and restraints on export.

The demand for dry-load ships of Handysize

	Tons per mile (billiards)	Change, %	Deadweight (million)	Change, %
2002	1,660	n/a	34.1	n/a
2003	1,723	3.8 %	35.4	3.8 %
2004	1,864	8.2 %	38.3	8.2 %
2005	1,912	2.6 %	39.7	3.7 %
2006	2,022	5.8 %	39.9	0.5 %
2007	2,111	4.4 %	40.3	1.0 %
2008	2,138	1.3 %	40.1	-0.5 %
2009	2,200	2.9 %	39.5	-1.5 %
2010	2,267	3.0 %	39.7	0.1 %
2011	2,308	1.8 %	38.4	-3.3 %

Source: *Drewy shipping consultants*

### General remarks on the fleet operation

The Company strategy is based on establishing long-term relationships with freighters, who tend to hire LJL ships for a short or medium length period. It can be said that LJL is willing to have lower, but stable and more easily prognosed income from rent operations and thus it avoids more profitable but risky operations of “Spot” market.

The fleet has worked under long-term contracts with such companies as: “Arctic Trading” (Greece), “UB Trading” (Germany), “Navalis Shipping” (Germany), “Brodin Shipping” (Sweden), “Olof Brodin” (Sweden), “Clipper” (Denmark), “Onego Shipping & Chartering” branches in America, Estonia, Holland and Russia.

Stable and profitable operations of the fleet have been achieved when it changed ship navigation regions and by signing contracts and their timely renewal.

Market trends. Specified publications do not provide navigation market analysis for small ships, which are operated by LJL. Global navigation index includes such ships as *Handymax* (35 000 – 50 000 tdw). Downturns or up-rise in the market of bigger ships affect the market of smaller ships. Therefore, *Baltic Dry Index (BDI)*, can be used for its analysis, as it presents summary about all sectors, where ships *Capesize*, *Panamax* and *Handymax* are operating.

## FINANCIAL ACTIVITY

Public company “Lithuanian shipping company” for the year 2007 had accounts in AB SEB Vilnius bank (since 24.01.2008 its name changed into AB SEB bank), AB *DnB NORD* Klaipėda branch, AB *Sampo* bank. The main cash turnover (77 %) was carried through AB SEB Vilnius bank.

The Company concentrates its capital in those banks, which offer more competitive and more attractive services. The Company performs bank operations via the Internet, as it helps to decrease expenses and has become an operative way. LJL constantly looks for ways to decrease bank service and operation costs to the maximum: in 2002 such costs made up 365 thousand Litas, and were constantly decreasing, and in 2007 they made up 124 thousand Litas, that is, decreased by more than 66 %.

The main income is earned by the Company in US dollars and euros. Its average income in US dollars (ship sales not included) made up 52 %. In 2007 on average US dollar cost 2,5230 Lt, while in 2006 -

2,7513 Lt. The Company sold its services for the average price of a US dollar 2,5313 Lt, and in 2006 - 2,75 Lt. In order to make payments in Lithuania the company sold currency to those banks, which offered more competitive and more beneficial exchange rate for the Company. For payments in other currency than the income received, the Company buys it – no reserves of such currencies are kept by LJL, that is, it does not keep frozen capital, as for it no interest is uncured.

Payment is given for the staff under the Collective Agreement of 30<sup>th</sup> March, 2004 of the Public company “Lithuanian shipping company”, regulations for work payment system for coast workers as well as the schedule for payment for work performed by Director General, directors and chief accountant. The main expenditure on payments for labor force in the Company comprises salaries for seamen. Seamen’s salary for work, including sums allocated for their holidays and days off make up 78 % of all expenditures dedicated for payments for workers, business trip expenditures make up - 95 %. In 2007 average gross salary per month comprised 2248, 1 Lt (2006 - 2304, 3 Lt). This index has been taken from average provisory number of workers according to the method of the DA-01K report from the Department of Statistics under the Government of the Republic of Lithuania. On 31<sup>st</sup> December, there were 516 workers in the Company, 63 of them in coast units and 453 in the fleet (respectively in 2006 - 533 workers, 64 of them in coast units and 469 in the fleet). The average number of the Company workers in 2007 was 539, average provisory number of workers was - 498, 9. The average number of workers in 2006 was 539, in 2005 - 555.

LJL cash and forward deposits over the year 2007 increased by 9, 4 million Lt up to 23 million Lt. In 2007 redeemed the rest of VVP, inherited after the reorganization. The Company seeks to acquire greater cargo capacity a new ships by implementing the scheme for renovation of the fleet. In 2007 LJL acquired 2 “Clipper” ships 16, 9 thousand DWT each for 63, 4 million Lt, by taking the credit of 18, 5 million US dollars from the bank (48,6 million Lt or 77 %).

LJL keeps its capital, which is free from payments, in terminated deposits and/or one night deposits. Free cash accumulates while looking for ships suitable for purchase. In 2007 LJL received from banks for free cash control 0,644 million Lt income, in 2006 - 0,423 million Lt.

LJL from the previous LISCO inherited 55,9 million Lt financial obligations for 4 “Asta” series ships in US dollars with the changing interest rate (LIBOR for choice of the period, bank margin 1,5 % of annual interest). This inherited debt had a very complicated scheme and the Company had additional expenses without expenses on interest (administrational, tonnage, registration, insurance, representation fees), related to 4 firms, and registered in Cyprus under the names of ships. By seeking to decrease its expenditure and risk, in 2003-2004 LJL changed the existing scheme into a credit from AB Vilnius bank. Even though the negotiations were not easy due to continuous privatization process of the Company, LJL managed to gain more favorable conditions for the contract.

Over the year 2007 the Company paid to SEB bank 25,6 million Lt of the credit together with the interest (respectively in 2006– 12,7 million Lt, in 2005 - 6,3 million Lt). These credits were taken to acquire: 4 “Asta”\_type ships, in 2005 “Romuva”, in 2006 “Voruta”, and in 2007 2 “Clipper”. The Company returns credits with calculated interest to banks under terms and sums indicated in the agreement. LJL has not received any pretensions from banks since its establishment

55,9 million Lt of financial obligations to the banks, inherited from the previous LISCO after the reorganization, including credits received by LJL for purchasing the ships mentioned earlier, at the end of 2007 made up 61,0 million Lt. Credits in euros made up 53 %, while credits in US dollars - 47 %.

In 2007 LJL paid 3,8 million Lt interest to the bank or 1,8 million Lt more than in 2006 m. due to credits taken to acquire 2 “Clipper” ships. If compared with the budget, less, that is, by 0,9 million Lt interest was paid due to smaller credit (instead the planned 20,5 million US dollars for 7 years, the credit of 18,5 million US dollars was taken for 5 years). Besides, according to the budget plan it was intended to receive the credit on 15<sup>th</sup> January in 2007 with 7 % annual interest rate, by covering a part of the credit, that is, 7,7 million US dollars. The ships were factually acquired on 7<sup>th</sup> and 14<sup>th</sup> March, 2007, about 6,1 % interest paid for the credit, in the current year a part of the credit, that is, 4,9 million US dollars was covered. The exchange rate for US dollar was 2,52 Lt, which also differed from that projected in the budget as it was 2,71 Lt. It is important that at the start of 2004 LIBOR in US dollars made up over 1 %, in 2006 it was increasing and at the end of the year it reached more than 5 % (according to fixed interest). However, LIBOR in US dollars was increasing more slowly than LIBOR in euros (01.01.2007

for 6 months. LIBOR in US dollars was higher than that on 29<sup>th</sup> December, 2005 by 14 %, while LIBOR in euros - 46%). Over the year 2007 LIBOR in euros increased by 21 %, while LIBOR in US dollars decreased by about 17 %.

The Company has given much attention to its business analysis, to administration or financial reporting preparation process, improvement of accounting. Management effectiveness shall not be achieved in the absence of such analysis and improvement of reports dedicated for such purpose, indeed, the Company has given much attention to that. Freighters' debts and payment situation are always under control. LJL takes care of constantly improving work organization and its structure. LJL is reliable in respect of suppliers. The turnover for loan providers in 2007 as well as in 2006 was less than 5 days.

In 2007 the Company chose to apply fixed profit tax for the taxable profit of the starting taxing period and later taxing periods.

Over 2007 taxable financial year the Company did not acquire, transfer any shares, nor does it have such

## **MAINTENANCE OF THE TECHNOLOGY OF THE FLEET**

In 2007 repair works were performed in order to approve class of motor-ships "Akvilė", "Audrė", "Mindaugas", dock repair works for motor-ships "Voruta", "Deltuva".

Expenditure of ship repair works over the year 2007 makes up 14695426 million Lt.

Motor-ship "Deltuva" has had major repair works done. Ballast tanks and all the holds were cleaned and painted. Motor-ship "Voruta" had CO2 extinguishing system, smoke detectors and ventilation systems for holds installed in cargo holds. This allowed transporting hazardous cargo.

Due to breakdowns ships "Svilas" and "Alka" had undergone unscheduled repair works.

In 2007 technology of two acquired ships "Deltuva" and "Clipper Falcon" was mastered. Major works were completed by preparing their maintenance, ISPS plans, instructions, and other documents.

Worn out ship radars, satellite stations GPRS receivers, satellite buoys and other means of communication and navigation were changed. The sum of 791 296 Lt was spent on that.

Ship repair costs became hard to predict in Europe. It took longer to complete repair works. Repair works are much cheaper in China, but LJL ships do not navigate in the region of Asia, thus, none of the Company ships were repaired there In 2008 motor-ship "Clipper Falcon" is to be repaired in China.

Prices of spare parts have greatly increased and terms of their delivery have become longer. In order to avoid stand-by due to technical faults, spare parts are ordered and bought earlier and in greater quantities.

The 2007 was a very good year to sell ships. Under the permission of administration, 4 old bulk cargo ships were sold: "Kapitonas Šimkus", "Kapitonas A. Lučka", motor-ship "Kapitonas Kaminskas", motor-ship "Kapitonas Domeika". It would have been too expensive to carry out repair works of high quality, and expenses up to other repair works would not have paid off. In 2008 ship utilization convention is to be accepted, after its commencement it will be quite difficult to give ships away to scrap metal sites.

## **SAFE NAVIGATION MANAGEMENT**

In 2007 SLVT workers carried out the following important safe navigation works in the spheres of arranging juridical ship documents:

1. All the necessary documents related to preparation of the obligatory plans *US Non Tank Vessel Response Plan* for two LJL ships were prepared and sent to the U.S.A. Agreements with two US companies "Donjon – Smit LLC" and "National Response Corporation" were complemented concerning service provision in emergencies in USA inland water and territorial sea. The ships "DELTUVA" and "CLIPPER FALCON" were timely provided with the plans mentioned above, which were prepared by the USA company "Hudson Marine Management Services". Additionally the same company prepared other plans for these ships - Panama channel SOPEP, which are required for ships navigating in Panama channel.

2. The ships “DELTUVA” and “CLIPPER FALCON” were registered in Marine Ship Register of the Republic of Lithuania and provided with required normative documents. Also, these ships had waste handling, water ballast management and SOPEP plans arranged (the plans were prepared by the company “Baltic Engineering Centre” and an individual principal I. Žukov) as well as packages for post, ship and technical instructions in languages used at work arranged.

3. The company’s auditors performed the audit of inner ship safety management system in 16 ships and once in the coast departments of the company. The official responsible for company safety carried out audit of inner ship protection in 6 ships.

4. Correction in safety management guidelines was done once.

5. Corrections in ship SOPEP plans related to contact addresses were made 4 times and it was distributed among the ships.

6. 14 pilots received certification to occupy higher posts. Uncommon additional testing for ship masters’, mates’ and chief mechanics’ knowledge for ship safety system management was undertaken (during the months of November and December knowledge of 11 specialists has been checked).

7. All the ships were periodically provided with national documents and those of International Marine Organization, regulating ship safety and protection, safety control and environmental protection via sea logs and seafaring manuals.

8. Organizational work was performed when preparing modern computerized calculation software for stability, seat and hull stretch of the ships “DELTUVA” and “CLIPPER FALCON”. The program was prepared by the company “Spro – Invest LLC”.

9. Organizational work was performed when preparing protection plans for motor-ships “DELTUVA” and “CLIPPER FALCON” and when providing certificates for the same ships according to the International Protection Code for ship and port plant and according to the requirements of International Safe Management Code.

10. Review of emergency events for LJL ships prepared for 2006. All conclusions for emergency events of the investigation of 2006 were distributed to LJL ships.

11. PSC inspection analysis according to incompliance features was performed for LJL ships in 2006. Information was presented to the company management.

12. Lists of critical equipment were made relevant and complemented for all ships according to LSLA requirements.

13. Manuals for using life boat systems were prepared according to the requirements of TJO 15.05.2006 of circular note MSC.1/Circ.1205 in Lithuanian and Russian languages, instructions for other specific life saving means, for exploiting fire-fighting and plants were made reliable in languages used at work on ships “VORUTA”, “DELTUVA”, and “CLIPPER FALCON”. Plans – schedules for technical service for life saving means were made reliable according to the new requirements of the earlier mentioned TJO 15.05.2006 of circular note MSC.1/Circ.1205 for all ships.

14. Organizational work was performed when implementing independent ship SVS safety audit.

14.1. The Audit of 4 ships SVS was completed by inspectors of Marine Navigation Register of Russia (RJLR), the Audit of 5 ships – by LSLA inspectors.

14.2. 7 the audit for ship protection was completed by LSLA inspectors.

15. Organizational work was performed when preparing reliable information of stability and hull capacity of the ships “KAPITONAS SERAFINAS” and “KAPITONAS STULPINAS” for carrying general cargo. Such document was prepared by UAB “Baltic engineering centre” and it was confirmed by RJLR. However, the expected result was not reached, as for official legalization for haul of general cargo, motor-ship ‘KAPITONAS SERAFINAS’ RJLR asked to prepare additional documents, in fact, without such documents the ship carries general cargo for 26 years.

Implementation of *ISM Code*, *ISPS Code* and of requirements for environmental protection in LJL in 2007.

In 2007 representatives of Marine Navigation Register of Russia and of Safe Navigation Administration of Lithuania (LSLA) inspected and issued renewed control certificates (SVL) for 5 LJL motor ships: “Kapitonas Serafinas”, “Kapitonas Stulpinas”, “Asta”, “Staris”, and “Svilas”. After completion of preparatory works, “Deltuva” and “Clipper Falcon” were certified to receive temporary SVL for 2007. A



few months later ships "Deltuva" and "Clipper Falcon" underwent audit once again, they were given permanent SVL.

Under the request of Safe Navigation Administration of Lithuania, additional audits were carried out in ships "Alka", "Kapitonas Domeika" and "Kapitonas Stulpinas" after their arrest.

In May, 2007 the representatives of Safe Navigation Administration of Lithuania carried out an annual company audit so that new reliable document shall be completed. Safe Navigation Control Service, Personnel Department, Technical Maintenance Department and Fleet control department were inspected. 8 incompliance notes were made. One incompliance noted by the LSLA inspectors is reliable today as well: Superintendents of Technical Maintenance Department cannot guarantee that annual inspection of technical conditions of ships is carried out on LJL ships. As this remark was noted by LSLA representatives in 2007, the results will be investigated in 2008 during the company audit. During inner audit carried out in December it was established in Technical Maintenance Department that over the year 2007 superintendents investigated 9 ships, and completed the checklists for inspection of technical condition.

In 2007 inner audit was carried out in all the ships according to a prearranged plan.

In 2007 necessary documentation of *ISM Code* and *ISPS Code* was prepared for the acquired ships "Deltuva" and "Clipper Falcon". They were certified according to the requirements of *ISM Code* and according to those of *ISPS Cod*.

At the end of 2007 auditors carried out inner audit for company departments and services.

In 2008 interim SVS inspection for motor-ships "Alka", "Romuva" and "Daina" are to be carried out in order to renew the certificate of safe management. In May company annual audit shall be carried out.

In 2007 6 ships had inner audit *ISPS Code* carried out. Most common incompliance: 1. the zone door of restricted access even if it is not used id left open; 2. There is no proof that the company annually carries out external and inner tests for ship protection equipment.

In the middle of 2007 trainings according to *ISPS Code* were completed in all LJL ships by imitating ship protection system damage. Ship and seamen's preparation, actions, knowledge of the ship safety plan, operative work of communication ship-company-Klaipeda coordination rescue group were assessed. The same trainings have been prearranged for the end of 2008.

In 2007 7 LJL ships had external interim inspections of *ISPS Code* carried out in order to renew the certificate of International ship protection. The inspection was carried out by the representatives of Safe Navigation Administration of Lithuania. In 2008 3 ships ("Alka", "Voruta", "Romuva") are to have interim inspections of *ISPS Code* carried out.

Evaluation of safety of ships "Deltuva" and "Clipper Falcon" acquired in 2007 was given, prepared new ship protection plans and the ships were certified according to *ISPS Code* requirements.

Corrected protection plans of the majority of LJL ships, as ship alarm systems as well as AIS use and testing instructions had to be specified.

As renewal of SVS certificates of the ships "Kapitonas Serafinas", "Staris", "Svilas", "Deltuva" and "Kapitonas Stulpinas" were carried by Safe Navigation Administration of Lithuania through issuing a new Safe management certificate, the documents of continual record for ship history had to be renewed as well .

In 2007 newly acquired motor-ships. "Deltuva" and "Clipper Falcon" had new plans for special means for oil pollution prevention (SOPEP plan), waste management plans, water ballast control plans prepared. All these plans were approved by Safe Navigation Administration of Lithuania.

## ACTIVITIES IN OTHER COAST DEPARTMENTS

### Insurance and pretensions

During the reporting year Insurance and Pretensions Department had the following pretensions:

1. Related to cargo transportation.

According to the data of the 1<sup>st</sup> January, 2007, LJL presented 12 pretensions and received 8 reports about pretensions. Over the year 2007, 5 pretensions were analyzed and rejected, which made up the

total sum of - 837 666,00 US dollars and 2 pretensions fell out. Negotiations were made for one pretension of 85 433,00 US dollars and a certain deal was reached, and the total amount paid consisted of 10 000,00 US dollars.

Over the year 2007 the following pretensions were submitted and rejected:

1. 3 pretensions for the sum of 4 653,86 euros;
2. 1 pretension for the sum 2 200,00 US dollars;
3. 1 pretension, whose sum of 11 000,00 euros was negotiated and agreed on 2 337,00 euros.

01.01.2008 6 pretensions were left, 2 of them pretensions for - 297 444,89 euros, 4 pretensions for - 94 323,76 US dollars, 8 notes about pretensions. 3 of the rest comprise big pretensions:

- motor-ship "Kapitonas Lučka", *Moerdijk* port, 30.10.2004– 225 000,00 euros;
- motor-ship "Skalva", *Puerto Cortes* port, 08.11.2004 – 72 444,89 euros;
- motor-ship "Skalva", *New Orleans* port, 04.12.2007, cargo pollution with oil - 50 000,00 US

dollars

2. Other pretensions.

01.01.2007 there were 22 pretensions, 31.12.2007 21 were left, including new pretensions.

During the reporting period one big pretension was fulfilled: motor-ship "Skalva" *Gaspe* port 04.01.2006 cargo damaged due to the fire on the hold, pretension sum– 1 052 112,00 US dollars. 179 250,00 US dollars were paid from the funds of the insurance club "Skuld".

In Schtralsunde (Germany) court trail has been completed concerning the declaration of bankruptcy of the company "Whitle Dolphin Shipping and Trading GmbH".

11 small pretensions were fulfilled, insurance payouts were received for them.

In 2007 new big pretensions received:

1. Motor-ship "Svilas" 18.11.2006 *Sundalsor* damaged port quay, pretensions sum – 290 000,00 US dollars

2. Motor-ship "Daina" collision with Motor-ship "Nordana Andrea" 09.11.2007 in Kiel Channel, preliminary pretensions sum – 120 000,00 euros.

3 Motor-ship "Asta" illness of the crew member K. Bogdanov, patients transportation from Mexico to Klaipeda, pretensions sum – 180 000,00 US dollars paid from the funds of mutual insurance club "Skuld".

The public company "Lithuanian shipping company" has insured ship owners' liability due to cargo and other pretensions insurance agencies and mutual insurance clubs.

3. Coast pretensions.

1. 10.01.2007 M. Trijonienė and L. Uniokaitė submitted request to the bailiff agency concerning shares of the public company "Lithuanian shipping company" belonging to the Company "Trident Marine Aps" of the Danish Kingdom, these shares are in UAB finance broker company's "Suprema" accounting report, according to the arrest decree p.c. No. 2A-4521/2006 of the Court of Appeals of Lithuania.

2. 17.03.2007 the Court of Appeals of Lithuania looked into p.c. No. 2A-85/2007 according to the plaintiff's the Company "Trident Marine Aps" of the Danish Kingdom letter of appeals concerning the decree of Vilnius District Court on 19<sup>th</sup> July, 2006 decreed p.c. No. 2-1231-28/2006 concerning the Company's "Trident Marine Aps" of the Danish Kingdom claim to the defendants of the public company "Lithuanian shipping company" that is to the Bureau of Special Investigations of the republic of Lithuania, the third party State Treasury Fund concerning revelation of news which do not correspond the reality, humiliate business reputation of the juridical entity, for the compensation for damage done in order to disprove such news and damage for the spread of such news. The letter of appeals shall be partially satisfied, reduced legal costs were assigned to the public company "Lithuanian shipping company".

3. 02.05.2007 Vilnius District Court issued receiving order No. 2-1231-28/2006 under which recovery has been implemented 29.10.2007. The case closed.

4. 05.06.2007 Klaipėda District Court looked into p.c. No. 2-518-538/2007 concerning Tatjana Žgunova claim for immediate return to work, salary adjudging for the whole period of the forced absence from work, for reestablishing continuity of incessant work standing, for adjudging severance pay, for retrieval of annual and unpaid holidays, for adjudging payment for removing date of discharge

from work, for adjudging allowance to work salary for annual holiday, for adjudging payment for payment for extra work done, for paying compensation for financial and moral damage. 04.07.2007-07-04 the Court of Appeals of Lithuania received T. Žgunova's letter of appeal concerning 05.06.2007 Klaipėda District Court decree. The Court of Appeals of Lithuania looked into the civil case No. 2A-83/2008 according to T. Žgunova's letter of appeal concerning Klaipėda District Court decree, 03.01.2008-01-03, the claim rejected.

## **ACTIVITIES OF THE DEPARTMENT OF INFORMATION TECHNOLOGIES**

### 1. Expenses:

1.1. Software maintenance - 97 746 Lt, if compared to the budget this sum is smaller, 12 254 Lt .

1.2. Computer hardware and net maintenance - 13019,92 Lt, if compared to the budget this sum is greater 19,92 Lt.

### 2. Investments:

2.1. Modernization of technical equipment of computer network and software –33 882,23 Lt;

2.2. Modernization of fleet computer technologies and software – 6 382 Lt.

Total sum of investment – 40 264,23 Lt, budget has 208 000 Lt. Non-realized funds of investments, as the following were not purchased: processing system for documentation of large format (copying, printing, scanning, new server; module for time charter has not been bought nor has it been installed; module of GPRS connection has not been modernized on ships).

### 3. Programming (aims):

3.1. A new version of programming task has been created for “Crew knowledge testing”, according to the requirements of MARPOL convention and ISM code.

3.2. A new version of program for information transferring from ships has been installed in ships, entering USA ports.

3.3. Electronic catalogue of engine parts has been created and implemented for ships of “Asta” type. The catalogue makes it easier to find a necessary part and facilitates forming the request for their purchase.

### 4. Modernization of computer network and its systems:

4.1. A new integrated centralized protection system of several levels has been installed in the computer network of LJL. The system has a system against *spam*, anti-virus e-mail and WEB protection and protection from hackers' attacks installed. The system has been installed in the server, which provides more opportunities to control and monitor the protection.

4.2. The server base has new technology installed for transferring Internet data from information medium from the office to ships. This facilitates program service updating and makes information transferring to ships easier.

4.3. 3 work posts have been modernized in LJL coast departments.

4.4. A new version of protection program *Panda Platinum 2007 Internet Security* has been installed in ship computers.

## **ACTIVITIES OF BUSINESS MAINTENANCE DEPARTMENT**

In 2007 96 500 Lt (VAT included) received for the rent of nonresidential premises.

In 2007 the following rent agreements have been signed for nonresidential premises:

28.02.2007- concerning the rent of 25,08 m2 administration premises on the 2 floor,

31.01.2007– concerning the rent of 1 32,22 m2 administration premises on the 2 floor,

27.02.2007– concerning the storehouse premises of 204,45 m2, Vėtros g. 7 Melnragėje, ,

13.03.2007– concerning the storehouse premises of 273,07 m2, Vėtros g. 7 Melnragėje,.

### Insurance expenses:

Insurance of realty (administration premises, office equipment and storehouse)

UAB “IF draudimas” - 4300 Lt;

Insurance of general civil responsibility - 500 Lt;

Insurance of means of transport UAB “IF draudimas” – 32614 Lt;

Insurance for journeys UAB "IF draudimas" - 5932 Lt;  
Expenses on maintenance of administrative premises:  
For the rent of state owned land (0,1618 ha) 2957,76 Lt paid to Klaipeda municipality;  
For rain leakage pipes to AB "Klaipėdos vanduo" - 201,60 Lt (VAT not included);  
For cold water used and waste water to AB "Klaipėdos vanduo" - 2096,08 Lt (VAT not included);  
For heating of premises to AB "Klaipėdos energija" - 25130,08 Lt (VAT not included);  
For electrical power used to AB "Vakarų skirstomieji tinklai" branch "Klaipėdos elektros tinklai" – 23 553,52 Lt (VAT not included);  
For garbage removal to UAB "Švaros diena" - 677,4 Lt (VAT not included);  
For security services (reacting on the pressure of the danger alarm) R. Jonaičio IĮ "Argus" - 600 Lt (VAT not included).  
For telephone communications it was paid to:  
    AB "Lietuvos telekomas" – 46 669,73 Lt (VAT not included);  
    UAB "Telekomunikacijų grupė" – 316,59 Lt (VAT not included);  
    UAB "Linkotelus" – 4 309,53 Lt (VAT not included);  
    UAB "Bitė GSM" – 73 099,20 Lt (VAT not included).  
Roof repair works of administrative building - 4146 Lt (VAT not included).  
Repair works in inner premises - 4705,20 Lt (VAT not included).  
Repair works for security alarm - 480 Lt (VAT not included).  
Plumbing maintenance in administration premises - 1510 Lt (VAT not included).  
Preparations for heating season of 2007-2008 - 7109,30 Lt (VAT not included).  
Over the year 2007 1 382,5 kg of copying paper was purchased for 4 096,44 Lt (VAT not included).  
Over the year 2007 maintenance expenses for storehouse in Melnrage:  
Land fee to Klaipėda National Port Direction – 10446 Lt;  
For electrical power used to AB "Klaipėdos jūrų krovinių kompanija" - 3348,30 Lt (VAT not included);  
For telephone connection to UAB "Bitė GSM" - 221,22 Lt (VAT not included);  
For garbage removal to UAB "Švaros diena" - 365,14 Lt (VAT not included);  
For security services R. Jonaičio IĮ "Argus" - 1200 Lt (VAT not included);  
For electricity installation works in the storehouse - 300 Lt (VAT not included);  
For storehouse gate repair works - 1400 Lt (VAT not included).  
  
Realty fee to the budget – 14 799 Lt.  
The user fee of owners or controllers of means of transport – 2500 Lt.  
Eight seat vehicle has been acquired "Renault Trafic" for 75423,73 Lt (VAT not included).  
When exchanging crews of ships, the bus "Iveco Irisbus Midys", licence plate No. ARJ 535 and an automobile "Renault Trafic", licence plate No. DEL 125 were used, total distance covered in Lithuania and abroad 42 191 km.  
Over the year the Company bought fuel in Lithuania and abroad from UAB "Lietuva Statoil" for 46 609,73 Lt (VAT not included) for its means of transport (bus "Iveco Irisbus Midys", cargo vehicle "Peugeot Boxer", "Renault Trafic", "VW Passat" and "Peugeot 406").

## COMPANY BUSINESS AIMS

In order to ensure faster increase in profit it is necessary:

1. to obtain ships of greater cargo capacity. The fleet renewal issue has been solved since 2002. Since the establishment of the Company in 27.06.2001, when the main aim was to survive, it was considered that , new ships and those of greater capacity could operate more effectively. By 31.12.2007 LJL sold 12 old ships and it bought 8 newer ones of greater cargo capacity. By renewing its fleet the Company seeks to solve one more issue: to possess at least 2 ships of the same type. The demand for such minimal ship fleet is greater in the market.

Currently 24 000 – 26 000 dwt size ships can be employed to receive 18 000 – 24 000 US dollars per day. This serves as substitute for the sum rate of a day for such ships as "Alka", "Algirdas", and

“Kapitonas Serafinas”. Maintenance expenses of such a ship would be equal to maintenance expenses of the two ships mentioned above.

2. to stop using little profit earning and operating with unreliable equipment “Uglegorsk” type ship “Algirdas” (built in 1991 in Turkey, 4470 dwt). This aim can be achieved by renewing the fleet. In 2007 motor-ship “Mindaugas” was sold, in 2008 we plan to sell motor-ship “Kapitonas Serafinas”, as the repair works are near for the motor-ship “Algirdas”, it would be sensible to sell it. Expenses for repair works for such a ship will be greater, as it has poor quality of construction.

In order to significantly decrease maintenance expenses for all ships, it is necessary to decrease expenses for their repair works, which make up a significant part of maintenance expenses.

Expenses on repair works can be decreased by:

1. Organizing repair works for major ships in Asian countries, giving priority to china, where prices are significantly lower than those in Europe or America. Contact has already been established with several ship repair yards of China.
2. While going to the repair base, on the way to haul some freight. In this way, major expenses will be cut down when going with ballast, without any cargo.

To find work in a more expensive market of hauling freight is possible if there are ships of 20 000 t deadweight. Such ships can be employed for a longer period of time and higher rates can be imposed. In 2008 it is planned to purchase a ship of 24 200 dwt. There is a great hope that it will be possible to employ it successfully.

Save navigation and work without ship arrest in foreign ports – aims, which after being reached, shall guarantee high reputation for the Company, and the image of the Republic of Lithuania as the seafaring country would be strengthened.

The Company has been constantly reaching for these aims. LJL has protection control system installed (SVS), which helps to guarantee:

1. navigation free of accidents and mechanical breakdowns,
2. environmental protection, by avoiding pollution from ships,
3. security for workers, by eliminating risk factors, which may result in fatalities, traumas and injuries,
4. safe cargo transportation technologies, which help to avoid damage to or loss of transported cargo.

In order to make SVS more effective, over the period of 2008-2009 the following issues shall be solved:

- revise ship documentation looked through during ship inspection,
- to arrange the order for ship preparation for repair works, so that ship repair logs would be as correct as possible, describing technical condition of ship mechanisms and the range of needed repair works.

In order to make SVS more effective, it is planned to reach the following aims:

1. to send all seamen to paid training courses (UAB “Novikontas”) where they would be taught of International Safety Management Code.
2. to send all superintendents form Technical Maintenance Department to training courses (UAB “Novikontas”) where they would be taught of International Safety Management Code.
3. to make ship masters, their mates and chief engineers individually repeatedly study Safety Management regulations, 02.01.2007 General Director’s Decree No. 1-02, by testing their knowledge during Safe Navigation Control at work.

4. to make specialists of Safe Navigation Control Service responsible for organizing for all LJL ship masters, their mates and chief engineers knowledge testing related to Protection Management systems for the company and ships, and the results of such testing shall be documented in the minutes. The strategic plan for 2008 of the public company “Lithuanian shipping company” was calculated when the rate of Euro was - 3,4528 Lt, and that of US dollar – on average 2,38 Lt. Unexpectedly decreased rate of dollar and its future perspectives negatively affect the Company’s income (over the year 2007 income from ten months in US dollars on average made up 55 % of major income). Relatively low rate of US dollar may result in some changes in the activities of the Company and in the necessity to make corrections in its strategic plan.

Even though ship market can hardly be prognosed, the Company is planning to purchase a ship of 24 200 DWT for 33,9 million US dollars in April of 2008, by taking the credit of 23 million US dollars for 7 years.

There are intended sales of 15 ships for services - 95,6 million Lt, calculated according to agreements signed by the Fleet Management Department for different ship types, when ships work for 5138 days, are under repairs 281 days, and do not operate 50 days (going to repair bases), and the equivalent of the whole time charter for a day - 18 118 Lt, or 5 247 euros. Income in US dollars in the budget is to comprise 48 % of all income, however, in order to avoid negative effects of decreasing value of the dollar on its activities, the company is going to apply euros for day rate whenever it is possible.

In 2008 planned repair works of 10 ships (about 67 % of ships in possession: "Kapitonas Stulpinas", "Alka", "Skalva", "Daina", "Staris", "Svilas", "Romuva", "Voruta", "Raguva", of newly acquired ship) are to be performed over 281 days for 17,4 million Lt, no spare parts included. According to the order indicated in the report for expenses on ship repair works and confirmed following the requirements of 12 VAS page 34, the Company shall ascribe expenses on repair works for the confirmation of ship class as well as for the dock over the period prior to the next course of repair works. In this way, strategic plan of activities of 2008 foresees 2,4 million Lt expenses on repair works, transferred from the previous year and 16,4 million Lt of expenses on repair works for the current year. It has been planned to allocate 3,4 million Lt. for expenses of the following periods (2009-2010).

It has been planned to allocate 6,0 million Lt. for the purchase of spare parts. Expenses on operation have been calculated for a month for every ship equally, that is, 3,4 million Lt.

Since 01.01.2008 seamen's salaries have been increased. The salary consists of occupational payment (permanent share) and changing allowance, the size of which depends on the qualifications of a seaman and on other factors related to work.

## **TYPES OF RISK AND GENERALITIES**

The following risk factors have been identified, as posing threat to the Comapny:

### **Economic**

#### Competitiveness of production (services provided)

As rates of freight have dramatically increased, global market has started building new ships, which will make competition even harsher. Having evaluated growing market of transportation and increasing demand for sea transport, the Company shall not face any difficulties in employing its ships. The Company intends to stay in competitive poison in the market, and for this purpose it: maintains good long-term relationships (including standard ones as well) with its clients, continues the program of fleet renovation and equipment modernization, increases qualifications of its employees, implements woks in the spheres of safe navigation, workers' safety and their health care and fire prevention.

#### Acquiring raw material and set details

Dependence on suppliers does not pose high risk, due to their great competitiveness in the sphere of fuel and oil. The significance of suppliers of spare parts and ship equipment is far greater; however, the Company has established long-term cooperation and has signed long-term agreements with its suppliers.

#### Rise in fuel prices

The activities of the Company are vulnerable to this type of risk, which is very hard to control. In this case, service rates increase at later periods and at slower pace, therefore, the Company incurs loses.

#### Fluctuation in currency exchange rates

The Company makes deals in inernational markets in euros and US dollars, therefore, fluctuations and changes in currency exchange rates have a significant role. Various financial instruments are used to control currency rate risks; however, long-term agreements concluded often restrict from reacting instantaneously to occuring changes.

## Seasons

Seasonal changes do not pose greater risk, as extreme seasonal occurrences are not characteristic of specifications for cargo transported by the Company.

## The problem of personnel change

Without those workers, who were dismissed from work under the law: Employment Code of the Republic of Lithuania article 126 (when the term expires) as well as when the term from practice expires, personnel change does not reach 10 %, although the Company faces some problems related to labor force. Indeed, the problem lies in the lack of qualified personnel in the market, or in the lack of certain specialists, their limited training, their leaving to work for foreign fleets, after privatization senior workers, that is, a certain number of people of pre-retirement age was allowed to stay, hard working conditions compared to work on the coast, in ports, lower salary than that on the ships registered under the flag of convenient countries etc.

The preparation system of seamen completely lacks direction towards work in national navigation companies of Lithuania even though educational institutions are maintained from Lithuanian budget.

To avoid great changes in personnel, occupational list is constantly revised, workers' salaries are gradually increased, various motivation and stimulation systems are applied for workers.

## Payment to suppliers and users

Freighters' debts and their payability are constantly controlled.

LJL has been reliable in respect of suppliers. The Company pays a lot of attention to its relationships with suppliers. The risk of credit or the risk of partners' failing to fulfill their obligations is controlled by establishing credit terms and procedure control. The Company does not face a significant credit risk with any of its partners or a group of partners.

## Political

The ships of the public company "Lithuanian shipping company" operate in international market of sea cargo transportation and its activities depend on international deals, as well as on state regulations (legal and post-statutory acts). After Lithuania's accession into the EU, the risk for frequent change in legal acts has significantly decreased, which had negative influence on the stability of the Company. International Marine Law regulations regulating relationships between the company and companies of other countries are stable. No restrictions for the activities of the company are imposed from the state.

## Social

Increasing salary has direct influence on the Company's financial results, however, this trend is only a fact, and the Company has foreseen the influence of increasing salaries.

In order to make qualified employees stay, occupational list is constantly revised, workers' salaries are gradually increased, various motivation and stimulation systems are applied for workers.

## Technical - technological

In order to control this type of risk, the fleet of the company is constantly renovated, inspection of compliance with the standards of technical condition of ships applied to international ships is constantly implemented, temporary and dock repair works are performed, new equipment installed so that the fleet would comply with good technical condition. Works are constantly performed in the spheres of safe navigation, work safety and fire prevention, implementation of the code of ship protection, document arrangement.

## Ecological

There is no possibility that the Company's activities might be stopped due to its hazardous activities in respect of the environment. The main ecological risk factor is related to the possibility of the accident of a ship. The Company ships have insurance from accidents and in the events of their consequences;

therefore, an accident and its consequences shall not have major effect on the Company's financial state.

## 7. ANALYSIS OF THE RESULTS OF ECONOMIC AND NON-ECONOMIC ACTIVITIES

### 2007 M. FINANCIAL INDICATORS

Name of indicator	2005	2006	2007	Change when compared to 2005 %	Change when compared to 2006 %
	Value	Value	Value		
Net profitability, percentage	18,22	11,08	32,86	-39,19	196,57
Net profit / sales * 100					
Average asset change, percentage	6,81	4,26	10,16	-37,44	138,50
Net profit / (assets at the beginning of the period + assets at the end of the period) / 2 * 100					
Debt coefficient, percentage.	18,19	18,65	21,44	2,53	14,96
Liabilities / assets					
Liabilities - property coefficient, percentage	22,23	22,93	27,29	3,15	19,01
Liabilities / owned capital					
Average liquidity coefficient	0,71	0,92	1,12	29,58	21,74
Short-term assets / short-term liabilities					
Asset turnover	0,37	0,37	0,29	-	-21,62
Sales / assets					
Accounting value of a share, Lt.	1,05	1,11	1,25	5,71	12,61
Owned capital / number of shares					
Net profit, for a share, Lt.	0,09	0,06	0,15	-33,33	150,00
Net profit / average weighted number of shares					

### RESULTS OF ACTIVITIES OF 2007

In 2007 the public company "Lithuanian Shipping Company" realized the profit amounting up to 31,9 million Litass. If to compare with the planned budget, the current year profit before taxes was higher by 20,6 million Litass.

In 2007 the company earned 145,6 million Litass income, including 91,6 million Litass from the fleet activity, 48,5 million Litass were received after the selling of old, maintained ships and from the rendering of other services (lease of the premises, other services) and 5,5 million Litass were the bank interest income in line with operations in foreign currencies. In 2007 expenses amounted to 113,7 million Litass, including 75,1 million Litass of staff costs, ships repair and operating costs, other operating and selling expenses, the residual value of sold old ships made 6,6 million Litass, 27,6 million Litass were the depreciation of ships and other assets, 3,8 Litass were the interests paid to bank and 0,6 million Litass were the expenses related to changes in exchange rates.

In 2007 the sales revenue was 11,0 million Litass lower than in 2006 as the ships worked 473 days and nights less. All the ships of the Company were employed under the time charter agreements.

The company sold its services at the average rate of 2,5313 Litass per USA dollar, while the rate of dollar anticipated in the budget was 2,71 Litass. Due to the discrepancy between the actual and anticipated rate of dollar the average income was by less than 3,4 million Litass for the reporting period. The other reason of the freight income deviation from the forecasts was the less number of the of the working days and



nights of the ship park, that resulted into the income lower by 5,6 million Litass. The ship park operated 461 days less than it was planned due to the later acquisition of two “Clipper” type ships, earlier or unplanned sales of ships and longer than planned repair works of ships “Akvile”, “Mindaugas”, “Voruta”, “Deltuva” ( totally 68 days and nights).

Income received from ship park exceeded ships operating and other administrative, sales, ships repair and employment expenses, hence the Company had gained the profit prior to ships depreciation and sales. In 2007 the profit prior to depreciation of the ships and other assets and ship sales amounted to 16,7 million Litass. After the sale of old or unfit for operating ships or ships that did not comply ships operating requirements of the Company received after the reorganization of previous LISCO , the Company received the 48,3 million Litass income where the residual value made 6,6 million Litass, i.e. it earned 41,7 million Litass of profit.

Without analyzing all the compound parts of the expenses of the Company we will submit a detailed review of some most significant expenses.

Staff employment costs in 2007 made 29,7 million Litass and were lower by 0,7 million Litass than planned. Crew sustenance expenses made the goal staff employments costs of 25,4 million Litass ( 86%) They were lower than planned ones by 0,3 million Litass.

In 2007 ships repair costs made 14,7 million Litass and exceeded the planned ones by 2,4 million Litass due to unplanned repair works. The unplanned repairs were 3,6 million Litass and made 25% of all repair costs.

Costs on spare parts, lubricants, ship insurance, commissions, supplies to ships, water expenses, off – hire ( charter not received due to ship failures, accidents, detentions, etc.) costs make ships operating costs that amounted to 28,9 million Litass in the period of 2007. If to compared with forecasted, the lubricant costs were lower by 2,5 million Litass.

Off – hire expenses due to ship failures, accidents, detentions and similar events made 3,6 million Litass or 12% of ships’ operating costs. Due to some technical reasons 3,3 million of income (93%) was not received.

Ships supply costs (overalls, laundry, laundering, utensils) amounted to 0,9 million Litass . They were 0,3 million Litass higher than planned.

Water expenses to ships made 0,2 million Litass. They complied with the planned ones.

Communication costs of the ship park were 0,2 million Litass and they were lower than planned.

The depreciation costs of the ship park were 27,2 million Litass, 97% of them made the depreciation expenses of the ship park. The depreciation costs during the period of 2007 were lower than planned 1,6 million Litass, including 1,0 million Litass due to later than planned acquisition of “ Clipper” type ships ( ships were purchased in March instead of February) and 0,4 million Litass due to earlier sale of the “Kapitan Panfilov” type ships.

Costs related to maintenance of premises, including insurance of assets and life on shore, made 0,104 million Litass or 0,1% of the Company’s expenses including insurance costs of 0,047 million Litass ( in 2006 it was 0,045 million Litass), electricity costs ( together with a warehouses) of 0,027 million Litass, ( in 2006 it was 0,027 million Litass) and heating costs – 0,025 million Litass ( in 2006 it was 0,022 million Litass).

The profit of the Company before interest and foreign exchange rates was 30,9 million Litass. The Company receives interest from banks for fixed - time and current deposits and pays interest to banks for loans granted for ship acquisition.

In 2007 the Company paid via banks 12,4 million Litass for wages and salaries, 8,0 million Litass of daily allowances, transferred 4,7 million Litass to the Social Insurance Fund Board, transferred 0,6 million Litass of income tax, settled the suppliers invoices on 65,3 million Litass and made other payments for the amount of 29,3 million Litass ( insurance, contributions to trade – unions, payments to banks under loan contracts; income tax, etc.). The Company paid to banks 0,16 million Litass ( including 0,036 million Litass of loan administration fee).

## **8. PROVISIONS AND SUPPLEMENTARY EXPLANATIONS ON THE DATA SUBMITTED IN FINANCIAL STATEMENT**

All financial data submitted in this annual report are calculated under International Standards of Financial Accountability.

## **9. INFORMATION ABOUT THE ACQUIRED AND POSSESSED SHARES OF THE COMPANY**

The Company has not acquired any shares during the accounting period.

## **10. IMPORTANT EVENTS THAT HAVE HAPPENED SINCE THE END OF THE FISCAL YEAR**

The Board of the public company “ Lithuanian Shipping Company” in profit distribution draft announced in 18-04-2008 suggested to allocate 2,5% (997916 Litas) of distributed profits of 2007 for dividends. Following the Resolution No. 377, dated by 24-04-2008, the Government of the Republic of Lithuania authorized the representative of The Ministry of Transport and Communications (owns 56,66% of shares) to suggest to allocate 1,25% for dividends (498958 Litas) and to vote for that proposal at the meeting of the shareholders that took place in 28-04-2008. Dividends per a share were 0,0025 Litas. The latter project was approved at the general meeting of the shareholders.

## **11. PLANS AND FORECASTS OF THE ACTIVITY OF THE COMPANY**

**Following the Strategic Activity Plan approved by the Board of the public company “ Lithuanian Shipping Company ”:**

### **THE MISSION OF THE COMPANY AND STRATEGIC OBJECTIVES**

The mission of the Company is cargo transportation by international sea and ocean routes, in a qualified way and in due time, following the rules and standards accepted in international navigation and the laws of the Republic of Lithuania, meeting properly the interests of shareholders, maintaining the competitiveness, assuring the accountability of the service suppliers of the Company, environmental protection, staff security, salaries and wages under market conditions.

The objectives of the Company are divided into two parts:

1. Financial objectives are as follows:
  - more rapid income growth,
  - the cutback of ship maintenance costs.
2. Strategic goals are as follows:
  - activities in expensive and stable transportation market,
  - safe navigation
  - minimal number of ship detentions in foreign ports.

The worldwide navigation business is very sensitive to diverse factors.

Political factors, making impact on international navigation market in line with our Company, like international conflicts ( for example, the war in Iraqi), assassinations and their expansion, piracy, civil wars ( in some regions of Africa). Due to these factors prices on fuel and oil products are growing up. Implementation of measures against terrorism in ports and ships enhances the self cost prices of ship services.

Economic factors.

**The demand for world park of dry cargo ships.** During the last three years the demand on dry cargo transportation services, measuring in tons per a mile, has grown up. This growth, expressed in tons per a mile, was even bigger than not such apparent growth of dry cargo trade volumes, reflecting the growing globalization of world economy and enhancing the integration of Brazil, Russia, India and China (BRIC) into global trade, with relevantly growing transportation distances ( for example, transportation of iron ore from Brazil to China, bauxite from Australia to Russia and etc). Following *Drewy*, the general demand for dry cargo transportation in 2007 should grow by 6.1 percent in comparison with 2006. Notwithstanding that it is anticipated that the average demand on dry cargo transportation, expressed in tons per a mile, should increase r by 3 percent in the coming year and the demand for dry cargo capacities expressed in deadweight (DWT) will continue increasing rapidly and should increase by 5-6 percent. Such a heavy demand growth will allow maintaining the exploitation of the park of dry cargo ships at 90 percent of the present level, because it is forecasted, that the capacity of world dry cargo ship park will grow at similar rates.

Social factors. The Company cares about ecological factors very much. According to the VI annex of MARPOL convention the ships sailing in the Baltic and the North Seas shall employ the fuel with the amount of sulphur not exceeding 1, 5 percent ; therefore fuel storing and preparation systems have been updated. The relevant investments were necessary. The prices on fuel with the 1,5 percent of sulphur boosted by 10 percent in comparison with fuel oil, having 3,5 percent of sulphur. The possibilities to buy it at any port reduced.

At the end of 2005 the demand for younger personnel, i.e. seafarers, appeared. For the meantime it is still not very relevant, but in future the deficiency of some qualified seafarers of certain specialties (for example, a motorman – turners, a seaman – welder) may occur. There was a great deficiency of simple seamen and pilots in the summer of 2007.

Technological factors. Rapid development of informational technologies in navigation and ship service activities should be highlighted. Therefore the Company had to allot rather big sums of money for implementation of state of the art communication devices on boards and renovation of information technology devices in the coast divisions.

Analysis of internal factors. Since the establishment of the Company in 27-06-2001 its structure has been constantly improved. After reorganization of LISCO, LJI received 620 seafarers (113 persons more than necessary) and 92 employees in coast divisions. While improving the structure of the Company, the number of seafarers and part – time employees of coast divisions has been reduced: in 01-01-2007 the number of people working in LJI was 536 including 64 employees on shore and 472 in fleet.

## **ACTIVITY TASKS OF THE COMPANY FOR IMPLEMENTATION OF OBJECTIVES**

In order to achieve more rapid income growth it is necessary to:

Acquire ships with bigger cargo capacity. The task of ship park renovation has been solved since 2002. From the start of the Company, when the main goal was to survive, it has been considered that modern ships and ships with bigger capacity could operate more efficiently. By 01-11-2007 the company has sold 12 old and purchased 8 newer ships with bigger cargo capacity. While renovating the ship park the Company pursues to solve another task, i.e., to have at least two ships of the same type. Such a demand of minimal ship group in the market is better.

Presently ships with capacity of 24 000 - 26 000 dwt can be employed receiving 18 000 – 22 000 USA dollars per a day. This equals to the total tariff of such ships as “Alka”, “ Algirdas”, “ Kapitan Serafin”. The maintenance costs of such ship should equal to maintenance costs of two above mentioned ships. In 2008 the Company is planning to acquire for 33,9 million USA dollars the ship constructed in 1995, with the capacity of 24 200 dwt, over 150 meters in length and 26 meters in beam. For this purpose the

Company will take the loan from the bank and sell old ships at the auction, two “Kapitan Panfilov” type ships “Captain Serafin” and “Captain Stulpinas”, constructed in 1980 – 1981.

### III. OTHER INFORMATION ABOUT THE ISSUER

#### 12. THE STRUCTURE OF AUTHORIZED CAPITAL OF THE ISSUER ( NUMBER OF SHARES, THE NOMINAL VALUE OF ONE SHARE, RIGHTS AND LIABILITY PROVIDED BY CLASS OF SHARES AND EVERY CLASS OF SHARES, PERCENT CONSTITUTED BY SEPARATE CLASS OF SHARE IN TOTAL SHARE CAPITAL)

##### The key characteristics of shares of the issuer

Name of Securities	ISIN code of Securities	Amount of emission	Nominal value	Total nominal value	The part in authorized capital, percent
ORS	LT000125999	200.901.296 units	1 Lt	200.901.296 Lt	100 %

On May 26, 2001 an extraordinary public meeting of the share holders of the public company “Lithuanian Shipping Company” (further referred to as Lisco) was held where Lisco reorganization project, i.e. splitting into two companies, among other resolutions, was approved. Lisco was divided into two new public companies: the stock company “Lisco Baltic Service” and the public company “Lithuanian Shipping Company”.

On June 27, 2001 the constitutive ( first) public meeting of the public company “Lithuanian Shipping Company” was held, where, following the item 2 of the clause 4 of the article 10 of the Law on Companies of the Republic of Lithuania and the project of Lisco reorganization resolution to establish the public company “ Lithuanian Shipping Company” was approved.

On June 27, 2001 The Securities Commission of the Republic of Lithuania registered the emission of 200. 901.296 ordinary registered shares with the par value of 1 Litas.

On June 27, 2001 the public company “Lithuanian Shipping Company” with authorized capital of 200.901.296 Litas was registered at the Ministry of Economy of the Republic of Lithuania.

##### Property rights of the shareholders of the Company

- To receive the part of profit ( dividend);
- To acquire bonus shares in case the authorized capital is increased from the funds of the Company, excluding the exceptions determined by the Law on Companies of the Republic of Lithuania;
- To obtain the emitted sharers of the Company on pre- emptive rights, excluding the case when the general meeting issues the resolution to override this right to all shareholders;
- To leave under testamentary capacity all or part of shares to single or several persons;
- To transfer all or part of shares to the property of other persons excluding the cases determined by the laws of the Republic of Lithuania.
- Other property rights stipulated by law or by the Company.

##### Non – property rights of the share holders of the Company:

- To participate in all meetings of the shareholders and vote ( the right to vote in general meetings of share holder may be forbidden or limited under the cases determined in the Laws on Companies of the Republic of Lithuania and other laws or in the case the property right to a share is challenged);
- To receive information about the Company determined in the article 1 of the clause 18 of the Laws on Companies of the Republic of Lithuania;

- To apply the court with the lawsuit requiring to award damages to the Company that occurred due to poor discharge of obligations of the director of the Company or Board members or in case they fail to comply with their commitments stipulated by the Law on Companies of the Republic of Lithuania or other cases stipulated by law.
- Other non - property right stipulated by law or by the Articles of the Company.

**13. ALL RESTRICTIONS ON SECURITIES TRANSFER (FOR EXAMPLE, RESTRICTIONS APPLIED TO SECURITIES PACKAGES OR REQUIREMENTS TO RECEIVE THE APPROVAL OF THE OWNERS OF THE COMPANY OR THE OWNERS OF SECURITIES)**

Shares of the issuer have no transfer limitations.

**14. SHAREHOLDERS (THE TOTAL NUMBER OF SHAREHOLDERS AND SHAREHOLDERS OWNING OR POSSESSING UNDER THE PROPERTY RIGHT OVER 5 PERCENT OF ISSUER'S AUTHORIZED CAPITAL (NAMES AND SURNAMES OF PHYSICAL ENTITIES, NAMES OF ENTERPRISES, JURIDICAL FORMS, ENTERPRISE CODES, ADDRESSES OF THE COMPANY) AT THE END OF ACCOUNTING PERIOD ( INDICATE THE CONCRETE DATE, THE AMOUNT OF SHARES BELONGING TO SHAREHOLDERS UNDER THE PROPERTY RIGHTS ACCORDING TO CLASSES, THE PART OF AUTHORIZED CAPITAL AND VOTES IN PERCENTAGE (INDICATE SEPARATELY THE PERCENTAGE OF VOTING SHARES BELONGING TO EVERY PERSON UNDER THE PROPERTY RIGHTS AND THE PERCENTAGE OF INDIRECT VOTES ).**

The total number of shareholders in the Company on the 28 th of April 2007 ( the day of ordinary or accounting meeting) was 1704..

**Share holders owning or possessing under the property right over 5 percent of issuer's authorized capital**

Share holders	The number of ordinary registered shares, units		The part of authorized capital and votes, in percents		
	totally	including shares possessed by a share holder on the property right	Total	Including votes granted by ordinary registered shares possessed by a share holder under the property right tame	With the group of persons operating together
The Ministry of Transport and Communications	113.833.000	113.833.000	56,66	56,66	-
Hansabank Clients**	16.289.741	16.289.741	8,11	8,11	-
SE "State Property Fund" ***	16.669.791	16.669.791	8,30	8,30	-
DFDS A/S****	10.414.449	10.414.449	5,18	5,18	-

\* - The Ministry of Transport and Communications of the Republic of Lithuania , enterprise code 188620589, address Gedimino av.. 17, Vilnius.

\*\* - Hansabank Clients enterprise code 14066488, address Liivalaia, Talinas

\*\*\* - SE "State Property Fund" , enterprise code 110073154, address Vilniaus str.. 16, Vilnius.

\*\*\*\* - DFDS A/S enterprise code14194711, address Sundkrogsgade 11 , Copenhagen, Denmark.

Small share holders under the property right owned 21,75 percent of shares

## 15. SHAREHOLDERS WITH SPECIAL CONTROL RIGHTS AND THE DESCRIPTION OF THESE RIGHTS

The share holders have no special control rights.

## 16. ALL LIMITATIONS OF VOTING RIGHTS (FOR EXAMPLE, LIMITATIONS OF VOTING RIGHTS FOR PERSONS WITH A CERTAIN PERCENTAGE OR AMOUNT OF VOTES, DEADLINES OF VOTING RIGHTS OR SYSTEMS UNDER WHICH THE PROPERTY RIGHTS GRANTED BY SECURITIES ARE SEPARATED FROM SECURITIES POSSESSION).

Share holders have no mutual agreements the issuer is aware of and due to which the transfer of securities or voting rights may be limited.

## 18. PERSONNEL (THE AVERAGE NUMBER OF PERSONNEL, CHANGES DURING THE LAST FISCAL YEAR, REASONS DETERMINING IMPORTANT CHANGES (OVER 10 PERCENT), GROUPING OF PERSONNEL ACCORDING TO THEIR EDUCATION, THE NUMBER OF TOP SPECIALISTS AND WORKERS AND THE AVERAGE EARNINGS OF THE RELEVANT GROUP WITHOUT INCOME DEDUCTION, SPECIAL RIGHTS AND OBLIGATIONS OF ISSUER'S EMPLOYEES OR PART OF THEIR STIPULATED UNDER LABOR OR COLLECTIVE AGREEMENTS)

### PERSONNEL MANAGEMENT

In 01-01-2007 the number of people working in the Company was 533, including 64 in coast divisions and 469 seafarers. In 01-01-2008 the number of people working in the Company was 516, including 63 in coast divisions and 453 seafarers.

In 2007 141 seafarer was employed: 46 AB seafarers, 17 motorists, 2 turners, 10 third mates, 8 second mates, 8 third engineers, 3 second engineers, 4 chief engineers, 6 cooks, 6 motorists – midshipmen, 4 midshipmen;

In 2007 157 seafarers were discharged, including 50 of them under the article 127 (at one's free will), 69 under article 126 (expired term), 25 under the article 125 (under mutual agreement), 10 after the practice.

Dismissed according to positions: 3 captains, 4 chief mates, 9 second mates, 9 second mates, 7 chief engineers, 10 second engineers, 6 third engineers, 3 electro – engineers, 47 AB seafarers, 5 boatswains, 17 motorists, 3 turners, 4 cooks.

Special rights of employees or part of them are stipulated in Labor or Collective Agreements.

### The average number of employees and earnings

The group of employees	The average number of employees					The average earnings Lt				
	2004 y.	2005 y.	2006 y.	2007 I half	2007 y.	2004 y.	2005 y.	2006 y	2007 I half	2007 y.
Administration	10	10	10	10	10	6.607	7.421	6.989*	6.938**	7.598***
Specialists	295	267	272	280	307	2.257	2.489	2.523	2.390	2.273
Workers	257	277	257	234	222	1.362	1.456	1.543	1.548	1.473
<b>Totally</b>	<b>562</b>	<b>554</b>	<b>539</b>	<b>524</b>	<b>539</b>	<b>1.925</b>	<b>2.061</b>	<b>2.142</b>	<b>2.101</b>	<b>2,042</b>

\* including the profit 1754.77 Lt.  
 \*\* including the profit 1693.57 Lt.  
 \*\*\* including the profit 1163.70 Lt.

### **The structure of employees according to their education 2004 – 2007**

Education	The number of employees				
	2004 y.	2005 y.	2006 y.	2007 I half.	2007 y.
The higher	181	198	201	183	164
The special secondary	179	198	184	177	149
The secondary	202	158	231	222	226

### **EMPLOYEES SAFETY AND HEALTH STATE, FIRE PREVENTION AND CIVIL PROTECTION**

In 2007 four light accidents and one incident took place.

364 employees were ill for a combined time of 6511 days during 2007.

In 2007 143 introductory trainings were conducted for newly-hired employees of LJJ.

In 2007 LTL 87 751 Litas were spent on medicaments for the ships' first-aid sets and seafarers' treatment, 54 952 Litas – on individual protection measures.

Prior the seafarers' departure to ships 24 hour works safety trainings were carried out with the participation of 265 sailors.

In 2007 the issues related to fire prevention and civil protection was tackled in accordance with the legal acts of the Republic of Lithuania. Measures and instructions submitted in the orders of the Director General of the Company were implemented.

In 2007 the state of fire prevention and civil protection was satisfactory, the officials did not find any cases of non-compliance in these spheres during their inspections.

The crewmembers and employees of coast divisions receive permanent methodological assistance, information and consultations. All members of the crews prior to departure to foreign ports receive additional trainings and the new legal acts are presented to them. In 2007 ten welders had training on the basis of the technical minimum program, and 143 newly hired employees passed introductory training. Following the plan of the Company the acting committee for work safety and fire prevention, inspections were carried out on ships at and coast divisions. The findings of these inspections were discussed with the captains of the ships and heads of the divisions.

### **19. THE ORDER OF CHANGING THE ARTICLES OF THE COMPANY**

The Law on Stock Companies of the Republic of Lithuania stipulates that the change of the Articles is an exclusive right of the general meeting of shareholders. The Articles of the company stipulate that resolution concerning the change of the Articles is adopted under the majority of votes of 2/3 part of shareholders participating at the meeting. Providing for the resolution to change the Articles of the Company was adopted by the general meeting of shareholders, the total text of amended Articles is made down and signed by the person authorized by the general meeting of share holders.

### **20. BODIES OF THE ISSUER (THEIR EMPOWERING, THE ORDER OF THE APPOINTMENT AND CHANGE OF BODY MEMBERS)**

It is stipulated in the Articles of the Company that the bodies of the Company are the general meeting of the shareholders, the Supervisory Board and the head of the Company. The Laws on Stock Companies of the Republic of Lithuania stipulate the restriction of the rights of body members.

### **The Supervisory Board**

- The Supervisory Board is a collegial body performing the supervision of the activity of the Company;
- The Supervisory Board is elected by the general shareholders' meeting for the period of 4 years and consists of 5 members;
- The Supervisory Board elects a chairman from its members;
- The number of reelections of the members of the Supervisory Board and the chairmen is not limited;
- The Supervisory Board or its members may be removed by the general meeting of shareholders before the end of their term of office.

### **The Board of the Company**

- The Board of the Company is a collegial governing body;
- The Board of the Company is elected by the Supervisory Board for the period of 4 years and consists of 5 members;
- The Board of the Company elects a chairman from its members;
- The number of reelections of the members of the Board of the Company and the chairmen is not limited;
- The Board of the Company or its members may be removed by the Supervisory Board before the end of their term of office.

### **The head of the Company**

- The head of the Company is elected or revoked by the Board of the Company under the order stipulated in the Law on Stock Companies of the Republic of Lithuania;
- The competence of the head of the Company is stipulated in the Law on Stock Companies of the Republic of Lithuania;
- The head of the Company is responsible for the organization of the activities of the Company, implementation of its objectives, he or she has the right to conclude contracts autocratically excluding the cases stipulated in Law on Stock Companies of the Republic of Lithuania when the decision concerning the contract is adopted by the Board of the Company;
- The head of the Company follows the resolutions of the general meeting of shareholders, the Supervisory Board and the Board of the company.

**21. THE MEMBERS OF COLLEGIAL BODIES, THE HEAD OF THE COMPANY, THE CHIEF FINANCIER (NAMES AND SURNAMES, DATA ABOUT THEIR PARTICIPATION IN THE AUTHORIZED CAPITAL OF THE ISSUER, THE BEGINNING AND THE END OF THE TERMS OF OFFICE OF EVERY PERSON, INFORMATION ABOUT THE SUMS OF MONEY REMUNERATED BY THE ISSUER DURING THE ACCOUNTING PERIOD, ANOTHER TRANSFERRED PROPERTY AND GRANTED GUARANTEES TO THESE PERSONS, TOTAL AND AVERAGE AMOUNTS FOR ONE COLLEGIAL BODY MEMBER, THE HEAD OF THE COMPANY AND THE CHIEF FINANCIER)**

**The Supervisory Board of the public company "Lithuanian Shipping Company":**

**The members of the Supervisory Board, the terms of the office whereof have been lasted since 2005, were:**



Name, surname	Position	Amount of shares	Share of votes, in percent	Participation in the activities of other enterprises
Liudmila Zumeriene	the chairman of Supervisory Board	-	-	the chairman of the Board of the company "Railways of Lithuania"; SE International Vilnius Airport – the chairman of the Board; SE Air Navigation - the chairman of the Board the company " The ferry terminal of Smiltyne" – the chairman of Supervisory Board
Evaldas Zacharevicius	the member of Supervisory Board	21081	0,01	does not participate
Ona Barauskiene	the member of Supervisory Board	-	-	does not participate
Helena Ragoza	the member of Supervisory Board	-	-	does not participate
Kazimieras Gimbutis	the member of Supervisory Board	2000	0,001	does not participate

**The Board of the public company "Lithuanian Shipping Company":**

**The members of the Board, the terms of the office whereof have been lasted since 2005, were:**

Name, surname	Position	Amount of shares	Share of votes, in percent	Participation in the activities of other enterprises
Arvydas Vaitkus	the chairman of the Board	-	-	the chairman of the Board of SE " Klaipeda State Seaport Authority" the member of the Board of the company "Railways of Lithuania"; the chairman of the Board of the company " The ferry terminal of Smiltyne"
Jelena Antonevic	the member of the Board	-	-	does not participate
Livita Kretkovskiene	the member of the Board	-	-	does not participate
Vidute Sarkiene	the member of the Board	-	-	the member of the Board of the company " Detonas"

Vytautas Vismantas	the member of the Board	16400	0,01	does not participate
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**Authority of the public company “Lithuanian Shipping Company”:**

Name, surname	Position	Amount of shares	Share of votes, in percent	Participation in the activities of other enterprises
Vytautas Vismantas	the director general	16400	0,01	does not participate
Arvydas Stropus	the chief financier	-	-	does not participate
Sigute Noreikaite	the director for finances	-	-	does not participate
Viktoras Cepys	technical director	12093	0,01	does not participate
Ivan Salajev	the director for fleet management	-	-	does not participate

The members of governing bodies have never been convicted. The beginning of the terms of office of every member is 27-06-2002, excluding Sigute Noreikaite, whose the terms of office started in 09-03-2001.

**Information about remunerations and loans granted to the members of governing bodies:**

Salaries and remunerations	other from the profit	Bonus		Dividends		The category of persons
		total sum	average amount for 1 person per one month	total sum	average amount for 1 person per one month	
-	-	-	-	-	-	the Supervisory Board
143501	11958	-	-	-	-	the Board
613977	10233	-	-	-	-	authority

\*Indicated data are only about the issuer’s employees (information about the members of Supervisory Board and other members of the Board who are not the issuer’s employees is not submitted).

During the accounting period the members of governing bodies were not granted any loans, allowed guarantees assuring the performance of their commitments.

**22. ALL IMPORTANT AGREEMENTS WHERE ONE OF THE PARTIES IS THE ISSUER AND WHICH SHOULD COME INTO FORCE, CHANGE OR TERMINATE IN CASE OF THE CHANGE OF THE ISSUER’S CONTROL AND THEIR IMPACT, EXCLUDING THE CASES WHEN DUE TO THE NATURE OF THE AGREEMENT THE DISCLOSURE OF THEM SHOULD CAUSE A GREAT DAMAGE TO THE ISSUER.**

The issuer has not concluded such type of agreements.

**23. ALL AGREEMENTS OF THE ISSUER AND THE MEMBERS OF ITS BODIES OR EMPLOYEES, ANTICIPATING THE COMPENSATION IN CASE THEY SHOULD RESIGN OR SHOULD BE DISMISSED WITHOUT ANY REASONABLE CAUSE OR IN CASE THEIR ACTIVITY SHOULD CEASE DUE TO THE CHANGE OF THE ISSUER’S CONTROL**

The issuer and the members of its bodies have no such type of agreements anticipating the compensation in case they should resign or should be dismissed without any reasonable cause or in case their activity should be ceased due to the change of the issuer’s control.

**24. LARGER TRANSACTIONS OF RELATED PARTIES – THE SUM OF THESE TRANSACTIONS, THE NATURE OF RELATIONS OF THE RELATED PERSONS AND OTHER INFORMATION ABOUT TRANSACTIONS THAT IS NECESSARY IN ORDER TO REALIZE THE FINANCIAL STATE OF THE COMPANY, IF SUCH TRANSACTIONS ARE SIGNIFICANT OR THEY WERE CONDUCTED NOT UNDER USUAL MARKET CONDITIONS. THE CONCEPTION “RELATED PERSON” HAS THE SIMILAR MEANING AS IN THE ACCOUNTING STANDARDS APPLIED BY THE ISSUER**

There were no larger transactions of related parties.

**25. INFORMATION ABOUT THE COMPLIANCE TO THE MANAGEMENT CODE OF THE COMPANIES**

The Public Company “Lithuanian Shipping Company” follows the recommendations of the management code of listed stock companies, approved by Vilnius Stock Exchange.

**26. THE DATA ABOUT PUBLICATION OF INFORMATION**

Date	The essential event
17 12 2007	<p><b>Resolutions of the extraordinary meeting of the shareholders of the public company “ Lithuanian Shipping Company”</b></p> <p>Resolutions of the extraordinary meeting of the shareholders of the public company “ Lithuanian Shipping Company”:</p> <ol style="list-style-type: none"> <li>1. to approve the results of the tender on the audit enterprise.</li> <li>2. to approve such a sequence of proposals of audit enterprises: <ul style="list-style-type: none"> <li>Joint Stock Company “Moore Stephens Vilnius” – 88 points;</li> <li>Joint Stock Company “Reviser” – 76 points;</li> <li>Joint Stock Company “KPMG Baltics” – 51 point.</li> </ul> </li> <li>3. to choose the Joint Stock Company “ Moore Stephens Vilnius” as the auditor of financial statement and annual report of December 1 of 2007, 2008 and 2009 of the public company “ Lithuanian Shipping Company”, paying for services not more than 69 620 Litass, including VAT, for every year.</li> <li>4. in case the winner of the tender selected as the auditor of the Company fails to arrive by the time indicated in the notice to conclude the contract or in case the auditor refuses</li> </ol>

	<p>to conclude it, to consider the winner of the tender and the chosen auditor of the company another participant of the tender following the sequence approved by this meeting of the shareholders and to pay him under the price suggested.</p>
04 12 2007	<p style="text-align: center;"><b>Resolution drafts of the extraordinary meeting of the shareholders of the public company“ Lithuanian Shipping Company”</b></p> <p>1. . to approve the results of the tender on the audit enterprise.  2. to approve such a sequence of proposals of audit enterprises:</p> <p style="padding-left: 40px;">Joint Stock Company “Moore Stephens Vilnius” – 88 points;  Joint Stock Company “Reviser” – 76 points;  Joint Stock Company “KPMG Baltics” – 51 point.</p> <p>3. to choose the Joint Stock Company “ Moore Stephens Vilnius” as the auditor of financial statement and annual report of December 1 of 2007, 2008 and 2009 of the public company “ Lithuanian Shipping Company”, paying for services not more than 69 620 Litass, including VAT, for every year.</p> <p>4. in case the winner of the tender selected as the auditor of the Company fails to arrive by the time indicated in the notice to conclude the contract or in case the auditor refuses to conclude it, to consider the winner of the tender and the chosen auditor of the company another participant of the tender following the sequence approved by this meeting of the shareholders and to pay him under the price suggested.</p>
23 11 2007	<p style="text-align: center;"><b>The 9 months interim information of the public company “ Lithuanian Shipping Company”</b></p> <p>The 9 months interim non - audited financial statement of 2007 and the approval of responsible persons of the public company “Lithuanian Shipping Company” were submitted.</p>
22 11 2007	<p style="text-align: center;"><b>The interim information of the I half of the year and the financial statement of the public company “ Lithuanian Shipping Company”(amended)</b></p> <p>The amended interim report of the I half of the year, the approval of responsible persons and the non - audited financial statement of the public company “ Lithuanian Shipping Company” was submitted.</p>
10 11 2007	<p style="text-align: center;"><b>The results of the 9 months activity of the public company “ Lithuanian Shipping Company”</b></p> <p>The non - audited pre - taxed income of the 9 months of 2007 made 24 575 742 Litass (7</p>

	117 627 Euros), the net income was 22 892 973 Litas ( 6 630 263 Euros); income from sales was 69 568 668 Litas ( 20 148 479 Euros).
<b>10 11 2007</b>	<p style="text-align: center;"><b>Summoning of the extraordinary general meeting of the shareholders of the public company “ Lithuanian Shipping Company”</b></p> <p>In December 14, 2007 the extraordinary meeting of the public company “Lithuanian Shipping Company” (enterprise code 110865039, the address Malunininku str. 3, Klaipeda) was summoned at 3.00 p.m. The day of the accounting of the meeting was the 27<sup>th</sup> December 2007.</p> <p>The agenda of the meeting:</p> <p>1. the selection of the audit enterprise and the determination of the payment conditions.</p>
<b>31 08 2007</b>	<p style="text-align: center;"><b>The interim information of the I half of the year and the financial statement of the public company “ Lithuanian Shipping Company”(amended)</b></p> <p>The interim information of the I half of the year, the approval of responsible persons and the non - audited financial statement of the public company “ Lithuanian Shipping Company” was submitted.</p>
<b>24 08 2007</b>	<p style="text-align: center;"><b>The results of the 9 months activity of the public company “ Lithuanian Shipping Company”</b></p> <p>The non - audited pre - taxed income of the I half of the of 2007 made 10 242 600 Litas ( 2 966 462 Euros), the net income was 8 556 927 Litas ( 2 478 257 Euros); income from sales was 47 257 633 Litas ( 13 686 756 Euros).</p>
<b>29 05 2007</b>	<p style="text-align: center;"><b>The financial statement of the I quarter</b></p> <p>The financial statement of the 1<sup>st</sup> quarter was submitted.</p>
<b>27 04 2007</b>	<p style="text-align: center;"><b>The results of the activity of the I quarter of the public company “ Lithuanian Shipping Company”</b></p> <p>- non - audited pre - taxed income of the I quarter of 2007 made 3093834 Litas</p>

	<p>( 896036 Euros);</p> <p>-net income was 2400012 Litas ( 695092 Euros);</p> <p>- income from sales was 23617740 Litas ( 6840170 Euros).</p>																
<p><b>27 04 2007</b></p>	<p style="text-align: center;"><b>Resolutions of the ordinary meeting of shareholders of the public company “ Lithuanian Shipping Company”</b></p> <p>1.” The annual 2006 report of the public company “Lithuanian Shipping Company” was presented to the shareholders.</p> <p>2. “The audit conclusion for 2006was presented to the shareholders</p> <p>3. “The documents of financial accountability for 2006 were approved.”</p> <p>4. “To cancel 161526 Litas (46 781 Euros) from the reserve of 180000 Litas (52 131 Euros) and to increment the undistributed profit. To transfer the remaining sum of 18474 Litas (5 35 Euros) from reserves for distribution.</p> <p>4. “ To approve the income ( loss) distribution :</p> <hr/> <p>- the undistributed profit of the previous fiscal year at the end of fiscal year</p> <hr/> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">- net profit of fiscal accounting year</td> <td style="text-align: right;">11 314 752</td> </tr> </table> <hr/> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">- transfers from reserves</td> <td style="text-align: right;">180 000</td> </tr> </table> <hr/> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">- distributed profit ( loss) totally</td> <td style="text-align: right;">11 494 752</td> </tr> </table> <hr/> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">- the part of the income – to the required reserves</td> <td style="text-align: right;">565 738</td> </tr> </table> <hr/> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">- the part of the income – for investments ( purchasing of ships)</td> <td style="text-align: right;">9 599 539</td> </tr> </table> <hr/> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">- the part of the income – for dividends</td> <td style="text-align: right;">1 149 475</td> </tr> </table> <hr/> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">- the part of the income – for social – cultural needs</td> <td style="text-align: right;">30 000</td> </tr> </table> <hr/> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">- the part of the income – for premiums of employees</td> <td style="text-align: right;">150 000</td> </tr> </table> <hr/> <p>Dividends 0,00572 Litas per one share ;</p>	- net profit of fiscal accounting year	11 314 752	- transfers from reserves	180 000	- distributed profit ( loss) totally	11 494 752	- the part of the income – to the required reserves	565 738	- the part of the income – for investments ( purchasing of ships)	9 599 539	- the part of the income – for dividends	1 149 475	- the part of the income – for social – cultural needs	30 000	- the part of the income – for premiums of employees	150 000
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<p><b>16 04 2007</b></p>	<p style="text-align: center;"><b>Regarding the annual report and audited financial statement of 2006</b></p> <p>The annual report and audited financial statement of 2006 was submitted.</p>																																				
<p><b>16 04 2002</b></p>	<p><b>Resolutions drafts of the ordinary meeting of shareholders of the public company “Lithuanian Shipping Company”</b></p> <p>1.” To approve the annual report of 2006 of the public company “Lithuanian Shipping Company” was submitted”.</p> <p>2. “To listen to audit conclusion for 2006.”</p> <p>3. “To approve the documents of financial statement for 2006”</p> <p>4. “To cancel 161526 Litas used from the reserve of 180000 Litas and to increment the undistributed profit by this sum. To transfer the remaining sum of 18474 Litas from reserves for distribution.</p> <p>4. “ To approve the income ( loss) distribution :</p> <p>5. The suggested income distribution:</p> <p>-----</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">- the undistributed profit of the previous fiscal year at the end of fiscal year</td> <td style="width: 20%;"></td> </tr> <tr> <td colspan="2">-----</td> </tr> <tr> <td>- net profit of fiscal accounting year</td> <td style="text-align: right;">11 314 752</td> </tr> <tr> <td colspan="2">-----</td> </tr> <tr> <td>- transfers from reserves</td> <td style="text-align: right;">180 000</td> </tr> <tr> <td colspan="2">-----</td> </tr> <tr> <td>- distributed profit ( loss) totally</td> <td style="text-align: right;">11 494 752</td> </tr> <tr> <td colspan="2">-----</td> </tr> <tr> <td>- the part of the income – to the required reserves</td> <td style="text-align: right;">565 738</td> </tr> <tr> <td colspan="2">-----</td> </tr> <tr> <td>- the part of the income – for investments ( purchasing of ships)</td> <td style="text-align: right;">9 599 539</td> </tr> <tr> <td colspan="2">-----</td> </tr> <tr> <td>- the part of the income – for dividends</td> <td style="text-align: right;">1 149 475</td> </tr> <tr> <td colspan="2">-----</td> </tr> <tr> <td>- the part of the income – for social – cultural needs</td> <td style="text-align: right;">30 000</td> </tr> <tr> <td colspan="2">-----</td> </tr> <tr> <td>- the part of the income – for premiums of employees</td> <td style="text-align: right;">150 000</td> </tr> <tr> <td colspan="2">-----</td> </tr> </table> <p>Dividends 0,00572 Litas per one share ;</p>	- the undistributed profit of the previous fiscal year at the end of fiscal year		-----		- net profit of fiscal accounting year	11 314 752	-----		- transfers from reserves	180 000	-----		- distributed profit ( loss) totally	11 494 752	-----		- the part of the income – to the required reserves	565 738	-----		- the part of the income – for investments ( purchasing of ships)	9 599 539	-----		- the part of the income – for dividends	1 149 475	-----		- the part of the income – for social – cultural needs	30 000	-----		- the part of the income – for premiums of employees	150 000	-----	
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<p><b>28 02 2007</b></p>	<p style="text-align: center;"><b>The preliminary non – audited result of 2006</b></p> <p>The preliminary non – audited result of the activities of 2006 of the public company “Lithuanian Shipping Company”:</p> <ul style="list-style-type: none"> <li>- pre – taxed profit was 14 037 257 Litas ( 4 065 471 Euros);</li> <li>- net profit was 11 314 752 Litas ( 3 276 979 Euros);</li> <li>- income from sales was 102 129 181 Litas ( 29 578 655 Euros).</li> </ul>