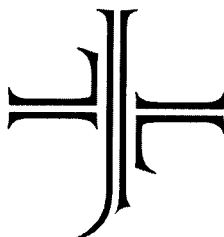


AKCINĖ BENDROVĖ
"LIETUVOS JŪRŲ LAIVININKYSTĖ"



PUBLIC COMPANY
"LITHUANIAN SHIPPING COMPANY"

2009-07-10

No.

(01)-5-240

Klaipėda

Ref.

No.

ANNUAL REPORT 2008

I. ABOUT THE COMPANY

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

Details of registration in the company register:

Date of incorporation: 27 June 2001.

Manager of the register: State Enterprise Center of Registers

Company registration No.: BĮ 01 – 128

Company code: 110865039

Former company code: 1086503

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

Branch of economy – sea transport.

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

50.2. Sea and coastal cargo water transport.

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

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

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

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

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

II. DATA RELATED TO SALE OF LJJ SECURITIES

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

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

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

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

Table II.1

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

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

Table II.2

Trade in issuers securities outside the exchange market*

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

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

III. INFORMATION ABOUT THE MANAGEMENT BODIES OF THE COMPANY

Members of management bodies

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

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

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

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

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

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

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

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

The fleet of the company consists of the following vessels:

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

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

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

Table IV.1

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

Employment of freighters, average per year

Table IV.2

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

Types of cargo carried

Table IV.3

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

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

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

Table
V.1

Average number of listed employees and wages

Personnel group	Average number of listed employees					Average monthly wages (LTL)				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Executives	10	10	10	10	10	6.607	7.421	6.989*	7.598**	7.715***
Technicians	295	267	272	307	283	2.257	2.489	2.523	2.273	2.837
Workers	257	277	257	222	181	1.362	1.456	1.543	1.473	1.951
In total:	562	554	539	539	474	1.925	2.061	2.142	2,042	2.602

*Whereof from profit 1754.77 LTL

**Whereof from profit 1163.70 LTL

***Whereof profit 1744.55 LTL

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

Table
V.2

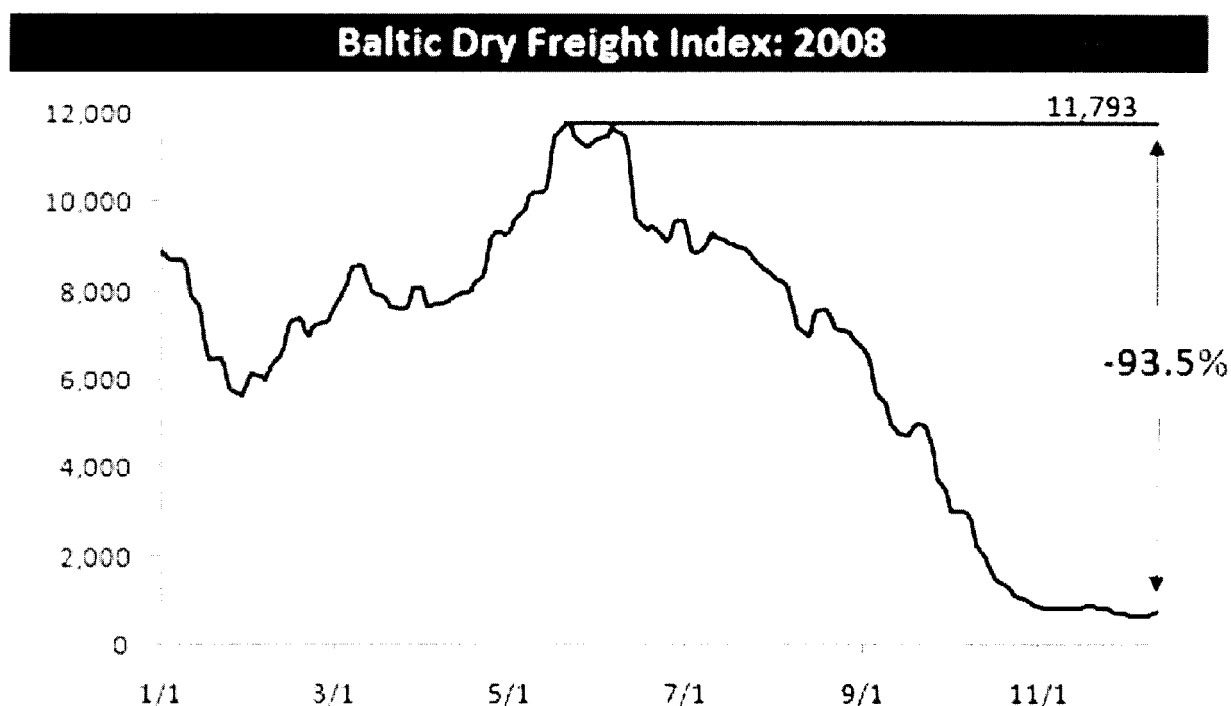
Educational background	Number of employees					
	2004	2005	2006	1st half of 2007	2007	1st half of 2008
University	181	198	201	183	164	150
Special secondary (college)	179	198	184	177	149	138
Secondary	202	158	231	222	226	186

VI. NAVIGATION MARKET

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

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

2008 Baltic Exchange Dry Index



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

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

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

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

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

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

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

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

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

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

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

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

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

extradition and disembarkation of unauthorized immigrants.

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

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

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

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

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

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

VIII. RESULTS OF ACTIVITIES IN 2008

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IX. RISKS MANAGERMENTS

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

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

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

X. SUBSIDIARIES AND REPRESENTATIVE OFFICES

The company does not have any subsidiaries and representative offices.

XI. FINANCIAL ACTIVITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

XII. MAJOR EVENTS SINCE THE PREVIOUS FINANCIAL YEAR.

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

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

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

– n/a

XIV. Restriction on voting rights.

- n/a

XV. Arrangements among the shareholders.

– n/a.

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

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

Property Rights of the Shareholders of the Company

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

Non-property Rights of Shareholders of the Company

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

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

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

XVI. Restricted disposition rights

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

XVII. TECHNICAL MAINTENANCE OF THE SHIP PARK

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

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

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

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

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

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

XVIII. MANAGEMENT OF SAFE NAVIGATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

XIX. ACTIVITIES IN OTHER COAST DIVISIONS

Insurance and claims

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

1. Concerning transportation of cargo:

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

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

2. Other claims:

On 1 January 2008 there were 21 claims, on 1 January 2009 there remained 19 claims, including the new ones. During the reporting period the following large claims were received:

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

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

3. Claims in the coastal divisions:

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

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

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

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

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

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

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

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

Activities of the Division of Information Technology

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

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

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

Personnel management

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

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

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

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

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

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

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

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

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

The significant arrangements.

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

Activities of the Business Support Division

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

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

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

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

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

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

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

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

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

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

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

XX. OBJECTIVES OF THE COMPANY'S ACTIVITIES

The Company has the same objectives it had last year:

- Safe shipping and work without detentions in foreign ports.

New objectives were set:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

XXI. Below is the summary of published important information.

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

27/11/2008

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

20/11/2008

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

08/09/2008

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

29/08/2008

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

12/08/2008

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

25/07/2008

Notification of acquisition of voting rights

04/06/2008

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

28/05/2008

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

31/03/2008

29/04/2008

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

25/04/2008

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

18/04/2008

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

28/03/2008

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

29/02/2008

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

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

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

Yours faithfully,

Acting General director

A handwritten signature in black ink, consisting of a stylized 'V' followed by several vertical strokes and a small flourish at the end.

Viktoras Čepys