

“LIFOSA“ Public Limited Company
Statement as of the First Half of 2006

CONTENTS

I. GENERAL PROVISIONS	3
1. Accounting period of the statement	3
2. The basic data about the issuer.....	3
3. Information with regard to the location and time provided for introduction of the report and the accompanying documents; name of the mass media.....	3
4. Persons responsible for the information provided in the report.....	3
5. The issuer’s employees and the administrative manager who are responsible for the composition of the statement, as well as the issuer’s consultants hereby confirm that the information provided herein is actual and that no facts have been concealed, which could have affected the investors’ decision to buy or sell the issuer’s securities and their market price or evaluation thereof.	4
II. INFORMATION ABOUT THE ISSUER’S AUTHORIZED CAPITAL, THE ISSUED SECURITIES AND MEMBERS OF THE MANAGEMENT BODIES	5
6. The issuer’s authorized capital.....	5
7. Shareholders	5
8. Securities without a share of the authorized capital, the circulation of which is regulated by the Law on the Securities Market.....	5
9. The secondary turnover of the issuer’s securities	5
10. Agreements with the stakeholders of public circulation of the securities.....	7
11. Members of the Management Bodies.....	7
III. FINANCIAL STATUS	8
12. Balance Sheet	8
13. Statement of Profit (Loss)	10
13.1. ¹ Statement of Changes in Equity	11
13.1. ² Cash Flows Statement	12
14. Explanatory Note.....	13
15. Information about the audit	21
IV. ESSENTIAL EVENTS OF THE ISSUER’S ACTIVITIES	22
16. Essential events of the issuer’s activities	22
17. Legal proceedings and third party (arbitration) trials	23

I. GENERAL PROVISIONS

1. Accounting period of the statement

The statement has been issued as of the first half of 2006.

2. The basic data about the issuer

Name of the issuer	“Lifosa“ Public Limited Company
Enterprise register number	1611 10455
Authorised capital	210,205,640 LTL
Address	Juodkiškio str. 50, LT-57502 Kėdainiai
Phone	(8~347) 66 483
Fax	(8~347) 66 166
E-mail	info@lifosa.com
Web page	www.lifosa.com
Legal organisation status	public limited company, a private legal entity of limited liability
Date of registration	October 30, 1996
The register, where the company’s data are being collected and stored	Register of Legal Entities of the Republic of Lithuania
The manager of the register	Division of Register of Legal Entities at Kaunas Department of State Enterprise Centre of Registers

3. Information with regard to the location and time provided for introduction of the report and the accompanying documents; name of the mass media

The statement and its accompanying documents are available in the headquarters of the company at Juodkiškio str. 50, room 604 (Chief Economist’s office), Kėdainiai, every Wednesday from 13.00 to 16.00; as well as in Financial Broker Firm “Finasta” PLC, at Konstitucijos ave. 23, Vilnius.

The mass media of “Lifosa” PLC are the daily newspaper “Lietuvos rytas”, Lithuanian Telegram Agency ELTA, and the news agency BNS.

4. Persons responsible for the information provided in the report

4.1. The issuer’s employees and the administrative manager who are responsible for the statement

The Managing Director Mr. Jonas Dastikas, phone (8~347) 66 483

The Acting Finance Manager Mr. Zigmantas Ežerskis, phone (8~347) 66 262

4.2. The statement has been issued by Financial Broker Firm “Finasta” PLC, (Konstitucijos ave. 23, Vilnius; Phone: (8~5) 278 68 44, Fax: (8~5) 210 24 74), represented by Financial Broker Mr. Algimantas Variakojis, on the basis of the information provided by the company.

5. The issuer’s employees and the administrative manager who are responsible for the composition of the statement, as well as the issuer’s consultants hereby confirm that the information provided herein is actual and that no facts have been concealed, which could have affected the investors’ decision to buy or sell the issuer’s securities and their market price or evaluation thereof.

“Lifosa” PLC, represented by the Managing Director Mr. Jonas Dastikas and the Acting Finance Manager Mr. Zigmas Ežerskis, hereby confirm that the information provided herein is actual and that no facts have been concealed, which could have affected the investors’ decision to buy or sell the issuer’s securities and their market price or evaluation thereof.

The Managing Director of “Lifosa” PLC Mr. **Jonas Dastikas**

The Acting Finance Manager of “Lifosa” PLC Mr. **Zigmas Ežerskis**

Financial Broker Firm “Finasta” PLC, represented by Financial Broker Mr. Algimantas Variakojis, hereby confirm that the information provided herein is accurate, as provided by the employees and the managers of “Lifosa” PLC to Financial Broker Firm “Finasta” PLC. Financial Broker Firm “Finasta” PLC is responsible for appropriate processing of the information provided thereto. “Lifosa” PLC is responsible for accuracy of the said information.

The Financial Broker of Financial Broker Firm “Finasta” PLC Mr. **Algimantas Variakojis**

Date of signing the statement – August, 2006

Place of issuance - Financial Broker Firm “Finasta” PLC (Konstitucijos ave. 23, Vilnius).

II. INFORMATION ABOUT THE ISSUER’S AUTHORIZED CAPITAL, THE ISSUED SECURITIES AND MEMBERS OF THE MANAGEMENT BODIES

6. The issuer’s authorized capital

6.1. The authorized capital registered in the register of legal entities

Table 6.1. Structure of the authorized capital

Type of shares	Amount of shares, in units	Nominal value, in LTL	Total nominal value, in LTL	Share of the authorized capital, in percentage
Ordinary registered shares	21 020 564	10	210 205 640	100,00

All the shares of “Lifosa” PLC have been completely paid.

6.2. Information with regard to prospective increase of the authorized capital by converting or trading the issued loan or secondary securities for the shares

“Lifosa” PLC has not issued any loan or secondary securities, which could be converted for the shares.

7. Shareholders

The total amount of the shareholders of “Lifosa” PLC as of June 30, 2006 – 943.

Table 7.1. The shareholders who own more than 5 percent of the issuer’s authorized capital as of June 30, 2006

Name, legal address, and enterprise register code of the shareholder	Amount of ordinary registered shares owned by the shareholder, in units	Share of the authorised capital available, in percentage	Share of the votes provided by the shares owned, in percentage	Share of the votes co-owned by the shareholder together with the entities operating jointly, in percentage
EUROCHEM, MINERAL AND CHEMICAL COMPANY JOINT STOCK Kozhevnichesky Proyezd 4, Buildings 1,2, 115114 Moscow, Russia 10277000265	19 160 229	91,15	91,15	---

8. Securities without a share of the authorized capital, the circulation of which is regulated by the Law on the Securities Market

No securities without a share of the authorized capital, the circulation of which is regulated by the Law on the Securities Market, has been issued.

9. The secondary turnover of the issuer’s securities

The ordinary registered shares of “Lifosa” PLC have been included into the Current Trading List of “Vilnius Securities Stock Exchange” PLC, hereinafter referred to as VSSE, since May 12, 1997.

Table 9.1. Specification of the shares of “Lifosa” PLC

Type of shares	ISIN code of securities	Amount of shares, in units	Nominal value, in LTL	Total nominal value, in LTL
Ordinary registered shares	LT0000116691	21 020 564	10	210 205 640

Table 9.2. Trade in the issuer's shares

Accounting period	Price, in LTL			Turnover, in LTL			Date of last trade session	Total turnover	
	max.	min.	as of last session	max.	min.	as of last session		units	of LTL
The I st quarter of 2005	20,00	8,90	16,00	191 647 701,06	0	143 335,26	2005-03-31	19 785 926	200 733 688,02
The II nd quarter of 2005	26,99	12,22	24,94	2 710 041,16	652,00	118 059,20	2005-06-30	738 208	12 474 541,28
The III rd quarter of 2005	68,20	24,00	65,50	1 437 558,85	0	127 804,60	2005-09-30	462 445	19 617 572,18
The IV th quarter of 2005	67,00	42,00	45,71	916 024,41	0	188 093,14	2005-12-30	230 139	12 082 062,95
The I st quarter of 2006	54,00	29,75	34,75	762 654,29	0	320 683,90	2006-03-31	266 585	10 056 056,73
The II nd quarter of 2006	37,40	18,00	21,50	612 042,34	0	4 930,00	2006-06-30	249 941	6 701 300,52

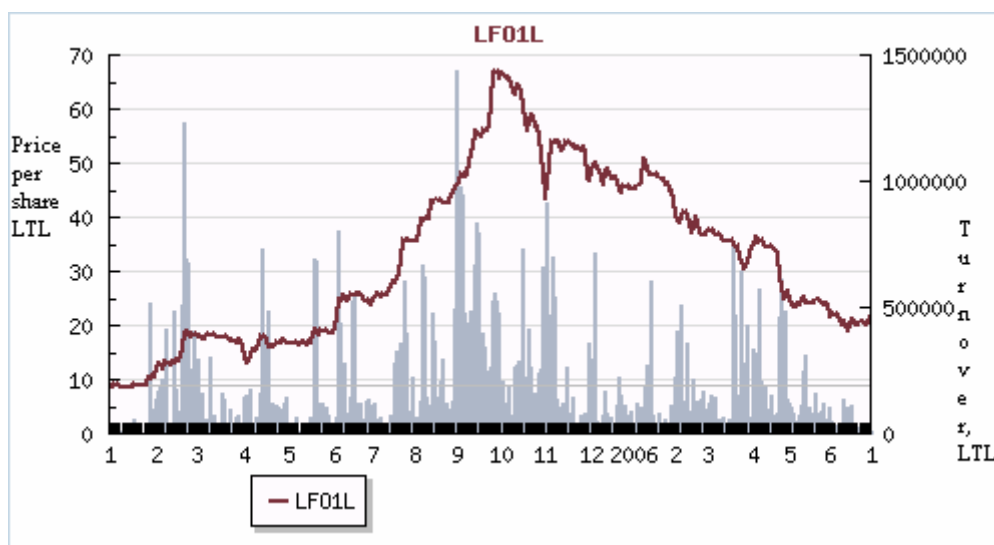


Figure 9.1. Trade in the company's shares

Table 9.3. Capitalisation of the company's shares

Date of last session	Capitalisation, in LTL
2005-03-31	336 329 024,00
2005-06-30	524 252 866,16
2005-09-30	1 376 846 942,00
2005-12-30	960 849 980,44
2006-03-31	730 464 599,00
2006-06-30	451 942 126,00

10. Agreements with the stakeholders of public circulation of the securities

"Lifosa" PLC has concluded the agreement with Financial Broker Firm "Finasta" PLC, (Konstitucijos ave. 23, Vilnius) with regard to management of accounts of the Company's issued securities and issuance of periodic statements.

11. Members of the Management Bodies

"Lifosa" PLC has the General meeting of the shareholders, the sole management body - the Manager of the Company (the Managing Director), and the collegial management body – the Board. There is no Board of Observers in the company.

The Board of the Company is composed of 5 members. The General meeting of shareholders elects the Board for the period of four years. The Board of the Company is responsible for appointment and recall of the Manager of the Company, establishment of his/her salary, approval of his/her functional regulations, as well as imposition of penalties.

11.1. Position, names and data with regard to the share of the issuer's authorized capital available

Table 11.1.1. The members of the Board and Administration of "Lifosa" PLC

Name	Position	Share of the capital / votes available, in percentage
THE BOARD		
Artur Markarian	The Chairman (resigned on 2006-04-25)	-
Kirilas Kravčėnka	The Chairman (the Member of the Board from 2006-04-25, the Chairman of the Board from 2006-04-26)	-
Aleksandras Tugolukovas	Member	-
Jonas Dastikas	Member	0,05
Regvita Ivanovienė	Member	0,005
Stanislavas Duriaginas	Member	-
THE ADMINISTRATION		
Jonas Dastikas	Managing Director	0,05
Regvita Ivanovienė	Finance Manager	0,005

11.2. Information with regard to participation in the activities of other companies and organisations (name of enterprise, institution or organisation, position); the share of the capital and votes above 5 percent, in percentage)

Table 11.2.1. Participation in the activities of other companies and organisations

Name	Name of organisation, position
Artur Markarian	The Finance Manager of company "Eurochem" until April, 2006; the Managing Director of Construction Business at company "Bazovyj element" since April, 2006; the General Manager of corporation "Glavstroj" since June, 2006
Aleksandras Tugolukovas	The Technical Manager of company "EuroChem"
Stanislavas Duriaginas	The Head of the Department of Corporate Matters at company "EuroChem"
Kirilas Kravčėnka	The Administrative Manager of company "EuroChem"

Other members of the Board and Administration of the company do not participate in the activities and do not own the capital of other companies and organisations.

III. FINANCIAL STATUS**12. Balance Sheet**

In thous. of LTL

REF. NO.	ASSETS	NOTE	2006-06-30	2005-12-31	2005-06-30
A.	FIXED ASSETS		225 495	224 378	210 621
I.	INTANGIBLE ASSETS	9	311	275	232
I.1.	Applications and software		311	275	232
II.	TANGIBLE ASSETS	10	222 148	219 105	200 153
II.1.	Land		0		0
II.2.	Buildings		91 260	92 541	88 283
II.3.	Buildings and machinery		112 514	115 243	103 533
II.4.	Vehicles		1 924	1 526	1 756
II.5.	Other fixtures, fittings, equipment and tools		2 699	3 025	3 533
II.6.	Advance payments for fixed assets		1 601	128	105
II.7.	Construction in progress		12 150	6 642	2 943
III.	FINANCIAL ASSETS		2 544	3 940	5 736
III.1.	Investments to subsidiary and associated enterprises		0		0
III.2.	Other investments		0	1 030	0
III.3.	Amounts receivable after one year		0	2 910	5 736
III.4.	Other amounts receivable	11	2 544		0
IV.	DEFERRED PROFIT TAX ASSETS		492	1 058	4 500
B.	CURRENT ASSETS		194 507	187 552	141 628
I.	INVENTORY, ADVANCE PAYMENTS AND CONTRACTS IN PROGRESS		74 386	72 859	61 542
I.1.	Inventory	12	70 208	71 578	49 207
I.1.1.	Raw materials and consumables		35 562	30 942	24 621
I.1.2.	Work in progress		1 608	2 607	2 285
I.1.3.	Finished goods		33 038	34 733	22 301
I.1.4.	Goods for resale		0		0
I.2.	Advance payments for inventories		3 238	3 296	8 411
I.3.	Deferred expenses		940	1 281	3 924
I.4.	Contracts in progress		0		0
II.	AMOUNTS RECEIVABLE WITHIN ONE YEAR		66 572	74 319	33 320
II.1.	Trade debtors		5 320	28 973	26 470
II.2.	Debts of associated enterprises		48 759	30 366	0
II.3.	Other amounts receivable	13	12 493	14 980	6 850
III.	OTHER CURRENT ASSETS		19 541	29 261	0
III.1.	Own shares		0		0
III.2.	Investments and term deposits	14	5 506	14 698	0
III.3.	Other current assets	14	14 035	14 563	0
IV.	CASH AND CASH EQUIVALENTS		34 008	11 113	46 766
IV.1.	Cash in bank and in hand	15	34 008	11 113	46 766
	TOTAL ASSETS		420 002	411 930	352 249

REF. NO.	EQUITY AND LIABILITIES	NOTE	2006-06-30	2005-12-31	2005-06-30
C.	EQUITY		365 836	354 562	293 536
I.	CAPITAL		210 206	210 206	210 286
I.1.	Authorized (subscribed) share capital	15	210 206	210 206	210 206
I.2.	Subscribed unpaid capital		0	0	0
I.3.	Share premium (surplus of nominal value)		80	80	80
I.4.	Own shares		0	0	0
II.	REVALUATION RESERVE (RESULTS)				
III.	RESERVES		10 874	6 798	6 798
III.1.	Legal reserves		10 874	6 798	6 798
III.2.	Other reserves		0	0	0
IV.	PROFIT (LOSS) BROUGHT FORWARD		144 677	137 478	76 452
IV.1.	Profit (loss) of the accounting year		11 275	81 516	38 360
IV.2.	Profit (loss) of the previous year		133 402	55 962	38 092
D.	GRANTS AND SUBSIDIES		0		0
E.	ACCOUNTS PAYABLE AND LIABILITIES		54 166	57 368	58 713
I.	ACCOUNTS PAYABLE AFTER ONE YEAR AND LONG-TERM LIABILITIES		0	0	10 691
I.1.	Financial debts		0	0	10 691
I.1.1.	Payments of leasing (finance lease) and similar liabilities		0	0	0
I.1.2.	To financial institutions		0	0	0
I.1.3.	Other financial debts		0	0	0
I.2.	Trade creditors		0	0	0
I.3.	Advances received on contracts in progress		0	0	0
I.4.	Other debts payable and liabilities		0	0	0
I.5.	Provisions		0	0	0
II.	AMOUNTS PAYABLE WITHIN ONE YEAR AND SHORT TERM LIABILITIES		54 166	57 368	48 022
II.1.	Current portion of long term debts		0	0	8 077
II.2.	Financial debts		0	0	0
II.3.	Debts to suppliers		34 525	28 140	30 828
II.4.	Advance payments received on contracts in progress		671	3 557	2 032
II.5.	Taxes and liabilities related to labour relations		15 922	19 847	4 105
II.5.1.	Taxes		13 479	18 781	2 271
II.5.2.	Salaries		1 541	1	1 061
II.5.3.	Social security contributions		902	1 065	773
II.6.	Other amounts payable and short term liabilities		3 048	1	2 980
II.7.	Accrued amounts payable		0	5 823	0
II.8.	Provisions		0	0	0
II.8.1.	For covering of liabilities		0	0	0
II.8.2.	For covering of other debts		0	0	0
	TOTAL EQUITY AND LIABILITIES		420 002	411 930	352 249

13. Statement of Profit (Loss)

In thous. of LTL

REF. NO.	ITEMS	NOTE	THE 1 ST HALF OF 2006	THE 1 ST HALF OF 2005
I.	SALES INCOME	1	308 712	271 314
I.1.	Income of products sold and services rendered		311 079	271 507
II.	SALES COST		(269 708)	(205 013)
II.1.	Net cost of products sold	2	(269 708)	(205 013)
III.	GROSS PROFIT (LOSS)		39 004	66 301
IV.	OPERATING EXPENSES		(23 517)	(30 452)
IV.1.	Sales and appropriation expenses	3	(13 144)	(19 692)
IV.2.	General and administrative expenses	4	(10 373)	(10 760)
V.	PROFIT (LOSS) FROM TYPICAL ACTIVITIES		15 487	35 849
VI.	OTHER ACTIVITY		2 587	156
VI.1.	Income		2 367	193
VI.2.	Expenses		220	(37)
VII.	FINANCIAL AND INVESTING ACTIVITIES		(4 426)	2 356
VII.1.	Income	5	8 599	9 785
VII.2.	Expenses	6	(13 025)	(7 429)
VIII.	PROFIT (LOSS) FROM ORDINARY ACTIVITIES		13 648	38 360
IX.	EXTRAORDINARY GAIN		0	0
X.	EXTRAORDINARY LOSS		0	0
XI.	PROFIT (LOSS) BEFORE TAXES		13 649	38 360
XII.	PROFIT TAX	7	(2 374)	0
XIII.	NET PROFIT (LOSS)		11 274	38 360
	Profit (loss) per share (LTL)	8	0,54	1,83

13.1.¹ Statement of Changes in Equity

In thous. of LTL

Company	Equity capital	Share premium	Legal reserve	Result brought forward	Total
BALANCE AS OF DECEMBER 31, 2003	97 894	80	4 793	(10 213)	95 554
Increase of the equity capital	112 312				112 312
The net profit of the year				50 308	50 308
BALANCE AS OF DECEMBER 31, 2004	210 206	80	4 793	40 095	255 174
Increase in the equity capital					
Transfers to legal reserves			2005	-2005	0
Net profit				38 362	38 362
BALANCE AS OF JUNE 30, 2005	210 206	80	6 798	76 452	293 536
Increase in the equity capital					
The net profit of the year				61 026	61 026
BALANCE AS OF DECEMBER 31, 2005	210 206	80	6798	137 478	354 562
Formation of legal reserve			4 076	-4 076	0
The net profit of the year				11 274	11 274
BALANCE AS OF JUNE 30, 2006	210 206	80	10 874	144 676	365 836

13.1.2 Cash Flows Statement

In thous. of LTL

REF. NO.	ITEMS	NOTE	THE 1 ST HALF OF 2006	THE 1 ST HALF OF 2005
I.	CASH FLOW FROM OPERATING ACTIVITIES			
	Profit before taxes		13 649	38 360
	Corrections:			
	Depreciation and amortisation		12 747	12 612
	Expenses of interest		-	545
	Income of interest		(218)	
	Expenses of write-off and postponement of doubtful amounts payable		(316)	811
	Net (profit) loss of sales of fixed tangible assets		15	127
	Unrealised (profit) loss of exchange rates adjustments		5 334	(2 620)
	Changes in working capital:		(2 844)	(456)
	trading and other amounts receivable		6 560	7 194
	amounts payable		(1 841)	931
	inventories		(7 563)	(8 581)
	Interest paid		-	(543)
	NET CASH FLOW FROM ORDINARY ACTIVITIES		28 367	48 836
II.	CASH FLOW FROM INVESTING ACTIVITIES			
	Acquisition of fixed assets		(15 825)	(9 306)
	Sales of tangible fixed assets		-	324
	Sales of subsidiary and associated enterprises		2 911	2 637
	(Acquisition) sales of securities		8 937	-
	NET CASH FLOW FROM INVESTING ACTIVITIES		(3 977)	(6 345)
III.	CASH FLOW FROM FINANCING ACTIVITIES			
	Loans repaid		-	(3 873)
	Payments of finance lease		-	(68)
	Issue of warranties		(1 495)	
	NET CASH FLOW FROM FINANCING ACTIVITIES		(1 495)	(3 941)
IV.	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		22 895	38 550
	Changes in cash and cash equivalents			
	At the beginning of the year		11 113	8 216
	Net increase (decrease)		22 895	38 550
VI.	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		34 008	46 766

14. Explanatory Note

General Information

"Lifosa" PLC (hereinafter referred to as the Company), the former "Fostra" PLC, was established in 1963 as the state chemical plant of Kėdainiai. In 1995 the State chemical plant of Kėdainiai was reorganised to a state public company and registered as "Fostra" PLC after the partial privatisation of the Company during 1991-1994. The Company's headquarters are located in Kėdainiai. Head-office address:

Juodkiškio str. 50
LT-57502 Kėdainiai
Lithuania

The shares of the Company are included into the Current List of the National Securities Stock Exchange. The main business activities of the Company comprise manufacture of phosphate fertilisers, mainly Diamonium Phosphate (DAP).

The major shareholders of the Company as of June 30, 2006:

<i>Shareholder</i>	<i>Amount of shares</i>	<i>Share, in percentage</i>
MXK "EuroChem"	19 160 229	91,15%
Eurochem A.M.Limited.Limassol	767 250	3,64%
Sagitarius International Limited	226 909	1,07%
Other minor shareholders	866 176	4,14%
	21 020 564	100%

The average number of employees of the Company as of June 30, 2006 - 1 051 (1 045 in 2005).

The Company has no subsidiary or associated enterprises.

Basis of Issuance

The present financial statement has been issued in accordance with the International Accounting Standards (IAS) approved for use in the European Union, and the International Accounting Standards prepared by the International Accounting Standards Board (IASB).

This financial statement has been prepared pursuant to the concept of historic acquisition cost, which had been corrected due to particular indexation of the fixed tangible assets, as well as the fair value of the financial assets, the changes of which are shown in the Statement of Profit (Loss).

Recalculation of foreign currencies

(a) Functional and presentation currency

The items shown in the financial statement have been evaluated in the currency of economic environment of the Company's activities (hereinafter referred to as the functional currency). This financial statement is presented in Lithuanian Litas (LTL), which is the functional and presentation currency of the Company.

Litas is bound to Euro by the following rate 1 EUR = 3,4528 LTL.

(b) Transactions and balances

The transactions in foreign currency are recalculated to the functional currency, using the exchange rates valid at the moment of the transaction. Profit and loss of recalculation of currencies available due to payments with regard to the above-mentioned transactions and due to recalculation of monetary balances of assets and liabilities, which have been evaluated in foreign currencies, are accounted in the Statement of Profit (Loss).

Fixed tangible assets

The fixed tangible assets are recorded at the acquisition cost, less the accumulated depreciation.

Depreciation is calculated by applying the straight-line (linear) method, by write-off the acquisition cost of assets up to the residual value in the following settled service periods:

Buildings	40 years
Buildings and machinery	10-25 years
Vehicles	4-10 years
Other fixed tangible assets	5-8 years

Repair and maintenance expenses are included into the Statement of Profit (Loss) of the financial period, within which they have been actually incurred. The essential repair expenses are added to the accounting value of the assets, when such repair is likely to ensure economic benefit to the Enterprise in the future, i.e., to improve the characteristics of the fixed tangible assets or to prolong its service life. The essential repair is depreciated during the remaining service life of the appropriate assets.

Intangible assets

Software, the use of which is likely to ensure economic benefit to the Company, is accounted at the acquisition cost, less the accumulated amortisation. Amortisation is calculated by applying the straight-line (linear) method within the service life of 3 years.

Inventory

Inventory is accounted at the lower of the below values: the net cost or the net possible sales value. The net cost is calculated using the FIFO method. The net cost of the products and products in progress includes the cost of materials, labour cost and other direct expenses, as well as associated indirect production costs (within the capacity of ordinary activities), less the borrowing expenses. The net possible sales value is established at the sales price (within the capacity of ordinary activities), less the completion and sales expenses.

Trading amounts receivable

The trading amounts receivable are accounted at the initial account amount, less the provisions for the possible decrease in the value of amounts receivable. The provisions for decrease in the value of trading amounts receivable are formed when there is objective evidence of the Company's incapacity to regain all the amounts in accordance with the settled terms. The amount of provision is equal to the difference between the accounting and recoverable value. The bad debts are written-off during the same period when they are settled as irrecoverable.

Cash and cash equivalents

Cash and cash equivalents are accounted in the balance sheet at the nominal value. For the purpose of the Cash Flows Statement cash and cash equivalents are cash in bank and at hand and the demand deposits in bank.

Equity capital

The ordinary registered shares are accounted at their nominal value. The amount received for the shares sold, which exceeds their nominal value, is accounted as the share premium. Any extra expenses, which are attributed directly to emission of new shares, are accounted by deducting them from the share premium.

Legal reserve

The legal reserve is obligatory pursuant to the law of the Republic of Lithuania. Companies must transfer 5 percent of their net profit to the obligatory reserve on a yearly basis, until the reserve amounts to 10 percent of the company's equity capital; the net profit shall be calculated in accordance with the legal acts on accounting of the Republic of Lithuania. The obligatory reserve cannot be distributed by paying dividends and shall be formed for covering of future losses.

Profit tax

The profit tax is calculated on the basis of taxable profit, upon evaluation of effect of the deferred taxes. The profit tax shall be calculated in accordance with the legal acts on taxes of the Republic of Lithuania. Presently a 15 percent tax rate is applied to the taxable profit.

For the purpose of the financial statement the deferred profit tax is accounted by using the liabilities method with regard to all temporary differences between the fiscal basis of assets and liabilities and the accounting value thereof. The profit tax assets are recorded with regard to all the temporary differences, if taxable profit is likely to be obtained, which is sufficient to cover of temporary differences. A part of the differed profit tax assets was realised during the 1st quarter of 2006.

Profit per share

Profit per share is calculated by dividing the net profit per shareholders by the weighted average of the issued ordinary registered shares, excluding the ordinary registered shares that have been acquired by the Company and kept as own shares.

Information about segments

The only business segment of the Company is manufacture of mineral fertilisers, therefore no information about the major business segment is provided. With regard to geographical segments the products or services are delivered in particular economic environment, the risk and profit of which differs from other components present in different economic environment.

NOTES ON FINANCIAL STATEMENT

1 SALES INCOME	June 30 2006	June 30 2005
Income on sales of Diamonium Phosphate (DAP)	258 330	222 347
<i>Sales income:</i>		
Monocalcium Phosphate	20 891	17 686
Aluminium Fluoride	9 561	5 017
Phosphoric Acid	5 052	10 019
Monodicalcium Phosphate	3 760	4 042
Dicalcium Phosphate	3 440	2 834
Sulphuric Acid	607	605
Other sales	7 071	8 764
	308 712	271 314

2 SALES COST	June 30 2006	June 30 2005
<i>Expenses:</i>		
Diamonium Phosphate (DAP)	230 240	169 009
Monocalcium Phosphate	16 241	12 143
Aluminium Fluoride	11 859	6 240
Phosphoric Acid	3 854	7 256
Monodicalcium Phosphate	3 417	3 368
Dicalcium Phosphate	2 936	1 140
Sulphuric Acid	382	390
Other sales	779	5 467
	269 708	205 013
3 APPROPRIATION EXPENSES	June 30 2006	June 30 2005
Transportation costs	5 897	4 825
Inspection, forwarding and certification costs	414	395
Ship freight costs	3 500	11 363
Stevedoring and shipment costs	3 251	3 016
Other appropriation costs	82	93
	13 144	19 692
4 ADMINISTRATIVE EXPENSES	June 30 2006	June 30 2005
Remuneration expenses	4 126	2 930
Taxes (excluding profit tax)	1 015	2 376
Social security contributions	1 322	947
Insurance contributions	786	753
Depreciation and amortisation	539	503
Security services	334	333
Professional services	501	180
Telecommunication expenses	206	234
Decrease (restoration) of the value of amounts receivable	(69)	(114)
Change in provision for decrease in value	(741)	925
Expenses of write-off of assets	8	5
Other administrative expenses	2 316	1 688
	10 373	10 760

5 INCOME OF FINANCIAL ACTIVITIES	June 30 2006	June 30 2005
Income of change in currency exchange rates	7 427	9 460
Income of interest for deposits	1 132	157
Bonus	40	168
	8 599	9 785
6 EXPENSES OF FINANCIAL ACTIVITIES	June 30 2006	June 30 2005
Expenses of change in currency exchange rates	13 025	6 841
Expenses of interest for loans and leasing	-	538
Penalties	-	50
	13 025	7 429
7 PROFIT TAX	June 30 2006	June 30 2005
Profit before taxes	13 649	38 360
Permanent differences	263	193
Corrections according IAS	-3 516	716
Donation	-883	(425)
Tax, applying a 15 percent rate (15 percent in 2005)	1 427	5 827
Social tax applying a 4 percent rate (0 percent in 2005)	381	
Deferred profit tax	566	-
Use of fiscal losses not recorded earlier		(5 827)
Profit tax	2 374	0
8 PROFIT PER SHARE	June 30 2006	June 30 2005
Net profit per shareholder	11 274	38 360
Weighted average of the issued ordinary registered shares (in thous.)	21 021	21 021
Profit per share (in LTL per share)	0,54	1.83

9. INTANGIBLE ASSETS

	Software
December 31, 2004	
Acquisition cost	265
Accrued amortisation	(63)
Residual value	<u>202</u>
June 30, 2005	
Residual value at the beginning of the period	202
Acquisitions	67
Transfers and write-offs	-
Amortisation expenses	(37)
Residual value at the end of the period	<u>232</u>
December 31, 2005	
Acquisition cost	420
Accrued amortisation	(145)
Residual value	<u>275</u>
June 30, 2006	
Residual value at the beginning of the period	275
Acquisitions	81
Transfers and write-offs	-
Amortisation expenses	(45)
Residual value at the end of the period	<u>311</u>
June 30, 2006	
Acquisition cost	502
Accrued amortisation	(191)
Residual value	<u>311</u>

10. FIXED TANGIBLE ASSETS

	Buildings	Machinery and equipment	Vehicles and equipment	Other fixed tangible assets	Construction in progress	Total
December 31, 2004						
Acquisition cost	171 223	330 881	13 699	12 331	473	528 607
Accrued depreciation and decrease in value	(76 459)	(210 958)	(11 605)	(8 224)	-	(307 246)
Residual value	<u>94 764</u>	<u>119 923</u>	<u>2 094</u>	<u>4 107</u>	<u>473</u>	<u>221 361</u>

continuation

	Buildings	Machinery and equipment	Vehicles and equipment	Other fixed tangible assets	Construction in progress	Total
June 30, 2005						
Residual value at the beginning of the period	94 764	119 923	2 094	4 107	473	221 361
Acquisitions	-	1 882	121	29	602	2 634
Transfers and write-offs	(5)	(71)	(16)	1 459	(787)	646
Reclassifications	-	-	-	-	-	-
Depreciation	(1 136)	(4 572)	(193)	(292)	0	(6 258)
Residual value at the end of the period	93 623	117 162	2 006	5 304	288	218 383
June 30, 2005						
Acquisition cost	168 619	320 669	13 494	12 347	288	515 167
Accrued depreciation and decrease in value	(74 996)	(203 507)	(11 488)	(7 043)	-	296 784
Residual value	93 623	117 162	2 006	5 304	288	218 383
December 31, 2005						
Acquisition cost	170 888	330 073	11 619	11 633	3 146	527 361
Accrued depreciation and decrease in value	78 347	214 831	10 093	8 505	-	311 776
Residual value	92 541	115 243	1 526	3 153	6 642	219 105
June 30, 2006						
Residual value at the beginning of the period	92 541	115 243	1 526	3 153	6 642	219 105
Acquisitions	830	3 576	564	1 745	9 099	15 814
Transfers and write-offs				(24)		(24)
Reclassifications	199	3 392			(3 591)	
Depreciation	(2 310)	(9 697)	(166)	(574)	-	(12 747)
Residual value at the end of the period	91 260	112 514	1 924	4 300	12 150	222 148
2006. June 30						
Acquisition cost	171 917	333 585	12 183	11 809	12 150	544 029
Accrued depreciation and decrease in value	(80 657)	(223 456)	(10 259)	(7 509)		(321 881)
Residual value	91 260	112 514	1 924	4 300	12 150	222 148

The Company rents the land of the Government of the Republic of Lithuania for the period of 99 years, in accordance with the Lease Agreement of 1997. The rent for the land during the 1st half of 2006 amounted to 148 thous. of LTL. (167 thous. of LTL during the 1st half of 2005).

11 OTHER AMOUNTS RECEIVABLE

The long term amounts receivable, i.e., 2,544 thous. of LTL (0 LTL during the Ist half of 2005), include a long term deposit for covering of the undefined liability to handle the environment of the plant in accordance with the procedure approved by the Ministry of Environment of the Republic of Lithuania, in case of termination of the Company's activities.

12 INVENTORY

	June 30 2006	June 30 2005
Finished products	31 613	21 377
Raw materials and materials (including pending ones)	35 562	24 621
Work in progress	1 608	2 285
Semi-products	1 425	9258
	70 208	49 208

13 TRADING AND OTHER AMOUNTS RECEIVABLE

	June 30 2006	June 30 2005
Other amounts receivable at the total value	5 756	1 568
Provision for decrease in the value of trading amounts receivable	(1 484)	(1 568)
VAT receivable	8 221	6 849
Other amounts receivable	-	-
	12 493	6849

14 OTHER CURRENT ASSETS

A short term loan has been granted to *Eurochem Trading* company in the amount of 14,035 thous. of LTL (0 LTL during the Ist half of 2005), according to the Agreement dated December 23, 2005.

The loan has been denominated in US Dollars and granted for the period of six months, by applying a fixed interest rate of 3.8%.

15 CASH AND CASH EQUIVALENTS

	June 30 2006	June 30 2005
Cash in bank	23 493	36 884
Term deposits	10 506	9 880
Cash at hand	9	2
Pending cash	-	-
	34 008	46 766

16 EQUITY CAPITAL

On June 30, 2006 the authorized equity capital was composed of 21,020,564 ordinary registered shares, the nominal value of a share being 10 LTL. During the 1st half of 2006 no changes in the authorised equity capital were registered.

17 LEGAL RESERVE

At the general meeting of shareholders held on April 25, 2006 appropriation of the net profit of 2005 was approved. 4,076 thous. of LTL (5 percent of the net profit) was transferred to the obligatory legal reserve.

18 POLLUTION RIGHTS

The Company participates in the cap and trade scheme of carbon dioxide. In 2005 the Government of the Republic of Lithuania established the objective of the Company to decrease emissions of carbon dioxide to 57,793 tons (cap) during 2005-2007. The Government grant pollution rights to the Company, the amount of which is equal to the cap. The pollution rights are granted unrequitedly. The pollution rights obtained free of charge are accounted at the zero value in the Company. The actual pollution of the Company amounted to 7,782 tones in 2005. The Company transferred the right to 20,000 tones of carbon dioxide pursuant to the Agreement dated April, 2006. The income received (1,961 thous. of LTL) was recorded in the item *Income of Other Company's Activities* of the Financial Statement dated April, 2006.

15. Information about the audit

The Financial Statement of “Lifosa” PLC as of the first half of 2006 has not been audited or reviewed by the auditors.

IV. ESSENTIAL EVENTS OF THE ISSUER'S ACTIVITIES**16. Essential events of the issuer's activities**

The Company's not audited profit before taxes during January-March of 2006 amounted to 20,487 thous. of LTL, according to IAS, whereas the net profit amounted to 16,550 thous. of LTL. The Company's profit before taxes during January-March of 2005 amounted to 27,620 thous. of LTL, according to IAS, whereas the net profit amounted to 27,620 thous. of LTL. The sales income during January-March of 2006 amounted to 176,255 thous. of LTL, whereas the sales income of the same period in 2005 amounted to 159,052 thous. of LTL.

During the ordinary general meeting of shareholders of "Lifosa" PLC, held on April 25, 2006, the auditor's report with regard to the Company's financial statement and activities report as of 2005 was approved, as well as the activities report of 2005 and the financial statement of 2005 issued according to the IAS. Appropriation of the net profit of 2005 was approved:

- 1) profit brought forward at the beginning of economical year amounted to 55,961,773 LTL;
- 2) the net profit of economic year 2005 amounted to 81,516,021 LTL;
- 3) transfers from reserves amounted to 0 LTL;
- 4) shareholders' contributions for covering losses amounted to 0 LTL;
- 5) profit to be appropriated amounted to 137,477,794 LTL;
- 6) appropriation of profit to the legal reserve amounted to 4,075,801 LTL;
- 7) the profit share appropriated to the reserve for acquisition of own shares amounted to 0 LTL;
- 8) the profit share appropriated to other reserves:
 - for charity - 1,164,843 LTL
 - for social needs - 104,400 LTL
 - for investments - 36,711,970 LTL;
- 9) the profit share for payment of dividends amounted to 0 LTL;
- 10) the profit share for payment of annual tantiemes for the members of the Board, employees' bonus and other purposes amounted to 0 LTL;
- 11) profit brought forward to the next economic year amounted to 95,420,780 LTL.

During the meeting "PricewaterhouseCoopers" Ltd. was approved as the audit enterprise of the Company for 2006. Resignation of the Chairman of the Board Mr. A.P. Markarian was accepted; the Administrative Manager of Russian company "EuroChem" was appointed a new member of the Board.

The Company's net loss during April-June of 2006 amounted to 5,276 thous. of LTL, according to IAS. The Company's net profit during January-March amounted to 11,274 thous. of LTL, according to IAS. The Company's net profit during January-June of 2005 amounted to 38,360 thous. of LTL.

The Company's income of products and services sold during April-June of 2006 amounted to 134,824 thous. of LTL. The Company's income of products and services sold during January-June of 2006 amounted to 311,079 thous. of LTL. 382,113 t of the main product (Diamonium Phosphate) were sold for 258,198 thous. of LTL. The sales income during January-June of 2005 amounted to 271,507 thous. of LTL; 349,137 t of Diamonium Phosphate were sold for 222,347 thous. of LTL.

17. Legal proceedings and third party (arbitration) trials

No legal proceedings or arbitration trials were present during the accounting period, which could have had or done major impact on the financial status of “Lifosa” PLC.