

**LIFOSA AB**

**INTERIM FINANCIAL STATEMENT  
FOR THE PERIOD JANUARY-MARCH 2007**

**LIFOSA AB**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2007**

*(All tabular amounts in LTL thousand unless otherwise stated)*

**INCOME STATEMENT**

	Notes	Quarter ended on March 31	
		2007	2006
Sales	1	157 262	176 010
Cost of sales	2	(131 752)	(144 383)
<b>Gross profit</b>		<b>25 510</b>	<b>31 627</b>
Selling and distribution costs	3	(9 744)	(8 524)
Administrative expences	4	(4 453)	(1 916)
Other activities,net		64	421
<b>Operating profit</b>		<b>11 376</b>	<b>21 609</b>
Financial income(loss),net	5	(1 556)	(1 121)
		-	-
<b>Profit before tax</b>		<b>9 821</b>	<b>20 487</b>
Income tax	6	(1 856)	(3 937)
<b>Net profit</b>		<b>7 965</b>	<b>16 550</b>
		0.379	0.787

The financial statements on pages 2 to 13 were approved by the General Director and Finance Director on 25 April 2006.

Jonas Dastikas  
General director



Regvita Ivanovienė  
Finance director



**LIFOSA AB**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2007**

*(All tabular amounts in LTL thousand unless otherwise stated)*

**BALANCE SHEET**

	Notes	As at March 31	
		2007	2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	236 991	217 975
Intangible assets	7	287	283
Deferred tax assets		1 233	409
Long term guarantee		2 600	2525
Other receivables		7 162	-
		<b>248 273</b>	<b>221 192</b>
<b>Current assets</b>			
Inventories	9	55 824	67 690
Trade receivables	10	12 424	9 499
Accounts receivable from related parties		94 968	55 007
Prepayments and other current assets	11	17 105	26 360
Short-term financial assets		265	-
Cash and cash equivalents	12	23 765	51 772
Grants receivables	13	4 092	-
		208 443	210 328
<b>Total assets</b>		<b>456 716</b>	<b>431 521</b>
<b>EQUITY</b>			
Share capital	14	210 206	210 206
Share premium		80	80
Legal reserve		10 874	6 798
Retained earning		178 587	154 028
<b>Total equity</b>		<b>399 747</b>	<b>371 112</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	31 379	38 082
Accounts payable to related parties		21 498	22 327
Grants		4 092	-
		56 969	60 409
<b>Total liabilities</b>		<b>56 969</b>	<b>60 409</b>
<b>Total equity and liabilities</b>		<b>456 716</b>	<b>431 521</b>

**LIFOSA AB**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2007**

*(All tabular amounts in LTL thousand unless otherwise stated)*

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital	Share premium	Own shares	Legal reserve	Retained earning	Total
<b>Balance as at 31 December 2005</b>	210 206	80		6 798	137 478	354 562
Transfer to legal reserve					16 550	16 550
Net profit for the period				6 798	154 028	371 112
<b>Balance at 31 March 2006</b>	210 206	80	-	4 075	(4 075)	
Transfer to legal reserve					20 670	20 670
Net profit for the period						
<b>Balance at 31 December 2006</b>	210 206	80	-	10 873	170 623	391 782
Transfer to legal reserve						
Net profit for the 1st q 2007					7 965	7 965
<b>Balance at 31 March 2007</b>	210 206	80	-	10 873	178 588	399 747

**LIFOSA AB**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2007**

*(All tabular amounts in LTL thousand unless otherwise stated)*

**CASH FLOW STATEMENT**

	Quarter ended on March 31	
	2007	2006
<b>Cash flows from operating activities</b>		
Profit before tax	9 821	20 487
Adjustments for:		
Depreciation and amortisation	6 669	6 362
Unrealised foreign Exchange loss/(gain)	1 943	1 575
Loss (profit) on disposal of property, plant and equipment, net	2 249	46
Changes in working capital	(17 568)	(520)
Income tax paid	2 549	-
<b>Net cash from operating activities</b>	<b>5 663</b>	<b>27 950</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(8 825)	(3 745)
Proceeds from the sales of property, plant and equipment	137	0
Purchase of securities	0	14 343
Proceeds from sale of associate company	2 775	3 152
<b>Net cash (use in) investing activities</b>	<b>(6 050)</b>	<b>13 750</b>
<b>Cash flows from financing activities</b>		
Interest income	387	455
Long-term guarantee	0	(1 495)
<b>Net cash from/(used in) financing activities</b>	<b>387</b>	<b>(1 040)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(887)</b>	<b>40 660</b>
<b>Movement in cash and cash equivalents</b>		
At beginning of year	24 652	11 112
Net increase	(887)	40 660
Cash and cash equivalents at the of the period	<b>23 765</b>	<b>51 772</b>

**LIFOSA AB**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2007**

*(All tabular amounts in LTL thousand unless otherwise stated)*

**COMMENTARY ON THE FINANCIAL STATEMENTS**

**General information**

Lifosa AB (further "the Company"), formerly Fostra AB, was originally established as Kėdainiai State Chemical Plant in 1963. In 1995, Kėdainiai State Chemical Plant was reorganised into a state-owned joint stock company and registered as Fostra AB, following the partial privatisation of the Company during 1991-1994. The Company is domiciled in Kėdainiai. The address of its registered office is as follows:

Juodkiškio 50  
LT-57502 Kėdainiai  
Lithuania

The Company's shares are listed on the Current trading list of the Vilnius Stock Exchange. The Company's principal activity is the production of phosphate fertilisers, mainly diammonium phosphate (DAP). As at 31 March 2007 the main shareholders of the Company were as follows:

<i>Shareholder</i>	<i>Number of shares</i>	<i>Percentage of shares</i>
JSC Mineral Chemical Company "Eurochem"	19 160 229	91.15%
Eurochem A.M. Limited	767,250	3.65%
Sagitarius International Limited	226,909	1.08%
Other shareholders	866,176	4.12%
	<u>21,020,564</u>	<u>100%</u>

The average number of staff employed by the Company in 31 March 2007 totalled 1 025 (2006 – 1 051).

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards issued by the IASB.

The financial statements have been prepared under the historical cost convention, as modified by the indexation of certain property, plant and equipment, and financial assets at fair value through profit and loss.

**Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	40 years
Plant & machinery	10-25 years
Motor vehicles	4-10 years
Equipment and other property, plant and equipment	5-8 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

---

**LIFOSA AB**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2007**

*(All tabular amounts in LTL thousand unless otherwise stated)*

---

**Intangible assets**

Software assets expected to provide economic benefit to the Company in future periods are valued at acquisition cost less subsequent amortisation. Software is amortised on the straight-line basis over the useful life of 3 years.

**Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related indirect production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

**Trade and other amounts receivable**

Amounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of amounts receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'administrative expenses'. Bad debts are written off during the year in which they are identified as irrecoverable.

**Cash and cash equivalents**

Cash and cash equivalents are carried at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and held on call at bank.

**Share capital**

Ordinary shares are stated at their par value. Consideration received for the shares sold in excess over their par value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

**Legal reserve**

Legal reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5 per cent of net result are required until the reserve reaches 10 per cent of share capital. The legal reserve cannot be used for payment of dividends and it is established to cover future losses only.

**Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Income tax**

In accordance with the Lithuanian Law on Corporate Profit Tax, the current income tax rate is 15% on taxable income. Expenses related to taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian regulatory legislation on taxes. Income tax rate valid for 2007 and 2006 is 15%.

According to the adopted Lithuanian Provisional Law on Social Tax, social tax at the rate of 4 per cent for 2006 and at a rate of 3 per cent for 2007 should be paid on taxable income earned during 2006 and 2007 respectively (in addition to 15% profit tax rate).

**LIFOSA AB**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2007**

*(All tabular amounts in LTL thousand unless otherwise stated)*

**Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminated sales within the Company. Revenue from sales of goods is recognised only when all significant risks and benefits arising from ownership of goods is transferred to the customer.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

**Earnings per share**

Basic earnings per share are calculated by dividing net profit attributed to shareholders from average weighted number of ordinary registered shares in issue, excluding ordinary registered shares purchased by the Company and held as treasury shares.

**Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Company's single business segment is production of mineral fertilizers, therefore, information on key business segments is not presented. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

**NOTES TO THE FINANCIAL STATEMENTS**

**I.SALES**

	<b>March 31</b>	<b>March 31</b>
	<b>2007</b>	<b>2006</b>
Diammonium phosphate sales	127 163	146 828
Monocalcium phosphate	16 872	10 290
Aluminium fluoride	5 839	4 823
Phosphoric acid	3 044	4 703
Monodicalcium phosphate	108	2 919
Dicalcium phosphate	-	1 672
Sulphuric acid	654	392
Other sales	3 582	4 383
	<b>157 262</b>	<b>176 010</b>

**Segment reporting**

*Primary reporting format – business segments*

The Company's single business segment is production of mineral fertilizers.

*Secondary reporting format – geographical segments*

All the Company's assets are located in Lithuania. The Company's sales by markets can be analysed as follows:



**LIFOSA AB**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2007**

*(All tabular amounts in LTL thousand unless otherwise stated)*

	Sales		Total assets		Capital expenditure	
	January-March		March 31		January-March	
	2007	2006	2007	2006	2007	2006
Lithuania	20 687	18 189	456 716	431 521	8 744	5 240
France	14 256	17 247	-	-	-	-
Germany	19 454	7 368	-	-	-	-
The Netherlands	12 670	16 503	-	-	-	-
Ireland	10 023	17 549	-	-	-	-
Poland	13 654	9 782	-	-	-	-
Czech Republic	4 412	5 561	-	-	-	-
Romania	4 195	3 398	-	-	-	-
Hungary	3 468	4 270	-	-	-	-
Belgium	7 004	-	-	-	-	-
Cameroon	2 102	3 429	-	-	-	-
Denmark	-	798	-	-	-	-
Ethiopia	31 612	34 551	-	-	-	-
India	-	22 169	-	-	-	-
Tajikistan	1 950	-	-	-	-	-
Spain	-	2 707	-	-	-	-
Ukraine	1 375	1 093	-	-	-	-
Great Britain	9 246	-	-	-	-	-
Ivory Coast	-	9 962	-	-	-	-
Other countries	1 154	1 434	-	-	-	-
	<b>157 262</b>	<b>176 010</b>	<b>456 716</b>	<b>431 521</b>	<b>8 744</b>	<b>5 240</b>

Sales are allocated based on the country in which the customers are located.

Analysis of sales by category:	March 31	March 31
	2007	2006
Sales of goods	153 465	171 627
Sales of raw materials	510	1 144
Services rendered	3 287	3 239
	<b>157 262</b>	<b>176 010</b>

**2.COST OF SALES**

	March 31	March 31
	2007	2006
<i>Costs:</i>		
Diammonium phosphate	109 384	121 591
Monocalcium phosphate	12 752	7 694
Aluminium fluoride	5 476	4 760
Phosphoric acid	2 265	3 585
Monocalcium phosphate	53	2 726
Dicalcium phosphate	-	1 228
Sulphuric acid	442	236
Other products	1 435	2 563
	<b>131 807</b>	<b>144 383</b>

**LIFOSA AB**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2007**

*(All tabular amounts in LTL thousand unless otherwise stated)*

**3.SELLING AND DISTRIBUTION COSTS**

	<b>March 31 2007</b>	<b>March 31 2006</b>
Shipping costs	3 109	3 123
Inspecting and certification costs	103	219
Freight	4 819	3 243
Loading and forwarding costs	1 709	1 926
Other distribution expenses	4	13
	<b>9 744</b>	<b>8 524</b>

**4.ADMINISTRATIVE EXPENSES**

	<b>March 31 2007</b>	<b>March 31 2006</b>
Employee benefits	2 092	1 930
Social insurance	655	617
Provisions for salaries	(651)	(2 951)
Tax (other than income tax)	688	553
Depreciation and amortization	275	270
Insurance	417	141
Security	179	168
Telecommunications	81	95
Other administrative expenses	717	1 093
	<b>4 453</b>	<b>1 916</b>

**5.FINANCE EXPENCES**

	<b>March 31 2007</b>	<b>March 31 2006</b>
Interest income	387	454
Unrealised foreign Exchange (loss),net	(1 943)	(1 575)
	<b>(1 556)</b>	<b>(1 121)</b>

**6.INCOME TAX**

	<b>March 31 2007</b>	<b>March 31 2006</b>
Current tax for the period	1 070	2 622
Current social tax for the period	215	666
Deferred tax	571	649
	<b>1 856</b>	<b>3 937</b>

---

**LIFOSA AB**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2007**

*(All tabular amounts in LTL thousand unless otherwise stated)*

---

**7.INTANGIBLE ASSETS**

**Software**

**At 31 December 2005**

Cost	420
Accumulated amortization	145
Net book amount	275

**At 31 December 2006**

Opening net book amount	275
Additions	30
Disposals and write-off	
Amortisation charge	22
Closing net book amount	283

**At 31 March 2006**

Cost	450
Accumulated amortization	167
Net book amount	283

**At 31 December 2006**

Opening net book amount	295
Additions	18
Disposals and write-off	1
Amortisation charge	25
Closing net book amount	287

**At 31 March 2006**

Cost	617
	330
Net book value	287

**LIFOSA AB**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2007**

*(All tabular amounts in LTL thousand unless otherwise stated)*

**8. PROPERTY, PLANT AND EQUIPMENT**

	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Vehicles and equipment</b>	<b>Other tangible assets</b>	<b>Construction in progress</b>	<b>Total</b>
<b>At 31 December 2005</b>						
Cost	170 888	330 073	11 619	11 634	6 642	530
Accumulated depreciation	(78 347)	(214 830)	(10 093)	(8 481)	-	(311 751)
Net book amount	92 541	115 243	1 526	3 153	6 642	219 105
<b>At 31 March 2006</b>						
Opening net book amount value	92 541	115 243	1 526	3 153	6 642	219 105
Additions	830	1 323	-	607	2 450	5 210
Disposals and write-off	-	-	-	-	-	-
Reclassifications	199	2 188	-	-	(2 387)	-
Depreciation charge	(1 156)	(4 807)	(90)	(287)	-	(6 340)
Closing net book amount	92 414	113 947	1 436	3 473	6 705	217 975
<b>At 31 March 2006</b>						
Cost	171 917	333 585	11 619	11 740	6 705	535 566
Accumulated depreciation	79 503	219 638	10 183	8 267	-	317 591
Net book amount	92 414	113 947	1 436	3 473	6 705	217 975
<b>At 31 March 2007</b>						
Opening net book amount	91 122	113 867	5 993	2 990	20 948	234 920
Additions	-	2 327	-	72	6 327	8 726
Disposals and write-offs	-	-	-	11	-	11
Reclassifications	-	482	-	-	(472)	-
Depreciation charge	(1 164)	(4 951)	(227)	(302)	-	(6 644)
Closing net book amount	89 958	111 725	5 766	2 749	26 793	236 991
<b>At 31 March 2007</b>						
Cost	174 059	344 946	14 340	11 976	26 793	572 114
Accumulated depreciation	84 101	233 221	8 574	9 227	-	335 123
Net book amount	89 958	111 725	5 766	2 749	26 793	236 991

The land is rented by the Company from the Government of the Republic of Lithuania under 99 years lease agreement signed in 1997. The rental payment for the land amounted to LTL 74,4 thousand in 1<sup>st</sup> quarter 2007 (2006 – LTL 74.4 thousand).

**LIFOSA AB**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2007**

*(All tabular amounts in LTL thousand unless otherwise stated)*

<b>9. INVENTORIES</b>	<b>March 31 2007</b>	<b>March 31 2006</b>
Finished goods	19 668	35 434
Raw materials and suppliers	32 258	28 031
Work in progress	1 584	1 584
Semi-manufactures	2 314	2 641
	<u>55 824</u>	<u>67 690</u>

  

<b>10. TRADE AND OTHER RECEIVABLES</b>	<b>March 31 2007</b>	<b>March 31 2006</b>
Trade receivables	12 486	6 637
Amounts received in advance	185	3 109
Provision for impairment of trade receivables	(247)	(247)
	<u>12 424</u>	<u>9 499</u>

  

<b>11. OTHER RECEIVABLES</b>	<b>March 31 2007</b>	<b>March 31 2006</b>
Prepayments made to suppliers	4 145	5 955
VAT tax receivable	11 256	13 946
Advances and future costs	1 704	6 459
	<u>17 105</u>	<u>26 360</u>

  

<b>12. CASH AND CASH EQUIVALENTS</b>	<b>March 31 2007</b>	<b>March 31 2006</b>
Cash in bank	10 473	30 849
Cash on hands	29	12
Short term deposits	12 961	20 911
L/C and guarantee	302	-
	<u>23 765</u>	<u>51 772</u>

**LIFOSA AB**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2007**

*(All tabular amounts in LTL thousand unless otherwise stated)*

**13.GRANDS**

Under the order of Minister of Economics, dated 24 November 2006, the Company obtained the right to receive grant amounting to LTL 6,000 thousand from structural funds of the EU for compensation of expenses on the project: "The usage of current and regenerating sources of energy of sulphur acid department for production of electrical power". The project started on 1st July 2006 and is estimated to be finished on 1st August 2007. The Company accounted for grant receivable amount under accounts receivable and grant under liabilities to the extent of costs incurred to 31 December 2006. The Company did not receive any part of the Grant at the balance sheet date.

The part of the Grant in amount LTL 4 089 327 was received 15 May 2007.

**14.SHARE CAPITAL**

Authorised share capital comprised 21,020,564 ordinary shares with a par value of LTL 10 each as at 31 March 2007 (the same as at 31 December 2006). No changes in the share capital took place during the period .

**15.TRADE AND OTHER PAYABLES**

	<b>March 31 2007</b>	<b>March 31 2006</b>
Trade payables	12 546	12 192
Accrued liabilities	16 152	22 063
Salaries and social security payable	2 681	3 827
	<b>31 379</b>	<b>38 082</b>

**CONTINGENT COMMITMENTS**

*Emission allowances*

The Company participates in a carbon dioxide cap and trade scheme. In 2005 the Company was set a target by the Government to reduce its emissions of carbon dioxide to 57,793 tons (the cap) in 2005 - 2007. The Company is issued allowances equal in number to its cap by the Government. Allowances are issued free of charge. Allowances obtained at no cost are recorded at a zero basis by the Company. In 2006 actual emissions of the Company amounted to 1,110 tons (2005 - 7,782 tons). The market value of remaining unused allowances amounted to LTL 629 thousand as at 31 December 2006 (2005 -LTL 3,738 thousand). The management believes that the actual emission of carbon dioxide will not exceed the allowances received therefore no accrual for additional costs was established in the financial statements for the year ended 31 December 2006.

In April 2007, the company by the contract sold its rights to 27 000 tons of carbon dioxide and received 60 424 Lt of income. The received income is included into account books in April 2007.