

**LIFOSA AB**

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


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

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


**INCOME STATEMENT**

	Notes	For the six month period ended 30 June	
		2007	2006
Sales	1	335 594	308 712
Cost of sales	2	(249 547)	(269 268)
<b>Gross profit</b>		<b>86 047</b>	<b>39 444</b>
Selling and distribution costs	3	(15 002)	(13 144)
Administrative expences	4	(9 291)	(10 373)
Other activities,net		217	2 147
<b>Operating profit</b>		<b>61 971</b>	<b>18 074</b>
Financial income(loss),net	5	(1 985)	(4 426)
<b>Profit before tax</b>		<b>59 986</b>	<b>13 649</b>
Income tax	6	(10 777)	(2 375)
<b>Net profit</b>		<b>49 209</b>	<b>11 247</b>
		0.379	0.787

The financial statements on pages 2 to 15 were approved by the General Director and Finance Director on 30 August 2007.



Jonas Dasiukas  
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 June 30	
		2007	2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	240 977	222 148
Intangible assets	7	264	283
Deferred tax assets		679	409
Long term guarantee		2 619	2525
Other receivables		3 883	-
		<b>247 977</b>	<b>221 192</b>
<b>Current assets</b>			
Inventories	9	76 622	70 208
Trade receivables	10	10 104	5 320
Accounts receivable from related parties	16	117 674	48 759
Prepayments and other current assets	11	15 542	16 671
Short-term financial assets		13 905	19 542
Cash and cash equivalents	13	7 876	34 008
Grants receivables	12	778	-
		<b>242 501</b>	<b>194 508</b>
<b>Total assets</b>		<b>456 716</b>	<b>420 002</b>
<b>EQUITY</b>			
Share capital	14	210 206	210 206
Share premium		80	80
Legal reserve		12 735	10 874
Retained earning		217 972	144 676
<b>Total equity</b>		<b>440 993</b>	<b>365 836</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	12 433	11 760
Accounts payable to related parties	16	10 424	23 436
Grants		20 979	18 970
		5 649	-
<b>Total liabilities</b>		<b>49 485</b>	<b>54 166</b>
<b>Total equity and liabilities</b>		<b>490 478</b>	<b>420 002</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	<b>354 562</b>
Transfer to legal reserve				4 076	(4 076)	-
Net profit for the period					11 274	<b>11 274</b>
<b>Balance at 30 July 2006</b>	210 206	80	-	6 798	154 028	<b>365 836</b>
Transfer to legal reserve		-	-	-	-	-
Net profit for the period	-	-	-	-	25 947	<b>25 947</b>
<b>Balance at 31 December 2006</b>	210 206	80	-	10 873	170 623	<b>391 782</b>
Transfer to legal reserve				1 861	(1 861)	
Net profit for the 1st 6 monts 2007					49 210	<b>49 210</b>
<b>Balance at 30 June 2007</b>	210 206	80	-	12 735	217 971	<b>440 991</b>

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

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

**CASH FLOW STATEMENT**

	For the six month period ended on June 30	
	2007	2006
<b>Cash flows from operating activities</b>		
Profit before tax	59 987	13 649
Adjustments for:		
Depreciation and amortisation	13 392	12 747
Unrealised foreign Exchange loss/(gain)	(2 874)	5 334
Loss (profit) on disposal of property, plant and equipment, net	12	15
Changes in working capital	(59 182)	(3 160)
Income tax paid	(5 097)	-
<b>Net cash from operating activities</b>	<b>(6 238)</b>	<b>27 950</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(19 098)	(15 825)
Proceeds from the sales of property, plant and equipment	148	0
Purchase of securities	0	8 937
Proceeds from sale of associate company	2 775	2 911
<b>Net cash (use in) investing activities</b>	<b>(16 175)</b>	<b>(3 977)</b>
<b>Cash flows from financing activities</b>		
Interest income	766	455
Long-term guarantee	0	(1 495)
Grants	4 871	-
<b>Net cash from/(used in) financing activities</b>	<b>5 637</b>	<b>(1 713)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(16 776)</b>	<b>22 895</b>
<b>Movement in cash and cash equivalents</b>		
At beginning of year	24 652	11 112
Net increase	(16 776)	22 895
Cash and cash equivalents at the end of the period	<b>7 876</b>	<b>34 008</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%
	21,020,564	100%

The average number of staff employed by the Company in 30 June 2007 totalled 1 020 (2006 – 1 037).

**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.

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

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

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**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**

**1.SALES**

	<b>June 30</b>	<b>June 30</b>
	<b>2007</b>	<b>2006</b>
Diammonium phosphate sales	279 721	258 331
Monocalcium phosphate	31 547	20 891
Aluminium fluoride	10 907	9 561
Phosphoric acid	5 185	5 052
Monodicalcium phosphate	0	3 760
Dicalcium phosphate	-	3 440
Sulphuric acid	1 125	607
Other sales	7 109	7 070
	<b>335 594</b>	<b>308 712</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-June		June 30		January-June	
	2007	2006	2007	2006	2007	2006
Lithuania	39 144	33 288	490 478	420 002	18 990	10 602
France	14 255	21 279				
Germany	19 454	12 691				
The Netherlands	24 971	17 789				
Ireland	10 023	17 549				
Poland	22 253	19 630				
Czech Republic	7 682	7 180				
Romania	5 479	6 274				
Hungary	4 680	6 214				
Belgium	7 004	0				
Cameroon	6 020	5 644				
Denmark	0	798				
Ethiopia	72 545	52 746				
India	0	23 037				
Tajikistan	3 207	0				
Spain	4 207	4 820				
Ukraine	4 215	2 645				
Great Britain	17 029	1 961				
Ivory Coast	6 937	9 962				
Argentina	30 098	6 965				
Turkey	32 165	0				
Other countries	4 154	58 240				
	<b>335 522</b>	<b>308 712</b>	<b>490 478</b>	<b>420 002</b>	<b>18 990</b>	<b>10 602</b>

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

Analysis of sales by category:	June 30	June 30
	2007	2006
Sales of goods	328 616	301 641
Sales of raw materials	4 520	4 346
Services rendered	2 458	2 725
	<b>335 594</b>	<b>308 712</b>

**2.COST OF SALES**

	June 30	June 30
	2007	2006
<i>Costs:</i>		
Diammonium phosphate	209 508	230 155
Monocalcium phosphate	22 418	16 241
Aluminium fluoride	9 436	9 893
Phosphoric acid	3 675	3 854
Monocalcium phosphate	0	3 172
Dicalcium phosphate	-	2 936
Sulphuric acid	759	382
Other products	3 751	2 635
	<b>249 547</b>	<b>269 268</b>

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

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

<b>3.SELLING AND DISTRIBUTION COSTS</b>	<b>June 30 2007</b>	<b>June 30 2006</b>
Shipping costs	5 497	5 689
Inspecting and certification costs	326	414
Freight	5 822	3 501
Loading and forwarding costs	3 349	3 458
Other distribution expenses	8	82
	<b>15 002</b>	<b>13 144</b>
<b>4.ADMINISTRATIVE EXPENSES</b>	<b>June 30 2007</b>	<b>June 30 2006</b>
Employee benefits	4 979	4 289
Social insurance	1 577	1 322
Provisions for salaries	0	0
Tax (other than income tax)	1 083	1 045
Depreciation and amortization	554	539
Insurance	281	786
Security	358	334
Telecommunications	221	241
Other administrative expenses	238	1 817
	<b>9 291</b>	<b>10 373</b>
<b>5.FINANCE EXPENCES</b>	<b>June 30 2007</b>	<b>June 30 2006</b>
Interest income	766	858
Costs of exchange operations	123	50
Unrealised foreign Exchange (loss),net	(2 874)	(5 334)
	<b>(1 985)</b>	<b>(4 426)</b>
<b>6.INCOME TAX</b>	<b>June 30 2007</b>	<b>June 30 2006</b>
Current tax for the period	8 043	1 427
Current social tax for the period	1 609	381
Deferred tax	1 125	567
	<b>10 777</b>	<b>2 375</b>

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

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

**7.INTANGIBLE ASSETS**

	<b>Software</b>
<b>At 31 December 2005</b>	
Cost	420
Accumulated amortization	145
Net book amount	275
<b>At 31 December 2006</b>	
Opening net book amount	275
Additions	83
Disposals and write-off	1
Amortisation charge	46
Closing net book amount	311
<b>At 30 June 2006</b>	
Cost	501
Accumulated amortization	190
Net book amount	311
<b>At 31 December 2006</b>	
Opening net book amount	295
Additions	22
Disposals and write-off	3
Amortisation charge	50
Closing net book amount	264
<b>At 30 June 2006</b>	
Cost	619
Accumulated amortization	355
Net book value	264

**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>Constructi on 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 30 June 2006</b>						
Opening net book amount value	92 541	115 243	1 526	3 153	6 642	219 105
Additions	830	3 577	563	1 745	9 099	15 814
Disposals and write-off	-	-	-	(24)	-	(24)
Reclassifications	199	3 392	-	-	(3 591)	-
Depreciation charge	(2 310)	(9 698)	(165)	(574)	-	(12 747)
Closing net book amount	91 260	112 514	1 924	4 300	12 150	222 148
<b>At 30 June 2006</b>						
Cost	171 917	335 970	12 183	11 809	12 150	544 029
Accumulated depreciation	80 657	223 456	10 259	7 509	-	321 881
Net book amount	91 260	112 514	1 924	4 300	12 150	222 148
<b>At 30 June 2007</b>						
Opening net book amount	91 122	113 867	5 993	2 990	20 948	234 920
Additions	-	3 501	335	760	14 372	18 968
Disposals and write-offs	-	(2)	-	(13)	-	(15)
Reclassifications	-	482	-	-	(472)	-
Depreciation charge	2 328	(9 957)	(452)	(605)	-	(13 342)
Closing net book amount	88 794	108 816	5 876	3 132	33 913	240 531
<b>At 30 June 2007</b>						
Cost	174 059	345 590	14 568	12 648	33 913	580 778
Accumulated depreciation	85 265	236 774	8 692	9 516	-	340 247
Net book amount	88 794	108 816	5 876	3 132	33 913	240 531

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 148,98 thousand Lt 1<sup>st</sup> 6 month 2007 (2006 – LTL 148,98 thousand Lt).

**9. INVENTORIES**

**June 30  
2007**

**June 30  
2006**

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

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

Finished goods	44 401	31 613
Raw materials and suppliers	28 978	35 562
Work in progress	1 558	1 608
Semi-manufactures	1 685	1 425

<b>76 622</b>	<b>5 320</b>
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**10. TRADE AND OTHER RECEIVABLES**

<b>June 30</b>	<b>June 30</b>
<b>2007</b>	<b>2006</b>

Trade receivables	10 152	5 596
Amounts received in advance	572	670
Provision for impairment of trade receivables	(620)	(946)

<b>10 104</b>	<b>5 320</b>
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**11. OTHER RECEIVABLES**

<b>June 30</b>	<b>June 30</b>
<b>2007</b>	<b>2006</b>

Prepayments made to suppliers	4 721	3 238
VAT tax receivable	9 134	8 221
Advances and future costs	1 687	5 212

<b>15 542</b>	<b>16 671</b>
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**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 30 June 2007.

The part of the Grant in amount 4 871 thousand Lt was received 15 May 2007.

**13. CASH AND CASH EQUIVALENTS**

<b>June 30</b>	<b>June 30</b>
<b>2007</b>	<b>2006</b>

Cash in bank	5 547	23 493
Cash on hands	23	9
Short term deposits	2 004	10 506
L/C and guarantee	302	-

<b>7 876</b>	<b>34 008</b>
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**14. SHARE CAPITAL**

Authorised share capital comprised 21,020,564 ordinary shares with a par value of LTL 10 each as at 30 June 2007 (the same as at 31 December 2006). No changes in the share capital took place during the period .

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

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

<b>15. TRADE AND OTHER PAYABLES</b>	<b>June 30 2007</b>	<b>June 30 2006</b>
Trade payables	12 433	11 760
Trade payables to related parties	10 424	23 436
Accrued liabilities	18 116	16 528
Salaries and social security payable	2 864	2 442
Grants	5 648	-
	<b>49 485</b>	<b>54 166</b>

<b>15. RELATED PARTY TRANSACTIONS</b>	<b>June 30 2007</b>	<b>June 30 2006</b>
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The Company is controlled by Joint Stock Company "Mineral and Chemical Company "Eurochem" (Russia) (JSC MCC EuroChem), which owns 91.15% of shares of the Company.

Other related parties are companies of Eurochem Group and management of the Company.

The following transactions were carried out with related parties:

	<b>For the six month period 2007</b>		<b>For the six month period 2006</b>	
	Sales	Purchases	Sales	Purchases
„Eurochem Trading GmbH“	150 981	30 809	163 445	138 725
OA0 NAK „Azot“	-	16 195	-	-
OA0 Kovdorsky GOK	-	42 783	-	-
„Harvester Shipmanagement Ltd“	-	33 781	-	13 770
	<b>150 981</b>	<b>123 568</b>	<b>164 918</b>	<b>152 495</b>

Related parties in the table above belong to the Eurochem Group. Nature of relationship between the related parties includes purchase of raw materials (Eurochem Trading GmbH, OA0 NAK „Azot“, OA0 Kovdorsky GOK) , sale of production (Eurochem Trading GmbH) and logistic services („Harvester Shipmanagement Ltd“).

The following balances were outstanding with related parties:

	<b>June 30 2007</b>		<b>June 30 2006</b>	
	<b>Receivables and advances</b>	<b>Payables</b>	<b>Receivables and advances</b>	<b>Payables</b>
OA0 NAK „Azot“	117 674	-	48 759	21 979
OA0 Kovdorsky GOK	-	3 215	-	-
„Harvester Shipmanagement Ltd“	-	6 344	-	-
„Eurochem A.M. Limited“	-	865	-	1 457
	13 662	-	14 035	-
	<b>131 336</b>	<b>10 424</b>	<b>62 794</b>	<b>23 436</b>

Receivables and advances balances include receivables for production sold (Eurochem Trading GmbH) and loan granted (Eurochem A.M. Limited). Payables balances include accounts payable for raw materials purchased and logistic services.

**CONTINGENT COMMITMENTS**

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

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

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*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 thousand Lt of income. The received income is included into item „Other activities,net“.

CONFIRMATION OF THE RESPONSIBLE PERSONS

2007-08-30

Following the Lithuanian Securities Law, the 1<sup>st</sup> part of the 22<sup>nd</sup> article, we confirm that AB Lifosa Interim Financial Statements for the six months of 2007, prepared in accordance with International Financial Reporting Standards, give a true picture of AB Lifosa assets, liabilities, financial condition, results and Interim Report for the first half-year of 2007 gives a true view of AB Lifosa business.

ADDED:

1. Interim Financial Statements for the six months of 2007
2. Interim Report for the first half-year of 2007

Director General



Jonas Dastikas

Chief Financial Officer



Regvita Ivanovienė





## 1. Accounting period for which the Report has been prepared:

Interim Report prepared for the first half-year of 2007.

## 2. Main data about the Issuer:

Name of the Issuer	Public Limited Company „Lifosa“, hereinafter AB “Lifosa”
Legal state	Public Limited Company, a private legal entity of limited liability
Date and place of registration	October 30, 1996, Register of Legal Entities of the Republic of Lithuania
Enterprise code	161110455
Address	Juodkiskio str. 50, LT-57502 Kedainiai
Phone	(8~347) 66 483
Fax	(8~347) 66 166
E-mail	<a href="mailto:info@lifosa.com">info@lifosa.com</a>
Web site	<a href="http://www.lifosa.com">www.lifosa.com</a>

## 3. The nature of the Issuer’s principal activities

Main activities of the company – production of phosphate fertilizers.

## 4. Information about the agreements with the Intermediaries of public trading in securities

AB „Lifosa“ has concluded an agreement with Financial Brokerage Firm „Finasta“ AB (Konstitucijos av. 23, Vilnius) with regard to management of accounts of the company’s securities.

## 5. The Issuer’s authorized capital structure

Table 5.1. : Structure of the authorized capital

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

There are no any restrictions regarding transfer of the shares.

### *Rights and Responsibilities*

The shareholders have no other liabilities against the company except for the obligation to pay for all the signed shares at the emission price.

In case the General shareholders’ meeting takes a resolution to cover the company’s losses by extra shareholders’ contributions, those who voted “for” are obliged to pay. The shareholders who were not present in the General shareholders’ meeting or voted against such a resolution, they have the right not to pay for the extra contributions.

The shareholder is obliged to reimburse for the dividends if they were paid by violating the imperative regulations of the Law on Companies of the Republic of Lithuania and if the company proves, that the shareholder knew about this or had to know.

### **The shareholders of the company have the following property rights:**

- 1) get the share of company’s profit (dividends);
- 2) obtain the company’s assets as a pay out to shareholders when the company’s authorized capital is reduced;
- 3) obtain the share of company’s assets in case the company is liquidated;
- 4) bequeath by will all or some portion of shares to one or some persons;
- 5) sell or otherwise transfer all or some portion of shares under other persons’ ownership;



- 6) priority to obtain the shares issued by the company or the converted bonds, except for the case when the General meeting of the shareholders, following the regulations of the Law on Companies of the Republic of Lithuania, resolves to withdraw the priority rights for all the shareholders;
- 7) obtain the unpaid shares, when the authorized capital is increased out of the company's funds, except for the exceptions according to the regulations of the Law on Companies of the Republic of Lithuania;
- 8) loan capital to the company observing the existing laws, however the company, taking loans from its own shareholders, has no right to put in pledge its property to the shareholders;
- 9) claim the reimbursement of their contributions following the terms and conditions foreseen by the regulations of the Law on Companies of the Republic of Lithuania.

**The shareholders have the following non-property rights:**

- 1) participate in the General shareholders' meetings;
- 2) vote in the General shareholders' meetings according to the rights available;
- 3) receive the information on the company following the regulations of the Law on Companies of the Republic of Lithuania;
- 4) to bring a lawsuit, requiring to cover the company's loss, incurred due to non-fulfilment or improper fulfilment of the responsibilities on the side of company's manager or on the side of Board members, following the regulations of the Law on Companies of the Republic of Lithuania or other relevant existing laws;
- 5) authorize the other person to vote in the shareholders' meeting or execute other legal actions;
- 6) the shareholders with the shares, the nominal value of which is not less than 1/10 of the authorized capital, have the right to require the court to assign an expert or the group of experts to audit the company's activities and the accounting documents;
- 7) other miscellaneous non-property rights according to the existing laws and the Articles of Association.

## 6. Shareholders

The total number of the shareholders for the date of June 30, 2007 amounts to 924.

Table 6.1. Shareholders, who had the right of ownership or controlled more than 5 percent of the company's authorized capital

Name, registered office and enterprise register code of the shareholder	Number of shares owned by the shareholder, in units	Share of the authorized capital in percentage	Share of the votes granted in percentage
EUROCHEM, MINERAL AND CHEMICAL COMPANY JOINT STOCK Kozhevnichecky Proyezd 4, Buildings 1,2, 115114 Moscow, Russia 102770002659	19 160 229	91,15	91,15

No shareholders with the specific control rights.

No restrictions of the voting rights.

No information available to the company about the settlements between the shareholders resulting in restrictions to transfer the securities and (or) restrictions of voting rights.

## 7. Data about trading in the Issuer's securities within the regulated markets

The ordinary registered shares of AB „Lifosa“ are in the extra trading list at AB "Vilnius Stock Exchange".

Table 7.1. : Main characteristics of the shares

Type of shares	ISIN code	Abbreviation	Number of shares in units	Nominal value in LTL	Total nominal value in LTL
Ordinary registered shares	LT0000116691	LFO1L	21 020 564	10	210 205 640



Table 7.2.: Trading in the company's shares

Accounting period	Price in LTL			Turnover in LTL			Closing date of trading session	Total turnover	
	max	min	as of the last session	max	min	as of the last session		units	of LTL
The 1 <sup>st</sup> quarter of 2007	31,50	21,50	28,70	719 478,30	0	125 626,10	2007-03-30	528 134	14 500 260,81
The 2 <sup>nd</sup> quarter of 2007	33,00	25,00	32,88	413 308,27	0	173 399,14	2007-06-29	174 315	5 020 369,91

## Trading in securities 01-07- 2006 - 29-06-2007



Table 7.3.: Capitalization

Date of the last session	Capitalization in LTL
2007-03-30	603 290 186,80
2007-06-29	691 156 144,32

## 8. Personnel

Table 8.1.: The average number of personnel

	2004	2005	2006	The 1 <sup>st</sup> half-year of 2007
Managers	101	106	116	115
Specialists	92	92	80	79
Workers	859	851	843	828
<b>Total:</b>	<b>1 052</b>	<b>1 049</b>	<b>1 039</b>	<b>1 022</b>

Table 8.2.: The average monthly salary in LTL

	2004	2005	2006	The 1 <sup>st</sup> half-year of 2007
Managers	4 114	4 816	4 669	6 539
Specialists	2 068	2 917	3 005	3 567
Workers	1 469	1 762	2 087	2 697
<b>Total:</b>	<b>1 776</b>	<b>2 213</b>	<b>2 444</b>	<b>3 232</b>

Table 8.3.: Grouping of the personnel according to the educational background

	2004	2005	2006	The 1 <sup>st</sup> half-year of 2007
Personnel having university education	161	163	170	173
Personnel having vocational education	235	222	213	202
Having the secondary education	514	538	526	500
other	142	126	130	147
<b>Total:</b>	<b>1 052</b>	<b>1 049</b>	<b>1 039</b>	<b>1 022</b>



## 9. The order of amending the Issuer's Articles of Association

The Articles of Association can be amended in accordance with the Law on Companies of the Republic of Lithuania. The Articles of Association can be amended only by the resolution of the General shareholders' meeting, taken under the majority of votes – more than 2/3 of votes. The amended Articles of Association are valid only after they are registered under the existing laws in the Register of Legal Entities.

## 10. The Bodies of the Issuer

The principal Body of the company – the General shareholders' meeting. The company's management bodies are as follows: the Board and the Manager of the company (General director). No Supervisors' Council is formed.

The Board members are elected by the General shareholders' meeting for 4 years cadence. The Board of the company consists of 5 members.

The General director is assigned, recalled and released by the company's Board. The Board may select the General director through the contest.

Table 10.1.: The Board members and the members of the administration

Name	Position	Share of the capital / votes available in percentage
<b>THE BOARD</b>		
Aleksandr Tugolukov, passport 3269613	The Chairman (since 27-04-2007)	-
Since 20-04-2007 Valerij Rogalskij passport 51 No. 0949088	Member	-
Stanislav Duriagin, passport 2902539821	Member	-
Jonas Dastikas, personal ID 34803170202	Member	0,134
Regvita Ivanoviene, ID 46611080915	Member	0,005
Till 05-04-2007 Kiril Kravcenka, passport 51 No. 2289913	The Chairman	-
<b>ADMINISTRATION</b>		
Jonas Dastikas, ID 34803170202	The General director	0,134
Regvita Ivanoviene, ID 46611080915	The Chief Financial Officer	0,005

Table 10.2. : The beginning and the end of cadence of each member of the Board

Name	The beginning of the cadence	The end of the cadence
Jonas Dastikas	23-04-2004	2008
Aleksandr Tugolukov	03-11-2004	2008
Regvita Ivanoviene	21-12-2004	2008
Stanislav Duriagin	22-04-2005	2008
Kiril Kravcenka	25-04-2006	25-04-2007
Valerij Rogalskij	13-04-2007	2008

Table 10.3.: Payments made to the members of administration and to the Board members

	Salaries paid during the 1 <sup>st</sup> half-year of 2007 in LTL
To the members of administration ( General director, Administrative director, Technical director, Chief Financial Officer, and Accountant general)	1 679 175
Average amount per member of administration, per month	55 973
To the Board members	1 017 744
Average amount per member of the Board per month	84 812

The payments, related to the working relations, were made to the following Board members - the General director of the company and the Chief Financial Officer. No payments for the other Board members. No bonuses nor other payments were paid to the Board members as well as to the administration members.

No loans, guarantees and warranties to the members of Board and to the members of administration were granted during the 1<sup>st</sup> half-year of 2007.



## 11. Review on the Issuer's activities

Table 11.1.: Sales figure of the main company's products

Products	2004		2005		2006		The 1 <sup>st</sup> half-year of 2007	
	quantity in thou.of t.	Amount in thou.of LTL	quantity in thou.of t.	Amount in thou.of LTL	quantity in thou.of t.	Amount in thou.of LTL	quantity in thou.of t.	Amount in thou.of LTL
Diamonium phosphate (DAP)	737,5	448 460	726,0	487 516	818,9	558 162	344,1	279 721
Aluminium Fluoride	7,6	11 963	7,9	14 702	11,6	25 145	4,3	10 622
Sulphuric acid trade gr.	18,5	1 713	19,6	1 821	17,4	1 829	11,2	1 125
Phosphoric acid trade gr.	11,6	10 870	25,3	26 917	14,8	17 317	4,1	5 185
Feed phosphates	52,0	38 031	64,1	52 040	70,7	62 288	31,7	31 547
<b>Total:</b>	-	<b>511 037</b>	-	<b>582 996</b>	-	<b>664 741</b>	-	<b>328 200</b>

Table 11.2. I: Sales prices of the main products in LTL/t

Product	2004	2005	2006	The 1 <sup>st</sup> half-year of 2007
Diamonium phosphate (DAP)	609,75	672,27	681,02	812,87
Aluminium Fluoride	1 565,12	1 851,37	2 223,33	2 491,94
Sulphuric acid trade gr.	92,39	92,81	105,19	100,46
Phosphoric acid trade gr.	939,91	1 065,87	1 169,29	1 277,77

Table 11.3. : Key performance indicators of the company's activities

Indicator	Unit of measuring	2005	2006	The 1 <sup>st</sup> half-year of 2007
Sales of products and services	m LTL	603,9	682,5	335,9
Gross profit	m LTL	148,5	107,7	86,3
Gross return ( gross profit/sales)	%	24,6	15,8	25,7
Profit from operations	m LTL	95,1	44,3	62,0
Return from operations ( profit from operations/sales)	%	15,7	6,5	18,5
EBIT	m LTL	95,2	45,5	60,0
Return of EBIT	%	15,8	6,7	17,9
Net profit	m LTL	81,5	37,2	49,2
Net return (net profit/sales)	%	13,5	5,5	14,6
Profit per share	ln LTL	3,9	1,8	2,3
Net book share value	ln LTL	16,9	18,6	21,0
EBITDA	m LTL	116,9	80,4	73,4
Return of EBITDA	%	19,4	11,8	21,9
Total assets (at the end of the period)	m LTL	411,9	436,2	490,5
Return on assets (profit from operations/ assets)	%	23,1	10,2	12,6
Return on assets ROA (net profit/assets)	%	19,8	8,5	10,0
Assets turnover (sales/assets)	times	1,5	1,6	0,7
Equity (at the end of the period)	m LTL	354,6	391,8	441,0
Return on equity (net profit/equity)	%	23,0	9,5	11,2
Cover (current) ratio	times	3,3	4,2	4,9
Immediate cover ratio	times	2,1	3,1	3,4
Debt ratio (liabilities /assets)	times	0,1	0,1	0,1
Debt-equity ratio ( liabilities/equity)	times	0,2	0,1	0,1
Dividends per share	in LTL	-	-	-
Price per share (at the end of the period)	in LTL	45,71	21,40	32,88
The lowest price ( during the accounting period)	in LTL	8,90	13,00	21,50
The highest price (during the accounting period)	in LTL	68,20	54,00	33,00



The plans and prospects of the company as per the Annual Report 2006 have not changed till the end of the accounting period.

## 12. Essential events of the first six fiscal months

The essential events of the 1<sup>st</sup> half-year of 2007 :

- On February 15, 2007 the audit company DET NORSKE VERITAS handed in the Certificate to AB „Lifosa“, certifying that the company's management system for occupational health and safety is in compliance with the Standard OHSAS 18001:1999 requirements. After receiving the Occupational Health and Safety Management System Certificate, AB „Lifosa“ is considered as one of the biggest enterprises in Lithuania, having all the three essential international certificates: Quality Management System Standard ISO 9001:2000, Environmental Management System Standard ISO 14001:2004 and personnel Occupational Health and Safety Management System Standard OHSAS 18001:1999.
- On March 22, 2007 the Board Chairman of AB „Lifosa“ Kiril Kravcenka presented the notice – before 14 days as per requirements of the Law on Companies – informing about his resignation from the Chairman of the Board and from the members of the Board.
- On April 4, 2007 the agreement was signed between Kedainiai Municipality, mineral and chemistry company “EuroChem” and its affiliate company AB “Lifosa” regarding the social-economic cooperation. In 2007 AB „Lifosa“ is going to invest no less than 1,165 m LTL for implementation of Kedainiai sports, health and educational programmes.
- The resolutions taken at the General shareholders' meeting on April 25, 2007:
  1. Take into consideration the Auditor's conclusions and comments while approving the Company's annual financial statements for 2006.
  2. Approve the Company's Annual Report for 2006 and the Annual Financial Statements.
  3. Approve the Company's net audited profit for 2006 (acc.to IFAS) appropriation as follows:
 

1) not distributed profit at the end of the financial year –	133 402 thou. LTL;
2) net profit of the fiscal year –	37 220 thou.LTL;
3) profit (loss) of the fiscal year not recognized in the profit (loss) account -	0 LTL;
4) transfers from the reserves -	0 LTL;
5) shareholders' contributions to cover the loss -	0 LTL;
6) total profit available for distribution –	170 623 thou.LTL;
7) profit allocation to the required reserves –	1 861 thou. LTL ;
8) portion of the profit allocated to the reserves to acquire the own shares –	0 LTL;
9) portion of the profit forwarded to the other reserves –	0 LTL;
10) portion of the profit allocated for the dividends -	0 LTL;
11) portion of the profit for the annual tantieme, for the board members, bonuses for the employees, etc. -	0 LTL;
12) not distributed profit brought forward to the next year –	168 762 thou. LTL.
  4. Approve the firm UAB “PricewaterhouseCoopers” as auditing company for the year 2007 and get approved the authorized auditors (persons) by the Securities Commission of the LR. Authorize the General Director of the Company to enter into the Service Agreement with the auditing company under the following remuneration terms for the services offered: the payment amount agreed between the Parties should not exceed 120.000 LTL VAT excluded.
  5. To approve the resignation of the Board Chairman Mr. Kiril Kravchenka. To elect Mr. Valeryj Rogalskyj, the Sales Director of the Russian Company “EuroChem” as a Board Member. To assign that authorization of a new Board Member Mr. V. Rogalskyj validates after the General Shareholders Meeting.
  6. Amend the paragraphs of the Articles as proposed by the Board, include the new wording and approve the amendments. Taking into consideration the amendments of the Company's Articles, approve the new edition of the Company's Articles. Authorize and commission Mr. Jonas Dastikas, the General Director of the Company and/or some other person authorized by him to sign the amended reading of the Company's Articles, also to sign all the other relevant documents and take all the necessary actions related to the



amendments made in the Company's Articles and related to the registration of the amended Articles into the Register of the Legal Entities of the Republic of Lithuania.

- On April 27, 2007 the Board of AB „Lifosa“ elected the Board member Aleksandr Tugolukov as a Board Chairman.
- On May 25, 2007 AB „Lifosa“ was certified with the first certificate in Lithuania, granting the right to apply and use the “White Wave” logo. This logo indicates the society that the salary payment policy in the enterprise is transparent.

### **13. Information about more significant transactions with the interested parties**

The information about the transactions with the interested parties is disclosed in the Explanatory note of Financial Statement for the first half-year 2007.