CONFIRMATION OF THE RESPONSIBLE PERSONS

2009-04-15

Following the Lithuanian Securities Law, the 1st part of the 21nd article, we confirm that AB Lifosa audited Financial Statements for the year 2009, prepared in accordance with International Financial Reporting Standards, give a true view of AB Lifosa assets, liabilities, financial position, profit.

ADDED:

1. audited financial statements for the year 2008, prepared in accordance with International Financial Reporting Standards.
2. audited annual report for the year 2008.
3. Disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market

Director General Jonas Dastikas

Chief Accountant Nijolė Kalinauskienė

LIFOSA AB

FINANCIAL STATEMENTS, ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT 31 DECEMBER 2008

Translation note

This version of the financial statements is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the financial statements takes precedence over this translation.

CONTENTS

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Translation note

This version of our report is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report

To the Shareholders and the Board of Lifosa AB

Report on the Financial Statements

We have audited the accompanying financial statements of Lifosa AB ("the Company") set out on pages 5 – 30 which comprise the balance sheet as of 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed below, we conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion
Certain items of property, plant and equipment are accounted for at a historical cost less subsequent depreciation as adjusted for indexation, using the indexation rates set by the Government of the Republic of Lithuania in 1992-1995. Those certain items of property, plant and equipment and share capital of the Company have not been stated in terms of a measuring unit current as at the time (i.e. restated by using a general price index to reflect changes in purchasing power) as required by IAS 29 'Financial Reporting in Hyperinflationary Economies'. It has not been possible to estimate the financial effects of this non-compliance.

Qualified Opinion
In our opinion, except for the effect of such adjustments, if any, which might have been necessary to reflect the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Lifosa AB as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2008 set out on pages 31 – 62 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2008.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Rasa Radzevičienė
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
14 April 2009

INCOME STATEMENT

LTL thousand

	Notes	Year ended 31 December 2008	2007
Sales	1	1,748,778	921,648
Cost of sales	4	(1,486,208)	(578,022)
Gross profit		**262,570**	**343,626**
Selling and distribution costs	2,4	(26,783)	(31,316)
Administrative expenses	3,4	(28,766)	(23,258)
Net foreign exchange gain/(loss)	5	48,909	(22,374)
Other income	6	8,517	1,070
Operating profit		**264,447**	**267,748**
Interest income on short-term cash deposits		2,320	2,317
Profit before tax		**266,767**	**270,065**
Income tax	7	(29,536)	(48,963)
Net profit		**237,231**	**221,102**
Basic and diluted earnings per share (LTL per share)	8	11.29	10.52

These financial statements on pages 5 – 30 were approved by the Company's Director General and Chief Accountant on 14 April 2009.

Jonas Dastikas
Director General

Nijolė Kalinauskienė
Chief Accountant

The accounting policies and the notes on pages 9 to 30 form an integral part of these financial statements.

BALANCE SHEET

LTL thousand

	Notes	As at 31 December 2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	9	264,551	252,798
Intangible assets	10	459	650
Deferred tax asset	7	41,261	1,989
Other receivables	11,13	2,709	3,288
		308,980	**258,725**
Current assets			
Inventories	12	154,548	63,657
Trade and other receivables	13,14	165,858	208,490
Loans granted	13,14	359,764	12,865
Cash and cash equivalents	15	63,469	173,272
		743,639	**458,284**
Total assets		**1,052,619**	**717,009**
EQUITY			
Share capital	16	210,206	210,206
Share premium		80	80
Legal reserve		21,021	12,734
Retained earnings		618,808	389,864
Total equity		**850,115**	**612,884**
LIABILITIES			
Non-current liabilities			
Grants	17	5,212	5,688
		5,212	**5,688**
Current liabilities			
Income tax liabilities		53,183	38,136
Trade and other payables	18	144,109	60,301
		197,292	**98,437**
Total liabilities		**202,504**	**104,125**
Total equity and liabilities		**1,052,619**	**717,009**

The accounting policies and the notes on pages 9 to 30 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

LTL thousand

	Notes	Share capital	Share premium	Legal reserve	Retained earnings	Total
Balance as at 1 January 2007		210,206	80	10,873	170,623	391,782
Transfer to legal reserve	16	-	-	1,861	(1,861)	-
Net profit for the year		-	-	-	221,102	221,102
Balance at 31 December 2007	16	**210,206**	**80**	**12,734**	**389,864**	**612,884**
Transfer to legal reserve	16	-	-	8,287	(8,287)	-
Net profit for the year		-	-	-	237,231	237,231
Balance at 31 December 2008	16	**210,206**	**80**	**21,021**	**618,808**	**850,115**

CASH FLOW STATEMENT

LTL thousand

	Notes	Year ended 31 December 2008	2007
Cash flows from operating activities			
Cash generated from operations	19	285,742	190,699
Income tax paid		(53,761)	(13,249)
Net cash from operating activities		231,981	177,450
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	9,10	(41,310)	(32,191)
Proceeds from sale of property, plant and equipment		133	221
Proceeds from sale of associate		-	2,775
Loans granted to related parties		(680,357)	-
Loans repayments received from related parties		363,552	-
Interest received for loans granted		7,500	-
Sale of securities	13	-	287
Net cash from investing activities		(350,482)	(28,908)
Cash flows from financing activities			
Interest income from short-term deposits		2,320	2,317
Net cash from financing activities		2,320	2,317
Net increase (decrease) in cash and cash equivalents		(116,181)	150,859
Movement in cash and cash equivalents			
At beginning of year		173,272	24,736
Net increase (decrease)		(116,181)	150,859
Exchange gains/(losses) on cash and bank accounts		6,378	(2,323)
Cash and cash equivalents at end of year	15	63,469	173,272

The accounting policies and the notes on pages 9 to 30 form an integral part of these financial statements.

A. 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 Secondary Trading List of the National Stock Exchange of Lithuania. The Company's principal activity is the production of phosphate fertilisers, mainly diammonium phosphate (DAP). As at 31 December 2007 and 2008, the main shareholders of the Company were as follows:

Shareholder	*Number of shares*	*Percentage of share capital*
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 number of staff employed by the Company on 31 December 2008 totalled 999 (2007: 1,019).

B. SIGNIFICANT ACCOUNTING POLICIES

B.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements have been prepared under the historical cost convention, as modified for the indexation of certain property, plant and equipment (Note B.3).

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note D.

Standards, amendments and interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Company's operations:

IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Company's financial statements.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have an impact on the Company's financial statements.

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Company's operations.

Amendment to IAS 39, "Financial instruments: Recognition and measurement", and IFRS 7 "Financial instruments: Disclosures on Reclassification of financial assets". This amendment allows the reclassification of certain financial assets previously classified as 'held-for-trading' or 'available-for-sale' to another category under limited circumstances. Various disclosures are required where a reclassification has been made. Derivatives and assets designated as 'at fair value through profit or loss' under the fair value option are not eligible for this reclassification. This amendment does not have an impact on the Company's financial statements.

Standards, amendments to standards and interpretations to existing standards that have been issued but are not effective for 2008 and have not been early adopted

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not early adopted them:

IFRS 8, 'Operating segments' (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments with segment information presented on a similar basis to that used for internal reporting purposes. The amendment does not have a significant impact on the Company's financial statements.

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. This amendment does not have an impact on the Company's financial statements.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Company will apply IAS 23 (Amendment) prospectively to the capitalisation of borrowing cost on qualifying assets from 1 January 2009 but it is currently not applicable to the Company as there are no borrowings.

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Company expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. Currently this amendment is not relevant to the Company as it has no subsidiaries.

Vesting Conditions and Cancellations — Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Currently this amendment has no impact on the Company's financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. IFRS 3 is not relevant to the Company as it does not expect a business combination to occur.

IFRIC 13, 'Customer loyalty programmes' (effective annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. This interpretation does not have an impact on the Company's financial statements.

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. IFRIC 15 is not relevant to the Company's operations because it does not have any agreements for the construction of real estate.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 does not have any impact on these financial statements as the Company does not apply hedge accounting.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate — IFRS 1 and IAS 27 Amendments (issued in May 2008; effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendments will not have any impact on the Company's financial statements.

Eligible Hedged Items — Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have any impact on the Company's financial statements as the Company does not apply hedge accounting.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40;

and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Company does not expect the amendments to have any material effect on its financial statements.

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 is not relevant to the Company's operations because it does not distribute non-cash assets to owners.

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The revised standard does not have any effect on the Company's financial statements.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Company's financial statements.

Improving Disclosures about Financial Instruments – Amendment to IFRS 7, Financial Instruments: Disclosures (issued in March 2009; effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The Company is currently assessing the impact of the amendment on disclosures in its financial statements.

IFRIC 15, 16, 17, 18 and amended IAS 27, IAS 39, IFRS 7 as well as revised IFRS 1 and IFRS 3 have not been yet endorsed by the EU.

B.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Litas (LTL), which is the Company's functional and presentation currency. Since 2 February 2002 the Litas has been pegged to the euro at exchange rate of LTL 3.4528 = EUR 1.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

B.3 Property, plant and equipment

Property, plant and equipment acquired on or after 1 January 1996 is stated at historical cost less accumulated depreciation. Property, plant and equipment acquired before 1 January 1996 is stated at historical cost less accumulated depreciation as adjusted for indexation, using indexation rates set by the Lithuanian Government for the different asset categories. Four indexations of property, plant and equipment were performed during the period between 1 January 1992 and 31 December 1995.

Indexation rates used were as follows (depending on the date of acquisition and type of asset):

Revaluation	The range of indices for PP&E revaluation
Revaluation effective 1 January 1992	2.2 times
Revaluation effective 1 July 1992	2-5 times
Revaluation effective 15 April 1994	1.4-14 times
Revaluation effective 31 December 1995	1.2-1.7 times

The Company could not evaluate the possible effect of non-compliance with IAS 29 *Financial Reporting in Hyperinflationary Economies* for measurement of certain items of property, plant and equipment which are carried in the balance sheet at a historical cost less subsequent depreciation as adjusted for indexation, using the indexation rates set by the Government of the Republic of Lithuania in 1992-1995. However, the cumulative increase in consumer price index during the period when the economy in Lithuania was considered hyperinflationary in accordance with IAS 29 (years 1990-1996, inclusively) significantly exceeded indexation rates set by the Government. Therefore, the carrying value of PP&E reported as at 31 December 2008 would be higher if the Company could apply IAS 29 requirements properly.

Subsequent costs are added to 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.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note B.5).

Construction in progress is transferred to appropriate groups of property, plant and equipment when it is completed and ready for its intended use.

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are determined by comparing proceeds with carrying amount and are included in operating profit.

B.4 Intangible assets

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

B.5 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

B.6 Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'loans granted' and 'trade and other receivables' in the balance sheet.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment loss. An impairment loss of amounts receivable 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 impairment loss 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 impairment loss is recognised in the income statement within 'administrative expenses'. Bad debts are written off during the year in which they are identified as irrecoverable.

B.7 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 products and work in progress comprises raw materials, direct labour, other direct costs and related indirect production overheads, but excludes borrowing costs.

Net realisable value of finished goods is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. Raw materials and other substances held for the production of goods are not written down below their cost, unless it is probable that the cost of goods produced using these raw materials and substances will exceed the net realisable value. Under such circumstances, the best estimate of net realisable value of raw materials and substances is deemed to be their replacement cost. Loss resulting from writing down of inventories to net realisable value is included in the cost of sales in the income statement.

B.8 Cash and cash equivalents

Cash and cash equivalents are carried at nominal value. Cash and cash equivalents comprise cash in hand, cash at bank held on call, and other short-term highly liquid investments with original maturities of three months or less.

B.9 Share capital

Ordinary shares are stated at their nominal value. Consideration received for the shares sold in excess over their nominal value is shown as share premium.

B.10 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.

B.11 Trade payables

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

B.12 Income tax

Pursuant to the Lithuanian Law on Corporate Profit Tax, taxable profit is subject to income tax at a rate of 15 per cent. 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 2008 is 15 per cent. Pursuant to the amendments of Lithuanian Law on Corporate Profit Tax issued until the preparation of these financial statements, taxable profit will be subject to income tax at a rate of 20 per cent as from 2009.

Pursuant to the Lithuanian Provisional Law on Social Tax, social tax at a rate of 3 per cent for 2007 was paid on taxable profit earned (it was added to income tax rate of 15 per cent). Taxable profit earned in 2008 is not subject to social tax.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax is recognized to the extent it is probable that sufficient taxable profit will be available against which the temporary differences can be utilised.

The principal temporary differences arise from accrued charges and inventory valuation allowance. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

B.13 Leases – where the Company is the lessee

(a) Finance lease

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities. The property, plant and equipment acquired under finance leases is depreciated on a basis consistent with that applied to the depreciation of similar owned assets. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

(b) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

B.14 Operating lease – where the Company is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

B.15 Employee benefits

(a) Social security contributions

The Company pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on the accrual basis and included in payroll expenses.

(b) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(c) Bonus plans

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

B.16 Revenue recognition

Sales 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.

B.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

B.18 Earnings per share

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

B.19 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.

B.20 Emission allowances

The Company participates in a carbon dioxide cap and trade scheme. It is set a target to reduce its emissions of carbon dioxide to a specified level (the cap). The Company is issued allowances equal in number to its cap by the Government. Allowances are issued free of charge. The Company measures both emission allowances and government grants at cost, i.e. zero value. As actual emissions are made, a liability is recognised for the obligation to deliver allowances. Liabilities to be settled using allowances on hand are measured at the carrying amount of those allowances. Any excess emissions are measured at the market value of allowances at the period end. Surplus of emission allowances, if any, can be traded on the market. Revenue from sale of surplus allowances is recognised on the actual trade date.

B.21 Grants

Grants are recognised where there is reasonable assurance that the grant will be received and the Company will comply with all conditions established.

Grants relating to purchase of property, plant and equipment are included in non-current liabilities and are credited to the income statement on a straight-line basis over the depreciation period of the related assets.

B.22 Cash Flow Statement

For the purpose of presentation of cash flow statement, interest income earned on bank deposits and current accounts is classified as income from financing activities whereas interest income received for loans granted is treated as income from investing activities.

C. FINANCIAL RISK MANAGEMENT

C.1 Financial risk factors

The Company's activities are exposed to a variety of financial risks: market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the senior management of the Company. The management identifies, evaluates and takes appropriate actions in order to mitigate the financial risks.

(a) Market risk
(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (USD). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company's foreign exchange risk management is based on matching the expected cash flows in principal currencies. Due to the fact that the majority of business transactions carried out by the Company, including sales of production and purchases of raw materials are denominated in US dollars, changes in USD exchange rates do not affect the cash flows of the Company. However, these changes are reflected in the carrying value of financial assets and liabilities which are originally expressed in foreign currencies but translated to the functional currency Lithuanian Litas (LTL) in the balance sheet.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange risk exposure and primarily arises from loans granted, US dollar denominated trade receivables, cash and cash equivalents, and accounts payable. The sensitivity analysis provides an approximate quantification of the exposure in the event of a 4% Lithuanian Litas' weakening / strengthening against the US dollar. The exchange rate shift assumption was based on the US dollar exchange rate net volatility during 2008. At 31 December 2008, if the Lithuanian Litas had weakened / strengthened by 4% against the US dollar with all other variables held constant, foreign exchange gain would be LTL 16,481 thousand higher / smaller (2007: loss would be LTL 13,288 thousand smaller / higher).

The Company is not exposed to significant foreign exchange risk arising from transactions denominated in euro (EUR) because the Lithuanian Litas has been pegged to the euro at an exchange rate of LTL 3.4528 = EUR 1 since 2 February 2002.

(ii) Price risk

The Company is not exposed to significant equity securities price risk because it has no investments in securities or other similar financial instruments.

(iii) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. There are no interest-bearing liabilities. The Company's significant interest-baring financial assets include:

- Short-term loans granted to related party at a fixed interest rate as disclosed in Note 14.
- Short-term bank deposits and repo deals which may be converted to a known amount of cash and are subject to an insignificant risk of changes in value. These deposits and repo deals are held in banks for a period of up to three months for cash flow management purposes and classified as cash equivalents (details are disclosed in Note 15).

Split between fixed and floating interest rate depends on the actual situation in the market.

(b) Credit risk

Senior management is responsible for credit risk management. Credit risk arises from loans granted to the related parties, cash, cash equivalents, and short-term deposits with banks, as well as credit exposures to customers, mainly related to outstanding receivables. For banks, only well-known and independently rated banks of Lithuania are accepted. For customers, the Company sells the majority of its production to wholesalers and has policies in place to ensure that sales of products are made only to customers with an appropriate credit history. The Company always makes an assessment of the credit quality of the customer, taking into account its financial position, past experience and other factors. The majority of sales to non-related parties are performed only after a prepayment for a full amount is received by the Company. Credit period is awarded only to a few customers who are well known to the Company and have excellent credit history. With respect to sales to related parties, sales are performed only to Eurochem Trading GmbH which acts as a wholesale distributor of products of the Company in non-EU markets. In the event of granting loans to the EuroChem group companies the Company does not perform additional credit risk evaluation procedures.

There were no significant difficulties in collecting accounts receivable from customers or withdrawing cash from banks during the reporting period and the management does not expect any material losses from non-performance by these counterparties. In addition, no significant difficulties are anticipated in recovering loans granted to related parties.

(c) Liquidity risk

The Company is exposed to liquidity risk due to different maturity profiles of receivables and payables. Liquidity risk management of the Company focuses on matching cash inflows and outflows related to current receivables and payables, capital expenditures as well as accumulating sufficient amounts of liquid funds to make the regular payments as they fall due according to the schedule.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow. According to the latest cash flow estimates, the Company is not expected to face any significant liquidity problems in the near future.

The Company has no other financial liabilities except for trade and other payables. All trade and other payables reported in the balance sheet are due within 12 months and their fair value is equal to their carrying balances as the impact of discounting would not be significant.

C.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company defines its capital as share capital less cash and cash equivalents. During years 2007 and 2008, the Company had no borrowings.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, or take other appropriate actions.

Pursuant to the Lithuanian Law on Companies, the authorised share capital of a public limited liability company must be not less than LTL 150 thousand and the shareholders' equity should not be lower than 1/2 of the Company's registered share capital. As at 31 December 2008 Company complied with these requirements.

C.3 Fair value estimation

The nominal value less impairment loss of trade receivables and the nominal value of accounts payable are assumed to approximate their fair values. The fair value of loans granted and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

D. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are regularly reviewed and assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment loss for accounts receivable

Impairment loss for accounts receivable was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgement. Judgement is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. Current estimates of the Company could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable.

Inventory valuation allowance

Write-down of finished goods to net realisable value is performed based on the management's estimate of the expected selling price of finished goods after the end of the financial year. If the production cost of finished goods exceeds their expected selling prices, an impairment loss is recognised. Such an estimate is performed in respect of each significant position of finished goods at the balance sheet date. After the end of the year the Company's management determined expected selling prices of goods based on available market information and / or existing agreements with customers. Net realisable value of semi-finished products and work in progress was measured by reference to the net realisable value of finished goods as compared to the production cost of finished goods.

Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of finished products will exceed the net realisable value, the materials are written down to their net realisable value. In such circumstances, the replacement cost of the materials is deemed to be the best available measure of their net realisable value.

Current management's estimates regarding net realisable value of inventories could change because of changes in demand for the products produced by the Company and other unexpected market developments.

Deferred tax asset

For the purpose of these financial statements, deferred tax assets were recognised on all temporary differences as the Company expects that taxable income to be earned over the several coming years will be sufficient to utilise these temporary differences. Nevertheless, the possibility to fully realise deferred tax assets depends on whether the Company will manage to achieve its operational targets.

Estimates of useful lives of property, plant and equipment

The Company has old buildings and machinery, the useful lives of which are estimated based on the projected product lifecycles. However, economic useful lives may differ from the currently estimated as a result of technical innovations and competitors actions.

Latest fluctuations in the word and Lithuanian financial markets

The ongoing global liquidity crisis which commenced in the middle of 2008 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

Debtors of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on Company's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent of information available, the Company's management have assessed and properly reflected potential impact of these factors in the financial statements.

OTHER EXPLANATORY NOTES

1. 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 market can be analysed as follows:

	Sales		Total assets		Capital expenditure	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
India	948,202	-	-	-	-	-
Lithuania	124,569	88,829	1,052,619	717,009	42,027	46,658
France	109,021	64,748	-	-	-	-
Germany	88,969	87,141	-	-	-	-
Poland	84,957	45,116	-	-	-	-
Brazil	84,897	-	-	-	-	-
The Netherlands	50,522	127,754	-	-	-	-
Ethiopia	37,697	72,545	-	-	-	-
Argentina	30,554	30,098	-	-	-	-
Hungary	27,360	20,345	-	-	-	-
Denmark	26,536	9,958	-	-	-	-
Czech Republic	18,607	13,622	-	-	-	-
Spain	17,263	34,221	-	-	-	-
Portugal	16,493	-	-	-	-	-
Ireland	14,881	22,069	-	-	-	-
Other countries	14,073	15,842				
Romania	13,858	10,677	-	-	-	-
Ukrain	12,690	10,135	-	-	-	-
Great Britain	10,500	50,861	-	-	-	-
Tajikistan	9,429	11,613	-	-	-	-
Belgium	7,700	23,523	-	-	-	-
Turkey	-	66,158	-	-	-	-
Pakistan	-	65,578	-	-	-	-
Kenya	-	24,233	-	-	-	-
Ivory Coast	-	13,428	-	-	-	-
Cameroon	-	13,154	-	-	-	-
	1,748,778	921,648	1,052,619	717,009	42,027	46,658

Sales are allocated among geographical segments based on the country which is the final destination of production sold by the Company according to dispatch documents. Usually, this country is where the buyer is located with the exception being sales to certain wholesale customers and intermediaries, mainly related party Eurochem Trading GmbH. For instance, Eurochem Trading GmbH is based in Switzerland but acts as a wholesale distributor of production of the Company in non-EU markets (more details about related party transactions with Eurochem Trading GmbH are disclosed in Note 20).

Analysis of sales by category:

	2008	**2007**
Sales of goods	1,712,305	902,342
Sales of raw materials	15,570	5,048
Sales of electricity, heat energy, gas, CO_2 emission rights, other services, other sales revenue	20,903	14,258
	1,748,778	**921,648**

2. SELLING AND DISTRIBUTION COSTS

	2008	2007
Shipping costs	3,466	9,108
Transportation costs	12,924	13,173
Loading and forwarding costs	10,194	8,213
Other selling and distribution costs	199	822
	26,783	**31,316**

3. ADMINISTRATIVE EXPENSES

	2008	2007
Remuneration of employees	12,777	9,360
Social security contributions	4,099	2,959
Taxes (other than income tax)	1,631	1,960
Depreciation and amortization	862	1,062
Insurance	577	552
Security	816	766
Telecommunications	531	499
Support granted	2,565	1,248
Other administrative expenses	4,908	4,852
	28,766	**23,258**

4. EXPENSES BY NATURE

	2008	2007
Raw materials and consumables used	1,215,255	484,166
Inventory valuation allowance	191,199	-
Remuneration of employees and social security contributions	70,745	56,392
Transportation services	26,783	31,316
Depreciation and amortisation	30,358	28,358
Change in finished goods, semi-manufactures and work in progress	(59,674)	(14,791)
Repair and maintenance	15,479	15,633
Energy and fuel	13,202	10,263
Taxes (other than income tax)	1,631	1,960
Consulting expenses	952	785
Security	816	766
Telecommunication and IT maintenance expenses	531	499
Marketing and representation	809	240
Other	33,671	17,009
	1,541,757	**632,596**

Remuneration of employees and social security contributions comprise salary expenses of LTL 49,730 thousand (2007: LTL 38,842 thousand), social security expenses of LTL 16,610 (2007: LTL 13,257 thousand) and bonuses and other benefits of LTL 4,405 thousand (2007: LTL 4,293 thousand).

5. NET FOREIGN EXCHANGE GAIN/LOSS

Net foreign exchange gain and loss resulted from significant fluctuations in exchange rate of functional currency of the Company (the Lithuanian Litas) and the main trading currency of the Company (the US dollar).

6. OTHER INCOME/GAINS

	2008	2007
Interest income on short-term loans	8,491	915
Gain on disposal of property, plant and equipment	26	155
	8,517	**1,070**

7. INCOME TAX

	2008	2007
Current tax	68,808	49,148
Deferred tax	(39,272)	(185)
	29,536	**48,963**

The tax on the Company's profit before tax differs from the theoretical amount that would arise when using the basic tax rate as follows:

	2008	2007
Profit before tax	**266,766**	**270,065**
Tax calculated at a rate of 15% (2007: 18%)	40,015	48,612
Effect of non taxable income and support granted	(385)	(414)
Effect of expenses not deductible for tax purposes	219	765
Effect of change in profit tax rate	(10,313)	-
Tax charge	**29,536**	**48,963**

The effect of changed profit tax rate arises from increase in profit tax rate from 15 per cent to 20 per cent with effect from year 2009 (see note B.12).

The movement in deferred tax assets account during the period was as follows:

Deferred tax assets

	Inventory valuation allowance	Sales margin	Accrued charges	Total
At 1 January 2007	-	-	1,804	1,804
Recognized in the Income Statement	-	408	(223)	185
At 31 December 2007	-	408	1,581	1,989
Recognized in the Income Statement	38,240	(408)	1,440	39,272
At 31 December 2008	**38,240**	**-**	**3,021**	**41,261**

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. It is expected that the deferred income tax assets recognised by the Company will be realised over the several coming years.

8. EARNINGS PER SHARE

	2008	2007
Net profit attributable to shareholders	237,231	221,102
Weighted average number of ordinary shares in issue (thousand)	21,021	21,021
Earnings per share (LTL per share)	**11.29**	**10.52**

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Vehicles and equipment	Other PP&E	Construction in progress	Total
At 31 December 2006						
Cost or indexed cost	174,059	342,163	16,549	12,065	20,948	565,784
Accumulated depreciation	(82,937)	(228,296)	(10,556)	(9,076)	-	(330,865)
Net book amount	91,122	113,867	5,993	2,989	20,948	234,919
Year ended 31 December 2007						
Opening net book amount	91,122	113,867	5,993	2,989	20,948	234,919
Additions	6,896	10,105	2,515	479	26,139	46,134
Disposals and write-offs	-	(45)	-	(18)	-	(63)
Reclassifications	7,172	29,547	-	81	(36,800)	-
Depreciation charge	(4,672)	(21,338)	(968)	(1,214)	-	(28,192)
Closing net book amount	100,518	132,136	7,540	2,317	10,287	252,798
At 31 December 2007						
Cost or indexed cost	188,128	375,026	16,748	11,660	10,287	601,849
Accumulated depreciation	(87,610)	(242,890)	(9,208)	(9,343)	-	(349,051)
Net book amount	100,518	132,136	7,540	2,317	10,287	252,798
Year ended 31 December 2008						
Opening net book amount	100,518	132,136	7,540	2,317	10,287	252,798
Additions	-	6,053	1,010	626	34,233	41,922
Disposals and write-offs	(23)	(1)	-	(5)	-	(29)
Reclassifications	11,957	28,457	-	136	(40,550)	-
Depreciation charge	(4,405)	(23,563)	(1,106)	(1,066)	-	(30,140)
Closing net book amount	108,047	143,082	7,444	2,008	3,970	264,551
At 31 December 2008						
Cost or indexed cost	200,002	405,478	17,215	12,199	3,970	638,864
Accumulated depreciation	(91,955)	(262,396)	(9,771)	(10,191)	-	(374,313)
Net book amount	108,047	143,082	7,444	2,008	3,970	264,551

Land is leased by the Company from the Government of the Republic of Lithuania for the term of 99 years under the lease agreement signed in 1997. The rental payments for the land amounted to LTL 298 thousand in 2008 (2007: LTL 298 thousand).

Besides this, the Company was a lessor for certain of its property, plant and equipment, and the net book value of these assets was equal to LTL 935 thousand (2007: LTL 1,163 thousand). Annual revenues of LTL 72 thousand (2007: LTL 79 thousand) were earned and depreciation expenses of LTL 77 thousand (2007: LTL 79 thousand) were incurred.

The management carried out the impairment test as of 31 December 2008 which did not identify impairment of property, plant and equipment.

10. INTANGIBLE ASSETS

	Computer software
At 31 December 2006	
Cost	600
Accumulated amortisation	(305)
Net book amount	295
Year ended 31 December 2007	
Opening net book amount	295
Additions	524
Disposals and write-offs	(3)
Amortisation charge	(166)
Closing net book amount	**650**
At 31 December 2007	
Cost	1,121
Accumulated amortisation	(471)
Net book amount	**650**
Year ended 31 December 2008	
Opening net book amount	650
Additions	105
Disposals and write-offs	(78)
Amortisation charge	(218)
Closing net book amount	**459**
At 31 December 2008	
Cost	1,049
Accumulated amortisation	(590)
Net book amount	**459**

11. OTHER RECEIVABLES

The balance of non-current receivables comprises a long-term cash deposit of LTL 2,559 thousand (2007: LTL 2,658 thousand) to secure contingent liability to clean the factory's environment under the order of the Ministry of Environment of the Republic of Lithuania in case the activities of the Company were ceased (Note 21), and prepayments for non-current assets and construction in progress of LTL 150 thousand (2007: LTL 629 thousand).

12. INVENTORIES

	Finished goods	Raw materials	Work in progress	Semi-manufac-tures	Total
At 31 December 2007					
Cost	27,688	31,419	1,803	2,747	**63,657**
Write down to net realisable value (reversal)	-	-	-	-	-
Net realisable value	27,688	31,419	1,803	2,747	**63,657**
At 31 December 2008					
Cost	173,449	151,790	7,594	12,914	**345,747**
Write down to net realisable value (reversal)	97,697	81,530	4,433	7,539	**191,199**
Net realisable value	75,752	70,260	3,161	5,375	**154,548**

12. INVENTORIES (continued)

As at 31 December 2008, the Company recognised impairment loss of inventories. Finished goods were written-off to their net realisable value due to the decline in selling prices of finished goods in global markets at the end of 2008. Accordingly, impairment allowance was established in respect of semi-finished products and work in progress. As the change in prices of main raw materials generally occurs later than the change in prices of finished goods and is moving along the same direction, it is probable that the cost of finished goods produced from raw materials accounted for as at the balance sheet date will exceed the net realisable value of these finished goods. Therefore, main raw materials were measured at the replacement cost which, in the opinion of the management, the same raw materials could be acquired for. In the opinion of the Company's management, such a measurement of raw materials is the best estimate of their net realisable value at the balance sheet date.

Inventories in respect of which impairment loss was recognised are neither obsolete, nor damaged. The Company expects to sell them or use them in production.

13. FINANCIAL INSTRUMENTS

(a) Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Total
31 December 2008		
Assets as per balance sheet		
Non-current receivables	2,559	**2,559**
Trade and other receivables	122,938	**122,938**
Loans granted	359,764	**359,764**
Cash and cash equivalents	63,469	**63,469**
	548,730	**548,730**

	Other financial liabilities	Total
Liabilities as per balance sheet		
Trade and other payables	123,426	**123,426**
	123,426	**123,426**

	Loans and receivables	Total
31 December 2007		
Assets as per balance sheet		
Non-current receivables	2,658	**2,658**
Trade and other receivables	183,138	**183,138**
Loans granted	12,865	**12,865**
Cash and cash equivalents	173,272	**173,272**
	371,933	**371,933**

	Other financial liabilities	Total
Liabilities as per balance sheet		
Trade and other payables	37,869	**37,869**
	37,869	**37,869**

Accounts receivable in tables above are presented less of prepayments, tax receivables, and other non-financial assets while accounts payable are less of tax payables and other non-financial liabilities.

13. FINANCIAL INSTRUMENTS (continued)

(b) Credit quality of financial assets

As of 31 December 2008, the Company had LTL 63,469 thousand of cash at bank, short-term bank deposits and repo deals (2007: LTL 173,272 thousand). All the above balances were held in Lithuanian banks with a minimum of A long-term borrowing rating assigned by *FitchRatings* or Lithuanian banks which have not been rated locally by international rating agencies but which parent companies have a minimum of A long-term borrowing rating.

As of 31 December 2008, the Company had trade accounts receivable of LTL 113,780 thousand (2007: LTL 180,893 thousand) that were neither past due nor impaired. These receivables may be split into the following groups:

	2008	2007
Trade receivables neither past due nor impaired		
Receivables from related party Eurochem Trading GmbH	107,119	170,258
Receivables from external customers	6,661	10,635
	113,780	**180,893**

More details about transactions with related parties are disclosed in Notes 14 and 20. Eurochem Trading GmbH is an existing customer of the Company for several years with no defaults in the past.

None of the financial assets that are fully performing and that would otherwise be past due or impaired has been renegotiated in the last year.

14. LOANS GRANTED, TRADE AND OTHER RECEIVABLES

	2008	2007
Trade receivables, gross	122,938	183,138
Less: provision for impairment of trade receivable	(305)	(294)
VAT tax receivable	40,437	12,268
Prepayments made to suppliers	1,572	12,466
Other receivables	1,216	912
	165,858	**208,490**
Short-term loans granted	359,764	12,865
	525,622	**221,355**

The short-term loans granted in table above represents a loan of LTL 345,059 thousand (USD 140,800 thousand) granted to related party Eurochem A.M. Limited under the agreement signed on 11 December 2008 and LTL 12,253 thousand (USD 5,000 thousand) under the agreement signed 23 December 2005 which was prolonged in 2006, 2007 and 2008. Accumulated interest account for LTL 803 thousand and LTL 1,649 thousand respectively. Loans are granted till 11 and 29 December 2009 subject to interest rate of 5%.

As at 17 July 2008 the Company granted USD 140,000 thousand loan to JSC MCC EuroChem subject to interest rate of 5%. The loan was repaid on 15 December 2008 including the accrued interest.

The fair values of trade and other receivables and loans granted are assumed to be substantially equal to their carrying values. Based on the management estimate, the impact of discounting would not be significant.

Trade receivables that are less than six months past due are not considered impaired. The ageing analysis of these trade receivables is as follows:

Trade receivables past due but not impaired	2008	2007
Up to 3 months	4,497	1,918
3 to 6 months	4,356	33
	8,853	**1,951**

Trade receivables past due but not impaired are related to individual customers that fulfilled their obligations in the past. Based on the management estimate, all trade receivables past due but not impaired are expected to be recovered in 2009.

As of 31 December 2008, trade receivables of LTL 305 thousand (2007: LTL 294 thousand) were impaired and provided for a full amount. The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that neither part of those receivables is expected to be recovered. The ageing of these receivables is as follows:

	2008	2007
Trade receivables impaired and provided for		
6 to 12 months	-	-
Over 12 months	305	294
	305	**294**

Movements of the impairment loss of trade receivables are as follows:

	2008	2007
At 1 January	**294**	**601**
Receivables written off during the year as uncollectible	-	(273)
Impact of changing foreign exchange rates	11	(34)
At 31 December	**305**	**294**

The creation and release of impairment loss for impaired receivables have been included in 'administrative expenses' in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	2008	2007
US dollar	466,980	188,034
Lithuanian Litas or Euro	58,642	33,321
	525,622	**221,355**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

15. CASH AND CASH EQUIVALENTS

	2008	2007
Cash in bank	1,937	4,499
Cash on hand	9	9
Time deposits and repo deals	61,523	168,612
Letters of credit and guarantees	-	152
	63,469	**173,272**

The carrying amount of the Company's cash and cash equivalents as at 31 December 2008 denominated in USD comprises LTL 39,897 thousand (2007: LTL 160,806 thousand).

16. SHARE CAPITAL

As at 31 December 2008, authorised share capital comprised 21,020,564 ordinary shares with a par value of LTL 10 each. No changes were made in the Company's authorised share capital during 2008.

During the approval of the financial statements of the Company for year ended 31 December 2007, it was decided to transfer LTL 8,287 thousand to legal reserve at the Annual Shareholders' Meeting (during approval of year 2006 financial statements – LTL 1,861 thousand).

17. GRANTS

The Company received a grant amounting to LTL 5,976 thousand from the EU structural funds to finance acquisition of equipment relating to the project: "The usage of current and regenerating sources of energy of sulphur acid department for production of electrical power" (received in 2007) and a grant of LTL 238 thousand from Environment protection investments fund to finance the acquisition of waste cleaning equipment (received in 2008). The grants are amortised over the useful life time of related assets and income amounting to LTL 712 thousand was credited to the income statement in 2008 (2007: LTL 289 thousand) to off-set the depreciation of related assets.

18. TRADE AND OTHER PAYABLES

	2008	2007
Trade payables	106,210	24,895
Import VAT payable	17,552	6,782
Other payables and accrued charges	17,216	12,974
Amounts received in advance	1,009	13,921
Other taxes payable	311	452
Social security payable	1,811	1,277
	144,109	**60,301**

The carrying amount of the Company's trade and other payables as at 31 December 2008 denominated in USD comprises LTL 94,863 thousand (2007: LTL 16,648 thousand).

19. CASH FROM OPERATING ACTIVITIES

	2008	2007
Profit before tax	266,767	270,065
Adjustments for:		
Depreciation and amortisation (Notes 9, 10)	30,358	28,358
Write-off of inventory	52	55
Inventory valuation allowance (Note 12)	191,199	-
Finance charges (interest)	(2,320)	(2,317)
Interest received for loans granted	(7,500)	-
Loss on disposal of property, plant and equipment, net	(26)	(155)
Unrealised foreign exchange loss	(48,909)	22,829
Changes in working capital:		
– trade and other receivables	55,169	(130,835)
– payables	83,094	17,654
– inventories	(282,142)	(14,955)
Cash from operating activities	285,742	190,699

There were no significant non-cash transactions during the years 2007 and 2008.

19. CASH FROM OPERATING ACTIVITIES (continued)

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2008	2007
Net book value (Notes 9, 10)	107	66
Gain on disposal of property, plant and equipment (Note 6)	26	155
	133	**221**

20. RELATED-PARTY TRANSACTIONS

The Company is controlled by Mineral and Chemical Company Eurochem (Russia), which owns 91.15% of shares of the Company. As at 31 December 2008, the main shareholder of Mineral and Chemical Company Eurochem, holding 95 per cent of shares of this company, was Mr. Andrey Melnichenko.

Other related parties are deemed to be the Eurochem Group entities and management of the Company.

The following transactions were carried out with related parties:

	2008		2007	
	Sales	**Purchases**	**Sales**	**Purchases**
AO MXK „EuroChem	-	35,235	-	-
Eurochem Trading GmbH	1,110,581	-	297,366	27,440
Harvester Shipmanagement Ltd	-	47,057	-	75,347
OAO Kavdorskiy GOK	8	709,739	-	132,286
OAO NAK Azot	-	90,228	-	46,642
	1,110,589	**882,259**	**297,366**	**281,715**

Related parties in the table above belong to the Eurochem Group. Nature of transactions with related parties is purchase of raw materials (Eurochem Trading GmbH, Kavdorskiy GOK, NAK Azot and OAO MXK Eurochem), purchase of transportation services (Harvester Shipmanagement Ltd) and sales of production (Eurochem Trading GmbH).

During 2008, the Company also granted loan to related party Eurochem A.M. Limited (Note 14).

Year-end balances of transactions with related parties:

	2008		2007	
	Receivables	**Payables**	**Receivables**	**Payables**
Eurochem Trading GmbH	107,119	-	170,258	-
Harvester Shipmanagement Ltd	-	219	-	4,552
OAO Kavdorskiy GOK	-	90,512	-	6,807
OAO NAK Azot	-	2,877	-	4,253
Eurochem A.M. Limited	359,764	-	12,865	-
	466,883	**93,608**	**183,123**	**15,612**

The balances of receivables include receivables for production sold (Eurochem Trading GmbH) and short-term loans granted (Eurochem A.M. Limited). The balances of payables include accounts payable for raw materials purchased (OAO Kavdorskiy GOK, OAO NAK Azot) and for transportation services purchased (Harvester Shipmanagement Ltd).

Key management compensation

Based on management working regulations of the Company, top management and senior management employees are considered key management personnel. During 2008, the Company accounted for LTL 6,117 thousand (2007: LTL 5,324 thousand) of key management remuneration expenses, including salary expenses of LTL 2,691 thousand (2007: LTL 2,259 thousand), bonuses of LTL 1,975 thousand (2007: LTL 1,801 thousand) and social security expenses of LTL 1,451 thousand (2007: LTL 1,264 thousand). Average number of key management personnel was 10 in 2007 and 2008.

21. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

The Company is producing excessive quantity of gypsum which is a waste product. Based on the order of the Minister of Environment, the Company has prepared the plan for utilization of waste products in case the Company ceased its operations, and has made an assessment of expected costs waste management in the amount of LTL 2,559 thousand as at 31 December 2008 (2007: LTL 2,658 thousand). Based on this assessment, a guarantee for the full amount was issued by SEB bank and restriction was imposed by the bank on the Company's cash of LTL 2,559 thousand (Note 11).

Waste gypsum product is stored on a special site dedicated for its storage. Currently used storage site should be sufficient to accommodate additional waste gypsum product for the coming 3 – 5 years. The management expects that the Company will find an appropriate new storage site by that time which will ensure continuous operations of production facilities.

The outflow of the Company's resources for management of waste products based on the above-mentioned plan is under full control of the Company and considered as not probable because it would happen only in case the Company ceased its operations. The Company's management and shareholders have no intentions to liquidate the Company or terminate its trading activities in the foreseeable future, nor do they expect that such situation would be inevitable. Based on this, no provision was recognized in these financial statements for the expected waste management costs.

Capital expenditure commitments

Capital expenditure commitments contracted for property, plant and equipment at the balance sheet date but not recognized in the financial statements amounted to LTL 1,170 thousand (31 December 2007: LTL 3,807 thousand).

Contingent tax liabilities

The tax authorities have not carried out full-scope tax audits at the Company since the year 2003. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Emission allowances

The Company participates in a carbon dioxide cap and trade scheme. The Company receives allowances from the Government in an amount equal to its cap. Allowances are issued free of charge. The key information relating to emission allowances relating to years 2008 and 2007 is summarized in table below.

	2008	2007
Accumulated emission rights brought forward from prior years, tons	-	11,564
Emission allowances granted for year, tons	99,939	17,337
Actual emissions, tons	(838)	(612)
Emission allowances sold or transferred to third parties during the year, tons	(42,859)	(25,000)
Expired emission rights, tons	-	(3,289)
Remaining unused and unsold emission rights relating to prior periods carried forward, tons	56,242	-
Market value of the above emissions as at the balance sheet date, LTL thousand	3,000	-
Income from unused emission allowances sold, LTL thousand	2,473	60

Emission rights which remained unused and unsold as at 31 December 2007 expired because they were granted for the period 2004 – 2007 and may not be transferred to 2008.

For the period 2008 – 2012, the Company was issued allowances to emit a total of 499,696 tons of carbon dioxide (99,939 tons per year). Emission rights unused and unsold at year-end may be carried forward to the next year till end of the 2012 when they would expire.

Annual report

1. Reporting period

This annual report covers the period from 1 January 2008 until 31 December 2008. All numbers in the report are given as of 31 December 2008, unless otherwise stated. In this report AB „Lifosa" may hereinafter be referred to as the Entity, the Company or the Issuer.

2. The Issuer and its contact data

Name	Joint stock company „Lifosa"
Legal form	Legal person, Joint stock company
Authorized capital	210 205 640 Lt.
Registration date and place	30 October 1996 in Legal Persons Register
Registration certificate No.	025806
Company number	161110455
VAT number	611104515
Head office address	Juodkiškio g. 50, LT-57502 Kėdainiai
Telephone	+370 347 66 483
Fax	+370 347 66 166
E-mail	info@lifosa.com
Website	www.lifosa.com

The company has no branches or representative offices.

3. Main activities of the Issuer

The Company mainly deals with production and wholesale of Feed Phosphates, nitrogen-phosphoric fertilizers (Diammonium Phosphate) and also Aluminium Fluoride. Interim products are sulphuric acid and wet-process phosphoric acid used in the production of main products. Non-typical activities of the Company are generation and trade in electricity and thermal energy.

4. Contracts with intermediaries of public circulation of securities

AB „Lifosa" has a contract with financial brokerage firm AB FMĮ Finasta (Konstitucijos ave. 23,Maironio 11, Vilnius) on the administering of securities issued by the Company.

5. Data on the trade in Issuer's securities in regulated markets

AB „Lifosa" ordinary registered shares are listed in the secondary list of AB "Vilniaus vertybinių popierių birža" (Vilnius Stock Exchange). No trading of shares of the Company takes place in any other stock exchanges.

Basic characteristics of shares:

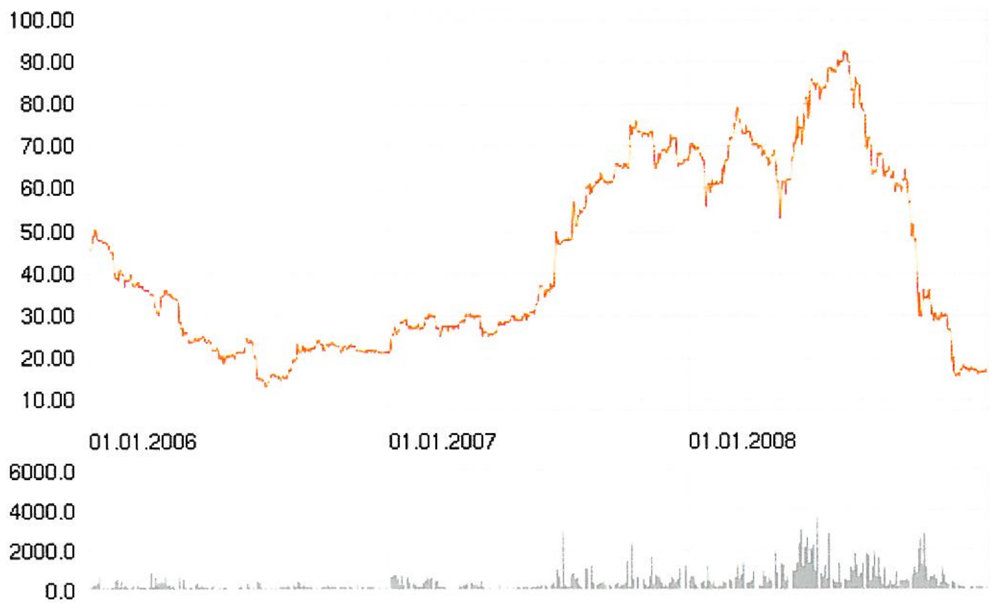
Type of shares	Ordinary registered shares
ISIN code	LT0000116691
Abbreviation	LFO1L
Number of shares	21 020 564
Par value in LTL	10
Total par value in LTL	210 205 640

The date of listing initiation	May 12, 1997

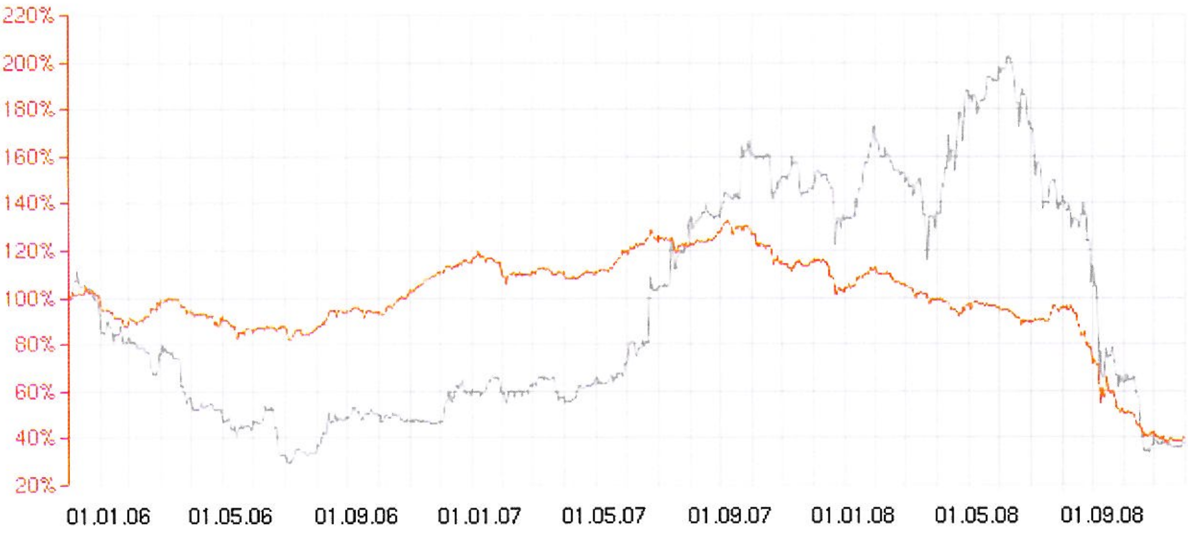
Classification under GICS:

Sector	Materials
Industry group	Materials
Industry	Chemical substances
Sub-Industry	Fertilizers & Agricultural Chemicals

Trading AB „Lifosa" shares



Comparison of AB „Lifosa" share prices vs OMX Vilnius stock index value



Index/shares	01.01.2006	31.12.2008	+/- 96
- OMX Vilnius	448,76	179,25	-60,06↓
- LFO 1L	45,71 LTL	17,44LTL	-61,85↓

6. Objective overview of the Entity's status, operation and development, description of key risks and exposures

Overview of the Company's business and status

Diammonium Phosphate and feed phosphates are used all over the world. These products are produced by many companies which can offer products of the same quality and chemical composition. Sales results mainly depend on the best price offered to the market, which is mainly influenced by the economical situation of agriculture and subsidizing policy, i.e. factors that cannot be influenced by producers.

In 2008 the situation in phosphate fertilizers markets was variable as never before. The trends that initiated in 2007 persisted through all the I st half-year in 2008. Prices of main agricultural products used for food, fodder and biofuel (wheat, corn, soya beans, etc.) continued growing. Growing oil prices and the need for energetic independence encouraged many countries to look for alternative sources of vehicle fuel. Significant development of agricultural sector in Brazil and India has also increased the demand and import of fertilizers. Higher income of farmers resulted in higher demand for fertilizers. Prices for the main company's product Diammonium Phosphate reached the heights never experienced before. The Company successfully turned the favourable market situation to advantage earning the record profit throughout the history of the enterprise.

The situation drastically changed during the II half of 2008. Congenial weather conditions (optimal amount of precipitation) enabled to reach high grain fertility in all basic corn growing regions. Due to the drop in oil prices production of biofuel became loss-making. Ample supplies of corn significantly reduced wheat, maize, rice prices. Expecting similar drop in fertilizer prices farmers suspended purchases of fertilizers, namely phosphate and potassium fertilizers. Such a situation was especially unfavourable for fertilizer manufacturers. Even 3 times reduced prices of Diammonium Phosphate could hardly help to vitalize the demand in fertilizers. Major producers of phosphate fertilizers decreased production volumes, some plants were temporarily closed. During the Q IV of 2008 the enterprise ran at about 70% capacity.

Assessment of the main types of risks and contravenes the Company faces with

Phosphoric fertilizer business is cyclic. Phosphoric fertilizer prices fluctuate because of economic and natural factors, periodicity of end user business, decline in the purchasing power. Therefore, the Company's income and profit may drop, business may become unprofitable.

By 2012 the supply of phosphoric products may increase significantly as a result of new DAP production lines currently being built in Northern Africa and the Middle East. Overproduction may reduce fertilizer sale prices. The Company's products then may become uncompetitive due to higher production costs, compared to the price offered by competitors. The bigger part of production cost is made up of raw materials cost. Phosphates (apatit concentrate or phosphorite) are the main raw materials in phosphate fertilizer process thus the least production costs suffer the manufacturers producing their own raw phosphates.

Bad climate (stormy sea, limiting the movement of ships), unrest in the regions may hinder the delivery of raw materials resulting in reduced production volumes.

Business risks are managed by continuous investment into equipment and processes and reducing fixed costs also saving raw materials and energy consumption. Bigger part of raw materials is obtained from the subsidiaries of major shareholder MCC EuroChem. When raw material is purchased from third parties, several suppliers are selected and long -term contracts are signed with them. The supply of raw materials is a regularly planned process.

The Company produces high quality fertilizers appreciated by the buyers and consumers. Goods are promptly delivered to different regions under agreed delivery terms.

Financial risks the Company faces with and their management are described in the explanatory notes of the audited financial statements.

The supervision of the Company activity's and the accountability of the Head of the company and control on the main Company activities' matters are warranted by analyzing and evaluating the required material provided by the Head of the Company at the monthly Board Meetings. In this way, the Company Board constantly warrants the strategic governance of the Company and control how the Board members implement Company's yearly plans of business, investment, production and etc. In the Company works the General Director's Council – the internal auditor, who is partially executing function of the Company's internal control.

7. Financial and non-financial activity result analysis

Key activity indicators:

	2006	2007	2008
Income from sale, in LTL thousand	682 466	921 648	1 748 778
Cost of sale, in LTL thousand	574 753	578 022	1 486 208
Gross profit, in LTL thousand	107 713	343 626	262 570
Gross profit margin, %	*16*	*37*	*15*
Operating profit, in LTL thousand	44 262	267 748	264 447
Operating profit margin, %	*6*	*29*	*15*
Profit before tax, in LTL thousand	45 529	270 065	266 767
Profit before tax margin, %	*7*	*29*	*15*
Net profit, in LTL thousand	37 220	221 102	237 231
Net profit margin, %	*5*	*24*	*14*
EBIT, in LTL thousand	45 529	270 065	297 125
EBITDA, in LTL thousand	71 589	298 423	*17*
ROE, %	10	36	28
ROA, %	9	31	23
Debt-equity ratio	0,11	0,17	0,24
Liquidity ratio	4,65	4,66	3,77
Quick ratio	3,44	4,01	2,99
Net coverage index	0,61	1,76	0,32
Profit per share , in LTL	1,77	10,52	11,29
Stock market share prices end-of-period , in LTL	21,40	67,00	17,44
P/E ratio	12,09	6,37	1,54
Income per employee, in LTL thousand	657	904	1 744

8. References and additional explanations of the data presented in financial statement

During the year 2007 the company produced 790 300 tons of Diammonium Phosphate i.e. 6,1 percent less compared to the year 2007 (841 670 tons). The Company produced 61 925 tons of Feed Phospahtes (only Monocalcium Phosphate was produced), i.e. 4,6 percent less compared to the year 2007 (64 890 tons). Significant drop in demand for phosphate fertilizers during Q IV 2008 resulted in total capacity that was exploited about 70 percent therefore in 2008 1 051 400 tons of sulphuric acid were produced, i.e. 8,1 percent less than in 2007 (1 144 600 tons; During 2007 398 050 tons of phosphoric acid (interim product) were produced i.e. 7,5 percent less than in 2007 (430 300 tons).

The company also produces electricity, which is first of all used for process needs, and the surplus amount is sold to other companies. During 2008 237 850 thousand kWh of electricity were generated, i.e. 3 percent more than in 2007 (231 035 thousand kWh). Power generation increased due to the new 6,1 MW turbogenerator introduced in June 2008. Reduced capacities of sulphuric acid production in Q IV 2008 negatively effected the power generation process.

Income from basic operations amounted to LTL 1 748 778 thousand and compared to the year

2007 (LTL 921 648 thousand), grew by 90 percent. Income growth mainly resulted from continuously increasing price of Diammonium Phosphate in the global market. The average price of Diammonium Phosphate sold by the Company in 2007 increased 2,1 times compared to the average price in 2007, though sales volumes reduced by 8,5 percent compared to year 2007. Income from product sales (Diammonium Phosphate, Feed Phosphates, Aluminium Fluoride, Sulphuric and Phosphoric acids) amounted to LTL 1 712 305 thousand (LTL 902 342 thousand in 2007). Income from sales of Diammonium Phosphate amounted to LTL 1 533 149 thousand (LTL 796 426 thousand in 2007), i.e. 89,5 percent of all sales (88,3 percent in 2007). Income from sales of Feed Phosphates amounted to LTL 152 754 thousand (LTL 68 302 thousand in 2007) or 8,9 percent (7,6 percent in 2007) of the total sales income.

Diammonium Phosphate sales volumes in tons:

	Q1	Q2	Q3	Q4	TOTAL
2008	193 122	224 732	215 234	121 764	754 852
2007	181 597	162 521	260 099	221 000	825 217
Change %, 2008/2007	106,3	138,3	82,8	55,1	91,5

The cost of sales amounted to LTL 1 486 208 thousand and compared to the year 2007 (LTL 578 022 thousand) increased 2,6 times. The increase of cost was due to 2,5 times increased consumption of the raw materials and other materials: from LTL 484 166 thousand in 2007 to LTL 1 215 255 thousand in 2008. The average price of raw phosphates, which most affected the increase of raw materials costs, increased from 231, 06 LTL/t in 2007 to 748,95 LTL/t in 2008.

Diammonium Phosphate sales in Asia region increased even 3,2 times with lower exports to Europe; sales volumes in this region dropped by 52,8 percent. Sales in Africa decreased by 83,2 percent, while sales in America were twice higher compared to the year 2007. Company's sales geography has drastically changed: India market became the main phosphate fertilizer sales market. Sales volume in tons in Asia region made 55,4 percent of total sales (15,8 percent in 2007), sales in Europe made up 33,2 percent (62,4 percent in 2007), sales in America made up 8,1 percent (3,7 percent in 2007), and the remaining 3,3 percent of products were sold in Africa (18,1 percent in 2007).

Feed Phosphates are sold only to European market. In 2008 60 191 tons of Monocalcium Phosphate were sold (65 372 tons in 2007).

During the reporting period 70 401 thousand kWh of electricity was sold, i.e. almost by 51,5 percent more compared to the year 2007 (46 464 thousand kWh).

Investment

In 2008 capital investment amounted to 42 027 thousand LTL. Main projects implemented in 2008 were "Construction of a new 50 thousand tons capacity warehouse" (investment value LTL 11 589 thousand) and "Purchase and installation of 6,1 MW turbogenerator " (investment value LTL 10 816 thousand). Amortization deduction in 2008 amounted to LTL 30 358 thousand.

9. Information on own shares acquired and held by the company

During the reporting period the Company did not acquire own shares.

10. Material events since the end of previous financial year

On 17 July 2008 a credit of USD 140 000 thousand with 5,0 percent of interest rate was given to patronizing Company OAO MCC EuroChem which was reimbursed on December 15, 2008 including accrued interests.

The credit of LTL 345 059 thousand (USD 140 800 thousand) was given to the related party "Eurochem A.M. Limited" under the Agreement signed on 11 December, 2008 and a credit of LTL 12 253 thousand (USD 5 thousand) was given under the Agreement of 23 December, 2005 which was extended in 2006, 2007 and 2008. Accrued interests amounted respectively up to LTL 803 thousand and LTL 1 649 thousand. The loans were given for the period to 11 and 29 of December 2009 with 0,5 percent interest rate.

On 8 December 2008 the trilateral agreement on financing and administration of the Project „Expansion of AB „Lifosa" Efficiency through Implementation of Innovative Technologies at Upgraded Feed Phosphate Process" between Economy Ministry of LR, Lithuanian Business Support Agency public co. and AB „Lifosa" was signed. According to this agreement, LTL 13 712 135 LTL shall be allocated from European regional development fund for the installation of new feed phosphate line.

AB „Lifosa" plans to introduce a new line that would increase the capacity of feed phosphate production twice – up to 150 thousand tons per year. This will create a favourable background to expand the geography of new markets and increase the scope of exports. Production of feed phosphates was initiated in 2001.

Product quality as well as physical properties (humidity, uniform size of granules) and chemical specification (purity of the product) in the new fully automated feed phosphate plant will improve. The Project „Expansion of AB „Lifosa" Efficiency through Implementation of Innovative Technologies at Upgraded Feed Phosphate Process" shall further stimulate the development of chemical section and enhance competitive ability of Lithuanian chemical products in the markets worldwide.

It is estimated that the Project will be implemented in 19 months, - since January 2009 till July 2010.

11. Planned and forecasted activities of the company

In 2009 the Company shall strive to completely exploit available process capacities, to produce and sell 826 thousand tons of Diammonium Phosphate and 80 thousand tons of Feed Phosphates. In case the price of the main product Diammonium Phosphate remains at the level of the beginning of year 2009, the estimated income of the enterprise shall amount up to LTL 1 billion in 2009.

More favourable situation for manufacturers in phosphate fertilizer market It is expected in the II^{nd} half of 2009. The world grain production of 2009 is expected to be lower than in 2008 due to the decreased areas of the land under crop and due to the reduced fertilizer consumption. Because of the drop in crop supplies the price should have to increase motivating the farmers to more intense application of fertilizers.

In 2009 the prices of raw phosphates, ammonia, sulphur shall considerably be lower than in 2008 and expected to regain the level of year 2007. It is possible to forecast that the reduced freight prices during the II^{nd} half of 2008, so acceptable for the company, should remain through 2009 also.

The Company expects to invest LTL 55 380 thousand in 2009. Major part of investment in 2009 – LTL 33 100 thousand - will be used for construction of Feed Phosphate Plant.

12. Structure of the Issuer's authorized capital

Type of shares	Number of shares	Par value, LTL	Total par value, LTL	Share in authorized capital, percent
Ordinary registered shares	21 020 564	10	210 205 640	100.00

13. Stock transfer restrictions

No restrictions for stock transfer.

14. Shareholders

On 31 December 2008 there were 2 091 shareholder.
Shareholders owning or managing over 1 percent of the company's authorized capital:
There is a requirement to indicate the shareholders possessing >5 percents, I suggest , do not show at all EX AM and Sagg.

Company name, number head office address	Number of equity shares, units	Owned share of authorized capital, percent	Voting share, percent	Directly and indirectly available voting share, percent
Eurochem, Mineral and Chemical Company Joint Stock UL. Dubininskaya dom 53, stroenie 6, 115054 Moscow, Russia 102770002659	19 160 229	91.15	91.15	95,88??
Eurochem A.M. Limited Cristodoulou Chatzipavlou 205,Louloupis Court 2nd Floor,Office 201,p.c. 3036,Limassol	767 250	3.65	3.65	0
Sagittarius International Limited The Premises of Commonwealth Trust Limited Drake Chambers,Tortola,British Virgin Island	226 909	1.08	1.08	0

15. Shareholders holding special controlling rights and description of these rights

None.

16. All restrictions of voting rights

None.

17. Agreements between shareholders, which to the knowledge of the Issuer, may restrict transfer of shares and/or voting rights

None.

18. Employees and environment protection

Employees

In the end of 2008 the company had 999 employees. Average employee age is 45,3 years. During the year 2008 employment relationship ended with 61 employee. The Company allocated funds for improvement employee skills and training. 251,6 thousand LTL were spent for employee training in 2008. 470 employees received training in 2008.

Average number of payroll employees

	2005 m.	2006 m.	2007 m.	2008 m.
Managers	106	116	117	119
Specialists	92	80	78	77
Workers	851	842	824	807
Total	**1 049**	**1 038**	**1 019**	**1 003**

Average monthly salary in LTL

	2005 m.	2006 m.	2007 m.	2008 m.
Managers	4 816	4 669	6 669	7846
Specialists	2 917	3 005	3 557	4324
Workers	1 762	2 087	2 729	3592
Total	**2 172**	**2 444**	**3 245**	**4 151**

Employee grouping by education

	2005 m.	2006 m.	2007 m.	2008 m.
With higher education	163	170	176	181
With special secondary education	222	213	201	194
With secondary education	538	526	514	525
Other	126	129	128	103
Total	**1 049**	**1 038**	**1 019**	**1 003**

Environment protection

In 2008 stationary source emissions (process objects) were 1 929 tons (2 210 tons in 2007), save and except the CO_2 emissions. Sulphur dioxide emissions amounted to 1 712 tons or 89% of total pollutants. Compared to the year 2007 emissions reduced by 281 tons due to reduced yield of Sulphuric Acid and Diammonium Phosphate. Volumes of comparative emissions kg/t of product to air and water did not change – retained the same level. Allowable emission to water in tonnes per annum was not exceeded. 2 251 thousand m^3 of surface waste water (rainwater) was emitted to the Obelis river. During the year 591 tons of pollutants were emitted with wastewater or by 47 tons less than in 2007.

During 2007 the Company disposed 1 887 thousand tons of by-product phosphate gypsum in the Company's landfill (2 035 thousand tons in 2007). Other manufacturing waste of the Company is sorted and delivered to waste handlers or to the Company's non-toxic landfill in compliance with the procedure laid down in Waste Disposal Regulation.

During 2008 the company paid LTL 873 898 pollution taxes and for nature resources, i.e. LTL 40 629 less than in 2007. No fines or claims were received.

19. Procedure of amending Issuer's Articles of Association

The Company's Articles of Association are amended pursuant to the Republic of Lithuania Law on Companies. The Company's Articles of Association may be amended only under the general meeting resolution adopted by higher than 2/3 majority of votes. Amended Articles of Association come into force only after they are registered in the Register of Legal Persons under the Law.

20. Issuer's bodies

General Meeting is the main body of the Company. The Company's governing bodies are the Management Board and the Head (General Director). There is no Council of Supervisors. The Management Board is elected by the General Meeting for four-year term of office. The Management Board consists of 5 members. General Director is appointed, withdrawn and dismissed by the Board. The Board may call a tender for general director's position.

21. Members of collegiate bodies, Head of the Company, Chief Financial Officer

Following the Articles of Association the collegiate governing body of the Company is formed - the Management Board. The fields of the Management Board's activities are defined by the Board's functions, working procedure, the rights and duties under the Articles of Association also under the Management Board procedure Regulations. The Head of the Company ensures daily activities of the Company. The functions, rights and duties of the Head are established by the Articles of Association and office regulations.

Board members

Full name	**Position**	**Equity/vote share held, percent**
The Board		
Aleksandras Tugolukovas	Chairman (since 27/04/2007)	-
Valerijus Rogalskis	Member	-
Stanislavas Duriaginas	Member	-
Jonas Dastikas	Member	0.1118
Regvita Ivanovienė	Member	0.0049

Beginning and end of Board members office (until the end of general meeting)

Full name	**Beginning of office**	**End of office**
Jonas Dastikas	25/04/2008	2012
Aleksandras Tugolukovas	25/04/2008	2012
Regvita Ivanovienė	25/04/2008	2012
Stanislavas Duriaginas	25/04/2008	2012
Valerijus Rogalskis	25/04/2008	2012

Company Management : Head of the Company , Chief Accountant

Full name	**Position**	**Equity/vote share held, percent**
Jonas Dastikas	General director	0.1118
Nijolė Kalinauskienė	Chief Accountant	0.0001

During the accountable period, the Company didn't calculate any amounts for the Board members, didn't alienate any asset or provided any guarantees to the Head of the Company and Chief accountant. For the Head of the Company there was calculated on the average _______Lt/month, for the Chief Accountant ____Lt/month.

22. Information on significant agreements

The Company has not entered into any significant agreements the validity, amendment and termination of which could be affected by the change in shareholder structure.

23. Information on compliance with the Code of Corporate Governance

AB „Lifosa" complies with the principles of the Code of Corporate Governance approved by Vilnius Stock Exchange for listed companies whose securities are traded in regulated market. No material changes have occurred after the Company's notification on compliance with the Code of Corporate Governance after the end of reporting year 2008. Notification on compliance with the principles of the Code of Corporate Governance approved by Vilnius Stock Exchange for listed companies whose securities are traded in regulated market is enclosed as a separate written confirmation.

24. Information on the transactions between the related parties

Information on the related persons is presented in the item 20 of the explanatory notes of the audited Financial Statement 2008.

25. Data on the publicly announced information

In the period of 01-01-2008 – 31-12-2008 AB „Lifosa" reported publicly the announcements via Vilnius Stock Exchange. For the content of public announcements, please visit the website of Vilnius Stock Exchange: http://www.baltic.omxgroup.com/market/?pg=news.

Jonas Dastikas
General Director

April 14, 2009

Annex 1
To the Annual Report 2008

Disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market

The public company AB „*Lifosa*" (further- the Company), following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company's development strategy and objectives are disclosed in the Annual Reports of the Company; some information is available on the Company's website, in articles of the daily newspapers, reports, press conferences, on TV.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Management Board and the Managers of the Company act in furtherance of the declared strategic objectives, optimizing the shareholders value. The Company consistently and successfully strengthenned its position in the world markets while increasing production rates and implementing the sales performance strategies.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Company's Management Board is in close co-operation with the Head of the enterprise. The Board Members of the company are the managing persons from the key shareholder's and from the Company. The Head of the Company is the Board Member. Board of the Company takes the resolutions on the strategic issues and the Board Members report to the Board on their activities.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company has implemented the Quality Management System (ISO 9001), the Environmental Management System (ISO 14001) and the Occupational Health and Safety Management System (OHSAS 18001); the Collective Bargaining Agreement is signed between the Company and the representatives of trade unions, existing in the company; the Head of the Company reports on the fulfillment of the Collective Bargaining Agreement provisions to the employees and to the representatives of the empoloyees during the Annual Meetings. Every year the Company arranges the Open

		Days' sessions for the society and meetings with the local community. The Company aims for the advancement in the field of social responsibility and publicly has announced the statement on the social responsibility. The Company continually supports the cultural, education & science, sports & health programmes, arrangements and exhibitions initiated and organized by the regional and local municipality also invests into cultural activities of the local community. The Company considers that on basis of the above mentioned documents and provisions the management bodies secure the interests of suppliers, clients, employees and of the local community.

Principle II: The corporate governance framework

The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.

2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The Company has a collegial management body - the Board and the sole-person management body – the Head of the Company (General Director). There is no collegial supervisory body – the Supervisory Board. The supervision of the Company's performance, accountability and control is secured by the Board while analysing and estimating the required material on the performance of Company's key activities, and is presented by the General Director of the Company at the monthly Board meetings. Hereby, the Board of the Company secures the strategic management of the Company on a constant basis and controls the implementation of the annual business and production plans, investments, etc., executed by the General Director and the Management.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	No	See the comments of the item 2.1
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	See the comments of the item 2.1
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as	No	The set up and the performance of the Company's Board do not fully meet the recommendations defined in Principles III and IV. The compliance or non compliance with the recommendations is disclosed in the further comments.

that does not contradict the essence and purpose of this body.[1]		
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	Yes	The Board of the Company comprises five members. The number of the Board Members is considered sufficient, as there were no cases that small group of individuals would dominate on the Board; the Board's decisions on most the issues are taken unanimously. The Board Members are elected for the maximum intervals provided for in the Lithuanian legislation (4 years) and the number of terms for the members is not limited in conformity with the Issuer's Articles and the best practice.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Not applicable	The Articles of Association do not state the set up of the Supervisory Board.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of the Company's Board is not and never was a Head of the Company.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting

The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.

3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	It is considered, that the mechanism of the formation of the Board ensures objective and fair monitoring of the Company's Head. The minority shareholders are not limited the right to nominate their representative to the collegial body.

3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	The Company collects the data about the members of the collegial body and the information about their education, professional background, qualification and potential conflicts of interest in accordance with the Company's Board regulations and discloses the relevant portion of information in the publicly announced draft resolutions of the general shareholders meetings and during the general shareholders' meeting. The Company is planning to disclose the information on the members of the management bodies in its website.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	The Board Members take improvement courses and participate in the seminars, workshops gaining the information about the changes in the legislation and rules, regulating the Company's activities.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	All the Board Members have the higher education of different specialities and qualifications and are engaged in different fields of activities. It is considered that the members of different professional experience and having the required diversity of knowledge assure the qualification balance of the Board. The Audit Committee is not formed within the Board. In 2009 the Company plans to form the Audit Committee (as a separate governance body which will not be part of the Board) and to elect its members following the order set in legal acts.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	New Board Members are introduced the actual Company's documentation, they are provided with all the relevant information inevitable for efficient activities. The annual review of the members skills and knowledge is not conducted.

3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[3] number of independent[4] members.	No	Based on the data available as of December 31, 2007, one shareholder holds 91,15 percent of all the Company's shares and votes. Not a Board Member elected by the general shareholders meeting can be treated as an independent member following the independence criteria as identified in item 3.7.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);	No	See the comments of the item 3.6.

[3] The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

[4] It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	Actually the Company's Board has a right to determine the content of the independence notion. All the currently acting Board Members are associated either with the Company or with its shareholder therefore the independence notion is not defined.

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	Not applicable	See the comments of the item 3.8.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Not applicable	See the comments of the item 3.8.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[5]. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	See the comments of the item 3.8.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[6] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[7]	Yes	The Board analyses, assesses the Company's draft annual financial statements and draft profit (loss) allocation and presents to the general shareholders meeting. The Board periodically discusses and approves the most important investment projects and agreements, production programmes of the Company. The Company's Articles of Association and the Board's operating rules define the responsibility of the management bodies to act fairly, transparently, reasonably and exceptionally for the benefit and in the interests of the Company and the shareholders, being loyal to the Company,

[6] It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

[6] See Footnote 3.

[7] See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

		avoiding the conflicts of the interests.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	To the Company's information, the Board Members act in good faith towards the Company and the Company has no any knowledge or background to doubt about the Board Members who could act conversely. In case the Board meeting discusses the subject related to the Board Member, the interested member opts out of the discussion and voting.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[8] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The dates for the Board meetings are agreed with the Board Members. The Board Members attend the Board meetings and at the Company's point of view, each member devotes sufficient time to perform his duties as a member of the board.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Company's Board treats the Company's shareholders fairly and impartially. The information placed on the website of the Company is continually updated. The Board Members answer to the inquiries of the shareholders.

[8] It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The Company concludes the common business transactions between the Company and the related persons under the standard provisions, valid at the Company. The Company's Board approves the transactions, exceeding the defined transaction value. The resolutions are taken in accordance with the provisions of the Law on Companies.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies[9]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	The Company's Board is independent in passing the decisions that are significant for the Company's operations and strategy. Majority of the Board Members are not job or otherwise related with the Head of the Company who is a Board Member. The Company ensures that the Board is provided with sufficient administrative and financial resources to execute their duties. The employees of the company provide the Board Members with all the information necessary to fulfil their functions properly and to solve the issues pertaining to their competence.

4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	As it has been mentioned, there are no independent members in the Company's board. The Committees are not formed in the Company's Board, however according to common practice the Board is set up of the members having different experience, education and of different specialities and qualifications therefore it can be stated that the Board, while executing its duties and functions, partially covers the functions of the nomination, remuneration and audit committees. The Company's Board elects and nominates the Head of the Company and also defines the remuneration to be paid him, other directors and the accountant general. The Board may announce the competition to select the person for the company's head position and also for the positions of other directors, may consider and approve or not approve the candidates to be nominated for the Company's directors positions suggested by the head of the company, qualifies their experience, professional skills and assesses the implementation of the Company's strategic goals, reviews the reports. The Company's Board selects the candidate for the Company's auditor position and suggests the general shareholders meeting to approve it. As mentioned above, in 2009 the Company plans to form the Audit Committee and to elect its members following the order set in legal acts.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Not applicable	See the comments of the item 4.7.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that	Not applicable	See the comments of the item 4.7.

committee membership is refreshed and that undue reliance is not placed on particular individuals.			
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	See the comments of the item 4.7.	
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Not applicable	See the comments of the item 4.7.	

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	Not applicable	See the comments of the item 4.7.	
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors	Not applicable	See the comments of the item 4.7.	

and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy	Not applicable	See the comments of the item 4.7.

establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The general shareholders meeting conducts the assessment of the Company's Board activities.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	This recommendation is included into the Company's Board rules and it is observed.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[10].	Yes	The meetings of the Company's collegial body - the Board – are carried out according to the approved schedule, usually monthly.

[10] The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The agendas of the Board meetings are prepared in advance. The issues, also the draft resolutions of the Board, to be discussed at the meeting, are prepared and submitted by the Head of the Company, by the Board Members or by the experts of the Company under the order of the Board or of the Head of the Company. The draft projects may also be arranged by the outside experts, not only the employees of the Company. Each member of the management body has an access to the material of the meeting before the date of the meeting. The draft resolutions and other relevant information on the meeting is presented in advance, on the date of the meeting announcement. The agenda of the meeting normally is not changed, unless supplemented during the meeting under the presence of all the Board Members of the Company and then it is decided to include into discussions the additional issues.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The Company does not observe this recommendation as only one collegial body – the Board is set up.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The authorised capital of the Company consists of the ordinary intangible registered shares that grant the same personal ownership and intangible rights to all their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The rights attached to the shares are observed as per the Articles of Association. The edit of the Articles in force is included into the Company's website. In case of the new issue of the shares, granting different rights to their holders, the Company announces publicly about the rights attached to the newly issued or to already existing shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders'	No	The Board approves important to the Company or great value transactions, such as transfer, investment and pledge of the Company's assets, mortgage, sponsorship and granting, loans in accordance with the order defined by the Articles of

[11] The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent *consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are*

meeting.[11] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.		Accociation.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The venue, date and time for the Company's meetings are agreed so to ensure equal opportunities for all the shareholders to effectively participate at the meetings. Each shareholder may participate at the meeting in person or through the authorised representative and may require an advanced voting on the meeting agenda's issues. On the shareholders' request, the Company prepares and submits the advanced voting bulletin. Prior to the shareholders' meeting, the shareholders interested into the Companys activities, may inquire the authorised persons for the information on the issues related to the shareholder's meeting agenda and they receive miscellaneous answers.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance[12]. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The Company places on the publicly accessable website and on the Stock Exchange website system the draft resolutions of the shareholders meeting and also the already adopted resolutions of the shareholders meeting in advance.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company's shareholders may exercise the right to participate at the general shareholders meeting either in person or through the representative provided the person has an appropriate authorisation or he has an agreement on the transfer of his voting right in accordance with the legal order; also the Company furnishes the shareholders with the opportunity to vote by filling in the general voting bulletin as per provisions of the Law on Companies.

subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

[12] The documents referred to above should be placed on the company's website in advance with due regard to a 10-day period before the general shareholders' meeting, determined in paragraph 7 of Article 26 of the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574).

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The Company does not observe this recommendation as it does not have yet the technologies available to ensure the security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person and has not got yet such kind of suggestions on the side of the shareholders.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	This recommendation is obligatory to the members of the Company's management body under the guidance of the Company's documents.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	

7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	This recommendation is obligatory to the members of the Company's management body under the guidance of the Company's documents.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company does not make a public statement of the company's remuneration policy.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Not applicable	See the comments of the item 8.1
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors.	Not applicable	See the comments of the item 8.1
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	Not applicable	See the comments of the item 8.1

8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	Not applicable	
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	See the comments of the item 8.1
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme,	No	The Company makes a remuneration statement on the total remuneration paid to the Head of the Company and to the individual directors of the Management body in its annual financial statements under the existing laws and regulations. The Company observes the approved policy, stating that the remuneration and bonus system, including other payments related to the job relations, make a commercial secret therefore is not to be disclosed publicly.

changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes. 8.9. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors. 8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	Not applicable	The remuneration schemes mentioned in this recommendation were not applied in the Company.

8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.			
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.			
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**			
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The methods and means of implementation of these recommendations are disclosed while describing the implementation of the provisions of the Principle I of this Governance Code.	
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.			
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.			
Principle X: Information disclosure and transparency			

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.		
10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	The Company states that actually observes this recommendation because the information is disclosed and available on the website, on the information system at the Stock Exchange, in the financial statements, except for the recommendation of the item 10.3 (information about the education, professional experience is being arranged and will be available on the website) and this is explained while disclosing the observance of the recommendations of the Principles I, VI and VIII. The Company aobserves the recommendations of the items 10.4 and 10.5 of this Principle while disclosing the relevant information to the outside sources also anouncing it through the internal information systems of the Company, accessible to all the employees.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company announces the information through the Vilnius Stock Exchange information system both in Lithuanian and English languages simultaneously before or after a trading session on the Vilnius Stock Exchange.

10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The information on the Company's website is announced in Lithuanian, English and Russian languages.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	All the information described in this recommendation is placed on the Company's website.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	An independent firm of auditors conducts the audit of the Company's annual financial statements and the review of the Annual Report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Company's Board proposes a candidate firm of auditors to the general shareholders' meeting.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Not applicable	The firm of auditors does not render non-audit services to the Company and no fees of this kind were paid to the firm.