

CONFIRMATION OF THE RESPONSIBLE PERSONS

2008-05-29

Following the Lithuanian Securities Law, the 1st part of the 22nd article, we confirm that AB Lifosa not audited Financial Statements for the three months of Y'2008, prepared in accordance with International Financial Reporting Standards, give a true view of AB Lifosa assets, liabilities, financial position, profit.

ADDED: Interim non audited Financial Statements for the three months of Y'2008.

Director General



Jonas Dastikas

Chief Accountant

Nijolė Kalinauskienė

LIFOSA AB

**INTERIM FINANCIAL STATEMENT
FOR THE PERIOD JANUARY-MARCH 2008**

LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2008

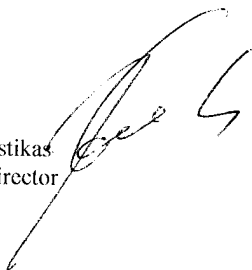
(All tabular amounts in LTL thousand unless otherwise stated)

INCOME STATEMENT

	Notes	For the three month period ended 31 March	
		2008	2007
Sales	1	331 060	157 262
Cost of sales	2	(212 258)	(131 752)
Gross profit		118 802	25 510
Selling and distribution costs	3	(9 135)	(9 744)
Administrative expences	4	(6 306)	(4 453)
Other activities,net		443	64
Operating profit		103 804	11 376
Financial income(loss),net	5	(21 228)	(1 556)
Profit before tax		82 576	9 821
Income tax	6	(12 291)	(1 856)
Net profit		70 285	7 965
Basic and diluted earnings per share (LTL per share)		3.343	0.379

The financial statements on pages 2 to 14 were approved by the General Director and Chief Accountant on 29 May 2008.

Jonas Dastikas
General director



Nijolė Kalinauskienė
Chief Accountant



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BALANCE SHEET

	Notes	As at March 31	
		2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	8	252 280	236 991
Intangible assets	7	599	287
Deferred tax assets			
Long term guarantee		1 386	1 233
Other receivables		2 678	2 600
		448	7 162
		257 391	248 273
Current assets			
Inventories	9	157 644	55 824
Trade receivables	10	27 524	12 424
Accounts receivable from related parties		244 984	81 328
Prepayments and other current assets	11	112 443	17 105
Short-term financial assets		12 064	17 997
Cash and cash equivalents	13	27 111	23 765
		581 770	208 443
Total assets		839 161	456 716
EQUITY			
Share capital	14		
Share premium		210 206	210 206
Legal reserve		80	80
Retained earning		12 735	10 874
		460 148	178 587
Total equity		683 169	399 747
LIABILITIES			
Current liabilities			
Trade and other payables	15	45 794	12 362
Accounts payable to related parties		14 960	21 498
Other payables		89 724	19 017
Grants	12	5 514	4 092
Total liabilities		155 992	56 969
Total equity and liabilities		839 161	456 716

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Own shares	Legal reserve	Retained earning	Total
Balance as at 31 December 2006	210 206	80		10 873	170 623	391 782
Net profit for the period					7 965	7 965
Balance at 31 March 2007	210 206	80	-	10 873	178 588	399 747
Transfer to legal reserve		-	-	1 861	(1 861)	
Net profit for the period	-	-	-	-	213 137	213 137
Balance at 31 December 2007	210 206	80	-	12 734	389 864	612 884
Transfer to legal reserve				-		
Net profit for the 1st 3 m 2008					70 285	
Balance at 31 March 2008	210 206	80	-	12 734	460 149	683 169

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CASH FLOW STATEMENT

For the three month period ended on 31 March

	2008	2007
Cash flows from operating activities	82 576	9 821
Profit before tax		9 821
Adjustments for:		
Depreciation and amortisation	7 598	6 669
Unrealised foreign Exchange loss/(gain)	22 413	1 943
Loss (profit) on disposal of property, plant and equipment, net	(4)	2 249
Changes in working capital	38 034	(17 568)
Income tax paid	1 795	2 549
Net cash from operating activities	152 412	5 663
Cash flow from investing activities		
Purchase of property, plant and equipment	(7 441)	(9 849)
Proceeds from the sales of property, plant and equipment	4	137
Proceeds from sale of associate company	-	2 775
Net cash (use in) investing activities	(7 437)	(6 937)
Cash flows from financing activities		
Interest income	1 186	387
Net cash from/(used in) financing activities	1 186	387
Net increase in cash and cash equivalents	(146 161)	(887)
Movement in cash and cash equivalents		
At beginning of year	173 272	24 652
Net increase	(146 161)	(887)
Cash and cash equivalents at the of the period	27 111	23 765

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COMMENTARY ON THE FINANCIAL STATEMENTS

General information

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

Juodkiškio 50
LT-57502 Kėdainiai
Lithuania

The Company’s shares are listed on the Current trading list of the Vilnius Stock Exchange. The Company’s principal activity is the production of phosphate fertilisers, mainly diammonium phosphate (DAP). As at 31 March 2008 the main shareholders of the Company were as follows:

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

The average number of staff employed by the Company in 31 March 2008 totalled 1008 (2007 m. – 1025).

Basis of preparation

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

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

Property, plant and equipment

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

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

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

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

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Intangible assets

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

Inventories

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

Trade and other amounts receivable

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

Cash and cash equivalents

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

Share capital

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

Legal reserve

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

Trade payables

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

Income tax

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

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

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Revenue recognition

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

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

Earnings per share

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

Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS

1.SALES

	March 31 2008	March 31 2007
Diammonium phosphate sales	285 117	127 163
Monocalcium phosphate	29 276	16 872
Aluminium fluoride	7 130	5 839
Phosphoric acid	195	3 044
Monocalcium phosphate	-	108
Sulphuric acid	35	654
Other sales	9 307	3 582
	331 060	157 262

Segment reporting

Primary reporting format – business segments

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

Secondary reporting format – geographical segments

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

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	Sales		Total assets		Capital expenditure	
	January-March		31 March		January-March	
	2008	2007	2008	2007	2008	2007
Lithuania	39 610	20 687	804 764	456 716	7 022	8 745
France	63 159	14 256				
Germany	37 139	19 454				
The Netherlands	20 453	12 670				
Ireland	14 881	10 023				
Poland	15 276	13 654				
Czech Republic	3 318	4 412				
Romania	3 894	4 195				
Hungary	4 846	3 468				
Belgium	7 700	7 004				
Cameroon	-	2 102				
Portugal	16 493	-				
Ethiopia	-	31 612				
Sweden	1 002	-				
Tajikistan	3 315	1 950				
Spain	6 863	-				
Ukrain	2 951	1 375				
Great Britain	3 420	9 246				
Brazil	55 791	-				
Argentina	30 554	-				
Other countries	844	1 154				
	331 509	157 262	804 764	456 716	7 022	8 745

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

Analysis of sales by category:	March 31 2008	March 31 2007
Sales of goods	321 752	153 465
Sales of raw materials	4 686	510
Services rendered	4 622	3 287
	331 060	157 262

2.COST OF SALES

	March 31 2008	March 31 2007
<i>Costs:</i>		
Diammonium phosphate	178 901	109 384
Monocalcium phosphate	21 119	12 752
Aluminium fluoride	5 456	5 476
Phosphoric acid	101	2 265
Sulphuric acid	8	442
Other products	6 673	1 433
	212 258	131 752

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3.SELLING AND DISTRIBUTION COSTS	March 31 2008	Mach 31 2007
Shipping costs	3 473	3 109
Inspecting and certification costs	143	103
Freight	3 466	4 819
Loading and forwarding costs	2 053	1 709
Other distribution expenses	-	4
	9 135	9 744

4.ADMINISTRATIVE EXPENSES	March 31 2008	March 31 2007
Employee benefits	2 550	2 092
Social insurance	837	655
Provisions for salaries	76	(651)
Tax (other than income tax)	482	688
Depreciation and amortization	221	275
Insurance	151	417
Security	204	179
Telecommunications	114	81
Other administrative expenses	1 671	717
	6 306	4 453

5.FINANCE EXPENCES	March 31 2008	March 31 2007
Interest income	1 186	387
Costs of exchange operations	(1)	-
Unrealised foreign Exchange (loss),net	(22 413)	(1 943)
	(21 228)	(1 556)

6.INCOME TAX	March 31 2008	March 31 2007
Current tax for the period	11 687	1 070
Current social tax for the period	-	215
Deferred tax	604	571
	12 291	1 856

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7.INTANGIBLE ASSETS

	Software
At 31 December 2006	
Cost	600
Accumulated amortization	(305)
Net book amount	295
At 31 March 2007	
Opening net book amount	295
Additions	18
Disposals and write-off	(1)
Amortisation charge	(25)
Closing net book amount	287
At 31 March 2007	
Cost	617
Accumulated amortization	(330)
Net book amount	287
At 31 March 2008	
Opening net book amount	650
Additions	14
Disposals and write-off	-
Amortisation charge	(64)
Closing net book amount	600
At 31 March 2008	
Cost	1135
Accumulated amortization	(535)
Net book value	600

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8. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Vehicles and equipment	Other tangible assets	Constructi on in progress	Total
At 31 December 2006						
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
At 31 March 2007						
Opening net book amount value	91 122	113 867	5 993	2 989	20 948	234 919
Additions	-	2 327	-	72	6 327	8 726
Disposals and write-off	-	-	-	(10)	-	(10)
Reclassifications	-	482	-	-	(482)	-
Depreciation charge	(1 164)	(4 954)	(227)	(302)	-	(6 644)
Closing net book amount	89 958	111 725	5 766	2 749	26 793	236 991
At 31 March 2007						
Cost	174 059	344 946	14 340	11 976	26 793	572 114
Accumulated depreciation	84 101	233 221	8 574	9 227	-	335 123
Net book amount	89 958	111 725	5 766	2 749	26 793	236 991
At 31 March 2008						
Opening net book amount	100 518	132 136	7 540	2 317	10 287	252 798
Additions	-	211	111	33	6 652	7 007
Disposals and write-offs	-	-	-	(1)	-	(1)
Reclassifications	-	1 253	-	-	(1253)	-
Depreciation charge	(1 103)	(5 855)	(265)	(301)	-	(7 534)
Closing net book amount	99 415	127 745	7 386	2 048	15 686	252 280
At 31 March 2008						
Cost	188 128	376 414	16 859	11 679	15 686	608 766
Accumulated depreciation	88 713	248 669	9 473	9 631	-	356 486
Net book amount	99 415	127 745	7 386	2 048	15 686	252 280

The land is rented by the Company from the Government of the Republic of Lithuania under 99 years lease agreement signed in 1997. The rental payment for the land amounted to 74,4 thousand Lt 1st 3 month 2008 (2007 – LTL 74,4 thousand Lt).

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9. INVENTORIES	March 31 2008	March 31 2007
Finished goods	66 594	19 668
Raw materials and suppliers	81 195	32 258
Work in progress	3 345	1 584
Semi-manufactures	6 510	2 314
	157 644	55 824

10. TRADE AND OTHER RECEIVABLES	March 31 2008	March 31 2007
Trade receivables	17 110	12 486
Amounts received in advance	11 395	185
Provision for impairment of trade receivables	(981)	(247)
	27 524	12 424

11. OTHER RECEIVABLES	March 31 2008	March 31 2007
Prepayments made to suppliers (inc.related parties)	58 493	4 145
VAT tax receivable	28 919	11 256
Advances and future costs	25 031	1 704
	112 443	17 105

12. GRANDS

Under the order of Minister of Economics, dated 24 November 2006, the Company obtained the right to receive grant amounting to LTL 6,000 thousand from structural funds of the EU for compensation of expenses on the project: "The usage of current and regenerating sources of energy of sulphur acid department for production of electrical power". The project started on 1st July 2006 and finished on 1st August 2007. The all Grant in amount 5 976 thousand Lt was received ,calculated amortization 462 th Lt .

13. CASH AND CASH EQUIVALENTS	March 31 2008	March 31 2007
Cash in bank	3 779	10 473
Cash on hands	8	29
Short term deposits, securities	23 324	12 961
L/C and guarantee	-	302
	27 111	23 765

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14.SHARE CAPITAL

Authorised share capital comprised 21,020,564 ordinary shares with a par value of LTL 10 each as at 31 March 2008 (the same as at 31 December 2007). No changes in the share capital took place during the period .

15.TRADE AND OTHER PAYABLES

	March 31 2008	March 31 2007
Trade payables	45 794	12 362
Trade payables to related parties	14 960	21 498
Accrued liabilities	89 724	16 335
Salaries and social security payable	5 514	2 682
Grants	-	4 092
	155 992	56 969

CONTINGENT COMMITMENTS

Emission allowances

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

In April 2007, the company by the contract sold its rights to 27 000 tons of carbon dioxide and received 60 thousand Lt of income. The received income is included into item „Other activities,net“.