

CONFIRMATION OF THE RESPONSIBLE PERSONS

2008-11-27

Following the Lithuanian Securities Law, the 1st part of the 22nd article, we confirm that AB Lifosa not audited Financial Statements for the nine 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:

1. Interim non audited Financial Statements for the nine months of Y'2008.

General Director



Jonas Dastikas

Chief Accountant



Nijolė Kalinauskienė

**LIFOSA AB
INTERIM FINANCIAL STATEMENT
FOR THE PERIOD JANUARY-SEPTEMBER 2008**

LIFOSA AB
FINANCIAL STATEMENTS
30 SEPTEMBER 2008

(All tabular amounts in LTL thousand unless otherwise stated)

INCOME STATEMENT

	Notes	July 01 - September 30		January 01 - September 30	
		2008	2007	2008	2007
Sales	1	619 900	306 344	1 509 686	641 725
Cost of sales	2	(442 185)	(172 160)	(967 565)	(421 697)
Gross profit		177 715	134 184	542 121	220 028
Selling and distribution costs	3	(6 719)	(7 466)	(22 607)	(22 448)
Administrative expenses	4	(6 290)	(4 706)	(22 003)	(13 954)
Other activities, net		3 491	185	3 739	524
Operating profit		168 197	122 197	501 250	184 150
Financial income(loss), net	5	47 897	(10 255)	27 335	(12 222)
Profit before tax		216 094	111 942	528 585	171 928
Income tax	6	(32 469)	(20 157)	(79 133)	(30 934)
Net profit		183 625	91 785	449 452	140 994
Basic and diluted earnings per share (LTL per share)		8.74	4.37	21.38	6.71

The financial statements on pages 2 to 15 were approved by the General Director and Chief Accountant on 30 september 2008.

Jonas Dastikas
General director

Nijolė Kalinauskienė
Chief Accountant

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BALANCE SHEET

	Notes	As at september 30	
		2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	8	259 509	241 261
Intangible assets	7	431	545
Deferred tax assets		1 802	605
Long term guarantee		2 523	2 639
Other receivables		1 814	5 469
		266 079	250 519
Current assets			
Inventories	9	257 153	60 941
Trade receivables	10	32 949	8 437
Accounts receivable from related parties		230 005	158 035
Prepayments and other current assets	11	63 746	15 157
Short-term financial assets		356 545	13 158
Cash and cash equivalents	13	79 853	109 146
Accounts receivable from EU structural funds		-	-
		1 020 251	364 874
Total assets		1 286 330	615 393
EQUITY			
Share capital	14	210 206	210 206
Share premium		80	80
Legal reserve		21 020	12 734
Retained earning		831 030	309 756
Total equity		1 062 336	532 776
LIABILITIES			
Current liabilities			
Trade and other payables	15	19 470	19 972
Accounts payable to related parties		47 417	17 677
Other payables		151 713	39 107
Grants	12	5 394	5 861
Total liabilities		223 994	82 617
Total equity and liabilities		1 286 330	615 393

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	notes	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
Transfer to legal reserve					1 861	(1 861)	
Net profit for the period						140 994	140 994
Balance at 30 september 2007							
	19	210 206	80	-	12 734	309 756	532 776
Transfer to legal reserve							
Net profit for the period						80 108	80 108
Balance at 31 December 2007	19	<u>210 206</u>	<u>80</u>	<u>-</u>	<u>12 734</u>	<u>389 864</u>	<u>612 884</u>
Transfer to legal reserve					8 286	(8 286)	
Net profit for the 1st 9 m 2008	19					449 452	449 452
Balance at 30 september 2008		210 206	80	-	21 020	831 030	1 062 336

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CASH FLOW STATEMENT

For the six month period ended on 30 september

	2008	2007
Cash flows from operating activities		
Profit before tax	528 585	171 928
Adjustments for:		
Depreciation and amortisation	22 738	20 669
Unrealised foreign Exchange loss/(gain)	24 473	(13 532)
Loss (profit) on disposal of property,plant and equipment,net	(22)	14
Changes in working capital	(544 800)	(853)
Income tax paid	(36 873)	(9 479)
Net cash from operating activities	(5 899)	121 319
Cash flow from investing activities		
Purchase of property,plant and equipment	(29 311)	(43 727)
Proceeds from the sales of property, plant and equipment	22	14
Proceeds from sale of associate company	-	-
Net cash used investing activities	(29 289)	(43 713)
Cash flows from financing activities		
Interest income	5 686	1 310
Other financing income	209	10 505
Net cash from financing activities	5 895	11 815
Net increase in cash and cash equivalents	(29 293)	89 421
Movement in cash and cash equivalents		
At beginning of year	109 146	19 725
Net increase	(29 293)	89 421
Cash and cash equivalents at end of the period	79 853	109 146

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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 30 september 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%
Sagitarius International Limited	226,909	1,08%
Other shareholders	866,176	4,12%
	<u>21,020,564</u>	<u>100%</u>

The average number of staff employed by the Company in 30 september 2008 totalled 1003 (2007 m. – 1022)

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 2008 and 2007 is 15%.

According to the adopted Lithuanian Provisional Law on Social Tax, social tax at the rate of 3 per cent for 2007 .

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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

	September 30	September 30
	2008	2007
Diammonium phosphate sales	1 340 775	552 623
Monocalcium phosphate	117 620	47 137
Aluminium fluoride	19 822	18 986
Phosphoric acid	534	9 192
Sulphuric acid	596	1 589
Other sales	30 339	12 198
	1 509 686	641 725

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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:

	Sales		Total assets		Capital expenditure	
	January- september		30 september		January-september	
	2008	2007	2008	2007	2008	2007
Lithuania	115 595	59 375	1 020 252	615 447	29 289	27 270
France	109 021	32 163				
Germany	77 587	37 586				
The Netherlands	29 469	59 789				
Ireland	14 881	15 947				
Poland	65 445	34 558				
Czech Republic	13 978	12 020				
Romania	10 205	8 662				
Hungary	27 360	12 699				
Belgium	7 700	19 862				
Cameroon	0	6 020				
Pakistan	0	65 578				
Ethiopia	37 697	72 545				
India	792 423	0				
Tajikistan	7 512	6 977				
Spain	17 263	17 632				
Ukrain	12 690	6 799				
Great Britain	10 500	28 853				
Brazil	84 897	0				
Argentina	30 554	30 098				
Turky	0	66 158				
Kenija	0	24 234				
Denmmark	17 970	0				
Portugal	16 493	0				
Other countries	10 446	24 170				
	1 509 686	641 725	1 020 252	615 447	29 289	27 270

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

Analysis of sales by category:	September 30	September 30
	2008	2007
Sales of goods	1 490 083	629 528
Sales of raw materials	14 657	9 057
Services rendered	4 946	3 140
	1 509 686	641 725

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2.COST OF SALES	September 30	September 30
	2008	2007
<i>Costs:</i>	967 565	421 697
Diammonium phosphate	863 266	359 807
Monocalcium phosphate	70 034	32 534
Aluminium fluoride	14 946	15 835
Phosphoric acid	282	5 910
Sulphuric acid	395	1 013
Other products	18 642	6 598

3.SELLING AND DISTRIBUTION COSTS	September 30	September 30
	2008	2007
Shipping costs	10 420	9 472
Inspecting and certification costs	1 273	564
Freight	3 466	6 414
Loading and forwarding costs	7 283	5 980
Other distribution expenses	165	18
	22 607	22 448

4.ADMINISTRATIVE EXPENSES	September 30	September 30
	2008	2007
Employee benefits	9 055	5 084
Social insurance	2 812	1 745
Provisions for salaries	(230)	0
Tax (other than income tax)	1 494	1 564
Depreciation and amortization	643	804
Insurance	354	414
Security	612	562
Telecommunications	371	284
Occupational services	690	730
Economy costs	2 252	1 540
Other administrative expenses	2 817	1 227
	22 003	13 954

5.FINANCE EXPENCES	September 30	September 30
	2008	2007
Interest income	1 968	766
Costs of exchange operations	894	544
Unrealised foreign Exchange (loss),net	24 473	(13 532)
	27 335	(12 222)

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6.INCOME TAX	September 30	September 30
	2008	2007
Current tax for the period	77 331	24 809
Current social tax for the period	0	4 958
Deferred tax	1 802	1 166
	79 133	30 933

7.INTANGIBLE ASSETS

	Software
At 31 December 2006	
Cost	600
Accumulated amortization	(305)
Net book amount	295
At 30 september 2007	
Opening net book amount	295
Additions	345
Disposals and write-off	(3)
Amortisation charge	(92)
Closing net book amount	545
At 30 september 2007	
Cost	941
Accumulated amortization	(396)
Net book amount	545
At 30 september 2008	
Opening net book amount	650
Additions	22
Disposals and write-off	(78)
Amortisation charge	(163)
Closing net book amount	431
At 30 september 2008	
Cost	966
Accumulated amortization	(535)
Net book value	431

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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 30 september 2007						
Opening net book amount value	91 122	113 867	5 993	2 990	20 948	234 920
Additions	3 308	5 175	2 335	340	15 799	26 977
Disposals and write-off	-	(45)	-	(14)	-	(59)
Reclassifications	7 172	29 090	-	81	(36 343)	-
Depreciation charge	(3 497)	(15 466)	(706)	(908)	-	(20 577)
Closing net book amount	98 105	132 621	7 642	2 489	404	241 261
At 30 september 2007						
Cost	184 539	374 901	16 588	12 279	404	588 781
Accumulated depreciation	(86 434)	(242 280)	(8 946)	(9 790)	-	(347 450)
Net book amount	98 105	132 621	7 642	2 489	404	241 261
At 30 september 2008						
Opening net book amount	100 518	132 136	7 540	2 317	10 287	252 798
Additions	-	3 936	563	347	24 443	29 289
Disposals and write-offs	-	-	-	(3)	-	(3)
Reclassifications	1 162	16 700	-	-	(17 862)	-
Depreciation charge	(3 309)	(17 553)	(811)	(902)	-	(22 575)
Closing net book amount	98 371	135 219	7 292	1 759	16 868	259 509
At 30 september 2008						
Cost	189 289	394 826	17 127	11 872	16 868	629 982
Accumulated depreciation	(90 918)	(259 607)	(9 835)	(10 113)	-	(370 473)
Net book amount	98 371	135 219	7 292	1 759	16 868	259 509

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 223.47 thousand Lt 1st 9 month 2008 (2007 – LTL 223.47 thousand Lt).

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9. INVENTORIES	September 30 2008	September 30 2007
Finished goods	73 549	24 431
Raw materials and suppliers	167 615	34 236
Work in progress	6 104	1 519
Semi-manufactures	9 885	755
	257 153	60 941

10. TRADE AND OTHER RECEIVABLES	September 30 2008	September 30 2007
Trade receivables	32 039	(1 014)
Amounts received in advance	1 178	9 558
Provision for impairment of trade receivables	(268)	(106)
	32 949	8 437

11. OTHER RECEIVABLES	September 30 2008	September 30 2007
Prepayments made to suppliers (inc.related parties)	12 145	3 957
VAT tax receivable	29 657	10 688
Advances and future costs	21 944	512
	63 746	15 157

12. GRANTS

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 531 th Lt .

13. CASH AND CASH EQUIVALENTS	September 30 2008	September 30 2007
Cash in bank	2 058	26 061
Cash on hands	16	7
Short term deposits, securities	74 659	82 926
L/C and guarantee	3 120	152
	79 853	109 146

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14.SHARE CAPITAL

Authorised share capital comprised 21,020,564 ordinary shares with a par value of LTL 10 each as at 30 september 2008.No changes in the share capital took place during in the 9 month ,2008 .

15.TRADE AND OTHER PAYABLES

	September 30 2008	September 30 2007
Trade payables	19 470	17 164
Trade payables to related parties	47 417	17 677
Accrued liabilities	147 590	39 107
Salaries and social security payable	4 123	2 808
Grants	5 394	5 860
	223 994	82 616

CONTINGENT COMMITMENTS

Emission allowances

The Company participates in a carbon dioxide cap and trade scheme.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 2007 actual emissions of the Company amounted to 612 tons (2006 – 1,100 tons). The market value of remaining unused allowances amounted to LTL 0.2 thousand as at 31 December 2007 (2006 -LTL 629 thousand).

In April 2007, the company sold unused emission allowances and received 60 thousand LTof income.

Carbon dioxide emission allowances make 499,696 t for the period 2008-2012, including 99,939 t for the year 2008.By the period 9 month ,2008 ,emission to the atmosphere is 834 t CO²