

LIFOSA AB

**FINANCIAL STATEMENTS, ANNUAL REPORT
AND INDEPENDENT AUDITOR'S REPORT
31 DECEMBER 2009**

Translation note

These financial statements have been prepared in Lithuanian language and in English language. In all matters of interpretation of information, views or opinions, the Lithuanian language version of these financial statements takes precedence over the English language version.

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Translation note

Our report has been prepared in Lithuanian language and in English language. In all matters of interpretations of information, views or opinions, the Lithuanian language version of our report takes precedence over the English version.

Independent Auditor's Report

To the Shareholders of Lifosa AB

Report on the Financial Statements

We have audited the accompanying financial statements (the 'Financial statements') of Lifosa AB (the 'Company') set out on pages 5 - 31 which comprise the statement of financial position as at 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 - scope limitation

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 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 possible effects of the matters described in the *Basis for Qualified Opinion - scope limitation* paragraph, the Financial statements give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and 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 2009 set out on pages 32 – 66 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 2009.

On behalf of PricewaterhouseCoopers UAB



Christopher C. Butler
Partner

Vilnius, Republic of Lithuania
8 April 2010



Rasa Radzevičienė
Auditor's Certificate No.000377

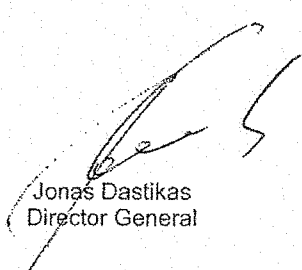
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STATEMENT OF COMPREHENSIVE INCOME

LTL thousand

	Notes	Year ended 31 December	
		2009	2008
Sales	1	838,798	1,748,778
Cost of sales	4	(802,696)	(1,486,208)
Gross profit		36,102	262,570
Selling and distribution costs	2,4	(29,101)	(26,783)
Administrative expenses	3,4	(26,976)	(28,766)
Net foreign exchange (loss)/gain	5	(16,352)	48,909
Other income	6	17,907	8,517
Operating (loss)/profit		(18,420)	264,447
Interest income on short-term cash deposits		373	2,320
(Loss)/profit before tax		(18,047)	266,767
Income tax	7	(7,861)	(29,536)
Net (loss)/profit		(25,908)	237,231
Other comprehensive income		-	-
Total comprehensive (loss)/ income		(25,908)	237,231
Basic and diluted (losses)/earnings per share (LTL per share)	8	(1.23)	11.29

These financial statements on pages 5 -- 31 were approved by the Company's Director General and Chief Financial Officer on April 8 2010.


 Jonas Dastikas
 Director General


 Regvita Wanovienė
 Chief Financial Officer

The accounting policies and the notes on pages 9 to 31 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

LTL thousand

	Notes	As at 31 December	
		2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment	9	271,985	264,551
Intangible assets	10	605	459
Deferred tax asset	7	33,449	41,261
Other receivables	11,13	20,029	2,709
		326,068	308,980
Current assets			
Inventories	12	79,385	154,548
Trade and other receivables	13,14	100,159	165,858
Loans	13,14	342,972	359,764
Cash and cash equivalents	15	34,393	63,469
		556,909	743,639
Total assets		882,977	1,052,619
EQUITY			
Share capital	16	210,206	210,206
Share premium		80	80
Legal reserve	B10	21,021	21,021
Retained earnings		592,900	618,808
Total equity		824,207	850,115
LIABILITIES			
Non-current liabilities			
Grants	17	5,127	5,212
		5,127	5,212
Current liabilities			
Income tax liabilities		-	53,183
Trade and other payables	18	53,643	144,109
		53,643	197,292
Total liabilities		58,770	202,504
Total equity and liabilities		882,977	1,052,619

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

LTL thousand

	Notes	Share capital	Share premium	Legal reserve	Retained earnings	Total
Balance as at 1 January 2008		210,206	80	12,734	389,864	612,884
Transfer to legal reserve	B10	-	-	8,287	(8,287)	-
Total comprehensive income for the year		-	-	-	237,231	237,231
Balance at 31 December 2008		210,206	80	21,021	618,808	850,115
Total comprehensive (loss) for the year		-	-	-	(25,908)	(25,908)
Balance at 31 December 2009		210,206	80	21,021	592,900	824,207

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STATEMENT OF CASH FLOWS

LTL thousand

	Notes	Year ended 31 December	
		2009	2008
Cash flows from operating activities			
Cash generated from operations	19	53,067	285,742
Income tax paid		(53,232)	(53,761)
Net cash from operating activities		(165)	231,981
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	9,10	(55,862)	(41,310)
Proceeds from sale of property, plant and equipment		598	133
Proceeds from sale of associate			-
Loans granted to related parties	14	(336,156)	(680,357)
Loans repayments received from related parties	14	349,654	363,552
Interest received for loans granted	14	12,755	7,500
Sale of securities			-
Net cash from investing activities		(29,011)	(350,482)
Cash flows from financing activities			
Interest income from short-term deposits		373	2,320
Net cash from financing activities		373	2,320
Net decrease in cash and cash equivalents		(28,803)	(116,181)
Movement in cash and cash equivalents			
At beginning of year		63,469	173,272
Net decrease		(28,803)	(116,181)
Exchange (losses)/gains on cash and bank accounts		(273)	6,378
Cash and cash equivalents at end of year	15	34,393	63,469

The accounting policies and the notes on pages 9 to 31 form an integral part of these financial statements.

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(All tabular amounts in LTL thousand unless otherwise stated)

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 Public Limited Liability 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 NASDAQ OMX Vilnius AB. The Company's principal activity is the production of phosphate fertilisers, mainly diammonium phosphate (DAP). As at 31 December 2009 and 2008, the main shareholders of the Company were as follows:

<i>Shareholder</i>	<i>Number of shares</i>	<i>Percentage of share capital</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%
	<u>21,020,564</u>	<u>100%</u>

The number of staff employed by the Company on 31 December 2009 totalled 989 (2008: 999).

The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of a new set of financial statements.

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 from January 2009 and relevant to the Company

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 and are relevant to the Company's operations:

IAS 1 (Revised), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). The revised standard prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company applies IAS 1 (Revised) from 1 January 2009. The revised IAS 1 had an impact on the presentation of the Company's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures

The accounting policies and the notes on pages 9 to 31 form an integral part of these financial statements.

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about fair value measurements and liquidity risk. The entity is 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.

IFRS 8, 'Operating segments' (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of IFRS 8 did not change the number of reportable segments presented.

Standards, amendments and interpretations effective from 1 January 2009 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but they are not currently relevant to the Company's operations:

IAS 23 (Revised) 'Borrowing Costs', including amendment published by IASB in May 2007 as part of annual improvement project (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. Currently this standard is not applicable to the Company as there are no borrowings.

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. These amendments do not have an impact on the Company's financial statements.

IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment does not have any impact on the Company's financial statements.

IFRIC 13, 'Customer loyalty programmes' (effective from 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. IFRIC 13 is not relevant to the Company's operations, because it does not operate any loyalty programmes.

On 23 January 2009, the EU endorsed the Improvements to IFRSs standard published in May 2008 which amends 20 existing standards, basis of conclusions and guidance. These improvements include changes in presentation, recognition and measurement as well as terminology and editorial changes. Most of these changes are effective for periods beginning on or after 1 January 2009. These amendments do not have significant impact on the Company's financial statements.

IFRIC 11, IFRS 2 - Group and Treasury Share Transactions (IFRIC 11 as adopted by the EU is effective for annual periods beginning on or after 1 March 2008, early adoption permitted). The interpretation contains guidelines on the following issues: an entity grants its employees rights to its equity instruments that may or must be repurchased from a third party in order to settle obligations towards the employees; or an entity or its owner grants the entity's employees rights to the entity's equity instruments. Adoption of the interpretation did not have any significant impact on the Company's financial statements.

IFRIC 12, Service Concession Arrangements (IFRIC 12 as adopted by the EU is effective for annual periods beginning on or after 30 March 2009, early adoption permitted). The interpretation contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements. Application of IFRIC did not have any impact on the Company's financial statement.

The accounting policies and the notes on pages 9 to 31 form an integral part of these financial statements.

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IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14 as adopted by the EU is effective for annual periods beginning on or after 31 December 2008, early adoption permitted). The interpretation contains guidance on when refunds or reductions in future contributions may be regarded as available for the purposes of the asset ceiling test in IAS 19, Employee Benefits. The interpretation did not have any effect on the Company's financial statements.

Vesting Conditions and Cancellations — Amendment to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2009, adopted by the EU in March 2010). 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. 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 2009 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 2010 or later periods, but the Company has not early adopted them:

Improvements to International Financial Reporting Standards, issued in April 2009 (amendments to IFRS 2, IAS 38, IFRIC 19 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010; the improvements have been adopted by the EU in March 2010).

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. The standard should not be applicable to the Company.

IFRIC 15 'Agreements for the Construction of Real Estate' (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted). 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 should not be applicable to the Company.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, with early adoption permitted). 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 should not be applicable to the Company.

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

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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. The standard should not be applicable to the Company.

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 standard should not be applicable to the Company.

IFRIC 17 'Distribution of Non-Cash Assets to Owners' (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted). The interpretation 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 should not be applicable to the Company.

IFRIC 18 'Transfers of Assets from Customers' (effective prospectively to transfers of assets from customers received on or after 1 July 2009, earlier application permitted; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted). 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. The Company will apply IFRIC 18 prospectively from 1 January 2010. The Company is currently assessing the impact of IFRIC 18 on its financial statements.

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; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted). 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 standard should not be applicable to the Company.

Classification of Rights Issues – Amendment to IAS 32 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. This amendment does not have an impact on the Company's financial statements.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1 'First-time Adoption of IFRS' (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU). This amendment does not have an impact on the Company's financial statements.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. This IFRIC does not have an impact on the Company's financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. This amendment does not have an impact on the Company's financial statements.

Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (and consequential amendments to IFRS 1) (effective for annual periods beginning on or after 1 July 2009). This amendment to IFRS 5 is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that an entity committed to a sale plan involving loss of control of a subsidiary would classify the subsidiary's assets and liabilities as held for sale. The revised guidance should be applied prospectively from the date at which the entity first applied IFRS 5.

IAS 24 'Related Party Disclosures' (amended November 2009, effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a

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partial exemption from the disclosure requirements for government-related entities. The Company is considering if the amendment will have the effect on its disclosures. This IAS does not have an impact on the Company's financial statements.

IFRS 9 'Financial Instruments' (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. This IFRS does not have an impact on the Company's financial statements.

IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 30 March 2009). The interpretation contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements. Application of IFRIC 12 will not have any impact on the Company's financial statements because it is not subject to any service concession arrangements.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment is not expected to have any impact on the Company's financial statements.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009; amendments to IFRIC 9 and IAS 39 as adopted by the EU are effective for annual periods beginning after 31 December 2009, with early adoption permitted). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. These amendments do not have an impact on the Company's financial statements.

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.

USD exchange rate (LTL/1USD)	As at 31/12	Average
2008	2.4507	2.3569
2009	2.4052	2.4828

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions as set by the Central Bank of Lithuania. 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 profit or loss.

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 and provision for impairment, where required. 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.

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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 statement of financial position 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 2009 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 and the replaced part is retired, 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 profit or loss 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 and equipment	4-10 years
Other property, plant and equipment	5-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 profit or loss.

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 end of the reporting period. These are classified as non-current assets. Loans and receivables are classified as 'loans granted' and 'trade and other receivables' in the statement of financial position.

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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 profit or loss within 'administrative expenses'. Bad debts are written off during the year in which they are identified as irrecoverable.

Derecognition of financial assets. The Company derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

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 of finished goods. Under such circumstances, the best estimate of net realisable value of raw materials and substances is deemed to be their market value. Loss resulting from writing down of inventories to net realisable value is included in the cost of sales in the statement of comprehensive income.

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, letters of credit 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 and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

B.12 Income tax and deferred income tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Income tax charge is based on taxable profit or losses for the current and prior periods and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

The standard income tax rate in Lithuania is 20% (2008: 15%). Starting from 1 January 2010 new income tax rate of 15% will be applied.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of

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securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect tax losses carried forward and the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed based on tax rates enacted or substantially enacted at the each reporting period.

Deferred tax assets have been recognized in the statement of financial position to the extent the management believes it will be realized in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realized, this part of the deferred tax asset is not recognized in the financial statements.

Deferred income tax relating to items recognized in other comprehensive income also recognized in other comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxation authority and the same taxable entity.

B.13 Leases – where the Company is the lessee

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 profit or loss 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 statement of financial position. 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 the end of the reporting period 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.

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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 (normally based on Incoterms).

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 average number of ordinary registered shares outstanding during the reporting period, excluding ordinary registered shares purchased by the Company and held as treasury shares.

B.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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 at their fair value 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 profit or loss on a straight-line basis over the expected lives 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 other 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.

The accounting policies and the notes on pages 9 to 31 form an integral part of these financial statements.

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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 significantly 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) at the end of each reporting period.

Financial assets and liabilities denominated in USD:	2009	2008
Cash	13,702	39,897
Accounts receivable	72,469	466,980
Accounts payable	(22,258)	(94,863)
Net position	63,913	412,014

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 2% Lithuanian Litas' weakening / strengthening against the US dollar. The exchange rate shift assumption was based on the US dollar exchange rate net volatility during 2009. At 31 December 2009, if the Lithuanian Litas had weakened / strengthened by 2% against the US dollar with all other variables held constant, foreign exchange loss would be LTL 1,278 thousand higher / smaller (2008: 4% gain would be LTL 16,481 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) The other price risk

The Company is not exposed to 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-bearing financial assets include:

- Short-term loan granted to related party at a fixed interest rate as disclosed in Note 14.
- Short-term bank deposits and letters of credit which may be converted to a known amount of cash and are subject to an insignificant risk of changes in value. These deposits 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).

(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

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evaluation procedures.

There were no difficulties in collecting accounts receivable from customers or withdrawing cash from banks during the reporting period (except on see note 18) 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.

The maximum exposure of financial assets to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 13.

(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 (except on see note 18). All trade and other payables reported in the statement of financial position 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 2009 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 2009 and 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 loan 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 (Note 14). Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable.

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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 end of each reporting period. 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.

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 market price 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 (Note 12).

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

Following a sharp deterioration in the global economic environment in the fourth quarter of 2008, prices for fertilizers have declined in 2009 significantly from the peak levels of 2008 and average levels for 2008.

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.

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OTHER EXPLANATORY NOTES

1. SALES

The Company's single operating segment is production of mineral fertilizers. All the Company's assets are located in Lithuania. The Company's sales by market can be analysed as follows:

	Sales	
	2009	2008
India	204,194	948,202
Pakistan	143,552	-
Germany	134,144	88,969
Netherlands	89,175	50,522
Ethiopia	45,120	37,697
Lithuania	41,214	124,569
Poland	33,541	84,957
Kenya	30,837	-
France	11,146	109,021
Italy	10,320	-
Vietnam	9,174	-
Ireland	8,512	14,881
Tanzania	8,031	-
Great Britain	7,503	10,500
Other	7,260	10,363
Romania	6,813	13,858
Ukraine	6,113	12,690
Sweden	6,092	2,151
Czech Republic	5,966	18,607
Belarus	4,272	-
Tadzhikistan	3,701	9,429
Hungary	3,358	27,360
Malaysia	2,901	-
Belgium	2,843	7,700
Ivory Coast	2,419	-
Spain	2,392	17,263
Latvia	2,268	1,559
Cameroun	1,915	-
Austria	1,416	-
Chile	1,393	-
Denmark	1,213	26,536
Brazil	-	84,897
Portugal	-	16,493
Argentina	-	30,554
	838,798	1,748,778

Sales by market 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). Diammonium phosphate (DAP) sales in 2009 amount to 910 thousand tonnes (2008: 755 thousand tonnes).

Analysis of sales by category:

	2009	2008
Sales of diammonium phosphate	743,848	1,533,149
Sales of monocalcium phosphate	58,820	152,544
Sales of aluminium flouride	15,043	25,346
Other	386	1,266
Total sales of goods	818,097	1,712,305
Sales of electricity, heat energy and other	13,792	18,430
Sales of CO ₂ emission rights	6,098	2,473
Sales of raw materials	811	15,570
	838,798	1,748,778

The accounting policies and the notes on pages 9 to 31 form an integral part of these financial statements.

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2. SELLING AND DISTRIBUTION COSTS

	<u>2009</u>	<u>2008</u>
Shipping costs	239	3,466
Transportation costs	14,945	12,924
Loading and forwarding costs	13,661	10,194
Other selling and distribution costs	256	199
	<u>29,101</u>	<u>26,783</u>

3. ADMINISTRATIVE EXPENSES

	<u>2009</u>	<u>2008</u>
Remuneration of employees	10,481	12,777
Social security contributions	3,229	4,099
Taxes (other than income tax)	1,855	1,631
Bad debt expenses (Note 14)	3,316	-
Consulting expenses	891	903
Depreciation and amortization	961	862
Insurance	334	577
Security	879	816
Telecommunications	385	531
Support granted	894	2,565
Other administrative expenses	3,751	4,005
	<u>26,976</u>	<u>28,766</u>

4. EXPENSES BY NATURE

	<u>2009</u>	<u>2008</u>
Raw materials and consumables used	640,924	1,215,255
Inventory valuation allowance (Note 12)	481	191,199
Remuneration of employees and social security contributions	68,498	70,745
Transportation services	29,101	26,783
Depreciation and amortisation	31,192	30,358
Change in finished goods, semi-manufactures and work in progress	50,130	(59,674)
Repair and maintenance	13,616	15,479
Energy and fuel	9,685	13,202
Taxes (other than income tax)	1,855	1,631
Consulting expenses	891	952
Security	879	816
Telecommunication and IT maintenance expenses	385	531
Marketing and representation	896	809
Accounts receivable impairment	3,316	51
Other	6,924	33,620
	<u>858,773</u>	<u>1,541,757</u>

Remuneration of employees and social security contributions comprise salary expenses of LTL 45,445 thousand (2008: LTL 49,730 thousand), social security expenses of LTL 16,437 (2008: LTL 16,610 thousand) and bonuses and other benefits of LTL 6,616 thousand (2008: LTL 4,405 thousand).

5. NET FOREIGN EXCHANGE (LOSS)/GAIN

Net foreign exchange (loss)/gain 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). In 2008 loan denominated in the USD dollar was issued in addition (note 14).

6. OTHER INCOME

	<u>2009</u>	<u>2008</u>
Interest income on short-term loans	17,865	8,491
Gain on disposal of property, plant and equipment	42	26
	<u>17,907</u>	<u>8,517</u>

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7. INCOME TAX

	<u>2009</u>	<u>2008</u>
Current income tax expense	49	68,808
Deferred income tax expense/(benefit)	7,812	(39,272)
	<u>7,861</u>	<u>29,536</u>

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:

	<u>2009</u>	<u>2008</u>
(Loss)/profit before tax	(18,047)	266,767
Tax calculated at a rate of 20% (2008:15%)	(3,609)	40,015
Effect of non taxable income and support granted	-	(385)
Effect of expenses not deductible for tax purposes	320	219
Effect of change in income tax rate	11,150	(10,313)
Total income tax expense	<u>7,861</u>	<u>29,536</u>

The effect of changed income tax rate arises from decrease in income tax rate from 20 per cent to 15 per cent with effect from year 2010 and increase in income tax rate from 15% to 20% for 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	Accounts receivable provision for impairment	Tax losses carried forward	Accrued charges	Total
At 1 January 2008	-	-	-	1,989	1,989
Recognized in profit or loss	38,240	-	-	1,032	39,272
At 31 December 2008	38,240	-	-	3,021	41,261
Recognized in the profit or loss	(38,168)	541	31,526	(1,711)	(7,812)
At 31 December 2009	72	541	31,526	1,310	33,449

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.

For the purpose of these financial statements, deferred tax assets were recognised on tax losses carried forward and 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.

8. BASIC AND DILUTED (LOSSES)/EARNINGS PER SHARE

	<u>2009</u>	<u>2008</u>
Net (loss)/profit attributable to shareholders	(25,908)	237,231
Weighted average number of ordinary shares in issue (thousand)	21,021	21,021
(Loss)/Earnings per share (LTL per share)	<u>(1.23)</u>	<u>11.29</u>

The Company has no dilutive potential ordinary shares; therefore the diluted earnings per share equal the basic earnings per share.

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(All tabular amounts in LTL thousand unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Vehicles and equipment	Other PP&E	Construction in progress	Total
At 1 January 2008						
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)
Transfers	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
Year ended 31 December 2009						
Opening net book amount	108,047	143,082	7,444	2,008	3,970	264,551
Additions	-	1,545	684	423	36,275	38,927
Disposals and write-offs	(536)	-	-	(20)	-	(556)
Transfers	2,768	15,329	-	422	(18,519)	-
Depreciation charge	(4,795)	(24,218)	(1,353)	(571)	-	(30,937)
Closing net book amount	105,484	135,738	6,775	2,262	21,726	271,985
At 31 December 2009						
Cost or indexed cost	201,372	416,267	17,747	12,058	21,726	669,170
Accumulated depreciation	(95,888)	(280,529)	(10,972)	(9,796)	-	(397,185)
Net book amount	105,484	135,738	6,775	2,262	21,726	271,985

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 303 thousand in 2009 (2008: LTL 298 thousand), recognised in profit or loss within administrative expenses.

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 271 thousand (2008: LTL 935 thousand). Annual revenues of LTL 84 thousand (2008: LTL 72 thousand) were earned and depreciation expenses of LTL 28 thousand (2008: LTL 77 thousand) were incurred.

LIFOSA AB
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

(All tabular amounts in LTL thousand unless otherwise stated)

10. INTANGIBLE ASSETS

	Computer software
At 1 January 2008	
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
Year ended 31 December 2009	
Opening net book amount	459
Additions	401
Disposals and write-offs	-
Amortisation charge	(255)
Closing net book amount	605
At 31 December 2009	
Cost	1,450
Accumulated amortisation	(845)
Net book amount	605

11. OTHER RECEIVABLES

The balance of non-current receivables comprises a long-term cash deposit of LTL 2,703 thousand (2008: LTL 2,559 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 17,326 thousand (2008: LTL 150 thousand).

12. INVENTORIES

	Finished goods	Raw materials	Work in progress	Semi-manufactures	Total
At 31 December 2008					
Cost	173,449	151,790	7,594	12,914	345,747
Write down to net realisable value	(97,697)	(81,530)	(4,433)	(7,539)	(191,199)
Net realisable value	75,752	70,260	3,161	5,375	154,548
At 31 December 2009					
Cost	47,409	28,778	1,765	1,914	79,866
Write down to net realisable value	(481)	-	-	-	(481)
Net realisable value	46,928	28,778	1,765	1,914	79,385

LIFOSA AB
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

(All tabular amounts in LTL thousand unless otherwise stated)

12. INVENTORIES (continued)

As at 31 December 2008, the Company recognised impairment loss of inventories. Finished goods were written-down 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 end of the reporting period will exceed the net realisable value of these finished goods. Therefore, main raw materials were measured at the market prices (excluding transportation) 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 end of the reporting period.

All inventories written down as at 31 December 2008 were used in the production and/or sold during 2009.

As at 31 December 2009, only the value of finished products (aluminium fluoride) was written down to net realizable value in connection with the stabilization of prices of finished products in the international markets.

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
31 December 2009	
Assets as per statement of financial position	
Non-current receivables	2,703
Trade and other receivables	81,193
Less: allowance for impairment of trade receivable	(3,640)
Loans granted	342,972
Cash and cash equivalents	34,393
	457,621
	Other financial liabilities
Liabilities as per statement of financial position	
Trade and other payables	47,843
	47,843
	Loans and receivables
31 December 2008	
Assets as per statement of financial position	
Non-current receivables	2,559
Trade and other receivables	122,938
Loans granted	359,764
Cash and cash equivalents	63,469
	548,730
	Other financial liabilities
Liabilities as per statement of financial position	
Trade and other payables	123,426
	123,426

The accounting policies and the notes on pages 9 to 31 form an integral part of these financial statements.

LIFOSA AB
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

(All tabular amounts in LTL thousand unless otherwise stated)

13. FINANCIAL INSTRUMENTS (continued)

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.

(b) Credit quality of financial assets

As of 31 December 2009, the Company had LTL 34,393 thousand of cash at bank, letters of credit, and short-term bank deposits (2008: LTL 63,469 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 2009, the Company had trade accounts receivable of LTL 75,687 thousand (2008: LTL 113,780 thousand) that were neither past due nor impaired. These receivables may be split into the following groups:

	<u>2009</u>	<u>2008</u>
Trade receivables neither past due nor impaired		
Receivables from related party Eurochem Trading GmbH	69,919	107,119
Receivables from external customers	5,768	6,661
	<u>75,687</u>	<u>113,780</u>

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 (except for in note 14).

14. LOANS GRANTED, TRADE AND OTHER RECEIVABLES

	<u>2009</u>	<u>2008</u>
Trade receivables, gross	81,193	122,938
Less: allowance for impairment of trade receivable	(3,640)	(305)
VAT tax receivable	12,944	40,437
Prepayments made to suppliers	9,034	1,572
Other receivables	628	1,216
	<u>100,159</u>	<u>165,858</u>
Short-term loans granted	342,972	359,764
	<u>443,131</u>	<u>525,622</u>

Currents loans in the table above include a loan of LTL 336,156 thousand (EUR 97,357 thousand) granted to the related party Eurochem A.M. Limited under the agreement signed on 15 July 2009. Accumulated interest amount to LTL to 6,816 thousand as at 31 December 2009. The repayment date of the loan is 15 July 2010. The loan bears interest rate of 5.0 per cent. Prior to the granting of the loan in Euro, a loan of LTL 349,654 thousand (USD 145,800 thousand) was repaid by JSC MCC EuroChem and interest of LTL 12,755 thousand was paid.

Information on 2008: 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.

LIFOSA AB
NOTES TO THE FINANCIAL STATEMENTS
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(All tabular amounts in LTL thousand unless otherwise stated)

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

	<u>2009</u>	<u>2008</u>
Trade receivables past due but not impaired		
Up to 3 months	1,866	4,497
3 to 6 months	-	4,356
	<u>1,866</u>	<u>8,853</u>

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 2010.

As of 31 December 2009, trade receivables of LTL 3,640 thousand (2008: LTL 305 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:

	<u>2009</u>	<u>2008</u>
Trade receivables impaired and provided for		
6 to 12 months	-	-
Over 12 months	3,640	305
	<u>3,640</u>	<u>305</u>

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

	<u>2009</u>	<u>2008</u>
At 1 January	305	294
Receivables written down during the year as uncollectible	3,316	-
Impact of changing foreign exchange rates	19	11
At 31 December	3,640	305

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 of financial assets within trade and other receivables do not contain impaired assets.

The carrying amounts of the Company's trade and other receivables are denominated USD amounts to LTL 72,469 thousand (2008: LTL 466,980 thousand). Other receivables are denominated in Euro and Lithuanian Litas.

15. CASH AND CASH EQUIVALENTS

	<u>2009</u>	<u>2008</u>
Cash in bank	862	1,937
Cash on hand	4	9
Time deposits	29,005	61,523
Letters of credit	4,522	-
	<u>34,393</u>	<u>63,469</u>

The carrying amount of the Company's cash and cash equivalents as at 31 December 2009 denominated in USD comprises LTL 13,702 thousand (2008: LTL 39,897 thousand).

LIFOSA AB
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

(All tabular amounts in LTL thousand unless otherwise stated)

16. SHARE CAPITAL

As at 31 December 2009 and 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 2009 and 2008.

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 727 thousand was credited to profit or loss in 2009 (2008: LTL 712 thousand) to off-set the depreciation of related assets.

18. TRADE AND OTHER PAYABLES

	<u>2009</u>	<u>2008</u>
Trade payables	37,373	106,210
Import VAT payable	3,270	17,552
Other payables and accrued charges	10,470	17,216
Amounts received in advance	77	1,009
Other taxes payable	505	311
Social security payable	1,948	1,811
	<u>53,643</u>	<u>144,109</u>

The carrying amount of the Company's trade and other payables as at 31 December 2009 denominated in USD comprises LTL 22,258 thousand (2008: LTL 94,863 thousand).

19. CASH FLOWS FROM OPERATING ACTIVITIES

	<u>2009</u>	<u>2008</u>
(Loss)/profit before tax	(18,047)	266,767
Adjustments for:		
Depreciation and amortisation (Notes 9, 10)	31,192	30,358
Write-off of inventory	971	52
Inventory valuation allowance (Note 12)	(190,718)	191,199
Interest income on short term deposits	(373)	(2,320)
Interest income on loans granted	(12,755)	(7,500)
Loss on disposal of property, plant and equipment, net	(42)	(26)
Unrealised foreign exchange loss	16,352	(48,909)
Changes in working capital:		
– trade and other receivables	52,770	55,169
– trade and other payables	(91,193)	83,094
– inventories	264,910	(282,142)
Cash from operating activities	<u>53,067</u>	<u>285,742</u>

There were no significant non-cash transactions during the years 2009 and 2008.

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

	<u>2009</u>	<u>2008</u>
Net book value (Notes 9, 10)	556	107
Gain on disposal of property, plant and equipment (Note 6)	42	26
	<u>598</u>	<u>133</u>

LIFOSA AB
NOTES TO THE FINANCIAL STATEMENTS
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(All tabular amounts in LTL thousand unless otherwise stated)

20. RELATED-PARTY TRANSACTIONS

The Company is controlled by Mineral and Chemical Company Eurochem (Russia), which owns 91.15% of shares of the Company. Linea Limited registered in Bermuda is the ultimate controlling parent. As at 31 December 2009, the main shareholder of Mineral and Chemical Company Eurochem, holding 95 per cent of shares of this company, was Mr. Andrey Melnichenko (ultimate controlling party).

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

The following transactions were carried out with related parties:

	2009		2008	
	Sales	Purchases	Sales	Purchases
OAo MXK „EuroChem“	-	-	-	35,235
Eurochem Trading GmbH	455,072	833	1,110,581	-
Harvester Shipmanagement Ltd	-	8,638	-	47,057
OAo Kavdorskiy GOK	-	329,881	8	709,739
OAo NAK Azot	-	84,638	-	90,228
UAB EuroChem Baltic Logistics	8	5,659	-	-
	455,080	429,649	1,110,589	882,259

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 EuroChem Baltic Logistics UAB) and sales of production (Eurochem Trading GmbH).

During 2009, the Company also granted loan to related party Eurochem A.M. Limited (Note 14).

Year-end balances of transactions with related parties:

	2009		2008	
	Receivables	Payables	Receivables	Payables
Eurochem Trading GmbH	70,533	-	107,119	-
Harvester Shipmanagement Ltd	-	942	-	219
OAo Kavdorskiy GOK	-	15,138	-	90,512
OAo NAK Azot	-	6,104	-	2,877
Eurochem A.M. Limited	342,972	-	359,764	-
UAB EuroChem Baltic Logistics	2	129	-	-
	413,507	22,313	466,883	93,608

The balances of receivables include receivables for production sold (Eurochem Trading GmbH) and short-term loan 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 and EuroChem Baltic Logistics UAB). For details on loan granted to EuroChem A.M. Limited see note 14 and interest income from loans granted Note 6.

Key management compensation

Based on management working regulations of the Company, top management and senior management employees are considered key management personnel. During 2009, the Company accounted for LTL 6,299 thousand (2008: LTL 6,117 thousand) of key management remuneration expenses, including salary expenses of LTL 2,672 thousand (2008: LTL 2,691 thousand), bonuses of LTL 2,133 thousand (2008: LTL 1,975 thousand) and social security expenses of LTL 1,494 thousand (2008: LTL 1,451 thousand). Average number of key management personnel was 10 in 2009 and 2008.

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NOTES TO THE FINANCIAL STATEMENTS
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(All tabular amounts in LTL thousand unless otherwise stated)

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 of Lithuania, 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 2,703 thousand as at 31 December 2009 (2008: LTL 2,559 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 2,703 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 2 – 4 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 end of the reporting period but not recognized in the financial statements amounted to LTL 13,136 thousand (31 December 2008: LTL 1,170 thousand).

Contingent tax liabilities

At the current time, the tax authorities conduct a complex tax audit at the Company for the period from 2004 to 2008. The Company's management is not aware of any circumstances that might result in a potential material liability in this respect. The complex tax audit is expected to be finalized on 31 May 2010.

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 2009 and 2008 is summarized in table below.

	2009	2008
Accumulated emission rights brought forward from prior years, tons	56,242	-
Emission allowances granted for year, tons	99,939	99,939
Actual emissions, tons	-	(838)
Emission allowances sold or transferred to third parties during the year, tons	(149,859)	(42,859)
Expired emission rights, tons	-	-
Remaining unused and unsold emission rights relating to prior periods carried forward, tons	6,324	56,242
Market value of the above emissions as at the balance sheet date, LTL thousand	269	3,000
Income from unused emission allowances sold, LTL thousand	6,098	2,473

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 2009 until 31 December 2009. All numbers in the report are given as of 31 December 2009, unless otherwise stated. In this report AB "Lifosa" is hereinafter referred to as the Entity, the Company or the Issuer.

2. The Issuer and its contact information

Title	"Lifosa" Public Limited Company
Legal status	Legal entity, Public Limited Company
The authorised capital	210,205,640 LTL
Date and place of registration	October 30, 1996, at the Register of Legal Entities of the Republic of Lithuania
Registration Certificate No.	025806
Enterprise Register Number	161110455
VAT identifier	611104515
Head-office address	Juodkiškio str. 50, LT-57502 Kėdainiai
Phone	(8-347) 66 483
Fax	(8-347) 66 166
E-mail	info@lifosa.com
Website	www.lifosa.com

The Company has no branches or representative offices.

3. The nature of the Issuer's principal activities

The Company mainly deals with production and wholesale of nitrogen-phosphorus fertilizers (diammonium phosphate), feed phosphates, and also aluminium fluoride. Interim products are sulphuric acid and wet-process phosphoric acid used in the production of the main products. Non-typical activities of the Company are generation and sales of electricity and thermal energy.

4. Agreements with the intermediaries of public trading in securities

AB "Lifosa" has a contract with financial brokerage firm AB FMJ Finasta (Maironio str. 11, Vilnius) on the administering of securities issued by the Company.

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

The ordinary registered shares of AB "Lifosa" are listed in the Supplementary Trading List of NASDAQ OMX Vilnius Stock Exchange. No trading of shares of the Company takes place in any other stock exchanges.

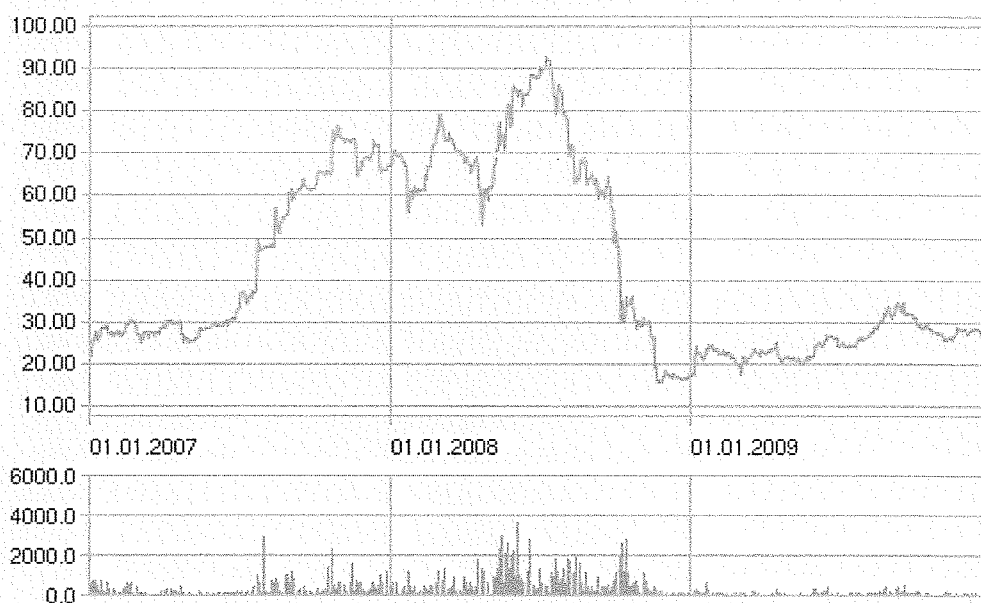
Main characteristics of the shares:

Type of shares	Ordinary registered shares
ISIN code	LT0000116691
Shortened name	LFO1L
Number of shares, in units	21 020 564
Nominal value, in LTL	10
Total nominal value, in LTL	210 205 640
The date of listing initiation	May 12, 1997

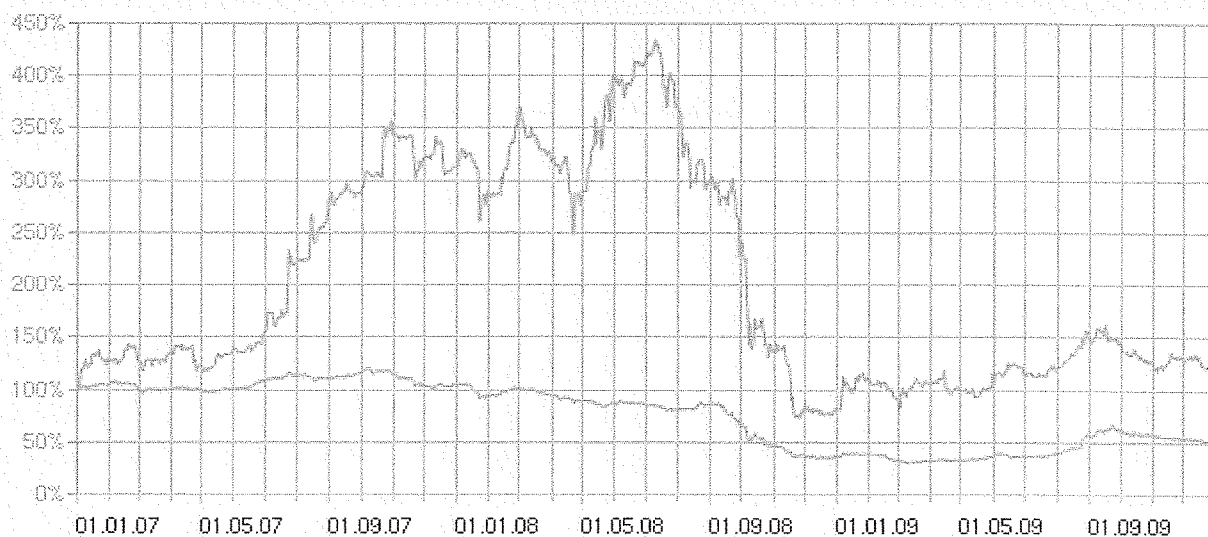
Classification under GICS:

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

Trading of AB "Lifosa" shares



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



Indeksas/Akcijos	01.01.2007	31.12.2009	+/-%
— OMX Vilnius	492,65	261,77	-46,86 ↓
-- LFO1L	21,40 LTL	27,78 LTL	29,81 ↑

6. Objective review of the Company's status, its performance and development; description of the main risks and uncertainties the Company is encountering

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.

The global economical crisis that started in 2008 and continued during 2009 affected the manufacturers of fertilizers as well. The trends of decrease in prices and demand of diammonium phosphate that initiated in the 2nd half-year of 2008 persisted through all the 1st half-year of 2009. The only market that remained active was India due to the effective system sponsorship system for purchase of fertilizers. In the traditional markets of Western Europe, Turkey and Brazil sales of diammonium phosphate was rather slack. Farmers reduced acquisition of fertilizers significantly, and importers of fertilizers sold their stock without ordering new shipments from manufacturers. The majority of producers of phosphate fertilizers decreased production volumes, some plants were temporarily closed.

Nevertheless the situation in the market of phosphate fertilizers became stable in the 3rd quarter of 2009, the decrease of prices stopped, and the demand and purchases of fertilizers started growing. The agricultural and food sectors producing the necessities remained almost unaffected by the crisis, therefore the fertilizers industry was among the first to experience the recovery trends. In the 4th quarter of 2009 an obvious tendency of increase in prices of diammonium phosphate was observed that encouraged manufacturers to regain the ordinary production volumes and enabled improvement of the financial results of 2009.

Assessment of the main risks and contravenes encountered by the Company

The phosphate fertilizer business is cyclic. Phosphate 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.

Overproduction may reduce fertilizer sale prices, and the Company's products then may become uncompetitive due to higher production costs, compared to the price offered by competitors. The major part of the production cost consists of the acquisition cost of the raw materials. Phosphates (apatite concentrate or phosphorite) are the main raw materials in phosphate fertilizer process, thus the least production costs are incurred by the manufacturers producing their own raw phosphates.

Poor climate conditions (e.g., 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 not only into new equipment, but also by implementing modern technologies, by improving production processes, which enables reducing fixed costs, saving raw materials and energy consumption. The major part of raw materials is obtained from the subsidiaries of the key shareholder MCC EuroChem. When raw materials are purchased from third parties, several independent suppliers are selected. 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.

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. In 2009 the Audit Committee was elected and its main functions are as follows: to review the processes of the Company's activities, financial accountability and auditing, their compliance with the legal acts; to provide the Board with recommendations concerning the efficiency of the internal control at the Company and improvement of the risk management.

Financial risks encountered by the Company and management thereof are described in the explanatory notes of the audited financial statements.

7. Result analysis of the financial and non-financial activities

Key activity indicators:	2007	2008	2009
Income from sales, in thousand of LTL	921,648	1,748,778	838,798
Cost of sales, in thousand of LTL	578,022	1,486,208	802,696
Gross profit, in thousand of LTL	343,626	262,570	36,102
<i>Gross profit margin, %</i>	37	15	4
Operating profit, in thousand of LTL	267,748	264,447	-18,420
<i>Operating profit margin, %</i>	29	15	-2
Profit before tax, in thousand of LTL	270,065	266,767	-18,047
<i>Profit before tax margin, %</i>	29	15	-2
Net profit, in thousand of LTL	221,102	237,231	-25,908
<i>Net profit margin, %</i>	24	14	-3
EBITDA, in thousand of LTL	298,423	297,125	12,772
<i>EBITDA margin, %</i>	32	17	2
Return on equity (ROE), %	36	28	-3
Return on assets (ROA), %	31	23	-3
Debt-equity ratio	0,17	0,24	0,07
Total liquidity ratio	4,66	3,77	10,38
Immediate cover ratio	4,01	2,99	8,9
Net coverage index	1,76	0,32	0,64
Profit per share, in LTL	10,52	11,29	-1,23
Stock market share prices end-of-period, in LTL	67,00	17,44	27,78
P/E	6,37	1,54	-22,59
Income per employee, in thousand of LTL	904	1,744	847

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

During the year 2009 the Company produced 908,191 tons of diammonium phosphate i.e. 14.9 percent more compared to the year 2008 (790,300 tons). The Company produced 42,500 tons of feed phosphates (only monocalcium phosphate was produced), i.e. 31.4 percent less compared to the year 2008 (61,925 tons). In 2009 the production capacity of sulphuric acid and phosphoric acid was completely exploited. In 2009 1,156,000 tons of sulphuric acid were produced, i.e. 10 percent more than in 2008 (1,051,400 tons); 440,300 tons of phosphoric acid were produced, i.e. 10.6 percent more than in 2008 (398,050 tons).

The Company also generates electricity, which is first of all used for own process needs, and the surplus amount is sold to other companies. During 2009 270,756 thousand kWh of electricity were generated, i.e. 13.8 percent more than in 2008 (237,850 thousand kWh). Power generation increased due to increased manufacture of sulphuric acid and the 6,1 MW turbo generator that generated electricity all year long (the 6,1 MW turbo generator was launched in June, 2008 and generated electricity for 7 months).

Income from basic operations amounted to 838,798 thousand of LTL and decreased by 52 percent compared to the year 2008 (1,748,778 thousand of LTL).

Such a decrease mainly resulted from reduced prices of diammonium phosphate in the global market. The average price of diammonium phosphate sold by the Company in 2009 decreased by 63 percent compared to the average price in 2008, though sales volumes of fertilizers increased by 20.6 percent compared to year 2008. Income from product sales (diammonium phosphate, feed phosphates, aluminium fluoride, sulphuric and phosphoric acids) amounted to 818,098 thousand of LTL (1,712,305 thousand of LTL in 2008). Income from sales of diammonium phosphate amounted to 743,848 thousand of LTL (1,533,149 thousand of LTL in 2008), i.e. 88.7 percent of the total income (87.7 percent in 2008). Income from sales of feed phosphates amounted to 58,820 thousand of LTL (152,754 thousand of LTL in 2008), or 7 percent of the total income (8.7 percent in 2008).

Sales volumes of diammonium phosphate, in tons:

	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	TOTAL
2009	255 887	197 123	226 309	230 907	910 226
2008	193 122	224 732	215 234	121 764	754 852
Change %, 2009/2008	132,5	87,8	105,1	189,6	120,6

The cost of sales amounted to 802,696 thousand of LTL, and decreased by 46 percent compared to the year 2008 (1,486,208 thousand of LTL). The decrease of cost was due to decreased consumption of the raw materials and other materials (by 47 percent): from 640,924 thousand of LTL in 2009 to 1,215,255 thousand of LTL in 2008. The price of raw phosphates, which most affected the decrease of the raw materials costs, decreased from 748.95 LTL/t in 2008 to 419.87 LTL/t in 2009.

In 2009 the geographical area of sales of the Company basically remained the same as in 2008: the main market for sale of phosphate fertilizers remained the region of Asia (India and Pakistan). Sales volume in tons to the region of Asia constituted 49.4 percent of the total sales (55.4 percent in 2008), sales in Europe made up 38.9 percent (33.2 percent in 2008), sales in America made up 0.4 percent (8.1 percent in 2008), and the remaining 11.3 percent of products were sold in Africa (3.3 percent in 2008).

Feed phosphates are sold only to European market; in 2009 44,131 tons of monocalcium phosphates were sold (60,191 tons in 2008).

During the reporting period 89,160 thous. kWh of electricity were sold, i.e. 26.6 percent more than in 2008 (70,401 thous. kWh).

Investments

In 2009 capital investment amounted to 39,328 thousand of LTL. The main investment projects implemented in 2009 were "Increase of Production Efficiency at AB "Lifosa" and Implementation of Innovative Technologies by Updating the Manufacture process of Feed Phosphates" (investment value amounted to 18,667 thousand of LTL), and "Installation of the Conveyor in the Phosphoric Acid Plant" (investment value amounted to 2,966 thousand of LTL). Both investment projects will be finalised in 2010. Amortisation deductions amounted to 31,192 thousand of LTL in 2009.

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 the previous financial year

On February 18, 2010 the Agreement on Sale and Purchase of Shares was concluded, after which the main shareholder of the Company "EuroChem Mineral and Chemical Company" OJSC increased the amount of directly owned shares and voting rights to 92.23 percent.

11. Planned and forecasted activities of the Company

The year 2010 is supposed to be more favourable for the manufacturers of the phosphate fertilizers compared to 2009. In 2010 the Company will strive to completely exploit the available process capacities of sulphuric and phosphoric acids, to produce and sell 836 thousand tons of diammonium phosphate and app. 79 thousand tons of feed phosphates. If the average price of the main product diammonium phosphate amounts to ~ 400 USD/t, in 2010, the estimated income of the Company will be ~ 900 mill. of LTL in 2010.

The changes in prices of raw materials will depend on the trends of prices of phosphate fertilizers: the larger production of phosphate fertilizers causes increased demand of the raw materials (raw phosphates, ammonia, and sulphur) and usually underlies increase of the prices of raw materials. Besides, the increasing prices of raw materials enhance expectations of the sellers with regard to higher prices of their products, thus the pressure on buyers to pay more for raw materials becomes stronger.

In 2010 the Company plans to invest 88 mills. of LTL into the fixed assets.

12. Structure of the Issuer's authorized capital

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

13. Stock transfer restrictions

There are no restrictions regarding transfer of the shares.

14. Shareholders

On December 31, 2009 the total number of the shareholders amounted to 2,044.

The shareholders who have owned or controlled more than 1 percent of the Company's authorized capital as of 31 December 2009 are listed below:

Name, registered office, and enterprise register code of the company	Number of ordinary registered shares owned by the shareholder	Share of the authorised capital, in percentage	Share of the authorised capital, in percentage	Directly and indirectly available voting share, percent
Eurochem, Mineral and Chemical Company Joint Stock Ul. Dubinskaja dom 53, strojenije 6, 115054 MOSC, Moscow, Russia 102770002659	19,160,229	91,15	91,15	94,8
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	1,08

15. Shareholders holding the 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

At the end of 2009 the number of the Company's employees amounted to 989. The average employee age is 45.9 years. During the year 2009 employment relationship ended with 33 employees. The Company allocated funds for improvement of the employees' skills and qualification training. 85 thousand of LTL were spent for the employees training in 2009; 452 employees were trained in 2009.

Average number of employees:	2006	2007	2008	2009
Managers	116	117	119	120
Specialists	80	78	77	76
Workers	842	824	807	794
Total	1 038	1 019	1 003	990

Average monthly salary, in LTL:	2006	2007	2008	2009
Managers	4 669	6 669	7 846	8 118
Specialists	3 005	3 557	4 324	4 706
Workers	2 087	2 729	3 592	3 991
Total	2 444	3 273	4 151	4 580

Grouping of the personnel according to the educational background:	2006	2007	2008	2009
Personnel with university education	170	176	180	178
Personnel with special secondary education	213	201	192	186
Personnel with secondary education	526	514	524	526
Other	129	128	103	99
Total	1 038	1 019	999	989

Environmental Protection

In 2009 stationary sources (process installations) emitted to 2,182.6 tons (1,929 tons in 2008) of pollution to the atmosphere. Sulphur dioxide emissions (SO₂) amounted to 89%, nitrogen oxides - 2.4 %, dust - 4.5%, gaseous fluoride compounds - 0.82% of the total pollutants. Compared to the year 2008 emissions increased by 253,6 tons due to the enlarged yield.

2,032 thous. m³ of sewage was emitted to the Obelis river, i.e. ~ 170 thous. m³ less than in 2008. During the year 622 tons of pollutants were emitted with wastewater.

In 2009 the comparative emissions (kg/t of product) to the atmosphere and water did not change and remained at the same level.

During the reporting year the Company declared 18,447 tons of non-hazardous waste (sludge, silica gel, iron scrap, construction waste), and more than 2 million tons of by-product phosphate gypsum was disposed in the Company's landfill. During the year 1,297 t of the used batteries electrolytes were accepted, and 9.7 t of other hazardous waste was delivered to waste handlers.

During 2009 the Company paid 1,042 thousand of LTL pollution taxes, i.e. 168 thousand of LTL more than in 2008. No fines or claims were received.

19. Procedure of amending the Statutes of the Issuer

The Statute can be amended in accordance with the Law on Companies of the Republic of Lithuania. The Statute can be amended only by the resolution of the General Meeting of the shareholders, taken under the majority of votes – more than 2/3 of votes. The amended Statute is valid only after it has been registered at the Register of Legal Entities according to the procedure established by the law.

20. Bodies of the Issuer

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.

Members of the Board of the Company

Name	Position	Share of the capital / votes available, in percentage
The Board		
Aleksandras Tugolukovas	The Chairman	-
Valerijus Rogalskis	Member	-
Stanislavas Duriaginas	Member (up to 29/04/2009)	-
Andrejus Popovas	Member (from 29/04/2009)	-
Jonas Dastikas	Member	0,1118
Regvita Ivanovienė	Member	0,0049

The beginning date and the end date of the term of office of members of the company's Board

Name	Start date of the office term	End date of the office term
Aleksandras Tugolukovas	25/04/2008	April, 2012
Valerijus Rogalskis	25/04/2008	April, 2012
Stanislavas Duriaginas	25/04/2008	29/04/2009
Andrejus Popovas	29/04/2009	April, 2012
Jonas Dastikas	25/04/2008	April, 2012
Regvita Ivanovienė	25/04/2008	April, 2012

Head of the Company, Chief Financial Officer

Name	Position	Share of the capital / votes available, in percentage
Jonas Dastikas	Managing Director	0,1118
Regvita Ivanovienė	Finance Manager	0,0049

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 Financial Officer.

Information about the remuneration awarded to the main Management is presented in Note 20 of the Notes to the Financial Statements.

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" basically complies with the principles of the Code of Corporate Governance approved by NASDAQ OMX 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 approved by NASDAQ OMX Vilnius Stock Exchange for listed companies, after the end of reporting year 2009. 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.

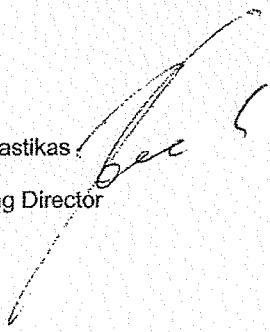
24. Information on the transactions between the related parties

Information on the related persons is presented in item 20 of the explanatory notes of the audited Financial Statement of 2009.

25. Data on the publicly announced information

In the period from 2009-01-01 to 2009-12-31 AB "Lifosa" reported publicly the announcements via NASDAQ OMX Vilnius Stock Exchange. For the content of public announcements, please visit the website of NASDAQ OMX Vilnius Stock Exchange: <http://www.baltic.omxgroup.com/market/?pg=news>.

Jonas Dastikas
Managing Director



April 8, 2010

Disclosure form concerning the compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius

The public company „Lifosa“, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	<p>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 maintained its position in the world markets while increasing fertilizer production rates and implementing the sales performance strategies.</p>
<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	<p>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 employees during the Annual Meetings. Every year the Company arranges the Open</p>

		<p>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 surveys of the Company's clients and the Buyers are carried out annually aiming to know their opinion about the quality of the products produced by the Company and to improve the means of communication with the clients. 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.</p>
<p>Principle II: The corporate governance framework</p> <p>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.</p>		
<p>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.</p>	<p>No</p>	<p>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 review of the Company's performance, accountability and control is secured by the Board while analyzing 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. In 2009 the Audit Committee was elected, its main functions are as follows: review the processes of the Company's activities, financial accountability and auditing, compliance with the legal acts; provide the Board with recommendations concerning the efficiency of the internal control at the Company and improvement of the risk management.</p>
<p>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.</p>	<p>No</p>	<p>See the comments of the item 2.1</p>
<p>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.</p>	<p>No</p>	<p>See the comments of the item 2.1</p>

<p>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 that does not contradict the essence and purpose of this body.¹</p>	<p>No</p>	<p>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.</p>
<p>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</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Not applicable</p>	<p>The Articles of Association do not state the set up of the Supervisory Board.</p>
<p>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.</p>	<p>Yes</p>	<p>The Chairman of the Company's Board is not and never was the Head of the Company.</p>

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.

<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined 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. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	<p>Yes</p>	<p>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, elected in 2009, is formed of the members having the required diversity of higher education and work experience, therefore it is considered, that they have competent authority, knowledge and experience in the fields of audit, accountability and finance. The Remuneration Committee is not formed at the Company.</p>

<p>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.</p>	No	<p>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 planned nor included in the enterprise documents and is not conducted within the Board.</p>
<p>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 number of independent members.</p>	No	<p>Based on the data available as of 31 December 2009, one shareholder holds directly 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.</p>
<p>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:</p> <ol style="list-style-type: none"> 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); 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 	No	<p>See the comments of the item 3.6.</p>

<p>(inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>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;</p> <p>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;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>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.</p>		
<p>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.</p>	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 holding the portfolio therefore the independence notion is not defined.
<p>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.</p>	Not applicable	See the comments of the item 3.8.

<p>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.</p>	<p>Not applicable</p>	<p>See the comments of the item 3.8.</p>
<p>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.³. The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>Not applicable</p>	<p>See the comments of the item 3.8.</p>
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>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 monitoring⁴ of the company's management bodies and protection of interests of all the company's shareholders.</p>		
<p>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.</p>	<p>Yes</p>	<p>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, avoiding the conflicts of the interests.</p>
<p>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).</p>	<p>Yes</p>	<p>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.</p>

<p>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 half⁵ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	<p>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 as per Articles of Association. The resolutions are taken in accordance with the provisions of the Law on Companies.</p>
<p>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 bodies⁶. 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. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department,</p>	<p>Yes</p>	<p>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. The Remuneration Committee is not formed and consulting services are not exercised.</p>

<p>executive directors or collegial management organs of the company concerned.</p>		
<p>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.</p>	<p>No</p>	<p>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 and remuneration committee. The Company's Board elects and nominates the Head of the Company and also defines the remuneration to be paid him and other directors. The Board 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.</p> <p>As mentioned above, in 2009 the Company formed the Audit Committee composed of three members, one of them being an independent member.</p>
<p>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 exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. 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 move it to the committees. The collegial body itself remains fully responsible for the decisions taken in its field of competence.</p>	<p>Yes</p>	<p>The regulations of the audit committee specify the presentation of recommendations concerning the selection, nomination and withdrawal of the external audit company also briefing on the significant internal control drawbacks associated with the financial reports and accountability control established by the external and internal audit as well as presentation of recommendations concerning correctional actions.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In</p>	<p>No</p>	<p>The Company partially observes this recommendation as the audit committee is composed of three members. Only one</p>

<p>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 committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>		<p>member may act as consulting director, because he is not an employee at the Company. Committee members' rotary problem is not topical for the Company so far.</p>
<p>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.</p>	<p>Yes</p>	<p>The regulations for the audit committee activities were approved by the general shareholders' meeting. Committee shall report on its activities to the board and the meeting.</p>
<p>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.</p>	<p>Yes</p>	<p>Board members do not participate in the meetings, except when audit committee decides to invite them. Under demand, the Company shall take care that the chairman could maintain direct communication with the shareholders.</p>

<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> 1) 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; 2) 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; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. <p>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.</p>	<p>Not applicable</p>	<p>The Nomination Committee is not formed at the Company.</p>
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> 1) 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; 2) 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; 3) Ensure that remuneration of individual executive director or member of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) Periodically review the remuneration policy for executive 	<p>Not applicable</p>	<p>The Remuneration Committee is not formed at the Company.</p>

<p>directors or members of management body, including the policy regarding share-based remuneration and its implementation;</p> <p>5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>6) 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);</p> <p>7) Make general recommendations to the executive directors 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.</p> <p>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:</p> <p>1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>3) 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.</p> <p>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.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general shareholders meeting for this purpose.</p>		
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<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ol style="list-style-type: none"> 1) 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); 2) 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; 3) 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; 4) 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; 5) 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 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; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. <p>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.</p> <p>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</p>	<p>Yes</p>	<p>Actually, the recommendations of this principle are specified in the regulations of the audit committee or in legal acts.</p> <p>Implementation of the recommendation 4.17.4. to report to the collegial body is restricted, because in such a case the Company's audit committee should have to report to the body it was elected by, i.e. to the general shareholders' meeting.</p>
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<p>with any relevant person without executive directors and members of the management bodies present.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>		
<p>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.</p>	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.

<p>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.</p>	<p>Yes</p>	<p>This recommendation is included into the Company's Board rules and regulations and it is observed.</p>
<p>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.</p>	<p>Yes</p>	<p>The meetings of the Company's collegial body - the Board – are carried out according to the approved schedule, usually monthly.</p>
<p>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.</p>	<p>Yes</p>	<p>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.</p>

<p>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.</p>	<p>No</p>	<p>The Company does not observe this recommendation as only one collegial body – the Board is set up.</p>
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>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.</p>		
<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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' meeting.⁷ 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.</p>	<p>No</p>	<p>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 Association.</p>
<p>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.</p>	<p>Yes</p>	<p>The venue, date and time for the Company's meetings are agreed so to ensure equal opportunities for 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.</p>

<p>6.5. If possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended, that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but also in English and/or other foreign languages in advance.</p> <p>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 Lithuanian, 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.</p>	<p>Yes</p>	<p>The Company places on the publicly accessible website and on the Stock Exchange website system the agenda and draft resolutions of the shareholders meeting in Lithuanian and English languages and also already adopted resolutions of the shareholders meeting also in both the languages.</p>
<p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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 electronic means of communications. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>No</p>	<p>The Company does not observe this recommendation as it does not have yet the technologies available to ensure the security of transmitted information and has not got yet such kind of suggestions on the side of the shareholders to watch the meeting using modern technologies.</p>

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.

<p>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.</p>	<p>Yes</p>	<p>This recommendation is obligatory to the members of the Company’s management body under the guidance of the Company’s documents.</p>
<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	<p>This recommendation is obligatory to the members of the Company’s management body under the guidance of the Company’s documents.</p>

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.

<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.</p>	<p>No</p>	<p>The Company does not make a public statement on the company's remuneration policy.</p>
<p>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.</p>	<p>Not applicable</p>	<p>See the comments of the item 8.1</p>
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods applied in order to determine whether assessment criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) A description of the main characteristics of supplementary pension or early retirement schemes for 	<p>Not applicable</p>	<p>See the comments of the item 8.1</p>

directors; 13) Remuneration statement should not include commercially sensitive information.		
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. 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 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.	No	The Company makes a remuneration statement on the total remuneration paid to the Head and senior Management of the Company 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 and is not to be disclosed publicly.

8.5.1. The following remuneration and/or emoluments-related information should be disclosed:

- 1) 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;
- 2) The remuneration and advantages received from any undertaking belonging to the same group;
- 3) 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;
- 4) 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;
- 5) 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;
- 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the points 1-5.

8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:

- 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;
- 2) 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;
- 3) 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;
- 4) All changes in the terms and conditions of existing share options occurring during the financial year.

8.5.3. The following supplementary pension schemes-related information should be disclosed:

- 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;
- 2) 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.

8.5.4. 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.

8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component (s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance assessment criteria are not met.	Yes	The Company observes this recommendation.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable assessment criteria.	Yes	The Company observes this recommendation.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Yes	The Company observes this recommendation.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	No	In a case indicated in this recommendation it is possible to reclaim remuneration, applying the legal liability.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.		During the year 2009 the Company did not terminate any employment agreement with the executive directors so the termination payments were not paid.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Not applicable	See the comments of the item 8.10.
8.12. 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	See the comments of the item 8.1.
8.13. Shares should not vest for at least three years after their award.	Not applicable	The remuneration schemes mentioned in this recommendation are not applied in the Company.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	See the comments of the item 8.13.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	See the comments of the item 8.13.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Yes	The Company observes this recommendation.

<p>8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.</p>	<p>No</p>	<p>Information with regard to the venue and agenda of the shareholders meetings is announced following the existing Laws. Company observes the uniform policy for all the shareholders therefore institutional shareholders are not encouraged and/or agitated to attend and vote at the meetings.</p>
<p>8.18. 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.</p>	<p>No</p>	<p>See the comments of the item 8.1.</p>
<p>8.19. 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.</p>	<p>Not applicable</p>	<p>The remuneration schemes mentioned in this recommendation were not applied in the Company.</p>
<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ol style="list-style-type: none"> 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) 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. 	<p>Not applicable</p>	<p>See the comments of the item 8.19.</p>
<p>8.21. 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.</p>		

<p>8.22. Provisions of Articles 8.19 and 8.20 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.</p>		
<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, 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.</p>		
<p>Principle IX: The role of stakeholders in corporate governance</p> <p>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.</p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>	<p>Yes</p>	<p>See the comments of the item 9.1.</p>
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>	<p>Yes</p>	<p>See the comments of the item 9.1.</p>

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.

<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>10.2. It is recommended to the company, which is the parent of other companies, 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.</p> <p>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.</p> <p>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.</p>	<p>Yes</p>	<p>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 arranged 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 announcing it through the internal information systems of the Company, accessible to all the employees.</p>
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<p>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.</p>	<p>Yes</p>	<p>The Company announces the information via Central regulated information data basis both in Lithuanian and English languages simultaneously before or after a trading session on NASDAQ OMX Vilnius Stock Exchange.</p>
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge 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.</p>	<p>Yes</p>	<p>The information on the Company's website is announced in Lithuanian, English and Russian languages.</p>
<p>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.</p>	<p>Yes</p>	<p>All the information described in this recommendation is placed on the Company's website.</p>
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements</p>	<p>Yes</p>	<p>An independent firm of auditors conducts the audit of the Company's annual financial statements and the review of the Annual Report.</p>
<p>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.</p>	<p>Yes</p>	<p>The Company's Board proposes a candidate firm of auditors to the general shareholders' meeting.</p>
<p>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.</p>	<p>Not applicable</p>	<p>The firm of auditors does not render non-audit services to the Company and no fees of this kind were paid to the firm.</p>