

LIFOSA AB  
INTERIM FINANCIAL STATEMENT  
FOR THE PERIOD JANUARY-JUNE 2008

**LIFOSA AB**  
**FINANCIAL STATEMENTS**  
**30 JUNE 2008**

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

**INCOME STATEMENT**

	Notes	April 01 - June 30		January 01 - June 30	
		2008	2007	2008	2007
Sales	1	558 726	178 332	889 786	335 594
Cost of sales	2	(313 118)	(117 795)	(525 376)	(249 547)
<b>Gross profit</b>		<b>245 608</b>	<b>60 537</b>	<b>364 410</b>	<b>86 047</b>
Selling and distribution costs	3	(6 753)	(5 258)	(15 888)	(15 002)
Administrative expenses	4	(9 410)	(4 838)	(15 716)	(9 291)
Other activities, net		(196)	154	247	217
<b>Operating profit</b>		<b>229 249</b>	<b>50 595</b>	<b>333 053</b>	<b>61 971</b>
Financial income(loss), net	5	658	(429)	(20 570)	(1 985)
<b>Profit before tax</b>		<b>229 907</b>	<b>50 166</b>	<b>312 483</b>	<b>59 987</b>
Income tax	6	(34 373)	(8 921)	(46 664)	(10 777)
<b>Net profit</b>		<b>195 534</b>	<b>41 245</b>	<b>265 819</b>	<b>49 210</b>
Basic and diluted earnings per share (LTL per share)		9.30	1.96	12.65	2.34

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

  
Jonas Daktikas  
General director

  
Nijole Kalinauskienė  
Chief Accountant

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**BALANCE SHEET**

	Notes	As at June 30	
		2008	2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	257 837	240 531
Intangible assets	7	546	264
Deferred tax assets			-
Long term guarantee		1 432	679
Other receivables		2 698	2 619
		1 198	3 883
		<b>263 711</b>	<b>247 977</b>
<b>Current assets</b>			
Inventories	9	219 585	76 622
Trade receivables	10	20 021	10 104
Accounts receivable from related parties		330 048	117 674
Prepayments and other current assets	11	134 515	15 542
Short-term financial assets		12 208	13 905
Cash and cash equivalents	13	58 048	7 876
Accounts receivable from EU structural funds		-	778
		<b>774 425</b>	<b>242 501</b>
<b>Total assets</b>		<b>1 038 136</b>	<b>490 478</b>
<b>EQUITY</b>			
Share capital	14	210 206	210 206
Share premium		80	80
Legal reserve		21 021	12 735
Retained earning		647 396	217 972
<b>Total equity</b>		<b>878 703</b>	<b>440 993</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	18 589	12 433
Accounts payable to related parties		17 593	10 424
Other payables		117 675	20 979
Grants	12	5 576	5 649
<b>Total liabilities</b>		<b>159 433</b>	<b>49 485</b>
<b>Total equity and liabilities</b>		<b>1 038 136</b>	<b>490 478</b>

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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	notes	Share capital	Share premium	Own shares	Legal reserve	Retained earning	Total
<b>Balance as at 31 December 2006</b>		210 206	80		10 873	170 623	391 782
Transfer to legal reserve					1 861	(1 861)	
Net profit for the period						49 210	49 210
<b>Balance at 30 June 2007</b>	19	210 206	80	-	12 734	217 972	440 993
Transfer to legal reserve			-	-			
Net profit for the period						171 791	171 891
<b>Balance at 31 December 2007</b>	19	210 206	80	-	12 734	389 864	612 884
Transfer to legal reserve					8 287	(8 287)	
Net profit for the 1st 6 m 2008	19					265 818	265 818
<b>Balance at 30 June 2008</b>		210 206	80	-	21 021	647 396	878 703

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**CASH FLOW STATEMENT**

	For the six month period ended on 30 June	
	2008	2007
<b>Cash flows from operating activities</b>		
Profit before tax	312 483	59 987
Adjustments for:		
Depreciation and amortisation	15 130	13 392
Unrealised foreign Exchange loss/(gain)	(21 923)	(2 874)
Loss (profit) on disposal of property, plant and equipment, net	(8)	0
Changes in working capital	(232 015)	(63 599)
Income tax paid	(3 590)	(5 097)
<b>Net cash from operating activities</b>	<b>70 077</b>	<b>1 809</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(21 266)	(19 592)
Proceeds from the sales of property, plant and equipment	8	148
Proceeds from sale of associate company	-	0
<b>Net cash used investing activities</b>	<b>(21 258)</b>	<b>(19 444)</b>
<b>Cash flows from financing activities</b>		
Interest income	1 353	859
<b>Net cash from financing activities</b>	<b>1 353</b>	<b>859</b>
<b>Net increase in cash and cash equivalents</b>	<b>50 172</b>	<b>(16 776)</b>
<b>Movement in cash and cash equivalents</b>		
At beginning of year	7 876	24 652
Net increase	50 172	(16 776)
Cash and cash equivalents at end of the period	58 048	7 876

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**COMMENTARY ON THE FINANCIAL STATEMENTS**

**General information**

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

Juodkiskio 50  
LT-57502 Kėdainiai  
Lithuania

The Company's shares are listed on the Current trading list of the Vilnius Stock Exchange. The Company's principal activity is the production of phosphate fertilisers, mainly diammonium phosphate (DAP). As at 30 June 2008 the main shareholders of the Company were as follows:

<i>Shareholder</i>	<i>Number of shares</i>	<i>Percentage of shares</i>
JSC Mineral Chemical Company "Eurochem"	19 160 229	91,15%
Eurochem A.M. Limited	767,250	3,65%
Sagitarius International Limited	226,909	1,08%
Other shareholders	866,176	4,12%
	<u>21,020,564</u>	<u>100%</u>

The average number of staff employed by the Company in 30 June 2008 totalled 1004 (2007 m. – 1020).

**Basis of preparation**

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

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

**Property, plant and equipment**

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

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

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

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

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**Intangible assets**

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

**Inventories**

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

**Trade and other amounts receivable**

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

**Cash and cash equivalents**

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

**Share capital**

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

**Legal reserve**

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

**Trade payables**

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

**Income tax**

In accordance with the Lithuanian Law on Corporate Profit Tax, the current income tax rate is 15% on taxable income. Expenses related to taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian regulatory legislation on taxes. Income tax rate valid for 2008 and 2007 is 15%.

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

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**Revenue recognition**

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

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

**Earnings per share**

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

**Segment reporting**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**1.SALES**

	<b>June 30 2008</b>	<b>June 30 2007</b>
Diammonium phosphate sales	780 984	279 721
Monocalcium phosphate	74 566	31 547
Aluminium fluoride	12 793	10 907
Phosphoric acid	359	5 185
Monodicalcium phosphate	-	-
Sulphuric acid	556	1 125
Other sales	20 528	7 109
	<b>889 786</b>	<b>335 594</b>

**Segment reporting**

*Primary reporting format – business segments*

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

*Secondary reporting format – geographical segments*

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



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	Sales		Total assets		Capital expenditure	
	January-June	2007	30 June		January-June	2007
	2008		2008	2007	2008	2007
Lithuania	76 805	39 216	774 425	490 478	20 050	18 968
France	84 715	14 255				
Germany	37 144	19 454				
The Netherlands	20 453	24 971				
Ireland	14 881	10 023				
Poland	39 009	22 253				
Czech Republic	8 752	7 682				
Romania	5 869	5 479				
Hungary	22 854	4 680				
Belgium	7 700	7 004				
Cameroon	-	6 020				
Brazil	84 897	-				
Ethiopia	37 697	72 545				
India	352 168	-				
Tajikistan	4 650	3 207				
Spain	17 263	4 207				
Ukraine	9 878	4 215				
Great Britain	10 500	17 029				
Ivory Coast	-	6 937				
Argentina	30 554	30 098				
Turky	-	32 165				
Portugal	16 493	-				
Other countries	7 504	4 154				
	<b>889 786</b>	<b>335 522</b>	<b>774 425</b>	<b>490 478</b>	<b>20 050</b>	<b>18 968</b>

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

Analysis of sales by category:

	June 30	June 30
	2008	2007
Sales of goods	869 257	328 616
Sales of raw materials	17 875	4 520
Services rendered	2 654	2 458
	<b>889 786</b>	<b>335 594</b>

**2. COST OF SALES**

	June 30	June 30
	2008	2007
<i>Costs:</i>		
Diammonium phosphate	458 197	209 508
Monocalcium phosphate	43 779	22 418
Aluminium fluoride	10 016	9 436
Phosphoric acid	168	3 675
Sulphuric acid	378	759
Other products	12 838	3 751
	<b>525 376</b>	<b>249 547</b>

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**3. SELLING AND DISTRIBUTION COSTS**

	June 30 2008	June 30 2007
Shipping costs	6 981	5 497
Inspecting and certification costs	755	326
Freight	3 466	5 822
Loading and forwarding costs	4 579	3 349
Other distribution expenses	107	8
	<b>15 888</b>	<b>15 002</b>

**4. ADMINISTRATIVE EXPENSES**

	June 30 2008	June 30 2007
Employee benefits	6 682	4 979
Social insurance	2 080	1 577
Provisions for salaries	-	-
Tax (other than income tax)	1 040	1 083
Depreciation and amortization	441	554
Insurance	86	281
Security	408	358
Telecommunications	205	221
Deferrals	1 483	-
Other administrative expenses	3 291	238
	<b>15 716</b>	<b>9 291</b>

**5. FINANCE EXPENCES**

	June 30 2008	June 30 2007
Interest income	1 353	766
Costs of exchange operations	-	-
Unrealised foreign Exchange (loss).net	(21 923)	(2 874)
	<b>(20 570)</b>	<b>(2 108)</b>

**6. INCOME TAX**

	June 30 2008	June 30 2007
Current tax for the period	46 664	9 168
Current social tax for the period	-	1 609
Deferred tax	1 432	679
	<b>48 096</b>	<b>11 456</b>

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**7. INTANGIBLE ASSETS**

	<b>Software</b>
<b>At 31 December 2006</b>	
Cost	600
Accumulated amortization	(305)
Net book amount	295
<b>At 30 June 2007</b>	
Opening net book amount	295
Additions	22
Disposals and write-off	3
Amortisation charge	50
Closing net book amount	264
<b>At 30 June 2007</b>	
Cost	619
Accumulated amortization	355
Net book amount	264
<b>At 30 June 2008</b>	
Opening net book amount	650
Additions	18
Disposals and write-off	-
Amortisation charge	122
Closing net book amount	546
<b>At 30 June 2008</b>	
Cost	1135
Accumulated amortization	494
Net book value	546

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**8. PROPERTY, PLANT AND EQUIPMENT**

	Buildings	Plant and machinery	Vehicles and equipment	Other tangible assets	Construction in progress	Total
<b>At 31 December 2006</b>						
Cost	174 059	342 163	16 549	12 065	20 948	565 784
Accumulated depreciation	(82 937)	(228 296)	(10 556)	(9 076)	-	(330 865)
Net book amount	91 122	113 867	5 993	2 989	20 948	234 919
<b>At 30 June 2007</b>						
Opening net book amount value	91 122	113 867	5 993	2 990	20 948	234 920
Additions	-	3 501	335	760	14 372	18 968
Disposals and write-off	-	(2)	-	(13)	-	(15)
Reclassifications	-	482	-	-	(482)	-
Depreciation charge	(2 328)	(9 957)	(452)	(605)	-	(13 342)
Closing net book amount	88 794	108 816	5 876	3 132	33 913	240 531
<b>At 30 June 2007</b>						
Cost	174 059	345 590	14 568	12 648	33 913	580 778
Accumulated depreciation	(85 265)	(236 774)	(8 692)	(9 516)	-	(340 247)
Net book amount	88 794	108 816	5 876	3 132	33 913	240 531
<b>At 30 June 2008</b>						
Opening net book amount	100 518	132 136	7 540	2 317	10 287	252 798
Additions	-	2 862	157	172	16 859	20 050
Disposals and write-offs	-	-	-	(2)	-	(2)
Reclassifications	582	12 882	-	-	(13 464)	-
Depreciation charge	(2 206)	(11 665)	(535)	(602)	-	(15 008)
Closing net book amount	98 894	136 215	7 162	1 885	13 682	257 838
<b>At 30 June 2008</b>						
Cost	188 710	390 621	16 905	11 753	13 682	621 671
Accumulated depreciation	(89 816)	(254 406)	(9 743)	(9 868)	-	(363 833)
Net book amount	<b>98 894</b>	<b>136 215</b>	<b>7 162</b>	<b>1 885</b>	<b>13 682</b>	<b>257 838</b>

The land is rented by the Company from the Government of the Republic of Lithuania under 99 years lease agreement signed in 1997. The rental payment for the land amounted to 148.98 thousand Lt 1<sup>st</sup> 6 month 2008 (2007 – LTL 148.98 thousand Lt).

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<b>9. INVENTORIES</b>	<b>June 30 2008</b>	<b>June 30 2007</b>
Finished goods	75 790	44 401
Raw materials and suppliers	135 630	28 978
Work in progress	4 493	1 558
Semi-manufactures	3 672	1 685
	<b>219 585</b>	<b>76 622</b>

<b>10. TRADE AND OTHER RECEIVABLES</b>	<b>June 30 2008</b>	<b>June 30 2007</b>
Trade receivables	348 669	10 152
Amounts received in advance	1 400	572
Provision for impairment of trade receivables	-	(620)
	<b>350 069</b>	<b>10 104</b>

<b>11. OTHER RECEIVABLES</b>	<b>June 30 2008</b>	<b>June 30 2007</b>
Prepayments made to suppliers (inc.related parties)	95 272	4 721
VAT tax receivable	38 400	9 134
Advances and future costs	843	1 687
	<b>134 515</b>	<b>15 542</b>

**12. GRANTS**

Under the order of Minister of Economics, dated 24 November 2006, the Company obtained the right to receive grant amounting to LTL 6,000 thousand from structural funds of the EU for compensation of expenses on the project: "The usage of current and regenerating sources of energy of sulphur acid department for production of electrical power". The project started on 1st July 2006 and finished on 1st August 2007. The all Grant in amount 5 976 thousand Lt was received ,calculated amortization 349 th Lt.

<b>13. CASH AND CASH EQUIVALENTS</b>	<b>June 30 2008</b>	<b>June 30 2007</b>
Cash in bank	1 842	5 547
Cash on hands	9	23
Short term deposits, securities	56 197	2 004
L/C and guarantee	-	302
	<b>58 048</b>	<b>7 876</b>

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**14.SHARE CAPITAL**

Authorised share capital comprised 21,020,564 ordinary shares with a par value of LTL 10 each as at 30 June 2008.No changes in the share capital took place during the first half-year,2008 .

**15.TRADE AND OTHER PAYABLES**

	<b>June 30</b>	<b>June 30</b>
	<b>2008</b>	<b>2007</b>
Trade payables	18 589	12 433
Trade payables to related parties	17 593	10 424
Accrued liabilities	114 044	18 116
Salaries and social security payable	3 631	2 864
Grants	5 576	5 648
	<b>159 433</b>	<b>49 485</b>

**CONTINGENT COMMITMENTS**

*Emission allowances*

The Company participates in a carbon dioxide cap and trade scheme.The Company is issued allowances equal in number to its cap by the Government. Allowances are issued free of charge. Allowances obtained at no cost are recorded at a zero basis by the Company. In 2007 actual emissions of the Company amounted to 612 tons (2006 1,100 tons). The market value of remaining unused allowances amounted to LTL 0.2 thousand as at 31 December 2007 (2006 -LTL 629 thousand).

In April 2007, the company sold unused emission allowances and received 60 thousand LTL of income. Carbon dioxide emission allowances make 499,696 t for the period 2008-2012, including 99,939 t for the year 2008.