CONFIRMATION OF THE RESPONSIBLE PERSONS

2008-02-28

Following the Lithuanian Securities Law, the 1st part of the 22nd article, we confirm that AB Lifosa not audited Financial Statements for the twelve months of 2007, prepared in accordance with International Financial Reporting Standards, give a true view of AB Lifosa assets, liabilities, financial position, profit.

ADDED: Interim Financial Statements for the twelve months of 2007.

Director General		Jonas Dastikas
Chief Accountant		Nijolė Kalinauskienė

LIFOSA AB
FINANCIAL STATEMENTS
(UNAUDITED)
31 DECEMBER 2007

INCOME STATEMENT

	Notes	Year ended 31 December 2007	2006
Sales	1	921,648	682,466
Cost of sales	4	(578,022)	(574,753)
Gross profit		**343,626**	**107,713**
Selling and distribution costs	2,4	(31,316)	(29,369)
Administrative expenses	3,4	(23,258)	(23,766)
Net foreign exchange gain/(loss)	5	(22,374)	(10,860)
Other income/gains	6	1,070	544
Operating profit		**267,748**	**44,262**
Interest income on short-term cash deposits		2,317	1,267
Profit before tax		**270,065**	**45,529**
Income tax	7	(48,963)	(8,309)
Net profit		**221,102**	**37,220**
Basic and diluted earnings per share (LTL per share)	8	10.52	1.77

The preliminary unaudited financial statements on pages 3 to 22 were approved by the Company's Director General and Chief Accountant on 28 February 2008.

Jonas Dastikas
Director General

Nijolė Kalinauskienė
Chief Accountant

The accounting policies and the notes on pages 7 to 22 form an integral part of these preliminary unaudited financial statements.

BALANCE SHEET

	Notes	As at 31 December 2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	10	252,798	234,919
Intangible assets	9	650	295
Deferred tax asset	7	1,989	1,804
Other receivables	11	3,288	11,621
		258,725	**248,639**
Current assets			
Inventories	12	63,657	48,757
Trade and other receivables	13	221,355	112,965
Prepaid income tax		-	812
Financial assets at fair value through profit or loss	14	-	287
Cash and cash equivalents	15	173,272	24,736
		458,284	**187,557**
Total assets		**717,009**	**436,196**
EQUITY			
Share capital	16	210,206	210,206
Share premium		80	80
Legal reserve		12,734	10,873
Retained earnings		389,864	170,623
Total equity		**612,884**	**391,782**
LIABILITIES			
Current liabilities			
Income tax liabilities		38,136	4,600
Trade and other payables	18	60,301	35,722
Grants	17	5,688	4,092
Total liabilities		**104,125**	**44,414**
Total equity and liabilities		**717,009**	**436,196**

The accounting policies and the notes on pages 7 to 22 form an integral part of these preliminary unaudited financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Notes	Share capital	Share premium	Legal reserve	Retained earnings	Total
Balance as at 1 January 2006		210,206	80	6,798	137,478	354,562
Transfer to legal reserve		-	-	4,075	(4,075)	-
Net profit for the year		-	-	-	37,220	37,220
Balance at 31 December 2006	16	210,206	80	10,873	170,623	391,782
Transfer to legal reserve		-	-	1,861	(1,861)	-
Net profit for the year		-	-	-	221,102	221,102
Balance at 31 December 2007	16	**210,206**	**80**	**12,734**	**389,864**	**612,884**

The accounting policies and the notes on pages 7 to 22 form an integral part of these preliminary unaudited financial statements.

CASH FLOW STATEMENT

	Notes	Year ended 31 December 2007	2006
Cash flows from operating activities			
Cash generated from operations	19	188,376	56,985
Interest paid		-	-
Income tax paid		(13,249)	(15,461)
Net cash from operating activities		175,127	41,524
Cash flows from investing activities			
Purchase of property, plant and equipment	9,10	(32,191)	(46,956)
Proceeds from sale of property, plant and equipment		221	225
Proceeds from sale of associate		2,775	3,152
Purchase of securities	14	-	(287)
Loan granted to related party		-	-
Sale of securities	14	287	14,698
Net cash used in investing activities		(28,908)	(29,168)
Cash flows from financing activities			
Repayments of borrowings		-	-
Interest income from short-term deposits		2,317	1,267
Finance lease principal payments		-	-
Net cash from financing activities		2,317	1,267
Net increase in cash and cash equivalents		148,536	13,623
Movement in cash and cash equivalents			
At beginning of year		24,736	11,113
Net increase		148,536	13,623
Cash and cash equivalents at end of year	15	173,272	24,736

A. GENERAL INFORMATION

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

Juodkiškio 50
LT-57502 Kėdainiai
Lithuania

The Company's shares are listed on the Current Trading List of the National Stock Exchange of Lithuania. The Company's principal activity is the production of phosphate fertilisers, mainly diammonium phosphate (DAP). As at 31 December 2006 and 2007, the main shareholders of the Company were as follows:

Shareholder	*Number of shares*	*Percentage of share capital*
JSC Mineral Chemical Company "Eurochem"	19,160,229	91.15%
Eurochem A.M. Limited	767,250	3.65%
Sagitarius International Limited	226,909	1.08%
Other shareholders	866,176	4.12%
	21,020,564	100%

The average number of staff employed by the Company in 2007 totalled 1,019 (2006: 1,038).

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 as adopted by the EU (IFRS). The financial statements have been prepared under the historical cost convention, as modified for the indexation of certain property, plant and equipment (Note B.4), and for the financial assets at fair value through profit and loss.

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

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Company's operations:

- IFRS 4, Insurance Contracts
- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies
- IFRIC 8, Scope of IFRS 2
- IFRIC 9, Reassessment of Embedded Derivative
- IFRIC 10, Interim Financial Reporting and Impairment

Standards, amendments to standards and interpretations to existing standards that have been issued but are not effective for 2007 and have not been early adopted:

- IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). The Company will apply this Standard with effect from 1 January 2009, however, it is not expected to have material effect on the Company's financial statements.
- IAS 23, Borrowing Costs, Amendment (effective for annual periods beginning on 1 January 2009). The Company will apply this Standard with effect from 1 January 2009; however, meanwhile this Standard is not relevant to the Company's operations since no borrowings are used to finance the construction of qualifying assets.
- IAS 27, Consolidated and Separate Financial Statements (reviewed in January 2008 and effective for annual periods beginning on or after 1 July 2009). Management believe this Standard is not relevant to the Company's operations.
- IFRS 3, Business Combinations (reviewed in January 2008 and applicable to business combinations, in which the acquisition date falls within the first annual period beginning on or after 1 July 2009). Management believe this Standard is not relevant to the Company's operations.
- Vesting Conditions and Cancellations – Amendment to IFRS 2, Share-based (issued in January 2008, effective for annual periods beginning on or after 1 January 2008). Management believe this Standard is not relevant to the Company's operations.
- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). Management believe this Standard is not relevant to the Company's operations.
- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). Management do not expect this interpretation to be relevant to the Company's operations.
- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). Management do not expect this interpretation to be relevant to the Company's operations.
- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). This Interpretation is not relevant to the Company.
- IFRIC 14, IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirement and their Interaction (effective for annual periods beginning on or after 1 January 2008). Management believe this Interpretation is not relevant to the Company's operations.

IFRIC 12, 13, 14, IAS 23, 27 and IFRS 2, 3 have not been yet endorsed by the EU.

B.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

B.3 Property, plant and equipment

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

Indexation rates used for the revaluations were as follows (depending upon 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

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

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

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

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

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

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

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

B.4 Intangible assets

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

B.5 Impairment of non-financial assets

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

B.6 Financial assets

The Company classifies its financial assets into the following categories: financial assets designated at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets have been acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. The management's policy is not to voluntarily designate financial assets as at fair value through profit and loss.

(b) Loans and receivables

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

Regular-way purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets at fair value through profit or loss are initially recognised at fair value, whereas the transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

The fair values of quoted investments are based on current bid prices.

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 is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

B.8 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.

B.9 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, cash at bank held on call, and short-term deposits.

B.10 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. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

B.11 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.12 Trade payables

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

B.13 Income tax

Pursuant to the Lithuanian Law on Corporate Profit Tax, taxable profit is subject to income tax at a rate of 15%. 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 2006 and 2007 is 15%.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

B.14 Leases – where the Company is the lessee

(a) Finance lease

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

(b) Operating lease

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

B.15 Operating lease – where the Company is the lessor

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