

LIFOSA AB

**INTERIM FINANCIAL STATEMENT
FOR THE PERIOD JANUARY-JUNE 2007**


LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2007


(All tabular amounts in LTL thousand unless otherwise stated)

INCOME STATEMENT

	Notes	For the six month period ended 30 June	
		2007	2006
Sales	1	335 594	308 712
Cost of sales	2	(249 547)	(269 268)
Gross profit		86 047	39 444
Selling and distribution costs	3	(15 002)	(13 144)
Administrative expences	4	(9 291)	(10 373)
Other activities,net		217	2 147
Operating profit		61 971	18 074
Financial income(loss),net	5	(1 985)	(4 426)
		-	-
Profit before tax		59 986	13 649
Income tax	6	(10 777)	(2 375)
Net profit		49 209	11 247
		0.379	0.787

The financial statements on pages 2 to 15 were approved by the General Director and Finance Director on 30 August 2007.


Jonas Dasiukas
General director


Regvita Ivanovienė
Finance director

LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2007

(All tabular amounts in LTL thousand unless otherwise stated)

BALANCE SHEET

	Notes	As at June 30	
		2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	8	240 977	222 148
Intangible assets	7	264	283
Deferred tax assets		679	409
Long term guarantee		2 619	2525
Other receivables		3 883	-
		247 977	221 192
Current assets			
Inventories	9	76 622	70 208
Trade receivables	10	10 104	5 320
Accounts receivable from related parties	16	117 674	48 759
Prepayments and other current assets	11	15 542	16 671
Short-term financial assets		13 905	19 542
Cash and cash equivalents	13	7 876	34 008
Grants receivables	12	778	-
		242 501	194 508
Total assets		456 716	420 002
EQUITY			
Share capital	14	210 206	210 206
Share premium		80	80
Legal reserve		12 735	10 874
Retained earning		217 972	144 676
Total equity		440 993	365 836
LIABILITIES			
Current liabilities			
Trade and other payables	15	12 433	11 760
Accounts payable to related parties	16	10 424	23 436
Grants		20 979	18 970
		5 649	-
Total liabilities		49 485	54 166
Total equity and liabilities		490 478	420 002

LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2007

(All tabular amounts in LTL thousand unless otherwise stated)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Own shares	Legal reserve	Retained earning	Total
Balance as at 31 December 2005	210 206	80		6 798	137 478	354 562
Transfer to legal reserve				4 076	(4 076)	-
Net profit for the period					11 274	11 274
Balance at 30 July 2006	210 206	80	-	6 798	154 028	365 836
Transfer to legal reserve		-	-	-	-	-
Net profit for the period	-	-	-	-	25 947	25 947
Balance at 31 December 2006	210 206	80	-	10 873	170 623	391 782
Transfer to legal reserve				1 861	(1 861)	
Net profit for the 1st 6 monts 2007					49 210	49 210
Balance at 30 June 2007	210 206	80	-	12 735	217 971	440 991

LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2007

(All tabular amounts in LTL thousand unless otherwise stated)

CASH FLOW STATEMENT

	For the six month period ended on June 30	
	2007	2006
Cash flows from operating activities		
Profit before tax	59 987	13 649
Adjustments for:		
Depreciation and amortisation	13 392	12 747
Unrealised foreign Exchange loss/(gain)	(2 874)	5 334
Loss (profit) on disposal of property, plant and equipment, net	12	15
Changes in working capital	(59 182)	(3 160)
Income tax paid	(5 097)	-
Net cash from operating activities	(6 238)	27 950
Cash flow from investing activities		
Purchase of property, plant and equipment	(19 098)	(15 825)
Proceeds from the sales of property, plant and equipment	148	0
Purchase of securities	0	8 937
Proceeds from sale of associate company	2 775	2 911
Net cash (use in) investing activities	(16 175)	(3 977)
Cash flows from financing activities		
Interest income	766	455
Long-term guarantee	0	(1 495)
Grants	4 871	-
Net cash from/(used in) financing activities	5 637	(1 713)
Net increase in cash and cash equivalents	(16 776)	22 895
Movement in cash and cash equivalents		
At beginning of year	24 652	11 112
Net increase	(16 776)	22 895
Cash and cash equivalents at the end of the period	7 876	34 008

LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2007

(All tabular amounts in LTL thousand unless otherwise stated)

COMMENTARY ON THE FINANCIAL STATEMENTS

General information

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

Juodkiškio 50
LT-57502 Kėdainiai
Lithuania

The Company's shares are listed on the Current trading list of the Vilnius Stock Exchange. The Company's principal activity is the production of phosphate fertilisers, mainly diammonium phosphate (DAP). As at 31 March 2007 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%
	21,020,564	100%

The average number of staff employed by the Company in 30 June 2007 totalled 1 020 (2006 – 1 037).

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.

LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2007

(All tabular amounts in LTL thousand unless otherwise stated)

Intangible assets

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

Inventories

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

Trade and other amounts receivable

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

Cash and cash equivalents

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

Share capital

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

Legal reserve

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

Trade payables

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

Income tax

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

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

LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2007

(All tabular amounts in LTL thousand unless otherwise stated)

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

	June 30 2007	June 30 2006
Diammonium phosphate sales	279 721	258 331
Monocalcium phosphate	31 547	20 891
Aluminium fluoride	10 907	9 561
Phosphoric acid	5 185	5 052
Monodicalcium phosphate	0	3 760
Dicalcium phosphate	-	3 440
Sulphuric acid	1 125	607
Other sales	7 109	7 070
	335 594	308 712

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:

LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2007

(All tabular amounts in LTL thousand unless otherwise stated)

	Sales		Total assets		Capital expenditure	
	January-June		June 30		January-June	
	2007	2006	2007	2006	2007	2006
Lithuania	39 144	33 288	490 478	420 002	18 990	10 602
France	14 255	21 279				
Germany	19 454	12 691				
The Netherlands	24 971	17 789				
Ireland	10 023	17 549				
Poland	22 253	19 630				
Czech Republic	7 682	7 180				
Romania	5 479	6 274				
Hungary	4 680	6 214				
Belgium	7 004	0				
Cameroon	6 020	5 644				
Denmark	0	798				
Ethiopia	72 545	52 746				
India	0	23 037				
Tajikistan	3 207	0				
Spain	4 207	4 820				
Ukraine	4 215	2 645				
Great Britain	17 029	1 961				
Ivory Coast	6 937	9 962				
Argentina	30 098	6 965				
Turkey	32 165	0				
Other countries	4 154	58 240				
	335 522	308 712	490 478	420 002	18 990	10 602

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

Analysis of sales by category:	June 30	June 30
	2007	2006
Sales of goods	328 616	301 641
Sales of raw materials	4 520	4 346
Services rendered	2 458	2 725
	335 594	308 712

2.COST OF SALES

	June 30	June 30
	2007	2006
<i>Costs:</i>		
Diammonium phosphate	209 508	230 155
Monocalcium phosphate	22 418	16 241
Aluminium fluoride	9 436	9 893
Phosphoric acid	3 675	3 854
Monocalcium phosphate	0	3 172
Dicalcium phosphate	-	2 936
Sulphuric acid	759	382
Other products	3 751	2 635
	249 547	269 268

LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2007

(All tabular amounts in LTL thousand unless otherwise stated)

3.SELLING AND DISTRIBUTION COSTS	June 30 2007	June 30 2006
Shipping costs	5 497	5 689
Inspecting and certification costs	326	414
Freight	5 822	3 501
Loading and forwarding costs	3 349	3 458
Other distribution expenses	8	82
	15 002	13 144
4.ADMINISTRATIVE EXPENSES	June 30 2007	June 30 2006
Employee benefits	4 979	4 289
Social insurance	1 577	1 322
Provisions for salaries	0	0
Tax (other than income tax)	1 083	1 045
Depreciation and amortization	554	539
Insurance	281	786
Security	358	334
Telecommunications	221	241
Other administrative expenses	238	1 817
	9 291	10 373
5.FINANCE EXPENCES	June 30 2007	June 30 2006
Interest income	766	858
Costs of exchange operations	123	50
Unrealised foreign Exchange (loss),net	(2 874)	(5 334)
	(1 985)	(4 426)
6.INCOME TAX	June 30 2007	June 30 2006
Current tax for the period	8 043	1 427
Current social tax for the period	1 609	381
Deferred tax	1 125	567
	10 777	2 375

LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2007

(All tabular amounts in LTL thousand unless otherwise stated)

7.INTANGIBLE ASSETS

	Software
At 31 December 2005	
Cost	420
Accumulated amortization	145
Net book amount	275
At 31 December 2006	
Opening net book amount	275
Additions	83
Disposals and write-off	1
Amortisation charge	46
Closing net book amount	311
At 30 June 2006	
Cost	501
Accumulated amortization	190
Net book amount	311
At 31 December 2006	
Opening net book amount	295
Additions	22
Disposals and write-off	3
Amortisation charge	50
Closing net book amount	264
At 30 June 2006	
Cost	619
Accumulated amortization	355
Net book value	264

LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2007

(All tabular amounts in LTL thousand unless otherwise stated)

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Vehicles and equipment	Other tangible assets	Constructi on in progress	Total
At 31 December 2005						
Cost	170 888	330 073	11 619	11 634	6 642	530
Accumulated depreciation	(78 347)	(214 830)	(10 093)	(8 481)	-	(311 751)
Net book amount	92 541	115 243	1 526	3 153	6 642	219 105
At 30 June 2006						
Opening net book amount value	92 541	115 243	1 526	3 153	6 642	219 105
Additions	830	3 577	563	1 745	9 099	15 814
Disposals and write-off	-	-	-	(24)	-	(24)
Reclassifications	199	3 392	-	-	(3 591)	-
Depreciation charge	(2 310)	(9 698)	(165)	(574)	-	(12 747)
Closing net book amount	91 260	112 514	1 924	4 300	12 150	222 148
At 30 June 2006						
Cost	171 917	335 970	12 183	11 809	12 150	544 029
Accumulated depreciation	80 657	223 456	10 259	7 509	-	321 881
Net book amount	91 260	112 514	1 924	4 300	12 150	222 148
At 30 June 2007						
Opening net book amount	91 122	113 867	5 993	2 990	20 948	234 920
Additions	-	3 501	335	760	14 372	18 968
Disposals and write-offs	-	(2)	-	(13)	-	(15)
Reclassifications	-	482	-	-	(472)	-
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
At 30 June 2007						
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

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 1st 6 month 2007 (2006 – LTL 148,98 thousand Lt).

9. INVENTORIES

**June 30
2007**

**June 30
2006**

LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2007

(All tabular amounts in LTL thousand unless otherwise stated)

Finished goods	44 401	31 613
Raw materials and suppliers	28 978	35 562
Work in progress	1 558	1 608
Semi-manufactures	1 685	1 425

76 622	5 320
---------------	--------------

10. TRADE AND OTHER RECEIVABLES

June 30	June 30
2007	2006

Trade receivables	10 152	5 596
Amounts received in advance	572	670
Provision for impairment of trade receivables	(620)	(946)

10 104	5 320
---------------	--------------

11. OTHER RECEIVABLES

June 30	June 30
2007	2006

Prepayments made to suppliers	4 721	3 238
VAT tax receivable	9 134	8 221
Advances and future costs	1 687	5 212

15 542	16 671
---------------	---------------

13. GRANDS

Under the order of Minister of Economics, dated 24 November 2006, the Company obtained the right to receive grant amounting to LTL 6,000 thousand from structural funds of the EU for compensation of expenses on the project: "The usage of current and regenerating sources of energy of sulphur acid department for production of electrical power". The project started on 1st July 2006 and is estimated to be finished on 1st August 2007. The Company accounted for grant receivable amount under accounts receivable and grant under liabilities to the extent of costs incurred to 30 June 2007.

The part of the Grant in amount 4 871 thousand Lt was received 15 May 2007.

13. CASH AND CASH EQUIVALENTS

June 30	June 30
2007	2006

Cash in bank	5 547	23 493
Cash on hands	23	9
Short term deposits	2 004	10 506
L/C and guarantee	302	-

7 876	34 008
--------------	---------------

14. SHARE CAPITAL

Authorised share capital comprised 21,020,564 ordinary shares with a par value of LTL 10 each as at 30 June 2007 (the same as at 31 December 2006). No changes in the share capital took place during the period .

LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2007

(All tabular amounts in LTL thousand unless otherwise stated)

15. TRADE AND OTHER PAYABLES	June 30 2007	June 30 2006
Trade payables	12 433	11 760
Trade payables to related parties	10 424	23 436
Accrued liabilities	18 116	16 528
Salaries and social security payable	2 864	2 442
Grants	5 648	-
	49 485	54 166

15. RELATED PARTY TRANSACTIONS	June 30 2007	June 30 2006
---------------------------------------	-------------------------	-------------------------

The Company is controlled by Joint Stock Company "Mineral and Chemical Company "Eurochem" (Russia) (JSC MCC EuroChem), which owns 91.15% of shares of the Company.

Other related parties are companies of Eurochem Group and management of the Company.

The following transactions were carried out with related parties:

	For the six month period 2007		For the six month period 2006	
	Sales	Purchases	Sales	Purchases
„Eurochem Trading GmbH“	150 981	30 809	163 445	138 725
OA0 NAK „Azot“	-	16 195	-	-
OA0 Kovdorsky GOK	-	42 783	-	-
„Harvester Shipmanagement Ltd“	-	33 781	-	13 770
	150 981	123 568	164 918	152 495

Related parties in the table above belong to the Eurochem Group. Nature of relationship between the related parties includes purchase of raw materials (Eurochem Trading GmbH, OA0 NAK „Azot“, OA0 Kovdorsky GOK) , sale of production (Eurochem Trading GmbH) and logistic services („Harvester Shipmanagement Ltd“).

The following balances were outstanding with related parties:

	June 30 2007		June 30 2006	
	Receivables and advances	Payables	Receivables and advances	Payables
OA0 NAK „Azot“	117 674	-	48 759	21 979
OA0 Kovdorsky GOK	-	3 215	-	-
„Harvester Shipmanagement Ltd“	-	6 344	-	-
„Eurochem A.M. Limited“	-	865	-	1 457
	13 662	-	14 035	-
	131 336	10 424	62 794	23 436

Receivables and advances balances include receivables for production sold (Eurochem Trading GmbH) and loan granted (Eurochem A.M. Limited). Payables balances include accounts payable for raw materials purchased and logistic services.

CONTINGENT COMMITMENTS

LIFOSA AB
FINANCIAL STATEMENTS
31 MARCH 2007

(All tabular amounts in LTL thousand unless otherwise stated)

Emission allowances

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

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