# AB INVALDA

CONSOLIDATED AND PARENT COMPANY'S INTERIM CONDENSED NOT-AUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

# GENERAL INFORMATION

## Board of Directors

Mr. Vytautas Bučas (chairman of the Board)
Mr. Dalius Kaziūnas
Mr. Darius Šulnis

## Management

Mr. Darius Šulnis (president)
Mr. Raimondas Rajeckas (chief financial officer)

## Principal place of business and company code

Maironio St. 11,
Vilnius,
Lithuania
Company code 121304349

## Bankers

AB DnB Nord Bankas
Nordea Bank Finland Plc Lithuania Branch
AB Bankas Snoras
Swedbank, AB
AB Šiaulių Bankas
Danske Bank A/S Lithuania Branch
UAB Medicinos Bankas
AB SEB Bankas
AS UniCredit Bank Lithuania Branch

The financial statements were approved and signed by the Management and the Board of Directors on 31 August 2009.

Mr. Darius Šulnis
President

Mr. Raimondas Rajeckas
Chief financial officer

## Interim consolidated and Parent Company's income statements

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **I Half Year 2009** | **I Half Year 2008** | **I Half Year 2009** | **I Half Year 2008** |
| Revenue | | | | | |
| Furniture production revenue | | 66,949 | 72,359 | - | - |
| Residential real estate income | | 4,907 | 86,372 | - | - |
| Rent and other real estate income | | 14,463 | 16,828 | - | - |
| Other production and services revenue | | 14,242 | 10,486 | - | - |
| **Total revenue** | | **100,561** | **186,045** | **-** | **-** |
| Gain (loss) from investments and on sale of investment properties | 9.1 | 8,570 | 18,322 | 2,657 | 92,188 |
| Other income | | 1,004 | 1,241 | 4 | 24 |
| Valuation gains | | 65 | 219 | - | - |
| Valuation losses | | - | - | - | - |
| Changes in inventories of finished goods and work in progress | | 776 | 1,199 | - | - |
| Raw materials and consumables used | | (50,750) | (54,431) | (13) | (34) |
| Salaries and related expenses | | (17,691) | (23,318) | (968) | (975) |
| Depreciation and amortisation | | (5,235) | (4,566) | (68) | (75) |
| Subcontractor expenses | | (3,731) | (1,851) | - | - |
| Premises rent and utilities | | (8,056) | (7,802) | (89) | (197) |
| Fees for securities | | (36) | (74) | (31) | (69) |
| Vehicles maintenance costs | | (1,183) | (1,653) | (85) | (118) |
| Other taxes | | (1,164) | (1,315) | (132) | (117) |
| Advertising and other promotion expenses | | (191) | (1,219) | (12) | (32) |
| Repair and maintenance of premises | | (2,560) | (2,066) | (5) | - |
| Residential real estate cost of sales | | (4,245) | (69,177) | - | - |
| Other operating expenses | | (4,653) | (6,636) | (387) | (1,329) |
| Allowance for assets | 12 | (61,955) | (36) | (44,532) | - |
| Finance income | 9.3 | 1,144 | 8,631 | 16,479 | 26,844 |
| Finance expenses | 9.2 | (17,187) | (22,756) | (12,563) | (13,743) |
| Share of profit (loss) from associates and joint ventures | | 2,110 | 10,204 | - | - |
| **Profit (loss) before tax** | | **(64,407)** | **28,961** | **(39,745)** | **102,367** |
| Income tax | 7 | 1,880 | (4,535) | 2,247 | (3,915) |
| **Profit (loss) for the period from continuing operations** | | **(62,527)** | **24,426** | **(37,498)** | **98,452** |
| **Discontinued operation** | | | | | |
| **Profit/(Loss) after tax for the period from a discontinued operation** | 10 | (7,996) | 20,343 | - | - |
| **PROFIT (LOSS) FOR THE PERIOD** | | **(70,523)** | **44,769** | **(37,498)** | **98,452** |
| Attributable to: | | | | | |
| Equity holders of the parent | | (68,812) | 46,244 | (37,498) | 98,452 |
| Minority interest | | (1,711) | (1,475) | - | - |
| Basic and diluted earnings (loss) per share (in LTL) | | (1.62) | 1.09 | | |
| Continued operation basic and diluted earnings (loss) per share (in LTL) | | (1.47) | 0.57 | | |

## Interim consolidated and Parent Company's statements of comprehensive income

| | Group | | Company | |
|---|---|---|---|---|
| | **I Half Year 2009** | **I Half Year 2008** | **I Half Year 2009** | **I Half Year 2008** |
| **Profit (Loss) for period** | **(70,523)** | **44,769** | **(37,498)** | **98,452** |
| **Continuing operation** | | | | |
| Net (loss) / (gain) on cash flow hedges | (104) | - | - | - |
| Income tax | 21 | - | - | - |
| | (83) | - | - | - |
| Exchange differences on translation of foreign operations | 293 | 126 | - | - |
| Share of other comprehensive income (loss) of associates | (11,008) | 12,837 | - | - |
| **Other comprehensive income (loss) for the period from continuing operation** | **(10,798)** | **12,963** | **-** | **-** |
| **Discontinued operations** | | | | |
| Net (loss) gain on available-for-sale financial assets | 52 | (1,061) | - | - |
| Income tax | (10) | 143 | - | - |
| **Other comprehensive income (loss) for the period from discontinued operation** | **42** | **(918)** | **-** | **-** |
| **Other comprehensive income (loss) for the period, net of tax** | **(10,756)** | **12,045** | **-** | **-** |
| **Total comprehensive income for the period, net of tax** | **(81,279)** | **56,814** | **(37,498)** | **98,452** |
| Attributable to: | | | | |
| Equity holders of the parent | (79,568) | 58,289 | - | - |
| Minority interest | (1,711) | (1,475) | - | - |

## Interim consolidated and Parent Company's income statements

| | Group | | Company | |
|---|---|---|---|---|
| | **II Quarter 2009** | **II Quarter 2008** | **II Quarter 2009** | **II Quarter 2008** |
| Revenue | | | | |
| Furniture production revenue | 30,643 | 37,857 | - | - |
| Residential real estate income | 1,409 | 14,526 | - | - |
| Rent and other real estate income | 6,911 | 8,757 | - | - |
| Other production and services revenue | 9,468 | 6,187 | - | - |
| **Total revenue** | **48,431** | **67,327** | **-** | **-** |
| Gain (loss) from investments and on sale of investment properties | (4,749) | 13,505 | (6,003) | 25,145 |
| Other income | 366 | 421 | 3 | 2 |
| Valuation gains | 48 | 91 | - | - |
| Valuation losses | - | - | - | - |
| Changes in inventories of finished goods and work in progress | (587) | 606 | - | - |
| Raw materials and consumables used | (22,964) | (29,168) | (6) | (20) |
| Salaries and related expenses | (8,579) | (12,087) | (492) | (497) |
| Depreciation and amortisation | (2,632) | (2,311) | (33) | (37) |
| Subcontractor expenses | (2,960) | (1,767) | - | - |
| Premises rent and utilities | (3,468) | (3,247) | (34) | (105) |
| Fees for securities | (19) | (34) | (12) | (34) |
| Vehicles maintenance costs | (600) | (883) | (46) | (72) |
| Other taxes | (623) | (634) | (77) | (74) |
| Advertising and other promotion expenses | (84) | (604) | (3) | (29) |
| Repair and maintenance of premises | (1,271) | (1,023) | (5) | - |
| Residential real estate cost of sales | (1,421) | (10,879) | - | - |
| Other operating expenses | (1,001) | (3,563) | (147) | (1,239) |
| Allowance for assets | (61,695) | (36) | (40,881) | - |
| Finance income | 483 | 6,836 | 12,531 | 16,797 |
| Finance expenses | (8,342) | (11,894) | (5,964) | (6,815) |
| Share of profit (loss) from associates and joint ventures | 11,335 | 12,559 | - | - |
| **Profit (loss) before tax** | **(60,332)** | **23,215** | **(41,169)** | **33,022** |
| Income tax | (26) | (2,483) | 699 | (3,257) |
| **Profit (loss) for the period from continuing operations** | **(60,358)** | **20,732** | **(40,470)** | **29,765** |
| **Discontinued operation** | | | | |
| **Profit/(Loss) after tax for the period from a discontinued operation** | (3,509) | (5,686) | - | - |
| **PROFIT (LOSS) FOR THE PERIOD** | **(63,867)** | **15,046** | **(40,470)** | **29,765** |
| Attributable to: | | | | |
| Equity holders of the parent | (62,320) | 15,750 | (40,470) | 29,765 |
| Minority interest | (1,547) | (704) | - | - |
| Basic and diluted earnings (loss) per share (in LTL) | (1.46) | 0.37 | | |
| Continued operation basic and diluted earnings (loss) per share (in LTL) | (1.42) | 0.49 | | |

## Interim consolidated and Parent Company's statements of comprehensive income

| | Group | | Company | |
|---|---|---|---|---|
| | **II Quarter 2009** | **II Quarter 2008** | **II Quarter 2009** | **II Quarter 2008** |
| **Profit (Loss) for period** | **(63,867)** | **15,046** | **(40,470)** | **29,765** |
| **Continuing operation** | | | | |
| Net (loss) / (gain) on cash flow hedges | 31 | - | - | - |
| Income tax | (6) | - | - | - |
| | 25 | - | - | - |
| Exchange differences on translation of foreign operations | 283 | 235 | - | - |
| Share of other comprehensive income (loss) of associates | 585 | 8,364 | - | - |
| **Other comprehensive income (loss) for the period from continuing operation** | **893** | **8,599** | **-** | **-** |
| **Discontinued operations** | | | | |
| Net (loss) gain on available-for-sale financial assets | 117 | (703) | - | - |
| Income tax | (23) | 89 | - | - |
| **Other comprehensive income (loss) for the period from discontinued operation** | **94** | **(614)** | **-** | **-** |
| **Other comprehensive income (loss) for the period, net of tax** | **987** | **7,985** | **-** | **-** |
| **Total comprehensive income for the period, net of tax** | **(62,880)** | **23,031** | **(40,470)** | **29,765** |
| Attributable to: | | | | |
| Equity holders of the parent | (61,333) | 23,735 | - | - |
| Minority interest | (1,547) | (704) | - | - |

## Interim consolidated and Parent Company's statements of financial position

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | As of 30 June 2009 | As of 31 December 2008 | As of 30 June 2009 | As of 31 December 2008 |
| **ASSETS** | | unaudited | audited | unaudited | audited |
| **Non-current assets** | | | | | |
| Property, plant and equipment | | 66,101 | 73,033 | 253 | 311 |
| Investment properties | | 309,877 | 326,872 | - | - |
| Intangible assets | | 9,291 | 18,315 | 2 | 5 |
| Non-current financial assets | | | | | |
| Investments into subsidiaries | 8 | - | - | 126,936 | 165,361 |
| Investments into associates and joint ventures | 8 | 152,454 | 261,571 | 141,248 | 231,661 |
| Investments available-for-sale | | 2,592 | 3,995 | 1,817 | 1,817 |
| Granted loans | | 8,235 | 7,978 | 29,043 | 27,656 |
| Total non-current financial assets | | 163,281 | 273,544 | 299,044 | 426,495 |
| Other non-current assets | | 2,850 | 2,848 | - | - |
| Deferred tax asset | | 4,199 | 5,581 | 3,139 | 892 |
| **Total non-current assets** | | **555,599** | **700,193** | **302,438** | **427,703** |
| **Current assets** | | | | | |
| Inventories | | 44,437 | 63,951 | - | - |
| Trade and other receivables | | 20,636 | 25,433 | 185 | 822 |
| Current loans granted | | 15,946 | 58,010 | 67,896 | 120,582 |
| Prepaid income tax | | 393 | 3,202 | 20 | 647 |
| Prepayments and deferred charges | | 1,264 | 2,782 | 6,561 | 67 |
| Financial assets held for trade | | 16,889 | 26,463 | 955 | 3,612 |
| Restricted cash | | 6,020 | 15,606 | - | - |
| Cash and cash equivalents | 5 | 1,261 | 18,217 | 536 | 12 |
| **Total current assets** | | **106,846** | **213,664** | **76,153** | **125,742** |
| **Non-current assets and assets of disposal group classified as held for sale** | | **62,842** | **-** | **43,920** | **-** |
| **Total assets** | | **725,287** | **913,857** | **422,511** | **553,445** |

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## Consolidated and Parent Company's balance sheets (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | As of 30 June 2009 | As of 31 December 2008 | As of 30 June 2009 | As of 31 December 2008 |
| **EQUITY AND LIABILITIES** | unaudited | audited | unaudited | Audited |
| **Equity** | | | | |
| **Equity attributable to equity holders of the parent** | | | | |
| Share capital | 42,569 | 42,569 | 42,569 | 42,569 |
| Share premium | 50,588 | 50,588 | 50,588 | 50,588 |
| Reserves | 75,989 | 74,078 | 73,383 | 73,383 |
| Retained earnings | (75,611) | 4,880 | (35,904) | 1,594 |
| Reserves of disposal group classified as held for sale | (989) | - | - | - |
| | **92,546** | **172,115** | **130,636** | **168,134** |
| **Minority interest** | **9,603** | **11,315** | **-** | **-** |
| **Total equity** | **102,149** | **183,430** | **130,636** | **168,134** |
| | | | | |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Non-current borrowings | 256,372 | 23,619 | 91,433 | 6,364 |
| Financial lease liabilities | 199 | 202 | - | - |
| Government grants | 13 | 19 | - | - |
| Provisions | 123 | 127 | - | - |
| Deferred tax liability | 32,941 | 33,127 | - | - |
| Derivative financial instruments | 211 | 219 | - | - |
| Convertible bonds | 79,313 | 75,631 | 79,313 | 75,631 |
| Other non-current liabilities | - | 24,046 | - | 20,196 |
| **Total non-current liabilities** | **369,172** | **156,990** | **170,746** | **102,191** |
| | | | | |
| **Current liabilities** | | | | |
| Current portion of non-current borrowings | 43,335 | 314,561 | 18,012 | 105,653 |
| Current portion of financial lease liabilities | 108 | 206 | - | - |
| Current borrowings | 109,577 | 209,319 | 95,040 | 172,933 |
| Trade payables | 18,669 | 28,604 | 1,340 | 1,833 |
| Income tax payable | 3,735 | 3,392 | - | - |
| Provisions | 1,875 | - | - | - |
| Advances received | 6,098 | 1,902 | 4,226 | - |
| Derivative financial instruments | 201 | 89 | - | - |
| Other current liabilities | 12,382 | 15,364 | 2,511 | 2,701 |
| **Total current liabilities** | **195,980** | **573,437** | **121,129** | **283,120** |
| | | | | |
| Non-current liabilities and liabilities of disposal group directly associated with the assets classified as held-for-sale | 57,986 | - | - | - |
| **Total liabilities** | **623,138** | **730,427** | **291,875** | **385,311** |
| | | | | |
| **Total equity and liabilities** | **725,287** | **913,857** | **422,511** | **553,445** |

*(the end)*

## Consolidated and Parent Company's statements of changes in equity

| | Equity attributable to equity holders of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | **Share capital** | **Share premium** | **Discontinued operations** | **Fair value reserves** | **Legal and other reserves** | **Translation reserve** | **Retained earnings** | **Total** | **Minority interest** | **Total equity** |
| **Balance as of 31 December 2007** | **42,569** | **50,588** | **28,077** | **552** | **41,300** | **(73)** | **136,131** | **299,144** | **6,056** | **305,200** |
| Total comprehensive income for the I half year of 2008 | - | - | - | (918) | - | 126 | 59,081 | 58,289 | (1,475) | 56,814 |
| Dividends | - | - | - | - | - | - | (12,771) | (12,771) | (228) | (12,999) |
| Investments into subsidiaries | - | - | - | - | - | - | - | - | 850 | 850 |
| Changes in reserves | - | - | - | - | 34,604 | - | (34,604) | - | - | - |
| Minority of subsidiaries acquired | - | - | - | - | - | - | (847) | (847) | (394) | (1,241) |
| Sales of subsidiaries | - | - | (28,077) | - | - | - | 28,077 | - | (45) | (45) |
| **Balance as of 30 June 2008** | **42,569** | **50,588** | **-** | **(366)** | **75,904** | **53** | **175,067** | **343,815** | **4,764** | **348,579** |

| | Equity attributable to equity holders of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | **Share capital** | **Share premium** | **Discontinued operations** | **Fair value reserves** | **Legal and other reserves** | **Translation reserve** | **Retained earnings** | **Total** | **Minority interest** | **Total equity** |
| **Balance as of 31 December 2008** | **42,569** | **50,588** | **-** | **(1,576)** | **75,947** | **(293)** | **4,880** | **172,115** | **11,315** | **183,430** |
| Total comprehensive income for the I half year of 2009 | - | - | 42 | (83) | - | 293 | (79,820) | (79,568) | (1,711) | (81,279) |
| Minority of subsidiaries acquired | - | - | - | - | - | - | (1) | (1) | (18) | (19) |
| Sales of subsidiaries | - | - | - | - | - | - | - | - | (10) | (10) |
| Investments into subsidiaries | - | - | - | - | - | - | - | - | 27 | 27 |
| Changes in reserves | - | - | (153) | - | 823 | - | (670) | - | - | - |
| Discontinued operation | - | - | (878) | 1,315 | (437) | - | - | - | - | - |
| **Balance as of 30 June 2009** | **42,569** | **50,588** | **(989)** | **(344)** | **76,333** | **-** | **(75,611)** | **92,546** | **9,603** | **102,149** |

## Consolidated and Parent Company's statements of changes in equity (cont'd)

| Company | Share capital | Share premium | Legal reserve | Reserve of purchase of own shares | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **Balance as of 31 December 2007** | **42,569** | **50,588** | **4,501** | **34,500** | **47,153** | **179,311** |
| Total comprehensive income for the I half year of 2008 | - | - | - | - | 98,452 | 98,452 |
| Changes in reserves | - | - | (244) | 34,626 | (34,382) | - |
| Dividends paid | - | - | - | - | (12,771) | (12,771) |
| **Balance as of 30 June 2008** | **42,569** | **50,588** | **4,257** | **69,126** | **98,452** | **264,992** |

| Company | Share capital | Share premium | Legal reserve | Reserve of purchase of own shares | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **Balance as of 31 December 2008** | **42,569** | **50,588** | **4,257** | **69,126** | **1,594** | **168,134** |
| Total comprehensive income for the I half year of 2009 | - | - | - | - | (37,498) | (37,498) |
| **Balance as of 30 June 2009** | **42,569** | **50,588** | **4,257** | **69,126** | **(35,904)** | **130,636** |

## Consolidated and Parent Company's cash flow statements

| | Group | | Company | |
|---|---|---|---|---|
| | **I Half Year 2009** | **I Half Year 2008** | **I Half Year 2009** | **I Half Year 2008** |
| **Cash flows from (to) operating activities** | | | | |
| Net profit (loss) | (70,523) | 44,769 | (37,498) | 98,452 |
| **Adjustments for non-cash items:** | | | | |
| Valuation gain, net | (65) | (219) | - | - |
| Depreciation and amortization | 6,209 | 5,491 | 69 | 75 |
| (Gain) loss on disposal of property, plant and equipment | 508 | (30) | (2) | (21) |
| (Gain) loss from investments | (9,527) | (50,672) | (2,657) | (92,188) |
| Share of net profits of associates and joint ventures | (2,110) | (10,204) | - | - |
| Interest (income) | (2,364) | (4,854) | (7,372) | (6,338) |
| Interest expenses | 18,133 | 23,303 | 12,513 | 13,687 |
| Deferred taxes | (3,978) | (817) | (2,247) | 3,677 |
| Current income tax expenses | 748 | 3,712 | - | 238 |
| Allowance for assets | 63,870 | - | 44,532 | - |
| Change in provisions | 1,871 | (3) | - | - |
| Dividend (income) | (14) | - | (9,000) | (20,478) |
| Loss (gain) from other financial activities | - | - | (57) | 5 |
| | **2,758** | **10,476** | **(1,719)** | **(2,891)** |
| **Changes in working capital:** | | | | |
| (Increase) decrease in inventories | 5,149 | 61,792 | - | - |
| Decrease (increase) in trade and other receivables | 3,535 | (11,689) | - | (97) |
| Decrease in other current assets | 522 | 18,428 | 53 | (186) |
| (Decrease) increase in trade payables | (8,990) | (2,749) | 193 | (137) |
| Income tax paid | 2,529 | (1,216) | 500 | - |
| (Decrease) increase in other current liabilities | 3,679 | (30,906) | (38) | (123,242) |
| **Net cash flows (to) from operating activities** | **9,182** | **44,136** | **(1,011)** | **(126,553)** |

*(cont'd on the next page)*

## Consolidated and Parent Company's cash flow statements (cont'd)

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | I Half Year 2009 | I Half Year 2008 | I Half Year 2009 | I Half Year 2008 |
| **Cash flows from (to) investing activities** | | | | | |
| (Acquisition) of tangible non-current assets (except investment properties) | | (1,376) | (7,866) | (13) | (52) |
| Proceeds from sale of tangible non-current assets (except investment properties) | | 119 | (1,038) | 7 | 139 |
| (Acquisition) of investment properties | | (76) | (2,091) | - | - |
| Proceeds of sale of investment properties | | 1,070 | 1,516 | - | - |
| (Acquisition) of subsidiaries, net of cash acquired | | - | - | - | (71) |
| Proceeds from sales of subsidiaries | | 5,623 | 42,553 | 4,523 | 46,017 |
| (Acquisition) of associates | | (129) | (67) | (129) | (69) |
| Proceeds from sales of associates | | 84,221 | - | 84,238 | 24 |
| Loans (granted) | | (18,867) | (32,828) | (16,658) | (83,331) |
| Repayment of granted loans | | 31,255 | 34,920 | 16,997 | 52,903 |
| Dividends received | | - | - | - | 7,000 |
| Interest received | | 2,364 | 4,854 | 645 | 2,690 |
| (Acquisition) of minority interest | | (19) | (1,241) | (6,771) | (8,416) |
| Other cash flow from investing activities | | (24,787) | 1,854 | - | - |
| **Net cash flows (to) investing activities** | | **79,398** | **42,642** | **82,839** | **16,834** |
| **Cash flows from (to) financing activities** | | | | | |
| Cash flows related to company shareholders | | | | | |
| Issue of shares | | - | - | - | - |
| Dividends (paid) | | (44) | (12,999) | (44) | (12.138) |
| Dividends to minority | | - | - | - | - |
| | | (44) | (12,999) | (44) | (12,138) |
| Cash flows related to other sources of financing | | | | | |
| Proceeds from loans | | 11,168 | 212,238 | 16,298 | 320,152 |
| Issue of bonds | | - | - | - | - |
| (Repayment) of loans | | (97,812) | (251,397) | (91,692) | (192,948) |
| Interest (paid) | | (18,133) | (23,330) | (5,866) | (5,097) |
| Financial lease (payments) | | (101) | (5,991) | - | - |
| Transfer from restricted cash | | 9,586 | - | - | - |
| Other cash flows from financing activities | | - | 925 | - | (5) |
| | | (95,292) | (67,555) | (81,260) | 122,102 |
| **Net cash flows from financial activities** | | **(95,336)** | **(80,554)** | **(81,304)** | **109,964** |
| **Impact of currency exchange on cash and cash equivalents** | | **-** | **-** | **-** | **-** |
| **Net (decrease) increase in cash and cash equivalents** | | **(6,756)** | **6,224** | **524** | **245** |
| **Cash and cash equivalents at the beginning of the year** | 5 | **18,217** | **4,248** | **12** | **30** |
| **Cash and cash equivalents at the end of the year** | 5 | **11,461** | **10,472** | **536** | **275** |

(the end)

# Notes to the financial statements

## 1 General information

AB Invalda (hereinafter the Company) is a joint stock company registered in the Republic of Lithuania on 20 March 1992. The address of its registered office is Šeimyniškių Str. 3, Vilnius. The principal place of business is as follows:

Maironio str. 11,
Vilnius,
Lithuania.

AB Invalda is the company actively managing its investments by acquiring and restructuring businesses, applying modern methods of management and funding, diversifying risks. The Company receives income from managed companies and / or exiting businesses thus providing return to shareholders of the Company. Striving to obtain the highest effectiveness of investments and profitability to shareholders, AB Invalda concentrates to the priority segments, such as pharmacy, roads and bridges construction, furniture manufacturing and real estate.

The Company's shares are traded on the Baltic Main List of NASDAQ OMX Vilnius.

## 2 Basis of preparation and accounting policies

### Basis of preparation

The interim condensed financial statements for the six months ended 30 June 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2008.

### Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's and Company's annual financial statements for the year ended 31 December 2008, except for the adoption of new Standards and Interpretations as of 1 January 2009, noted below.

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements* (effective for financial years beginning on or after 1 January 2009).

The amendment to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statements. The new requirements affect only the parent's separate financial statements and do not have an impact on the consolidated financial statements. These amendments are applied prospectively and will have no impact on the financial position or performance of the Company.

Besides, a new version of IFRS 1 was issued in November 2008. It retains the substance of the previous version, but within a changed structure and replaces the previous version of IFRS 1 (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

Amendment to IFRS 2 *Share-based Payment* (effective for financial years beginning on or after 1 January 2009).

The amendment clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have share-based payments.

## 2 Accounting principles (cont'd)

IFRS 8 *Operating Segments* (effective for financial years beginning on or after 1 January 2009).

The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 replaces IAS 14 *Segment Reporting*. The Group determined in accordance with IFRS 8 and report the same operating segments as the business segments previously identified under IAS 14. In the annual financial statements will be finally identified reportable operating segments by the quantitative thresholds.

Amendment to IAS 1 *Presentation of Financial Statements* (effective for financial years beginning on or after 1 January 2009).

This amendment introduces a number of changes, including introduction of a new terminology, revised presentation of equity transactions and introduction of a new statement of comprehensive income as well as amended requirements related to the presentation of the financial statements when they are restated retrospectively. The Group is preliminary decided  all items of recognised income and expense present in two linked statements.

Amendment to IAS 23 *Borrowing Costs* (effective for annual periods beginning on or after 1 January 2009).

The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional requirements of the Standard, currently the Group and the Company apply borrowing costs capitalisation option of effective IAS 23; therefore, there will be no impact on the Group's and the Company's financial statements on the adoption of the revised standard.

Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation *(*effective for financial years beginning on or after 1 January 2009).

The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

<u>Improvements to IFRSs</u>

In May 2008 IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard; most of the changes are effective for financial years beginning on or after 1 January 2009. The Group anticipates that these amendments to standards will have no material effect on the financial statements.

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* Clarification that all of a subsidiary's assets and liabilities are classified as held for sale, even when the entity will retain a non-controlling interest in the subsidiary after the sale.
- IFRS 7 *Financial Instruments: Disclosures.* Removal of the reference to 'total interest income' as a component of finance costs.
- IAS 1 *Presentation of Financial Statements*. Assets and liabilities classified as held for trading in accordance with IAS 39 are not automatically classified as current in the balance sheet.
- IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors.* Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- IAS 10 *Events after the Reporting Period*. Clarification that dividends declared after the end of the reporting period are not obligations.
- IAS 16 *Property, Plant and Equipment.* Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Also, replaced the term "net selling price" with "fair value less costs to sell".
- IAS 18 *Revenue.* Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.
- IAS 19 *Employee Benefits.* Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment.

## 2 Accounting principles (cont'd)

- IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance.* Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.
- IAS 23 *Borrowing Costs.* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
- IAS 27 *Consolidated and Separate Financial Statements.* When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- IAS 28 *Investment in Associates.* If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. In addition, an investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance.
- IAS 29 *Financial Reporting in Hyperinflationary Economies.* Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.
- IAS 31 *Interest in Joint ventures:* If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.
- IAS 34 *Interim Financial Reporting.* Earnings per share are disclosed in interim financial reports if an entity is within the scope of IAS 33.
- IAS 36 *Impairment of Assets.* When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.
- IAS 38 *Intangible Assets*. Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.
- IAS 39 *Financial Instruments: Recognition and Measurement.* Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- IAS 40 *Investment Property.* Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.
- IAS 41 *Agriculture.* Removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replaced the term 'point-of-sale costs' with 'costs to sell'.

## 2 Accounting principles (cont'd)

IFRIC 13 *Customer Loyalty Programmes* (effective for financial years beginning on or after 1 January 2009).

This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credit and deferred over the period that the award credit is fulfilled. The Group does not maintain customer loyalty programmes, therefore, this interpretation will have no impact on the financial position or performance of the Group.

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for financial years beginning on or after 1 January 2009).

This interpretation specifies the conditions for recognising a net asset for a defined benefit pension plan. The Group does not have defined benefit plans, therefore, the interpretation will have no impact on the financial position or performance of the Group.

## 3 Seasonality of operations

Road and bridge building business give lower revenue and operational profit in the 1$^{st}$ and 4$^{th}$ quarter in contrast to the 2$^{nd}$ and the 3$^{rd}$ quarters. Investment properties owned by the Group are revaluated and the change of their value is included in the profit/loss statement at the end of a year.

## 4 Segment information

The operating business are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management purposes, the Group is organised into following segments:

<u>Real estate</u>

The real estate segment is involved in investment in real estate, real estate management and administration, facility management, construction management, intermediation in buying, selling and rating real estate.

<u>Financial mediation</u>

The financial mediation segment is involved in financial brokerage, corporate finance services, investment and pension fund management, investment and private banking activities. The segment is classified for disposal in these financial statements it is presented as discontinued operations (Note 10).

<u>Pharmacy</u>

The pharmacy segment produces injections preparations, tablets, and ointments.

<u>Furniture production</u>

The furniture segment includes furniture design, production and sale.

<u>Roads and bridge construction</u>

The roads and bridge construction segment is involved in building bridges and high quality highway construction.

<u>Other production and service segments</u>

The other production and service segment is involved agricultural investment, hardware articles production, information technology solution services and other.

## 4 Segment information (cont'd)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocations and performance assessment. Segment performance is evaluated based on net profit or loss and it is measured the same as net profit or loss in the financial statements. Group financing (including finance costs and finance revenue) and income taxes is allocated between segments as they identified on basis legal entities. Between segments is not allocated only elimination, which is related with some operating segments.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

The following table present revenues and profit information regarding the Group's business segments for the 6 months ended 30 June 2009:

| **Period ended 30 June 2009** | **Real estate** | **Pharmacy** | **Furniture production** | **Roads and bridge construction** | **Other production and service** | **Elimination** | **Total continuing operations** |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Sales to external customers | 19,370 | - | 66,949 | - | 14,242 | - | 100,561 |
| Inter-segment sales | 444 | - | - | - | 116 | (560) | - |
| **Total revenue** | 19,814 | - | 66,949 | - | 14,358 | (560) | 100,561 |
| **Results** | | | | | | | |
| Other income | (3,880) | - | 1,174 | - | 20,023 | (6,534) | 10,783 |
| Allowance for assets | (56,191) | - | - | - | (5,764) | - | (61,955) |
| Other segment expenses | (26,551) | - | (67,331) | - | (30,376) | 8,352 | (115,906) |
| Operating profit (loss) | (66,808) | - | 792 | - | (1,759) | 1,258 | (66,517) |
| Share of profit (loss) of the associates and joint ventures | (2,132) | 656 | - | 4,627 | (1,041) | - | 2,110 |
| Profit (loss) before income tax | (68,940) | 656 | 792 | 4,627 | (2,800) | 1,258 | (64,407) |
| Income tax | (9) | - | (414) | - | 2,303 | - | 1,880 |
| **Net profit (loss) for the period** | (68,949) | 656 | 378 | 4,627 | (497) | 1,258 | (62,527) |
| Attributable to: | | | | | | | |
| Equity holders of the parent | (66,896) | 656 | 36 | 4,627 | (497) | 1,258 | (60,816) |
| Minority interest | (2,053) | - | 342 | - | - | - | (1,711) |

Gain of sale of AB Sanitas shares is shown in Other income caption of other production and service segment. Gain (loss) of sale of SIA Inreal, TOV Inreal, TOV Inkredo, TOV Inreal-Ocinka, UAB VIPC Klaipeda is shown in Other income caption of real estate segment.

## 4 Segment information (cont'd)

The following table present revenues and profit information regarding the Group's business segments for the 6 months ended 30 June 2008:

| Period ended 30 June 2008 | Real estate | Pharmacy | Furniture production | Roads and bridge construction | Other production and service | Elimination | Total continuing operations |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Sales to external customers | 103,200 | - | 72,359 | - | 10,486 | - | 186,045 |
| Inter-segment sales | 1,158 | - | 323 | - | 7 | (1,488) | - |
| **Total revenue** | 104,358 | - | 72,682 | - | 10,493 | (1,488) | 186,045 |
| **Results** | | | | | | | |
| Other income | 1,638 | - | 966 | - | 30,152 | (4,343) | 28,413 |
| Segment expenses | (97,569) | - | (75,339) | - | (29,508) | 6,715 | (195,701) |
| Operating profit (loss) | 8,427 | - | (1,691) | - | 11,137 | 884 | 18,757 |
| Share of profit (loss) of the associates and joint ventures | 2,622 | 8,840 | (2,125) | 427 | 440 | - | 10,204 |
| Profit (loss) before income tax | 11,049 | 8,840 | (3,816) | 427 | 11,577 | 884 | 28,961 |
| Income tax expenses | (1,877) | - | (36) | - | (2,622) | - | (4,535) |
| **Net profit (loss) for the period** | 9,172 | 8,840 | (3,852) | 427 | 8,955 | 884 | 24,426 |
| Attributable to: | | | | | | | |
| Equity holders of the parent | 9,485 | 8,840 | (2,737) | 427 | 8,986 | 884 | 25,885 |
| Minority interest | (313) | - | (1,115) | - | (31) | - | (1,459) |

The following table represents segment assets of the Group operating segments as at 30 June 2009 and 31 December 2008:

| Segment assets | Real estate | Pharmacy | Furniture production | Roads and bridge construction | Other production and service | Elimination | Total continuing operations |
|---|---|---|---|---|---|---|---|
| At 30 June 2009 | 374,098 | 101,993 | 85,633 | 49,005 | 173,728 | (122,012) | 662,445 |
| At 31 December 2008 | 429,426 | 193,208 | 111,690 | 48,423 | 201,735 | (133,598) | 850,884 |

## 5 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2009 | 31 December 2008 | 30 June 2009 | 31 December 2008 |
| Cash at bank | 1,178 | 17,878 | 536 | 12 |
| Cash in hand | 83 | 339 | - | - |
| Cash at bank related to discontinued operations | 9,947 | - | - | - |
| Cash in hand related to discontinued operations | 253 | - | - | - |
| | 11,461 | 18,217 | 536 | 12 |

## 6 Dividends

In 2009 dividends were not declared. The General Meeting of shareholders of 30 April 2008 allocated LTL 12,771 thousand for dividends, i.e. LTL 0.30 per one share.

## 7 Income tax

| | Group | | Company | |
|---|---|---|---|---|
| | I Half Year 2009 | I Half Year 2008 | I Half Year 2009 | I Half Year 2008 |
| **Components of income tax expense** | | | | |
| Current income tax charge | (748) | (3,682) | - | (238) |
| Deferred income tax income (expense) | 2,628 | (853) | 2,247 | (3,677) |
| Income tax (expenses) income charged to the income statement | 1,880 | (4,535) | 2,247 | (3,915) |

## 8 Investment into subsidiaries and associates

### Acquisitions of 2009

During the 1st half year 2009 the Company invested LTL 4,500 thousand additionally to increased share capital of AB FMĮ Finasta and UAB Finasta įmonių finansai. The last mentioned company invested funds to AB bankas Finasta in order to restore its equity to comply with minimum equity requirement set by the Lithuanian legislation.

The Company invested LTL 5,034 thousand additionally to increased share capital of UAB Kelio zenklai (the part of granted loan was converted to shares).

The Group acquired 0.05 % of shares of Vilniaus Baldai AB for LTL 19 thousand additionally. The value of the additional interest acquired was LTL 18 thousand. The negative difference equal to LTL 1 thousand between the consideration and the value of the interest acquired has been recognised directly to the shareholders equity.

### Sales and Acquisitions of AB Sanitas

On 24 October 2008 AB Invalda signed an agreement regarding the transfer of 6,314,502 AB Sanitas shares, which amounts to 20.3 % of authorised share capital. The buyer is Baltic Pharma Limited, company controlled by City Venture Capital International (CVCI).

On 28 October 2008, as the first part of agreement, 5 % of AB Sanitas shares were transferred for LTL 25,513 thousand. On January 12, 2009 the deal was closed and 15.3% of AB Sanitas shares were transferred for LTL 78,070 thousand.

Considering the undertaken investment return risk the price paid for the shares according to the agreement with Baltic Pharma Limited will be adjusted positively or negatively depending on the price Baltic Pharma Limited will receive latter from the shares' sale together with other AB Sanitas shareholders who concluded shareholders agreement. The Company has assured possible variations in sales prices by pledge of 3,763,816 shares of AB Sanitas held to Baltic Pharma Limited and by other shares of AB Sanitas held.

Taking into consideration auditor's consultations in the financial statements dated 31 December, 2008, the Group and the Company recognised separately continuing involvement asset amounting to LTL 25,526 thousand and LTL 21,676 thousand, respectively (included in investments in associates caption) and continuing involvement liability amounting to LTL 24,046 thousand and LTL 20,196 thousand, respectively (included in other non-current liabilities caption), calculated according to the first part of the deal.

The management considers that transferred AB Sanitas' shares are not controlled according to the 23 clause of IFRS 39 standard. Therefore in the financial statements dated 30 June, 2009, there are recognized assets that reflect present value of additional future net cash flows from the sale of shares present value, calculated according to the management assumptions and amounting to LTL 3,194 thousand from both parts of the deal (included in investments in associates caption).

## 8 Investment into subsidiaries and associates (cont'd)

The company intends to continue consulting with the auditors how to reflect the deal in the accounting more properly. If the management had to include the deal into accounting according to the continuing involvement principles, in the financial statements of 30 June, 2009, value of investments in associates and other long term liabilities should be increased in the Group and the Company by LTL 86,584 thousand and LTL 85,457 thousand respectively (total assets and liabilities would be increased by these amounts)

The Company and the Group gained LTL 12,703 thousand and LTL 15,424 thousand profit from this part of the deal

**Other sales**

In 1st half year of 2009 the Group has ended withdrawal from Ukraine. The Group sold Ukrainian investments: TOV Inreal, TOV Inreal-Ocinka, TOV Inkredo. The Company and the Group have suffered loss of LTL 2,055 thousand and LTL 143 thousand, respectively. On the other hand, the Company has reversed allowance of LTL 2,208 thousand, which was recognised for these investments in the financial statements for 2008. In Note 10 information about the sale of TOV Finasta is disclosed.

The Group sold 100 % shares of SIA Inreal. The Group have earned profit of LTL 112 thousand for this transaction (SIA Inreal had negative equity). The Company have suffered loss of LTL 2,839 thousand and have reversed allowance of LTL 2,750 thousand.

The Group sold 47 % shares of UAB VIPC Klaipeda. The Group have suffered loss of LTL 3,964 thousand and the Company have earned profit of LTL 1,049 thousand.

In 1st half year of 2009 was completed liquidation of SIA Gravity. In the consolidated statements was recognised loss of LTL 7 thousand.

## 9 Other revenues and expenses

### 9.1. Gain from investments and on sale of investment properties

| | Group | | Company | |
|---|---|---|---|---|
| | I Half Year 2009 | I Half Year 2008 | I Half Year 2009 | I Half Year 2008 |
| Net gain on sale of subsidiaries, associates and joint ventures | 11,422 | 16,425 | 6,906 | 87,444 |
| Net gain (loss) from held for trade investments | (2,515) | 529 | (4,249) | 4,744 |
| Net (loss) gain on sale of investment properties | (337) | 1,368 | - | - |
| | 8,570 | 18,322 | 2,657 | 92,188 |

### 9.2. Finance expenses

| | Group | | Company | |
|---|---|---|---|---|
| | I Half Year 2009 | I Half Year 2008 | I Half Year 2009 | I Half Year 2008 |
| Interest expenses | (17,015) | (22,370) | (12,513) | (13,687) |
| Foreign currency exchange loss | (65) | (150) | (23) | - |
| Other finance expenses | (107) | (236) | (27) | (56) |
| | (17,187) | (22,756) | (12,563) | (13,743) |

### 9.3. Finance income

| | Group | | Company | |
|---|---|---|---|---|
| | I Half Year 2009 | I Half Year 2008 | I Half Year 2009 | I Half Year 2008 |
| Interest income | 1,011 | 3,414 | 7,372 | 6,338 |
| Foreign currency exchange gain | - | - | - | 28 |
| Dividend income | - | 5,039 | 9,000 | 20,478 |
| Other finance income | 133 | 178 | 107 | - |
| | 1,144 | 8,631 | 16,479 | 26,844 |

## 10 Discontinued operations and non-current assets classified as held-for-sale

Discontinued operation

| | I Half Year 2009 | I Half Year 2008 |
|---|---|---|
| Gain (loss) after tax for the period from discontinued operations (financial mediation) | (7,996) | (10,188) |
| Gain (loss) after tax for the period from discontinued operations (hotel management) | - | 30,531 |
| **Total discontinued operation** | **(7,996)** | **20,343** |

| | I Half Year 2009 | I Half Year 2008 |
|---|---|---|
| Loss (earnings) per share: | | |
| Basic and diluted, from discontinued operation | (0.19) | 0.48 |

Financial mediation

On March 31, 2009 the Management Board of Invalda AB approved entering into the contract with the Bank Snoras AB regarding the sale of 100% shares of Bank Finasta AB, FBC Finasta, asset management companies Invalda Turto Valdymas and Invalda Asset Management Latvia, as well as Finasta Imoniu Finansai AB. Contract was signed on 1 April 2009. The amount of the deal is confidential. The deal will be finished when all permissions are received.

## 10 Discontinued operations and non-current assets classified as held-for-sale (cont'd)

In April 2009 TOV Finasta was sold.

The results of the financial mediation segment for the year 2009 and 2008 are presented below:

| | I Half Year 2009 | I Half Year 2008 |
|---|---|---|
| Revenue | 4,160 | 6,025 |
| Expenses | (12,867) | (17,577) |
| Loss from investments | (753) | (1,171) |
| **Operating (loss) profit** | **(9,460)** | **(12,723)** |
| Finance revenue | 6,274 | 2,777 |
| Finance expenses | (5,811) | (1,883) |
| **(Loss) profit before tax from a discontinued operation** | **(8,997)** | **(11,829)** |
| Income tax expenses | 1,320 | 1,641 |
| **(Loss) profit for the period from a discontinued operation (financial mediation)** | **(7,677)** | **(10,188)** |
| **Loss on sale of TOV Finasta** | **(319)** | **-** |
| **Gain (loss) after tax for the period from discontinued operations (hotel management)** | **(7,996)** | **(10,188)** |

The major classes of assets and liabilities of the hotel management segment classified as held-for-sale as at 30 June 2009 are as follows:

| | 2009 |
|---|---|
| Intangible assets | 7,799 |
| Property, plant and equipment | 3,232 |
| Investments classified as available for sale | 1,477 |
| Deferred tax asset | 5,183 |
| Loans | 8,406 |
| Investments classified as held for trade | 23,681 |
| Other current assets | 2,234 |
| Time deposits | 630 |
| Cash | 10,200 |
| **Assets, total** | 62,842 |
| Loans | (11,803) |
| Time deposits | (42,098) |
| Income tax payable | (114) |
| Trade and other payables | (3,971) |
| **Liabilities, total** | (57,986) |
| **Net assets directly associated with disposal group** | **4,856** |
| Asset revaluation reserve | (1,273) |
| Legal reserve | 284 |
| **Reserve of disposal group classified as held-for-sale** | **(989)** |

## 10 Discontinued operations and non-current assets classified as held-for-sale (cont'd)

Hotel management

In February 2007 the Group management publicly announced searching for the investor to the Group's hotels management segment (100 % subsidiary of the Company AB Valmeda and its 100 % subsidiary UAB Kelionių Viešbučiai). The potential investor was found on 16 August 2007 and the Letter of intent with investor Triangle Investments and Development limited for the sale and purchase of AB Valmeda shares was signed. The disposal of the Group hotels management segment was completed on 13 March 2008.

The results of the hotel management segment for the year 2008 are presented below:

| | 2009 | 2008 |
|---|---|---|
| Revenue | - | 1,550 |
| Expenses | - | (1,643) |
| **Operating (loss) profit** | **-** | **(93)** |
| Finance revenue | - | - |
| Finance expenses | - | (401) |
| **(Loss) profit before tax from a discontinued operation** | **-** | **(494)** |
| Income tax expenses | - | - |
| **(Loss) profit for the period from a discontinued operation** | **-** | **(494)** |
| **Gain on disposal of the discontinued operation** | **-** | **31,025** |
| **Gain (loss) after tax for the period from discontinued operations (hotel management)** | **-** | **30,531** |

## 11 Borrowings

Within the 1st half year of 2009, the Group and the Company refunded respectively LTL 97,812 thousand and LTL 91,692 thousand loans. The main resource to refund was sale of AB Sanitas shares.

The Company's management negotiates with AB DnB Nord Bank regarding extension of maturity terms of loan (including part of the loan equal to LTL 9,541 thousand, which had to be refunded on 30 June 2009).

The Company has a law issue with the creditor UAB Medicinos bankas regarding maturity terms and prices of liabilities according to repurchasing agreements. On 30 June 2009 liabilities to UAB Medicinos bankas were equal to LTL 8,755 thousand (without accrued interest). Considering the ongoing negotiations the parties expect to reach the compromise without the law issues.

During 2nd quarter of 2009 the Group have signed bank loan agreements‘ amendments regarding extension of maturity terms for 2 years in the real estate segment‘s companies. Therefore the amount of LTL 156,083 thousand was reclassified from caption current portion of non-current borrowings to caption non-current borrowing.

## 12 Allowance for assets

At the end of 1st half year 2009 the management of the Company made additional allowance for assets.

Consider the economic situation in Latvia the additional allowance for investments and loans (they are valued to null) was made, respectively the amount of mLTL 14.1 in the Company‘s and mLTL 17.8 in the Group‘s statements.

In the Group‘s statements additional allowance of mLTL 38.3 for real estate segment‘s assets was made, in the Company‘s statements additional allowance of mLTL 27.3 for investments and loans to this sector was made. Mainly the reason for this allowance is lowered prices of finished residential real estate.

In the Company‘s and Group's statements additional allowance of respectively mLTL 10 and mLTL 6 for other assets was made. Due to the sale of investments in Ukraine and SIA Inreal was reversed allowance of mLTL 7, which was made in the Company's statements for 2008.

## 13 Related party transactions

The Company's transactions with related parties in the 1st half year of 2009 and related quarter-end balances were as follows:

| **I half year 2009 Company** | **Sales to related parties** | **Purchases from related parties** | **Receivables from related parties** | **Payables to related parties** |
|---|---|---|---|---|
| Loans and borrowings | 7,264 | 1,351 | 143,238 | 21,835 |
| Rent and utilities | - | 77 | - | 40 |
| Dividends | 9,000 | - | - | - |
| Prepayments for share capital in subsidiaries | - | - | 25,287 | - |
| Other | 7 | 45 | 623 | 336 |
| | 16,271 | 1,473 | 169,148 | 22,211 |
| Management | - | 44 | - | 1,285 |

Loans' and prepayments' amounts are gross (without allowance).

The Company's transactions with related parties in the 1st half year of 2008 and related quarter-end balances were as follows:

| **I half year 2008 Company** | **Sales to related parties** | **Purchases from related parties** | **Receivables from related parties** | **Payables to related parties** |
|---|---|---|---|---|
| Loans and borrowings | 5,804 | 2,363 | 159,912 | 122,484 |
| Rent and utilities | - | 160 | - | 206 |
| Dividends | 20,478 | - | 7,978 | - |
| Payables for share capital in subsidiaries in Ukraine and Latvia | - | - | - | 1,110 |
| Other | - | 37 | - | 42 |
| | 26,282 | 2,560 | 167,890 | 123,843 |
| Liabilities to shareholders | - | 5,444 | - | - |

The Group's transactions with related parties in the 1st half year of 2009 and related quarter-end balances were as follows:

| **I half year 2009 Group** | **Sales to related parties** | **Purchases from related parties** | **Receivables from related parties** | **Payables to related parties** |
|---|---|---|---|---|
| Loans and borrowings | 651 | 510 | 42,353 | 6,675 |
| Rent and utilities | 266 | 10 | 163 | - |
| Roads and bridges construction segment | 251 | - | 260 | - |
| Financial segment | 33 | - | 62 | - |
| Other | 25 | - | 634 | - |
| | 1,226 | 520 | 43,472 | 6,675 |
| Management | 77 | 48 | 1,824 | 1,285 |
| Liabilities to shareholders | 190 | 224 | 5,171 | 4,340 |

## 13 Related party transactions (cont'd)

The Group's transactions with related parties in the 1st half year of 2008 and related quarter-end balances were as follows:

| I half year 2008<br>Group | Sales to related parties | Purchases from related parties | Receivables from related parties | Payables to related parties |
|---|---|---|---|---|
| Loans and borrowings | 1,385 | 736 | 38,685 | 27,349 |
| Rent and utilities | 793 | 112 | 44 | 150 |
| Financial segment | 549 | - | - | - |
| Roads and bridges construction segment | 229 | 35 | 32 | 119 |
| Dividends receivables by AB Invalda from AB Sanitas | - | - | 7,978 | - |
| Raw materials purchased by AB Vilniaus baldai from UAB Girių bizonas | - | 9,749 | - | 1,379 |
| Other | 67 | - | 104 | 59 |
| | 3,023 | 10,632 | 46,843 | 29,056 |
| Management | 148 | 44 | 3,399 | - |
| Liabilities to shareholders | - | 6,228 | - | 66,159 |