



CONFIRMATION OF RESPONSIBLE PERSONS

27-02-2009

Following the Rules on Preparation And Submission Of Periodic And Additional Information Of The Lithuanian Securities Commission and the Law On Securities Of The Republic Of Lithuania, management of Invalda AB hereby confirms that, to the best of our knowledge, the attached consolidated and Company's condensed financial statements for the year ended 31 December 2008 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of Invalda AB and the Consolidated Group.

ENCLOSURE: consolidated and Company's condensed financial statements for the year ended 31 December 2008.

President

Darius Šulnis

Chief financier

Raimondas Rajeckas

AB INVALIDA

CONSOLIDATED AND PARENT COMPANY'S CONDENSED NOT-AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008 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. Darius Šulnis
Mr. Dalius Kaziūnas

Management

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


Registered office and company code

Maironio St. 11,
Vilnius,
Lithuania
Company code 121304349

Bankers

Nordea Bank Finland Plc.
AB DnB Nord bankas
Akcinė bendrovė Šiaulių bankas
AB SEB bankas
AB bankas „Hansabankas“
AB bankas „Snoras“
UAB „Medicinos bankas“
Danske Bank A/S Lithuania branch

The financial statements were approved and signed by the Management and the Board of Directors on 27 February 2009.



Mr. Darius Šulnis
President



Mr. Raimondas Rajeckas
Chief financial officer

AB INVALIDA

CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

(all amounts are in LTL thousand unless otherwise stated)

Consolidated and parent Company's income statements

| | | Group | | Company | |
|---|-----|-----------------|----------------|--------------|---------------|
| | | 2008 | 2007 | 2008 | 2007 |
| Revenue | | | | | |
| Furniture production revenue | | 152,854 | 169,865 | - | - |
| Sales of apartments | | 94,281 | - | - | - |
| Rent and other real estate income | | 33,174 | 35,097 | - | - |
| Financial mediation revenue | | 11,794 | 33,769 | - | - |
| Other production and services revenue | | 28,742 | 14,864 | - | - |
| Total revenue | | 320,845 | 253,595 | - | - |
| Other income | 9.1 | 31,983 | 31,005 | 76,475 | 1,228 |
| Valuation gains | | 11,850 | 50,161 | - | - |
| Valuation losses | 11 | (39,881) | (674) | - | - |
| Changes in inventories of finished goods and work in progress | | 1,147 | (674) | - | - |
| Raw materials and consumables used | | (124,283) | (110,827) | (43) | (42) |
| Salaries and related expenses | | (66,563) | (67,306) | (2,355) | (1,681) |
| Depreciation and amortization | | (12,765) | (11,713) | (152) | (158) |
| Subcontractor expenses | | (6,057) | (8,791) | - | - |
| Premises rent and utilities | | (17,111) | (13,348) | (399) | (385) |
| Fees for securities | | (5,349) | (3,552) | (128) | (94) |
| Vehicles maintenance costs | | (4,299) | (3,528) | (221) | (103) |
| Other taxes | | (4,617) | (3,579) | (259) | (164) |
| Advertising and other promotion expenses | | (4,225) | (5,074) | (46) | (42) |
| Repair and maintenance of premises | | (5,218) | (2,409) | (1) | (3) |
| Cost of sales of apartments | | (78,587) | - | - | - |
| Allowance for assets | 11 | (32,678) | (2,977) | (69,618) | (2,830) |
| Other operating expenses | | (11,839) | (13,516) | (2,320) | (680) |
| Finance income | 9.3 | 15,818 | 8,889 | 34,429 | 100,114 |
| Finance expenses | 9.2 | (47,562) | (27,943) | (27,782) | (9,064) |
| Share of profit from associates and joint ventures | | (8,628) | 30,074 | - | - |
| Profit (loss) before tax | | (88,019) | 97,813 | 7,580 | 86,096 |
| Income tax expense | 7 | 838 | (12,241) | 757 | 708 |
| Profit (loss) for year from continuing operations | | (87,181) | 85,572 | 8,337 | 86,804 |
| Discontinued operation | | | | | |
| Profit/(Loss) after tax for the year from a discontinued operation | | (494) | 1,988 | - | - |
| PROFIT/LOSS FOR THE PERIOD | | (87,675) | 87,560 | 8,337 | 86,804 |
| Attributable to: | | | | | |
| Equity holders of the parent | | (86,244) | 78,964 | - | - |
| Minority interest | | (1,431) | 8,596 | - | - |
| Basic earnings per share (in LTL) | | (2.03) | 1.78 | | |

AB INVALIDA
CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

(all amounts are in LTL thousand unless otherwise stated)

Consolidated and parent Company's income statements

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | IV Quarter 2008 | IV Quarter 2007 | IV Quarter 2008 | IV Quarter 2007 |
| Revenue | | | | |
| Furniture production revenue | 38,769 | 41,193 | - | - |
| Sales of apartments | 5,282 | - | - | - |
| Rent and other real estate income | 6,933 | 8,942 | - | - |
| Financial mediation revenue | 2,000 | 4,203 | - | - |
| Other production and services revenue | 10,560 | 6,425 | - | - |
| Total revenue | 63,544 | 60,763 | - | - |
| Other income | (8,261) | 9,018 | (10,835) | 7,511 |
| Valuation gains | 4,008 | 40,446 | - | - |
| Valuation losses | (39,881) | (674) | - | - |
| Changes in inventories of finished goods and work in progress | 1,426 | (19) | - | - |
| Raw materials and consumables used | (36,204) | (29,393) | (6) | (20) |
| Salaries and related expenses | (18,185) | (18,630) | (703) | (449) |
| Depreciation and amortization | (4,413) | (2,864) | (38) | (40) |
| Subcontractor expenses | (2,207) | (4,235) | - | - |
| Premises rent and utilities | (4,332) | (3,019) | (104) | (103) |
| Fees for securities | (822) | (1,339) | (28) | (39) |
| Vehicles maintenance costs | (1,088) | (1,234) | (50) | (35) |
| Other taxes | (1,586) | (1,071) | (99) | (57) |
| Advertising and other promotion expenses | (1,729) | (1,096) | (8) | (15) |
| Repair and maintenance of premises | (1,429) | (1,035) | - | - |
| Cost of sales of apartments | (7,319) | - | - | - |
| Allowance for assets | (32,678) | (2,977) | (69,618) | 2,830 |
| Other operating expenses | (1,090) | (3,592) | (905) | 7,428 |
| Finance income | 3,163 | (87) | 3,675 | 2,131 |
| Finance expenses | (10,594) | (5,640) | (7,488) | (4,669) |
| Share of profit from associates and joint ventures | (31,985) | 11,516 | - | - |
| Profit before tax | (131,662) | 44,838 | (86,207) | 2,315 |
| Income tax expense | 2,463 | (4,436) | 3,392 | 708 |
| Profit for year from continuing operations | (129,199) | 40,402 | (82,815) | 3,023 |
| Discontinued operation | | | | |
| Profit/(Loss) after tax for the year from a discontinued operation | - | (98) | - | - |
| PROFIT FOR THE PERIOD | (129,199) | 40,304 | (82,815) | 3,023 |
| Attributable to: | | | | |
| Equity holders of the parent | (129,634) | 38,648 | - | - |
| Minority interest | 435 | 1,656 | - | - |
| Basic per share (in LTL) | (3.05) | 0.91 | - | - |

AB INVALIDA

CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

(all amounts are in LTL thousand unless otherwise stated)

Consolidated and parent Company's balance sheets

| | Group | | Company | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | As of 31 December 2008 | As of 31 December 2007 | As of 31 December 2008 | As of 31 December 2007 |
| | Unaudited | audited | Unaudited | audited |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | | | | |
| Hotels | - | - | - | - |
| Other property, plant and equipment | 72,492 | 80,424 | 311 | 535 |
| Total property, plant and equipment | 72,492 | 80,424 | 311 | 535 |
| Investment properties | 326,872 | 402,933 | - | - |
| Intangible assets | 18,718 | 23,546 | 5 | 10 |
| Non-current financial assets | | | | |
| Investments into subsidiaries | 8 | - | 169,967 | 163,991 |
| Investments into associates and joint ventures | 8 | 232,699 | 303,952 | 208,981 |
| Other non-current investments | | 4,739 | 5,920 | 1,817 |
| Granted loans | | 7,978 | 16,962 | 27,480 |
| Total non-current financial assets | | 245,416 | 326,834 | 408,245 |
| Other non-current assets | | 2,850 | 2,848 | - |
| Deferred tax asset | | 5,288 | 809 | 1,466 |
| Total non-current assets | | 671,636 | 837,394 | 410,027 |
| Current assets | | | | |
| Inventories | | 64,239 | 119,950 | - |
| Trade and other receivables | | 26,803 | 27,365 | 202 |
| Short term loans granted | | 62,618 | 77,977 | 124,507 |
| Prepaid income tax | | 3,150 | 3,678 | 647 |
| Prepayments and other current assets | | 3,983 | 22,040 | 67 |
| Financial assets at fair value through profit or loss | | 24,357 | 24,206 | 2,888 |
| Cash and cash equivalents | 5 | 31,764 | 4,248 | 12 |
| Total current assets | | 216,914 | 279,464 | 128,323 |
| Non-current assets and assets of disposal group classified as held for sale | | - | 87,669 | - |
| Total assets | | 888,550 | 1,204,527 | 538,350 |
| | | | 525,520 | |

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AB INVALIDA

CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008

(all amounts are in LTL thousand unless otherwise stated)

Consolidated and parent Company's balance sheets (cont'd)

| | Group | | Company | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | As of 31 December 2008 | As of 31 December 2007 | As of 31 December 2008 | As of 31 December 2007 |
| | Unaudited | audited | Unaudited | Audited |
| EQUITY AND LIABILITIES | | | | |
| 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 | 72,466 | 41,852 | 73,383 | 39,001 |
| Retained earnings | 7,640 | 136,131 | 8,337 | 47,153 |
| Translation reserve | (293) | (73) | - | - |
| Reserves of disposal group classified as held-for-sale | - | 28,077 | - | - |
| | 172,970 | 299,144 | 174,877 | 179,311 |
| Minority interest | 11,428 | 6,056 | | - |
| Total equity | 184,398 | 305,200 | 174,877 | 179,311 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Non-current borrowings | 184,395 | 270,395 | 91,364 | 78,589 |
| Financial lease liabilities | 199 | 230 | - | - |
| Government grants | 19 | 31 | - | - |
| Provisions | 137 | 136 | - | - |
| Deferred tax liability | 32,835 | 35,356 | - | - |
| Other non-current liabilities | 10 75,631 | 1,280 | 75,631 | - |
| Total non-current liabilities | 293,216 | 307,428 | 166,995 | 78,589 |
| Current liabilities | | | | |
| Current portion of non-current borrowings | 143,798 | 134,830 | 20,653 | 1,350 |
| Current portion of financial lease liabilities | 209 | 6,102 | - | - |
| Current borrowings | 219,231 | 186,821 | 171,290 | 144,244 |
| Trade payables | 29,327 | 26,159 | 1,833 | 890 |
| Income tax payable | 3,337 | 4,729 | - | - |
| Provisions | 41 | - | - | - |
| Advances received | 1,683 | 47,400 | - | 1,233 |
| Liabilities from cash flow hedge | 742 | - | - | - |
| Other current liabilities | 10 12,568 | 130,690 | 2,702 | 119,903 |
| Total current liabilities | 410,936 | 536,731 | 196,478 | 267,620 |
| Non-current liabilities and liabilities of disposal group directly associated with the assets classified as held-for-sale | - | 55,168 | - | - |
| Total liabilities | 704,152 | 899,327 | 363,473 | 346,209 |
| Total equity and liabilities | 888,550 | 1,204,527 | 538,350 | 525,520 |

(the end)

AB INVALIDA

CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

(all amounts are in LTL thousand unless otherwise stated)

Consolidated and parent Company's statements of changes in equity

| Group | Notes | Equity attributable to equity holders of the parent | | | | | | | | | | |
|---|-------|---|---------------|---------------------|---------------------|----------------|---------------------|-------------------|-------------------------|----------------|-------------------|----------------|
| | | Share capital | Share premium | Reserves | | | | Retained earnings | Discontinued operations | Subtotal | Minority interest | Total equity |
| | | | | Revaluation reserve | Fair value reserves | Other reserves | Translation reserve | | | | | |
| Balance as at 31 December 2006 | | 45,008 | 50,588 | 18,391 | 3,432 | 6,860 | (48) | 203,860 | - | 328,091 | 40,407 | 368,498 |
| Net gain on available-for-sale investments | | - | - | - | (2,880) | - | - | - | - | (2,880) | - | (2,880) |
| Revaluation of hotels | | - | - | 9,933 | - | - | - | - | - | 9,933 | - | 9,933 |
| Depreciation transferred for hotels | | - | - | (492) | - | - | - | 492 | - | - | - | - |
| Foreign currency translation | | - | - | - | - | - | (25) | - | - | (25) | - | (25) |
| Income and expenses for the year recognised directly in equity | | - | - | - | - | - | - | 8,640 | - | 8,640 | - | 8,640 |
| Total income and expenses for the year recognised directly in equity | | - | - | 9,441 | (2,880) | - | (25) | 9,132 | - | 15,668 | - | 15,668 |
| Profit for the year 2007 | | - | - | - | - | - | - | 78,964 | - | 78,964 | 8,596 | 87,560 |
| Total income and expenses for the year | | - | - | 9,441 | (2,880) | - | (25) | 88,096 | - | 94,632 | 8,596 | 103,228 |
| Discontinued operations | | - | - | (27,832) | - | (245) | - | - | 28,077 | - | - | - |
| Minority interest arising on business combination | | - | - | - | - | - | - | - | - | - | 987 | 987 |
| Acquisition of minority interests | | - | - | - | - | - | - | (298) | - | (298) | (186) | (484) |
| Sales of subsidiaries | | - | - | - | - | - | - | - | - | - | 221 | 221 |
| Changes in share capital after the merger | | (2,439) | - | - | - | - | - | (109,590) | - | (112,029) | (13,072) | (125,101) |
| Change in reserves | | - | - | - | - | 34,685 | - | (34,685) | - | - | - | - |
| Equity dividends | | - | - | - | - | - | - | (11,252) | - | (11,252) | - | (11,252) |
| Dividends of subsidiaries | | - | - | - | - | - | - | - | - | - | (30,897) | (30,897) |
| Balance as at 31 December 2007 | | 42,569 | 50,588 | - | 552 | 41,300 | (73) | 136,131 | 28,077 | 299,144 | 6,056 | 305,200 |

AB INVALIDA

CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

(all amounts are in LTL thousand unless otherwise stated)

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

| Group | Equity attributable to equity holders of the parent | | | | | | | | | Minority interest | Total equity |
|---|---|---------------|-------------------------|---------------------|--------------------------|---------------------|-------------------|------------------|----------------|-------------------|--------------|
| | Share capital | Share premium | Discontinued operations | Fair value reserves | Legal and other reserves | Translation reserve | Retained earnings | Total | | | |
| Balance as of 31 December 2007 | 42,569 | 50,588 | 28,077 | 552 | 41,300 | (73) | 136,131 | 299,144 | 6,056 | 305,200 | |
| Net gain (loss) on available-for-sale investments | | | | (4,026) | | | | (4,026) | | (4,026) | |
| Income (expenses) recognised directly in equity | | | | | | | (21,603) | (21,603) | 6,898 | (14,705) | |
| Total income and expenses for the year recognised directly in equity | - | - | - | (4,026) | - | - | (21,603) | (25,629) | 6,898 | (18,731) | |
| Profit for the Nine months 2008 | | | | | | | (86,244) | (86,244) | (1,431) | (87,675) | |
| Total income and expenses for the year | - | - | - | (4,026) | - | - | (107,847) | (111,873) | (1,431) | (106,406) | |
| Dividends paid | | | | | | | (12,771) | (12,771) | | (12,771) | |
| Dividends of subsidiaries | | | | | | | | - | (234) | (234) | |
| Investments into subsidiaries | | | | | | | | - | 850 | 850 | |
| Changes in reserves | | | | | 34,640 | | (34,640) | - | | - | |
| Minority of subsidiaries acquired | | | | | | | (1,352) | (1,352) | (664) | (2,016) | |
| Discontinued operation | | | (28,077) | | | (42) | 28,119 | - | (45) | (45) | |
| Foreign currency translation | | | | | | (178) | | (178) | (2) | (180) | |
| Balance as of 31 December 2008 | 42,569 | 50,588 | - | (3,474) | 75,940 | (293) | 7,640 | 172,970 | 11,428 | 184,398 | |

AB INVALIDA

CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008

(all amounts are in LTL thousand unless otherwise stated)

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 at 31 December 2006 | 45,008 | 50,588 | 3,068 | - | 47,675 | 146,339 |
| Net profit for 2007 | - | - | - | - | 86,804 | 86,804 |
| Total income and expenses for the year | - | - | - | - | 86,804 | 86,804 |
| Dividends for 2006 | - | - | - | - | (11,252) | (11,252) |
| Transferred to legal reserve | - | - | 1,433 | - | (1,433) | - |
| Transferred to reserve of purchase of own shares | - | - | - | 34,500 | (34,500) | - |
| Changes in share capital after the merger | (2,439) | - | - | - | - | (2,439) |
| Loss from annulled own shares acquired during the merger | - | - | - | - | (40,141) | (40,141) |
| Balance as at 31 December 2007 | 42,569 | 50,588 | 4,501 | 34,500 | 47,153 | 179,311 |
| Net profit for 2008 | - | - | - | - | 8,337 | 8,337 |
| Total income and expenses for the year | - | - | - | - | 8,337 | 8,337 |
| Dividends for 2007 | - | - | - | - | (12,771) | (12,771) |
| Transferred to legal reserve | - | - | - | - | - | - |
| Transferred to reserve of purchase of own shares | - | - | (244) | 34,626 | (34,382) | - |
| Changes in share capital after the merger | - | - | - | - | - | - |
| Loss from annulled own shares acquired during the merger | - | - | - | - | - | - |
| Balance as at 31 December 2008 | 42,569 | 50,588 | 4,257 | 69,126 | 8,337 | 174,877 |

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008**

(all amounts are in LTL thousand unless otherwise stated)

Consolidated and parent Company's cash flow statements

| | Group | | Company | |
|---|-----------------|---------------|------------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| Cash flows from (to) operating activities | | | | |
| Net profit | (87,675) | 87,560 | 8,337 | 86,804 |
| Adjustments for non-cash items: | | | | |
| Valuation gain, net | 28,031 | (49,487) | - | - |
| Depreciation and amortization | 12,765 | 13,429 | 134 | 158 |
| (Gain) on disposal of property, plant and equipment | 6,645 | (14,419) | - | - |
| (Gain) on disposal of investments | (51,251) | (15,767) | (71,025) | (1,213) |
| Share of net profits of associates and joint ventures | 8,628 | (30,074) | - | - |
| Interest (income) | (9,391) | (8,391) | (13,836) | (7,126) |
| Interest expenses | 47,091 | 27,467 | 27,676 | 9,053 |
| Deferred taxes | (5,494) | 4,576 | (758) | (708) |
| Current income tax expenses | 5,233 | 7,665 | - | - |
| Allowance for receivables | 11,026 | 3,329 | - | 1,200 |
| Allowance for inventories | - | (352) | - | - |
| Allowance for investments | - | - | 69,633 | 1,630 |
| Change in provisions | 42 | 31 | - | - |
| Dividend (income) | - | - | (20,478) | (92,877) |
| Valuation of held for trade investments | - | 1,062 | - | - |
| Loss (gain) from other financial activities | - | 52 | (5,418) | (99) |
| | (34,350) | 26,681 | (5,735) | (3,178) |
| Changes in working capital: | | | | |
| (Increase) decrease in inventories | 55,711 | 2,528 | - | - |
| Decrease (increase) in trade and other receivables | 17,538 | 19,886 | 37 | (8) |
| Decrease in other current assets | 18,057 | (20,208) | (11) | (138) |
| (Decrease) increase in trade payables | 3,168 | 3,731 | (589) | (529) |
| Income tax paid | (7,452) | (3,623) | - | (2,118) |
| (Decrease) increase in other current liabilities | (52,002) | 64,932 | (122,881) | (14,369) |
| Net cash flows (to) from operating activities | 670 | 93,927 | (129,179) | (20,340) |

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AB INVALIDA

**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008**

(all amounts are in LTL thousand unless otherwise stated)

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

| | Group | | Company | |
|--|------------------|-----------------|----------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| Cash flows from (to) investing activities | | | | |
| (Acquisition) of tangible non-current assets (except investment properties) | (16,077) | (66,728) | (73) | (65) |
| Proceeds from sale of tangible non-current assets (except investment properties) | 18,361 | 3,839 | 168 | - |
| (Acquisition) of investment properties | (14,562) | (58,505) | - | - |
| Proceeds of sale of investment properties | 53,658 | 88,335 | - | - |
| (Acquisition) of subsidiaries, net of cash acquired | - | (6,825) | (1,636) | (763) |
| Proceeds from sales of subsidiaries | 42,553 | 8,767 | 50,191 | 9,526 |
| (Acquisition) of associates | (18,215) | (11,163) | (18,215) | (19,436) |
| Proceeds from sales of associates | 58,537 | 3,046 | 25,537 | 671 |
| Loans (granted) | (118,692) | (78,227) | (137,265) | (114,171) |
| Repayment of granted loans | 134,051 | 8,499 | 100,008 | 99,902 |
| Dividends received | (14) | 330 | 7,000 | 14,809 |
| Interest received | 9,391 | 8,391 | 2,285 | 1,576 |
| (Acquisition) of minority interest | (2,016) | (2,523) | (13,063) | (23,694) |
| Other cash flow from investing activities | (8) | 14,500 | - | (27) |
| Net cash flows (to) investing activities | 146,967 | (88,264) | 14,937 | (31,672) |
| Cash flows from (to) financing activities | | | | |
| Cash flows related to company shareholders | | | - | - |
| Issue of shares | - | - | - | - |
| Dividends (paid) | (13,005) | (10,841) | (12,282) | (11,252) |
| Dividends to minority | - | (30,897) | - | - |
| | (13,005) | (41,738) | (12,282) | (11,252) |
| Cash flows related to other sources of financing | | | | |
| Proceeds from loans | 419,529 | 151,775 | 530,591 | 245,471 |
| Issue of bonds | - | 2,000 | - | - |
| (Repayment) of loans | (473,994) | (93,054) | (391,553) | (176,877) |
| Interest (paid) | (47,091) | (27,467) | (12,527) | (5,484) |
| Financial lease (payments) | (6,133) | (1,239) | - | - |
| Other cash flows from financing activities | 573 | 1,005 | (5) | 102 |
| | (107,116) | 33,020 | 126,506 | 63,212 |
| Net cash flows from financial activities | (120,121) | (8,718) | 114,224 | 51,960 |
| Impact of currency exchange on cash and cash equivalents | - | - | - | - |
| Net (decrease) increase in cash and cash equivalents | 27,516 | (3,055) | (18) | (52) |
| Cash and cash equivalents at the beginning of the year | 31,764 | 9,161 | 30 | 82 |
| Cash and cash equivalents at the end of the year | 4,248 | 6,106 | 12 | 30 |

(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 office is as follows:

Maironio St. 11,
Vilnius,
Lithuania.

Group's activity strategy is concentrated to asset management and private and investment banking area. The goal of the group – successful activity developing, orienting to steady long term growth and assuring high long term financial return to the shareholders. Asset management activity currently concentrates into finance, real estate, pharmacy, furniture manufacturing and roads and bridges construction sectors.

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 year ended 31 December 2008 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 2007.

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 2007.

3 Seasonality of operations

Road and bridge building business give lower revenue and operational profit in the 1st and 4th quarter in contrast to the 2nd and the 3rd quarters. Investment assets 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 is organized 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 organized into following segments:

Real estate

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

AB INVALIDA

**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008**

(all amounts are in LTL thousand unless otherwise stated)

4 Segment information (cont'd)

Financial mediation

The financial mediation segment is involved in financial brokerage, corporate finance services, investment and pension fund management and banking activities.

Pharmacy

The pharmacy segment produces injections preparations, tablets, ointments.

Furniture production

The furniture segment includes furniture design, production and sale.

Hotels management

The hotels management segment renders room revenue, restaurant revenue, conference facilities revenue. The segment was sold in 2008 and in these financial statements it is presented as discontinued operations.

Roads and bridge construction

The roads and bridge construction segment is involved in building bridges and high quality highway construction. The activity is exercised in Poland and Lithuania.

Other production and service segments

The other production and service segment is involved in designing water management objects, agricultural investment, hardware articles production, information technology solution services and other.

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.

AB INVALIDA
**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008**

(all amounts are in LTL thousand unless otherwise stated)

4 Segment information (cont'd)

The following table present revenues and profit information regarding the Group's business segments for the year ended 31 December 2008:

| Year ended 31 December 2008 | Continuing operations | | | | | | | Discontinued operation | | Total operations |
|---|-----------------------|---------------------|--------------|----------------------|-------------------------------|------------------------------|-----------------------|------------------------|-------------------|------------------|
| | Real estate | Financial mediation | Pharmacy | Furniture production | Roads and bridge construction | Other production and service | Elimination and other | Total | Hotels management | |
| Revenue | | | | | | | | | | |
| Sales to external customers | 127,455 | 11,794 | - | 152,854 | - | 28,742 | - | 320,845 | 1,533 | 322,378 |
| Inter-segment sales | 2,838 | 238 | - | 162 | - | 550 | (3,788) | - | - | - |
| Total revenue | 130,293 | 12,032 | - | 153,016 | - | 29,292 | (3,788) | 320,845 | 1,533 | 322,378 |
| Results | | | | | | | | | | |
| Other income | (34,119) | 9,262 | - | 13,206 | - | 2,015 | 29,406 | 19,770 | 17 | 19,787 |
| Segment expenses | (137,528) | (50,125) | - | (158,817) | - | (31,063) | (6,687) | (384,220) | (2,044) | (386,264) |
| Unallocated expenses | - | - | - | - | - | - | (35,786) | (35,786) | - | (35,786) |
| Operating profit (loss) | (41,354) | (28,831) | - | 7,405 | - | 244 | (16,855) | (79,391) | (494) | (79,885) |
| Share of profit (loss) of the associates and joint ventures | (21,137) | - | (137) | (4,202) | 18,226 | (1,378) | - | (8,628) | - | (8,628) |
| Profit (loss) before income tax | (62,491) | (28,831) | (137) | 3,203 | 18,226 | (1,134) | (16,855) | (88,019) | (494) | (88,513) |
| Income tax expenses | (4,927) | 4,780 | - | (500) | - | (213) | 1,698 | 838 | - | 838 |
| Net profit for the year | (67,418) | (24,051) | (137) | 2,703 | 18,226 | (1,347) | (15,157) | (87,181) | (494) | (87,675) |
| Attributable to: | | | | | | | | | | |
| Equity holders of the parent | (64,007) | (24,020) | (137) | 717 | 18,226 | (1,372) | (15,157) | (85,750) | (494) | (86,244) |
| Minority interest | (3,411) | (31) | - | 1,986 | - | 25 | - | (1,431) | - | (1,431) |

Gain of sale of AB Hidroprojektas shares and gain of loss of significant influence in AB Agrowill group is shown in "Other income" of other production and service segment. Gain of sale of AB Valmeda shares is shown in "Other income" in Elimination and other column.

AB INVALIDA

CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

(all amounts are in LTL thousand unless otherwise stated)

4 Segment information (cont'd)

The following table present revenues and profit information regarding the Group's business segments for the year ended 31 December 2007:

| Year ended 31 December 2007 | Continuing operations | | | | | | | Discontinued operation | | Total operations |
|---|-----------------------|---------------------|---------------|----------------------|-------------------------------|------------------------------|-----------------------|------------------------|-------------------|------------------|
| | Real estate | Financial mediation | Pharmacy | Furniture production | Roads and bridge construction | Other production and service | Elimination and other | Total | Hotels management | |
| Revenue | | | | | | | | | | |
| Sales to external customers | 35,097 | 33,769 | - | 169,865 | - | 14,864 | - | 253,595 | 14,581 | 268,176 |
| Inter-segment sales | 2,251 | 229 | - | 134 | - | 2 | (2,616) | - | - | - |
| Total revenue | 37,348 | 33,998 | - | 169,999 | - | 14,866 | (2,616) | 253,595 | 14,581 | 268,176 |
| Results | | | | | | | | | | |
| Other income | 72,313 | 19,954 | - | 2,714 | - | 25 | 879 | 95,885 | 14 | 95,899 |
| Segment expenses | (56,383) | (36,210) | - | (169,289) | - | (13,756) | 9,149 | (266,489) | (12,412) | (278,901) |
| Unallocated expenses | - | - | - | - | - | - | (15,252) | (15,252) | - | (15,252) |
| Operating profit (loss) | 53,278 | 17,742 | - | 3,424 | - | 1,135 | (7,840) | 67,739 | 2,183 | 69,922 |
| Share of profit (loss) of the associates and joint ventures | 6,866 | - | 13,203 | (2,361) | 5,675 | 6,691 | - | 30,074 | - | 30,074 |
| Profit (loss) before income tax | 60,144 | 17,742 | 13,203 | 1,063 | 5,675 | 7,826 | (7,840) | 97,813 | 2,183 | 99,996 |
| Income tax expenses | (7,299) | (3,690) | - | (988) | - | (264) | - | (12,241) | (195) | (12,436) |
| Net profit for the year | 52,845 | 14,052 | 13,203 | 75 | 5,675 | 7,562 | (7,840) | 85,572 | 1,988 | 87,560 |
| Attributable to: | | | | | | | | | | |
| Equity holders of the parent | 44,610 | 14,053 | 13,203 | (313) | 5,675 | 7,588 | (7,840) | 76,976 | 1,988 | 78,964 |
| Minority interest | 8,235 | (1) | - | 388 | - | (26) | - | 8,596 | - | 8,596 |

5 Cash and cash equivalents

| | Group | | Company | |
|--------------|------------------|------------------|------------------|------------------|
| | 31 December 2008 | 31 December 2007 | 31 December 2008 | 31 December 2007 |
| Cash at bank | 30,236 | 4,170 | 12 | 30 |
| Cash in hand | 1,528 | 78 | - | - |
| | 31,764 | 4,248 | 12 | 30 |

6 Dividends

The General Meeting of shareholders of 30 March 2008 allocated LTL 12,771 thousand for dividends, i.e. LTL 0.30 per one share (these dividends are not included as liabilities in the balance of 31 March 2008). In 2007, LTL 11,252 thousand were allocated, i.e. LTL 0.25 per one share.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**

(all amounts are in LTL thousand unless otherwise stated)

7 Income tax

| | Group | | Company | |
|--|--------------|-----------------|----------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| Components of income tax expense | | | | |
| Current income tax charge | 5,234 | (7,665) | - | - |
| Deferred income tax income (expense) | (6,072) | (4,576) | 757 | 708 |
| Income tax (expenses) income charged to the income statement | <u>(838)</u> | <u>(12,241)</u> | <u>757</u> | <u>708</u> |

8 Investment into subsidiaries and associates**Acquisitions of 2008**

During the year 2008 The Group invested LTL 42,078 thousand additionally to increased share capital of companies: UAB Positor, AB FMĮ Finasta, UAB Invalda turto valdymas (former UAB Finasta investicijų valdymas), SIA Inreal (Latvija), TOV Finasta (Ukraine), AB Invalda nekilnojamojo turto fondas. The bigger part of investments was made by converting granted loans to shares.

The Group acquired information technology company UAB Acena for LTL 230 thousand. The value of the net assets acquired was LTL 78 thousand. The goodwill equal to LTL 153 thousand was recognized provisionally.

The Group acquired 2.36 % of shares of Vilniaus Baldai AB for LTL 1,730 thousand additionally. The value of the additional interest acquired was LTL 583 thousand. The negative difference equal to LTL 1,147 thousand between the consideration and the value of the interest acquired has been recognised directly to the shareholders equity.

In June of 2008 was established Tiltra Group AB (investment size LTL 67 thousand).

In July of 2008 the Group acquired 5 % of shares of VIPC Klaipėda AB for LTL 1,430 thousand additionally. The value of the additional interest acquired was LTL 1,875 thousand. The negative difference equal to LTL 445 thousand between the consideration and the value of the interest acquired has been recognised in the income statement.

In September of 2008 the Group acquired 1.58 % of shares of Kauno Tiltai AB for LTL 4,000 thousand additionally from related party. The value of the additional interest acquired was LTL 677 thousand. The positive difference equal to LTL 3,323 thousand between the consideration and the value of the interest acquired has been recognised in the value of the investment into associate.

In September of 2008 the Group acquired 100 % shares of Baltikums Asset Management for LTL 2,109 thousand (now its name is Invalda Asset Management Latvia). The value of the interest acquired was LTL 891 thousand. The positive difference equal to LTL 1,218 thousand between the consideration and the value of the interest acquired has been recognised in the value of the intangible assets provisionally as pension funds contract.

Sales in 2008

On 4 January 2008 the Company has signed a contract regarding sale of 100% of AB Valmeda shares with Triangle Group. AB Valmeda manages hotels Holiday Inn Vilnius and Ecotel Vilnius. The deal was closed and ownership of AB Valmeda was transferred to the buyer on 13 March 2008. The Group and the Company have earned profit of LTL 31,025 thousand and LTL 60,693 thousand, respectively, for this transaction.

On 10 January 2008, the Company completed the sale of UAB Hidroprojektas shares. 97.99% of UAB Hidroprojektas shares were sold to SWECO BKG LSPI for LTL 8,600 thousand. The Group and the Company have earned profit of LTL 5,695 thousand and LTL 6,326 thousand, respectively, for this transaction.

In September of 2008 the Company completed sale of Finasta Asset Management. It were sold for LTL 544 thousand (the amount is equal to equity of Finasta Asset Management). The Company has earned profit of LTL 48 thousand for this transaction.

AB INVALIDA

CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

(all amounts are in LTL thousand unless otherwise stated)

8 Investment into subsidiaries and associates (cont'd)

During 2008 the Group sold 100 % shares of Bazilika and Bazilika Invest for LTL 2 thousand (discontinued activity in Russia). In the consolidated statements is recognized LTL 3,468 thousand profit, because equities of these companies were negative. On the other hand, the Group's loan to Bazilika was fully impaired (the loan amount from companies was LTL 3,547 thousand).

On the 10th of December 2008 the Group sold 25 % of UAB Girių bizonas shares. The sales profit LTL 14,507 thousand.

On 24th of October 2008 AB Invalda signed agreement regarding the transfer of 6,314,502 AB Sanitas shares, which amounts to 20.3 % of authorised capital. The buyer is Baltic Pharma Limited, investment company, controlled by City Venture Capital International (CVC1). On the 28th of October 2008, as the first part of agreement, 5 percent of AB Sanitas shares were transferred for LTL 25,513 thousand. The Company gained LTL 3,837 thousand profit from this part of the deal. In the Group the influence was insignificant, because the value of transferred investment part was almost equal to income from sales.

The Company also acquired 2.55 % of AB Sanitas shares for LTL 13,391 thousand.

AB Agrowill Group

AB Agrowill Group completed its initial public offering. As a result the Company ceased to have significant influence (share of stock of AB Agrowill Group decreased from 20.63 % till 15.78 % and the Company is not represented in the governing bodies). From 1st April 2008 the Company accounts this investment as financial assets at fair value through profit or loss. The fair value on 31st December 2008 was LTL 5,775 thousand.

In the standalone income statement due to the loss of significant influence gain of LTL 5,424 thousand was recognized..

In the consolidated income statement loss of LTL 4,271 thousand was recognized due to the loss of significant influence.

9 Other revenues and expenses

9.1. Other revenues

| | Group | | Company | |
|---|---------------|---------------|---------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| Gain on sale of subsidiaries and associates | 50,460 | 8,047 | 71,025 | 1,213 |
| Gain from financial assets at fair value through profit or loss | (12,095) | 3,648 | 5,424 | - |
| Gain on sale of investment properties | (8,934) | 12,880 | - | - |
| Gain from sales of available-for-sale investments | 10 | 3,010 | - | - |
| Other | 2,542 | 3,420 | 26 | 15 |
| | <u>31,983</u> | <u>31,005</u> | <u>76,475</u> | <u>1,228</u> |

9.2. Finance expenses

| | Group | | Company | |
|--------------------------------|-----------------|-----------------|-----------------|----------------|
| | 2008 | 2007 | 2008 | 2007 |
| Interest expenses | (47,091) | (27,467) | (27,676) | (9,053) |
| Foreign currency exchange loss | - | (375) | - | - |
| Other finance expenses | (471) | (101) | (106) | (11) |
| | <u>(47,562)</u> | <u>(27,943)</u> | <u>(27,782)</u> | <u>(9,064)</u> |

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008**

(all amounts are in LTL thousand unless otherwise stated)

9.3. Finance income

| | Group | | Company | |
|--------------------------------|---------------|--------------|----------------|----------------|
| | 2008 | 2007 | 2008 | 2007 |
| Interest income | 9,391 | 8,391 | 13,836 | 7,126 |
| Foreign currency exchange gain | (76) | - | 115 | 111 |
| Dividend income | 5,106 | - | 20,478 | 92,877 |
| Other finance income | 1,397 | 498 | - | - |
| | 15,818 | 8,889 | 34,429 | 100,114 |

10 Other financial liabilities

During 2008, there were returned debts to major shareholders of LTL 123,252 thousand which occurred after merger with AB Nenuorama. Due to this, other current liabilities have decreased.

On the 1st December 2008 non-public convertible bonds issues of LTL 25,000 thousand and 50,000 thousand were signed. For their refinance there were issued bonds emission on 15th of October 2008. The issue was redeemed by persons, related with major shareholders.

The main characteristics of convertible bonds:

- annual interest rate: 9.9%;
- redemption day July 1, 2010;
- the bonds can be converted to Invalida AB shares. One bond of nominal value LTL 100 is to be converted to ordinary registered shares at ratio 5.5 (one bond would be converted into 18.18 shares approximately, final result is to be rounded by arithmetical rules). More information about non-public convertible bonds issues was provided in the decisions of the General Meeting of shareholders announced by Invalida AB on November 14, 2008.

The liabilities rising from these bonds are showed in other non-current liabilities.

11 Allowance for assets and valuation losses

At the end of 2008 the management of the Company made allowance for assets of mLTL 69.6 in standalone financial statements, from it mLTL 56.8 for investments and loans granted to companies in real estate sector, including written-off investments in Ukraine.

During 2008, value of investment property in subsidiaries decreased by mLTL 39.9. Part of manageable investment property's value has increased (mostly agricultural purpose land). Besides this, Group result was lowered by decrease of investment property value managed by associates and joint ventures.

In the Group there are mLTL 32.7 allowance was made for assets. Main of them are these:

- goodwill of mLTL 0.9 was written-off, allocated to financial mediation cash-generating unit and goodwill of mLTL 2.9, allocated to real estate cash-generating unit;
- mLTL 18.2 additional allowance was made for the Group's real estate sector assets;
- mLTL 6.9 allowance was made for granted loans.

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008**

(all amounts are in LTL thousand unless otherwise stated)

11 Related party transactions

The Company's transactions with related parties during three quarters of the year 2008 and related quarter-end balances were as follows:

| 2008 Company | Sales to related parties | Purchases from related parties | Amounts owed to related parties | Amounts owed by related parties |
|---|-------------------------------------|---|--|--|
| Loans and borrowings | 12,792 | 6,722 | 70,785 | 168,983 |
| Real estate income | - | 324 | 22 | - |
| Dividends | 20,478 | - | - | - |
| Payables for share capital in subsidiaries in Ukraine and Latvia | - | - | 872 | - |
| Shares transactions | - | 4,000 | - | - |
| Other | - | 100 | 107 | 3 |
| | <u>33,270</u> | <u>11,146</u> | <u>71,786</u> | <u>168,986</u> |

The Company's transactions with related parties during the year 2007 and related quarter-end balances were as follows:

| 2007 Company | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties |
|---------------------------|-------------------------------------|---|--|--|
| Loans and borrowings | 6,789 | 3,409 | 125,191 | 60,462 |
| Real estate income | - | 315 | - | - |
| Dividends | - | - | - | - |
| Increase of share capital | - | - | - | 863 |
| Shares transactions | 378 | 17,968 | - | - |
| Other | 5 | 195 | 86 | 12 |
| | <u>7,172</u> | <u>21,877</u> | <u>125,277</u> | <u>61,337</u> |

Liabilities to shareholders 117,880

The Group's transactions with related parties during the year 2008 and related quarter-end balances were as follows:

| 2008 Group | Sales to related parties | Purchases from related parties | Amounts owed to related parties | Amounts owed by related parties |
|---|-------------------------------------|---|--|--|
| Loans and borrowings | 2,736 | 1,794 | 14,940 | 47,223 |
| Real estate income | 1,174 | 154 | 22 | 98 |
| Financial segment | 419 | - | - | 130 |
| Roads and bridges construction segment | 646 | 35 | - | - |
| Raw materials purchased by AB Vilniaus baldaĩ from UAB „Girių bizonas“ | - | 15,437 | - | - |
| Shares transactions | - | 4,000 | - | - |
| Other | 92 | 2 | - | 143 |
| | <u>5,067</u> | <u>21,422</u> | <u>14,962</u> | <u>47,594</u> |

AB INVALIDA**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008**

(all amounts are in LTL thousand unless otherwise stated)

12 Related party transactions (cont'd)

The Group's transactions with related parties during the year 2007 and related quarter-end balances were as follows:

| 2007 Group | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties |
|---|-------------------------------------|---|--|--|
| Loans and borrowings | 2,006 | 104 | 33,813 | 15,315 |
| Real estate income | 710 | 686 | 118 | - |
| Other real estate income | 910 | 1,546 | 59 | 369 |
| Raw materials purchased by AB Vilniaus baldai from UAB „Girių bizonas“ | - | 14,706 | - | 2,002 |
| Apartaments construction by UAB Laikiniosios sostines projektai | 1,662 | - | 168 | - |
| Other | 70 | 22 | 144 | - |
| | <u>5,684</u> | <u>17,064</u> | <u>34,302</u> | <u>17,686</u> |
| Liabilities to shareholders | 225 | 106 | 3,002 | 117,880 |

11 Subsequent eventsThe Company

On January 12, 2009, AB Invalda completed a transaction whereby it sold part of its shares of AB Sanitas. Invalda had announced earlier that on October 24, 2008, the company signed legal documentation regarding the sale of 6,314,502 shares, i.e. 20.3 % of the share capital, of AB Sanitas for a total price of EUR 30,000 thousand to Baltic Pharma Limited, an investment vehicle for funds managed by Citi Venture Capital International (CVCI).

The transaction was implemented in two stages:

(a) 1,555,296 Sanitas shares, 5% of share capital, were transferred for LTL 25.5 mln on October 28, 2008.

(b) Upon fulfillment of all necessary conditions precedent on January 12, 2009, the balance of 4,759,206 shares (15.3%) were transferred for LTL 78 mln.

Preliminary, the Company's profit from the second part of the deal is mLTL 19, Group's – mLTL 14. The received money were allocated for decrease of Company's liabilities.

As per terms of the agreement with Baltic Pharma Limited, the price paid for the shares and the number of shares transferred, may be adjusted upon a future sale of the shares by Baltic Pharma Limited, depending on the price received by the latter from such sale.

Following this transaction, AB Invalda owns 25% of AB Sanitas' votes and intends to retain this interest over the medium term.

On January 22, 2009, the Securities Commission of the Republic of Lithuania approved 30,000,000 Lt nominal value convertible bonds Prospectus. On February 18, 2009, the subscription of Invalda AB convertible bonds with maturity of 498 days and annual interest rate of 9.9% has ended. In respect that the total nominal value of the subscribed bonds is less than 700 000 LTL and referring to the convertible bonds prospectus approved on January 22, 2009, this issue is considered unsubscribed and is annulled.