

AB „INVALDA“

Report for the first half of 2006

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I. GENERAL PROVISIONS

1. Reporting period covered by this Report

The Report has been drawn up for the first half of the year 2006.

2. Main data about the issuer

Name of the issuer	Public company (AB) „INVALDA“, hereinafter AB „Invalda“
Authorized capital	LTL 45 008 376 (on 30 June 2006 registered with the Register of Legal Entities)
Office address	Šeimyniškių St. 3, LT-09312 Vilnius
Telephone	(+370 5) 279 06 01
Fax	(+370 5) 279 05 30
E-mail	post@invalda.lt
Legal and organizational form	Public company, legal person of limited liability
Date and place of registration	20 March 1992, Register of Enterprises of Vilnius
Register, in which data about the company are accumulated and stored	Register of Legal Entities
Enterprise code	1213 04349
Website	www.invalda.lt

3. Information about where and how to access the Report and the documents, on the basis of which it has been drawn up, and the designation of the means of mass media

The Report and supporting documents, on the basis of which it has been drawn up, can be accessed at the Company's registered office at Šeimyniškių St. 3, Vilnius and the financial brokerage firm AB "Finasta", Konstitucijos Ave. 23, Vilnius.

The means of mass media: the daily "Verslo žinios" and "Lietuvos Rytas".

4. Persons responsible for the accuracy of the information in the Report

4.1. Members of the managing bodies of the issuer, employees and the Head of the Administration are responsible for the accuracy of the information:

Darius Šulnis, President, tel. (+370 5) 279 06 01, fax (+370 5) 279 05 30

Zita Vaitkevičienė, Chief Financier, tel. (+370 5) 279 06 14.

4.2. The Semi-Annual Report was drawn up by the financial brokerage firm AB "Finasta" (Konstitucijos Ave. 23, Vilnius, tel. (8~5) 278 68 44, fax. (8~5) 210 24 74), represented by the financial broker Algimantas Variakojis, on the basis of the information submitted by the Company.

5. Declaration by the members of the issuer's managing bodies, employees, the Head of the Administration and the issuer's consultants that the information contained in the Report is in accordance with the facts and that the Report makes no omission likely to have an effect on the investors' decision concerning purchase, sale or valuation of the issuer's securities or on the market price of these securities.

AB „Invalda“, represented by Darius Šulnis, President, and Zita Vaitkevičienė, Chief Financier, hereby confirm that the information contained in the Report is in accordance with the facts and that the Report makes no omission likely to have an effect on the investors' decision concerning purchase, sale or valuation of the issuer's securities or on the market price of these securities.

Darius Šulnis, President of AB „Invalda“

Zita Vaitkevičienė, Chief Financier of AB „Invalda“

The financial brokerage firm AB “Finasta”, represented by financial broker Algimantas Variakojs, hereby confirm that the information contained in the Report is in accordance with the facts as presented to AB “Finasta” by the employees and managers of AB “Invalda”. AB “Finasta” is responsible for the proper disclosure of the presented facts. AB “Invalda” is responsible for the accuracy of the information presented.

Algimantas Variakojs, financial broker of AB “Finasta”

Date of signing the Report: 31 August 2006.

Place of drawing up of the Report: AB “Finasta” (Konstitucijos Ave. 23, Vilnius)

II. DATA ABOUT THE ISSUER'S AUTHORIZED CAPITAL, THE SECURITIES ISSUED AND MEMBERS OF THE MANAGING BODIES

6. The issuer's authorized capital

6.1. The authorized capital as registered in the Register of Legal Entities

On 30 June 2006, an increase in the authorized capital of AB "Invalda" from LTL 41 734 662 to LTL 45 008 376 was registered with the Register of Legal Entities. The issue registration account was opened with AB Central Securities Depository of Lithuania on 5 July 2006 (the share issue was added to the previous share issue of LTL 41 734 662).

Table 6.1.1. Composition of the authorized capital (as of 30.06.2006)

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Share in the authorized capital, %
Ordinary registered shares	41 734 662	1	41 734 662	100.00

Table 6.1.2. Composition of the authorized capital (after 30.06.2006 inclusive)

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Share in the authorized capital, %
Ordinary registered shares	45 008 376	1	45 008 376	100.00

All shares of AB "Invalda" are fully paid up.

6.2. Information about the projected increase of the authorized capital in connection with conversion or exchange of debt securities or derivative securities into shares

AB „Invalda“ has issued no debt securities or derivatives, convertible into shares.

7. Shareholders

As of 30 June 2006, the total number of AB "Invalda" shareholders was 5 895.

Table 7.1. Shareholders who held title to more than 5 percent of the issuer's authorized capital on 30 June 2006.

Name of the shareholder (address of registered office and code of the enterprise)	Number of ordinary registered shares the shareholder holds by the right of ownership, units	Portion of the authorized capital held, %	Portion of the votes attaching to the shares held by the right of ownership, %	Portion of votes held by the shareholder together with the persons acting in concert, %
UAB „Nenuorama“ J.Tumo-Vaižganto St. 9/1-38, Vilnius 2264922	4 906 043	11.76	11.76	57.87
Dailius Juozapas Mišeikis	6 792 556	16.28	16.28	

Vytautas Bučas	5 882 003	14.09	14.09	
Alvydas Banys	5 364 493	12.85	12.85	
Darius Šulnis	1 205 940	2.89	2.89	

Having regard to the fact that the increased authorized capital of AB “Invalda” in the amount of LTL 45 008 376 was registered on 30 June 2006, while the issue registration account was opened with AB Central Securities Depository of Lithuania on 5 July 2006, Table 7.2. contains the list of shareholders who held title to more than 5 percent of the issuer's authorized capital on 5 July 2006.

Table 7.2. Shareholders who held title to more than 5 percent of the issuer's authorized capital on 5 July 2006.

Name of the shareholder (address of registered office and code of the enterprise)	Number of ordinary registered shares the shareholder holds by the right of ownership, units	Portion of the authorized capital held, %	Portion of the votes attaching to the shares held by the right of ownership, %	Portion of votes held by the shareholder together with the persons acting in concert, %
UAB „Nenuorama“ J.Tumo-Vaižganto St. 9/1-38, Vilnius 2264922	4 906 043	10.90	10.90	59.38
Dailius Juozapas Mišeikis	6 792 556	15.09	15.09	
Vytautas Bučas	5 882 003	13.07	13.07	
Alvydas Banys	5 364 493	11.92	11.92	
Darius Šulnis	3 779 654	8.40	8.40	

8. Securities not representing capital, the trading of which is regulated by the Law on Securities Market, except debt securities

AB „Invalda“ has not issued securities not representing capital, the trading of which is regulated by the Law on Securities Market.

9. Secondary trading in the issuer's securities

All shares of AB “Invalda” are listed on the Current List of the Vilnius Stock Exchange (hereinafter – VSE) as from 19 December 1995.

Table 9.1. Main characteristics of AB “Invalda” shares listed on the Current List of the VSE (30.06.2006)

Type of shares	ISIN code	Number of shares	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares	LT0000102279	41 734 662	1	41 734 662

Having regard to the fact that the increased authorized capital of AB “Invalda” in the amount of LTL 45,008,376 was registered on 30 June 2006, while the issue registration account was opened with AB Central Securities Depository of Lithuania on 5 July 2006, Table 9.2. contains characteristics of the Company’s shares listed on the Current List of the VSE after the increase in the authorized capital.

Table 9.2. Main characteristics of AB “Invalda” shares listed on the Current List of the VSE (as from 05.07.2006)

Type of shares	ISIN code	Number of shares	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares	LT0000102279	45 008 376	1	45 008 376

Table 9.3. Trading in the Company’s shares on the VSE

Reporting period	Price, LTL			Turnover, LTL			Date of the last session	Total turnover	
	High est	Low est	Last session	Highest	Lowest	Last session		Units	LTL
2005, 1 st quarter	12.30	7.51	11.40	1 434 210.51	30 047.77	115 650.40	31.03.2005	1 346 213	13 401 266.93
2005, 2 nd quarter	11.55	10.10	10.94	461 703.80	2 180.00	44 274.40	30.06.2005	532 851	5 717 557.12
2005, 3 rd quarter	11.20	10.30	11.40	546 755.00	0	134 157.22	30.09.2005	599 304	6 535 790.06
2005, 4 th quarter	14.19	11.43	13.85	1 575 400.87	0	65 271.50	30.12.2005	848 027	10 908 049.70
2006, 1 st quarter	15.00	12.40	14.25	453 134.88	0	316 825.17	31.03.2006	705 443	9 738 850.43
2006, 2 nd quarter	14.70	8.90	10.40	1 245 069.74	0	49 852.90	30.06.2006	845 884	9 758 890.92



Fig. 9.1. Trading in the Company’s shares 01.01.2005 – 30.06.2006

Table 9.4. Capitalization of the ordinary registered shares of AB “Invalda”

Date of the last session	Number of ordinary registered shares, units	Last price, LTL	Capitalization, LTL
31.03.2005	40 417 339	11.40	460 757 664.60
30.06.2005	40 417 339	10.94	442 165 688.66
30.09.2005	40 417 339	11.40	460 757 664.60
30.12.2005	41 734 662	13.85	578 025 068.70
31.03.2006	41 734 662	14.25	594 718 933.50
30.06.2006	41 734 662	10.40	434 040 484.80

10. Agreements with intermediaries of public trading in securities

AB „Invalda“ signed agreements with the financial brokerage firm AB “Finasta” (Konstitucijos Ave. 23, Vilnius) concerning management of securities accounting, drawing up of the reports and payment of dividends to the shareholders (for the financial years 2002–2005), also the agreement concerning securities and cash accounting, custody and lending, placement and executions of orders.

11. Members of the managing bodies

AB “Invalda” is managed through the general shareholders’ meeting. It has a single person managing body, the President and a collegial managing body, the Board. The Supervisory Board is not formed.

The Company’s General Meeting elects the Board for a term of four years. The Company’s Board comprises 4 members.

The Board elects and removes from office the Company’s President, sets his/her salary, approves work regulations, offers incentives and imposes penalties.

Members of the Company’s Board:

- Alvydas Banys;
- Vytautas Bučas;
- Dailius Juozapas Mišeikis;
- Darius Šulnis.

The Company’s President is Mr. Darius Šulnis; Chief Financier is Ms. Zita Vaitkevičienė.

11.1. Position held, names and surnames, data about participation in the issuer's authorized capital

Table 11.1.1. Information about Members of the Company’s Board and the Administration

Name, surname	Share of the capital/ votes held, % (30.06.2006 / 05.07.2006)
<p>Alvydas Banys, Chairman of the Board</p> <p>Education: Vilnius Technical University, Faculty of Construction Economics, junior research assistant with the Institute of Economics, Lithuanian Academy of Science</p> <p>Professional experience: from 1996 President of UAB “Nenuorama”; from 1996 Vice-President of AB “Invalda”; from 2006 advisor. From 2000 Chairman of the Board of AB “Invalda”</p>	12.85 / 11.92
<p>Vytautas Bučas, member of the Board</p> <p>Education: Vilnius University, Faculty of Economics; July 1991 Wharton Business School, 1994 – 2002 member of the ACCA (Association of Chartered Certified Accountants, UK)</p> <p>Professional experience: 1992 – 2000 worked for Arthur Andersen (chief auditor, chief manager, manager); 2000 – 2006 worked for AB SEB Vilniaus bankas (member of the Board, Deputy President, Director of the Finance Service, Director of the IT service), from 2006 advisor with AB “Invalda”. From 6 April 2006 Director of AB “Invaldos nekilnojamo turto fondas”.</p>	14.09 / 13.07

Dailius Juozapas Mišeikis, member of the Board Education: Vilnius University, Faculty of Economics Professional experience: from 1992 Director of AB “Invalda” real estate; from 1998 its Vice-President; from 2006 advisor	16.28 / 15.09
Darius Šulnis, President, member of the Board Education: Vilnius University, Faculty of Economics Professional experience: 1994 – 2002 Director of AB FMĮ “Finasta”, 2002–2005 Director of UAB Invalda Real Estate”, from 2006 President of AB “Invalda”	2.89 / 8.40
Zita Vaitkevičienė, Chief Financier Education – Vilnius University, Faculty of Economics Professional experience: from 1994 Chief Financier of AB “Invalda”; from 2002 Chief Financier of UAB “PVP”; 1996 – 2004 Chief Financier of AB “Gildeta”; 2002 – 2005 Chief Financier of UAB “Ineturas”, UAB “Invalda Real Estate”, and UAB “PVP Nida”. From 2003 works as Chief Financier of AB “Invaldos nekilnojamojo turto fondas”.	0.004 / 0.004

11.2. Data about participation in the activities of other companies, enterprises and organizations (name of the company, enterprise, or organization and position held, over 5 percent of capital and votes held in other enterprises %)

Table 11.2.1. Participation of the Company’s members of the Board and the Administration in the activities of other companies, enterprises and organizations (30.06.2006)

Name, surname	Name of the Company, enterprise, organization; position held	Share of the capital and of votes over 5 %, held in other enterprises by the right of ownership
Alvydas Banys	Chairman of the Board of AB „Invalda“	12.85 (from 05.07.2006 – 11.92)
	Chairman of the Board of AB „Vilniaus baldai“	-
	President of UAB „Nenuorama“	25.4
	Chairman of the Board of AB „Klaipėdos konditerija“	-
	Member of the Board of UAB „Invalda Real Estate“	-
	Chairman of the Board of AB „Valmeda“	-
	UAB „PVP“ (under liquidation)	22.7
	Member of the Board of AB „Invaldos nekilnojamojo turto fondas“	-
	Member of the Board of UAB „Invalda Construction Management“	-
	Member of the Board of AB „Minija“	-
	Member of the Board of AB „Kauno tiltai“	-
	Member of the Board of UAB „Girių bizonas“	-
	UAB „Gulbinų turizmas“	11.1
UAB „Statybų mechanizacija“	17.0	
Vytautas Bučas	Member of the Board of AB „Invalda“	14.09 (from 05.07.2006 – 13.07)
	Director and Chairman of the Board of AB „Invaldos nekilnojamojo turto fondas“	-
	Member of the Board of AB FMĮ „Finasta“	-
Dailius Juozapas Mišeikis	Member of the Board of AB „Invalda“	16.28 (from 05.07.2006 –15.09)
	Member of the Board of AB FMĮ „Finasta“	-
	Member of the Board of UAB „Invalda Construction Management“	-
	Chairman of the Board of UAB „Invalda Real Estate“	-

Table 11.2.1. continued

Name, surname	Name of the Company, enterprise, organization; position held	Share of the capital and of votes over 5 %, held in other enterprises by the right of ownership
Dailius Juozapas Mišeikis	Member of the Board of AB „Klaipėdos konditerija“	-
	Member of the Board of AB „Valmeda“	-
	Member of the Board of AB „Sanitas“	-
	Member of the Board of AB „Umega“	-
	UAB „PVP“ (under liquidation)	36.7
	UAB „Nenuorama“	33.3
	AB „Grigiškės“	5.11
	Member of the Supervisory Board of AB „Vernitas“	-
	Member of the Board of UAB „Hidroprojektas“	-
	Member of the Board of AB „Invaldos nekilnojamojo turto fondas“	-
	Chairman of the Board of UAB „Broner“	-
	Chairman of the Board of UAB „Wemley – Neringa“	-
	Member of the Board of AB „Minija“	-
	Member of the Board of AB „Vilniaus baldai“	-
Chairman of the Board of UAB „Aikstentis“	-	
Darius Šulnis	President and Member of the Board of AB „Invalda“	2.89 (from 05.07.2006 – 8.40)
	Chairman of the Board of AB „Sanitas“	-
	Chairman of the Supervisory Board of „Jelfa“ (Poland)	-
	Chairman of the Board of UAB „Invalda Construction Management“	-
	Chairman of the Board of UAB „Hidroprojektas“	-
	Chairman of the Board of AB FMĮ „Finasta“	-
	Chairman of the Board of UAB „Finasta investicijų valdymas“	-
	Member of the Board of AB „Agrovaldymo grupė“	-
	Member of the Board of UAB „Broner“	-
	Member of the Board of UAB „Wembley-Neringa“	-
	Chairman of the Supervisory Board of SIA „Industrial and logistics centre „Lapegles““ (Latvia)	-
	Chairman of the Supervisory Board of SIA „DOMMO“ (Latvia)	-
	UAB „PVP“ (under liquidation)	36.7
UAB „Golfas“	31.0	
Zita Vaitkevičienė	-	-

III. FINANCIAL SITUATION

12. Balance Sheet

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AB „Invalda“:

	30-06-2006	12-31-2005	30-06-2005
ASSETS			
NON-CURRENT ASSETS			
Buildings and equipment	565 378	323 776	306 713
Intangible assets	5 541	280	520
Investment in subsidiaries and associates	203 998 052	83 376 200	44 297 495
Other financial non-assets	7 309	36 618	36 618
TOTAL NON-CURRENT ASSETS	204 576 280	83 736 874	44 641 346
CURRENT ASSETS			
Inventories, prepayments and contracts in progress	14 316	48 428	50 629
Short-term loans granted	66 645 784	29 754 674	20 473 191
Trade receivables	478	573 945	762 631
Other receivables	1 948 209	383 410	770 648
Other current assets and investments	1 804 744	2 566 699	2 628 734
Cash and cash equivalents	87 628	4 326	205 494
TOTAL CURRENT ASSETS	70 501 159	33 331 482	24 891 327
TOTAL ASSETS	275 077 439	117 068 356	69 532 673
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	45 008 376	41 734 662	40 417 339
Share premiums	50 587 622	19 814 710	542 669
Legal reserve	3 067 815	2 586 815	2 586 815
Other reserves		771 218	
Retained earnings	35 699 561	19 244 796	20 716 992
TOTAL CAPITAL AND RESERVES	134 363 374	84 152 201	64 642 640
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	12 251 070		
Deferred tax			
TOTAL NON-CURRENT LIABILITIES	12 251 070		
CURRENT LIABILITIES			
Interest bearing loans and borrowings	120 928 212	31 850 000	
Trade creditors	146 157	62 129	58 391
Other creditors	7 388 626	1 004 026	4 831 642
TOTAL CURRENT LIABILITIES	128 462 995	32 916 155	4 890 033
TOTAL LIABILITIES	140 714 065	32 916 155	4 890 033
TOTAL EQUITY AND LIABILITIES	275 077 439	117 068 356	69 532 673

Consolidated:

	30-06-2006	31-12-2005
ASSETS		
NON-CURRENT ASSETS		
Tangible assets	333 926 126	149 296 827
Intangible assets	348 894 268	31 984 300
Investment property	443 296 224	285 833 227
Hotels	50 507 556	50 720 000
Investments in associates	52 651 919	74 324 272
Other non-current investments	19 433 449	40 997 814
Non-current receivables	6 059 975	905 512
Deferred tax assets	7 247 807	10 399 699
TOTAL NON-CURRENT ASSETS	1 262 017 324	644 461 651
CURRENT ASSETS		
Inventories	90 289 445	32 091 567
Assets held for sale	17 076 248	7 842 433
Other current investments	36 148 535	32 277 776
Income tax prepaid		1 949 677
Trade and other receivables	250 515 969	93 025 937
Cash and cash equivalents	18 701 475	32 749 046
TOTAL CURRENT ASSETS	412 731 672	199 936 436
TOTAL ASSETS	1 674 748 996	844 398 087
EQUITY AND LIABILITIES		
EQUITY		
Share capital	45 008 376	41 734 662
Share premium	50 587 622	19 446 244
Reserves	51 379 195	45 528 028
Retained earnings	177 089 083	147 971 867
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	324 064 276	254 680 801
MINORITY INTEREST	262 491 982	117 568 990
TOTAL EQUITY	586 556 258	372 249 791
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	631 769 348	189 061 755
Long-term advances received	12 199 566	1 498 647
Deferred grant income	4 036 631	1 415 424
Deferred tax liability	4 092 367	4 078 924
TOTAL NON-CURRENT LIABILITIES	652 097 912	196 054 750
CURRENT LIABILITIES		
Interest bearing loans and borrowings	243 626 333	149 280 208
Trade payables	77 499 894	49 653 002
Advances received	8 312 137	4 437 754
Income tax payable	13 024 810	9 787 938
Other payables	93 631 652	62 934 644
TOTAL CURRENT LIABILITIES	436 094 826	276 093 546
TOTAL LIABILITIES	1 088 192 738	472 148 296
TOTAL EQUITY AND LIABILITIES	1 674 748 996	844 398 087

13. Profit and loss account

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AB „Invalda“:

	30-06-2006	30-06-2005
TURNOVER	15 479 222	38 298
COST OF SALES	14 971 573	16 119
GROSS PROFIT	507 649	22 179
Direct costs	174 847	
General and administration expenses	979843	447 720
Other operating income	22 925	0
OPERATING PROFIT (LOSS)	(624 116)	(425 541)
Financial income and expenses, net	17 459 268	9 976 790
PROFIT BEFORE TAXES	16 835 152	9 551 249
Corporate income tax		
NET PROFIT FOR THE YEAR	16 835 152	9 551 249

Consolidated:

	30-06-2006
REVENUE	218 622 337
COST OF SALES	173 350 411
GROSS PROFIT	45 271 926
Distribution expenses	12 284 691
Administrative expenses	32 437 932
Other operating income	13 220 490
Other operating expenses	3 217 662
OPERATING PROFIT BEFORE FINANCING ACTIVITIES	10 552 131
Financial income	3 136 176
Financial expenses	15 068 133
Result of change in the value of investment assets	24 617 489
NET FINANCING INCOME	12 685 532
Gain	14 789
Loss	151 644
Share of profit of associates	3 651 863
PROFIT BEFORE TAX	26 752 671
Income tax expense	6 077 001
PROFIT FOR THE YEAR	20 675 670
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	11 455 724
Minority interest	9 219 948
PROFIT FOR THE YEAR	20 675 670

13⁽¹⁾. Statement of Changes in Equity

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AB "Invalda":

	SHARE CAPITAL	SHARE PREMIUM ACCOUNT	LEGAL RESERVE	CHANGES IN FAIR VALUE RESERVE	RETAINED EARNINGS	TOTAL
CAPITAL AND RESERVES 1 JANUARY 2005	40,417,339	4,402,031	1,605,265	370,105	16,668,994	63,463,734
I increase / decrease in the authorised capital	1,317,323	15,412,679				16,730,002
Formed reserve				401,113		4,001,113
Appropriated to legal reserve			981,550		(981,550)	
Dividend					(6,062,601)	(6,062,601)
Net profit 2005					9,619,953	9,619,953
BALANCE AT THE END OF THE PREVIOUS FINANCIAL YEAR	41,734,662	19,814,710	2,586,815	771,218	19,244,796	84,152,201
Profit unrecognised in the Income Statement					8,447,545	8,447,545
Net profit in 2006					16,835,152	16,835,152
Dividend					(8,346,932)	(8,346,932)
Appropriation to legal reserve			481,000		(481,000)	
Used reserve				(771,218)		(771,218)
Increase in the authorised capital	3,273,714	30,772,912				34,046,626
CAPITAL AND REZERVES ON 30 JUNE 2006	45,008,376	50,587,622	3,067,815		35,699,561	134,363,374

Consolidated:

	SHARE CAPITAL	SHARE PREMIUM ACCOUNT	LEGAL RESERVE REZERVAS	CHANGE IN FAIR VALUE RESERVE	OTHER RESERVES	CURRENCY EXCHANGE RESERVE	RETAINED EARNINGS	TOTAL	MINORITY SHARE	TOTAL EQUITY
CAPITAL AND RESERVEVES 1 JANUARY 2005	40,417,339	4,033,565	3,020,471	13,884,666	1,193,970	(3,886)	39 063 5594	101,609,684	33,517,603	135,127,287
New share issue	1,317,323	15,412,679						16,730,002		16,730,002
Minority share of subsidiaries									15,843,296	15,843,296
Change in currency exchange reserve				79,806		610,132		689,938	(236,000)	453,938
Dividend for 2004							(6,062,601)	(6,062,601)		(6,062,601)
Total recognised income and expenses 2005							20,325,664	20,325,664	18,796,295	39,121,959
CAPITAL AND RESERVEVES 31 DECEMBER 2005	41,734,662	19,446,244	3,020,471	13,964,472	1,193,970	606,246	53,326,622	133,292,687	67,921,194	201,213,881
Adjustment of items					3,274,184		(7,859,600)			
Influence of the change in accounting policy				18,883,268	4,585,416		102,504,845	121,197,096	49,647,796	170,844,892
BALANCE AFTER RE- EVALUATION 31 DECEMBER 2005	41,734,662	19,446,244	7,605,887	32,847,740	4,468,154	606,246	147,971,867	254,680,800	117,568,990	372,249,790
Net profit (loss) of the reporting period							20,675,670	20,675,670		20,675,670
Profit (loss) unrecognised in the Income Statement							8,441,546	8,441,546		8,441,546
Appropriation to legal reserve			3,985,816					3,985,816		3,985,816
Formed reserves		368,466		662,598	(903,895)	2,106,649		2,233,818		2,233,818
Minority share of subsidiaries									144,922,992	144,922,992
New share issue	3,273,714	30,772,912						34,046,626		34,046,626
CAPITAL AND RESERVEVES 30 JUNE 2006	45,008,766	50,587,622	11,591,703	33,510,338	3,564,259	2,712,895	177,089,083	324,064,276	262,491,982	586,556,258

13⁽²⁾. Cash flow statement

Litas

AB „Invalda“:

	30-06-2006
Net result	16 835 152
Adjustments:	
Depreciation and amortization	54 612
Disposal of fixed assets	(86 693)
Net cash inflow from ordinary activities before any change in working capital	16 803 071
Change in trade and other receivables	(957 220)
Change in loans granted	(36 891 110)
Change in trade creditors and other creditors	6 468 628
Net cash inflow from ordinary activities	(14 576 631)
Net interest received / paid	(832 737)
Profit tax paid / received	
NET CASH INFLOW FROM COMPANY'S ACTIVITIES	(15 409 368)
Acquisition of non-current tangible assets	(254 725)
Sale of investments	69 916 312
Acquisition of investments	(189 937 623)
Dividends received	18 301 503
NET CASH FLOW FROM INVESTING ACTIVITIES	(101 974 553)
Issue of shares	34 046 626
Loans received/paid	91 767 509
Dividends paid out	(8 346 932)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING, NET	117 467 203
NET CASH INFLOW/OUTFLOW FROM OPERATING ACTIVITIES, INVESTING ACTIVITIES AND FINANCING	83 302
Cash and cash equivalents at 1 st January	4 326
CASH AND CASH EQUIVALENTS AT 30 JUNE	87 628

Consolidated cash flow statement:

	30-06-2006
Profit before taxes	26 752 671
Adjustments for:	
Depreciation and amortization	7 698 890
Loss on disposals of non-current assets	
Impairment of receivables	
Financial income	(27 753 665)
Financial expenses	15 068 133
Result from associates	(3 651 863)
Net cash inflow from ordinary activities before any change in working capital	18 114 166
Change in trade and other receivables	(157 542 926)
Change in inventories	(71 302 452)
Change in trade creditors and other creditors	85 983 719
Corporate income tax paid	(1 949 677)
NET CASH INFLOW FROM OPERATING ACTIVITIES	(126 697 170)
Acquisition of non-current tangible assets	(278 312 826)
Proceeds from disposal of non-current tangible assets	2 764 897
Acquisition of subsidiaries, associates and other investments	(216 317 951)
Proceeds from sale of investments	56 830 200
Other cash flow from investing activities	
NET CASH FLOW FROM INVESTING ACTIVITIES	(435 035 680)
Dividends paid	(8 346 932)
Proceeds from issuance of share capital	34 046 626
Proceeds from borrowings, net of repayment	537 053 718
Interest paid	(15 068 133)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING, NET	547 685 279
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES, INVESTING ACTIVITIES AND FINANCING	(14 047 571)
Cash and cash equivalents at 1 st January	32 749 046
CASH AND CASH EQUIVALENTS AT 30 JUNE	18 701 475

14. Explanatory Note**EXPLANATIONS**

Acting in accordance with the approved reorganisation terms of 30 June 2006 (AB “Invalda” being involved in the reorganisation, while AB “Pozityvios investicijos” being reorganised by merger by acquisition), AB “Pozityvios investicijos” finished its activities and was deregistered from the Register of Legal Entities, while AB “Invalda” took over all the assets, rights and obligations of AB “Pozityvios investicijos” and continues its activities. According to the terms of the reorganisation, 25 % of AB “Pozityvios investicijos” shares in possession of other shareholders were changed into the shares of AB “Invalda” by issuing

3,273,714 ordinary registered shares of LTL 1 nominal value. The authorised capital of AB “Invalda” was increased to LTL 45,008,376 accordingly. Shares exchanged by AB “Invalda” were valued at fair value on the day of their exchange, i.e. on 30 June 2006, as follows: $3,273,714 \times \text{LTL } 10.40 = \text{LTL } 34,046,626$. The difference between the nominal value and fair value in the amount of LTL 30,772,912 is shown in share premium account.

The difference between the assets taken over and liabilities in the amount of LTL 8,441,546 that occurred during the reorganisation is shown in the Statement of Changes in Equity as profit unrecognised in the Income Statement.

Principles of Accounting

The presented financial statements have been drawn up in accordance with the effective International Accounting Standard 34 (IAS 34) *Interim Financial Reporting*.

In 2006 the following new International Financial Reporting Standards and amendments thereto came into effect:

- IFRS 6 *Exploration for and Evaluation of Mineral Resources* (to become effective as from 1 January 2006);
- IFRIC 4 *Determining whether an Arrangement contains a Lease* (to become effective as from 1 January 2006);
- IFRIC 5 *Decommissioning, Restoration and Environmental Rehabilitation Funds* (to become effective as from 1 January 2006);
- IFRIC 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* (to become effective as from 27 January 2006).
- IFRIC 7 - *Applying the restatement approach under IAS 29. Financial Reporting in hyper-inflationary Economies* (to become effective as from 1 March 2006);
- Amendments to IFRS 1: *First-time Adoption of International Financial Reporting Standards and assumptions of IFRS 7 Financial Instruments: Disclosures* (to become effective as from 27 January 2006);
- Amendments to IAS 1 *Presentation of Financial Statements on disclosures of changes in equity* (to become effective as from 27 January 2006);
- Amendments to IAS 39: *Financial Instruments: Recognition and Measurement* and IFRS 4 *Financial guarantee contracts* (to become effective as from 27 January 2006);
- IAS 19 (amended in 2004) *Employee Benefits—Actuarial Gains and Losses, Group Plans and Disclosures*
- Amendment to IAS 39 on *Cash Flow Hedges of Forecast Intragroup Transactions*.
- Amendment to IAS 39 on *Fair Value Option*

The managers of the Group are of the opinion that these standards and amendments thereto do not have a material effect on the financial statements of the Group.

Before 2006, the Group accounted the value of its investment assets at acquisition cost after deduction of accrued depreciation and impairment losses. From 2006 the Group, seeking a more accurate disclosure of the financial status and operating results, changed the method of accounting applied to investment assets and accounts the investment assets at fair value.

Due to the same reason, it was decided to record the hotel assets as a separate sub-item. Before 2006, the hotel assets were accounted under the general item of non-current tangible assets at acquisition costs after deduction of accrued depreciation and impairment losses. From 2006 the Group changed the method of accounting applied to hotel assets and calculates hotel assets at fair value.

Accounting of investment assets

At the moment of initial acknowledgement investment assets are assessed at the acquisition value including expenses related to the contract. Value of investment assets involves costs of current investment asset change at the occurrence moment, in case the costs are in compliance with acknowledgement criteria. Repair and running costs shall not be included into the value of investment assets. After initial acknowledgement investment assets are accounted at the actual value which reflects market conditions at the day of balance. Profit or loss caused by a change of actual value of investment assets is accounted in the Income (Loss) Statement of the period they occur. Actual value of assets is not reduced because of contract costs which may be experienced by the Group in the case of sale or other kind of transfer of the assets. Inter alia, the actual value reflects income of short lease and substantiated assumptions which show market opinion to what knowing voluntary parties may assume of income from future lease having regard to current market conditions.

In case investment assets are acquired from the Group companies or is being constructed, reconstructed or developed in other ways by the Group companies, unrealized profit included into the value of assets is eliminated in the consolidated financial statements.

Transfers to investment assets and from them are performed only when purpose of the assets changes substantially, i.e. in following cases:

- The group starts using assets for its needs, and assets from the investment fund are transferred to fixed tangible assets;
- Construction and erection works are started tending to sell the assets later, and the assets are transferred from investment to current assets in the row of the projects under development;
- The Group stops using assets for its needs, and the assets are transferred from fixed tangible to investment assets;
- The assets are leased to another party in the way of operating lease, and transferred from reserves to investment assets; or
- Construction or development works are completed, and the assets are transferred from the group of fixed tangible assets “unfinished construction” to investment assets.

In case the Group reconstructs, constructs or develops current investment assets in other ways and tends to continue using the assets as investment assets, the assets are accounted as investment assets, i.e. they are not transferred to fixed tangible assets in the period of reconstruction, construction and development. In case the Group tends to sell a share of the assets after reconstruction, construction or other kind of development, the share is separated after the start of the mentioned works and accounted in the account of projects under development.

After investment assets are transferred to fixed tangible assets or projects under development, actual value of the assets at the moment of purpose change is treated as apparent net cost of the assets. In case fixed tangible assets are transferred to investment assets, the Group accounts the assets having regard to the accounting policy applied to fixed tangible assets until the date of purpose change. Transferring assets from the projects under development to investment assets, the difference occurring between the assets at the moment of actual date shift and former accounted value is accounted in the Profit (Loss) Statement. When the Group completes the construction or other development works, the difference of assets under

construction or other kind of development at the actual value of the assets and former accounting value at the date is accounted in the Profit (Loss) Statement.

When investment assets are sold or transferred in another way as well as written off or when investment assets are not used or their transfers are not foreseen as economically useful, the assets are not accounted in the financial statement. Any profit or loss caused by sales or other kind of transfer of investment assets is accounted in the Profit (Loss) Statement of the period when the assets were sold or transferred in another way.

Whereas the Group hasn't assessed actual value of investment assets at the December 31 of the year 2004 and because of significant changes in the real estate market it wasn't useful to account the impact of the policy of the accounting rectifying comparative sums. The change of accounting policy has been accounted in the financial statement of the year 2006 applying a new principle of accounting since January 01 of the year 2006, and the impact of investment assets value in the amount of 102.505 LTL after assessment of impact of suspended taxes is accounted directly rectifying unappropriated balance on December 31, 2005.

Accounting of hotels assets

At the moment of initial acknowledgement hotel assets are assessed at the acquisition value including costs related to the contract. Value of hotel assets covers costs of change of current investment assets at the moment of their occurrence, in case the costs are in compliance with acknowledgement criteria. Repair and running costs are not included into the value of hotel assets. After initial acknowledgement hotel assets are accounted at the actual value which reflects market conditions at the day of balance. Differences emerging because of a change of actual value are accounted in the reserve of the period they occur.

Whereas the Group hasn't had assessed actual value of hotel assets on December 31 of the year 2004 and having regard to significant changes in the real estate market, it wasn't useful to account the impact of the accounting policy rectifying comparative amounts. The change of accounting policy was accounted in the financial statement of 2006 applying a new accounting principle since January 01 of the year 2006, and the impact of a change in hotel asset value in the amount of 18 883 thous. LTL after assessment of influence of suspended tax is accounted directly rectifying revaluation reserve on December 31, 2005.

Influence of changes in the accounting policy:

ITEM	BEFORE RECALCULATION OF THE BALANCE 31.12.2005	AFTER RECALCULATION OF THE BALANCE 31.12.2005	RESULT OF THE CHANGE
Assets	649,067,044	844,398,087	195,331,043
Equity	201,213,882	372,249,791	171,035,909
Liabilities	447,853,162	472,148,296	24,295,134

In 2006, the principle of accounting for borrowed funds was changed to recognise borrowing expenses as costs in the period when they are incurred, except to the extent that they are capitalised. The new principle of accounting was applied when drawing up the interim and annual financial statements.

Accounting of borrowing costs

All borrowing costs are expensed in the period, in which they are incurred, except to the extent that they are capitalised. Borrowing costs that are directly attributable to the acquisition, construction or production of a

qualifying asset as part of the cost of that asset must be capitalised when it is probable that the incurrence of borrowing costs will result in future economic benefits and they can be reliably measured.

Qualifying asset is an asset that takes a substantial period of time to get ready for sale, property, plant, and equipment, infrastructure and investment property. Other investments and those inventories that are produced in large quantities over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired (including investments into subsidiaries or associated firms or other securities) are not qualifying assets.

Where funds are borrowed specifically to acquire qualifying assets, costs eligible for capitalisation are the actual costs incurred less any income earned on the temporary investment of such borrowings. In other instances the amount of borrowing costs to be capitalised must be determined by applying a capitalisation rate to the expenditures incurred when acquiring these assets. The capitalisation rate is calculated as the weighted average rate applicable to the borrowings of the entity that are outstanding during the financial year, other than borrowing costs incurred specifically for acquiring the qualifying asset. The amount of borrowing costs capitalised during a particular period must not exceed the amount of borrowing costs incurred during that period.

Borrowing costs include interest and other costs incurred by an enterprise in connection with the borrowing of funds:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums on borrowings;
- amortisation of ancillary costs incurred in the arrangement of borrowings;
- finance charges in respect of finance leases in accordance with IAS 17 „Leases (Finance leases)“; and
- those exchange differences on foreign currency borrowings where they are regarded as an adjustment to interest costs.

Capitalisation of the borrowing costs commences when costs for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress (for instance, the activities associated with obtaining the necessary permits prior to commencement of the physical construction). However, such activities exclude the holding of an asset when no production or development that changes the asset's condition is taking place (for instance, an entity would commence the capitalisation of borrowing costs to land that is pledged during the period in which the land was pledged. However, borrowing costs incurred while land acquired for building purposes is held without any associated development activity having commenced do not qualify for capitalisation. Capitalisation of the borrowing costs is suspended during periods in which active development is interrupted for an extended period (longer than two years), unless a temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale.

Capitalisation of the borrowing costs ceases when substantially all of the activities necessary to prepare the asset (or its part that can be used or sold separately) for its intended use or sale are complete.

When the value of an asset exceeds its recoverable amount, we calculate the impairment losses.

Other principles of accounting that were applied when drawing up the consolidated condensed financial statements for the first half of 2006 are the same as used in drawing up the consolidated financial statements for the year 2005 in accordance with the IFRS.

As AB “Invalda” was not required to draw up any interim consolidated financial statements pursuant to the previously effective regulations, no comparative figures are provided in the consolidated Income Statement and the consolidated Cash Flow Statement.

The Company had never drawn up an interim Cash Flow Statement therefore no comparative figures are provided in it as well.

Non-current tangible assets

Non-current tangible assets are recorded at acquisition or production cost, less accrued amortisation and depreciation. Depreciation (amortization) of the non-current tangible assets is calculated on a straight – line basis over the estimated useful life of the assets. The projected useful life of the assets is as follows:

- Buildings and structures 15 – 20 years
- Machinery and equipment 5 – 10 years
- Vehicles 5 – 10 years
- Other assets 3 – 10 years

Non-current intangible assets

Non-current intangible assets are recorded at actual acquisition or production cost, less accrued amortisation and depreciation. Amortization is calculated on a straight – line basis over a period of 3-4 years.

Investment into subsidiaries and associated firms

In the financial statements of the parent company investment into subsidiaries and associated firms is recorded at the acquisition cost, less depreciation, if any. Income from dividends is recognised as income from investing activity and shown in the Income Statement at the time payment of dividends is announced and the company earns the right to receive them.

Subsidiaries

Subsidiaries are enterprises that are controlled by the Company. Control is believed to exist when the controlling company may exert a direct or indirect control over the finance policy and operations of the subsidiary for the purposes of economic benefit. The financial statements of the subsidiaries are included into the consolidated financial statements as from the day on which control over the enterprise is acquired until the day it ceases exerting control over that enterprise. The list of subsidiaries is provided in table 14.1.

Table 14.1. Subsidiaries

NO.	SECURITIES	AMOUNT OF SECURITIES, UNITS	NOMINAL VALUE OF ONE SHARE, LTL	BOOK VALUE, LTL	SHARE CAPITAL, LTL	SHAREHOLDING, %
NON-CURRENT ASSET						
1	AB „Invaldos nekilnojamojo turto fondas“	4 477 540	1	6 557 170.10	7 965 440	56.21
2	UAB „Invalda Real Estate“	7 084	100	763 976.58	708 400	100.00
3	AB FMI „Finasta“	34 000	100	7 352 102.60	3 400 000	100.00
4	AB „Vilniaus baldai“	2 593 088	4	9 915 212.37	15 545 068	66.72
5	AB „Klaipėdos konditerija“	202 248	10	4 402 343.20	2 022 480	100.00
6	AB „Valmeda“	109 914	100	15 005 324.00	10 991 400	100.00

Table 14.1. continued

NO.	SECURITIES	AMOUNT OF SECURITIES, UNITS	NOMINAL VALUE OF ONE SHARE, LTL	BOOK VALUE, LTL	SHARE CAPITAL, LTL	SHAREHOLDING, %
7	AB „Sanitas“	9 791 322	1	93 106 902	31 105 920	31.48
8	AB „Minija“	129 254	13	6 496 256	1 890 616	88.88
9	UAB „Saulės investicija“	75	100	7 500.00	10 000	75.00
10	UAB „Inreal“	40 000	10	400 000.00	400 000	100.00
11	UAB „Invalda construction management“	122 190	3	366 570.00	366 570	100.00
12	UAB „Finasta investicijų valdymas“	1 100 000	1	1 100 000.00	1 100 000	100.00
13	UAB „PVP Nida“	100	100	10 000.00	10 000	100.00
14	UAB DB „Voltera“	361	100	62 000.00	52 000	69.42
15	UAB „Aikstentis“	18.75	400	7 500.00	10 000	75.00
16	UAB „Apželdinimas“	49 915	8	17 000 000.00	399 320	100.00
17	UAB „Finansų spektras“	2 000	10	1 000 000.00	20 000	100.00
18	UAB „Finansų spektro investicija“	1 017 412	1	703 100.00	1 017 412	100.00
19	UAB „Nerijos būstas“	100	100	10 000.00	10 000	100.00
20	Inreal LLC / Ukraine/	Registered capital isn't divided into shares		225 069,30	274 190	80.00
21	UAB „Finasta“ rizikos valdymas	100	100	96 573.00	10 000	100.00
22	Incredo LLC / Ukraine /	Registered capital isn't divided into shares		26 680,20	27 419	100.00
23	UAB „Hidroprojektas“	994 264	1	2 274 451.36	1 014 632	97.99
24	UAB „Vilniaus senamiečio restauravimo direkcija“	48 187	10	1 978 326.00	481 870	100.00
25	UAB „Trakų kelias“	1 000	100	512 000.00	100 000	100.00
26	UAB „Naujoji švara“	97 289	10	1 501 001.00	972 890	100.00
27	UAB „Ineturas“	20 000	100	2 000 000.00	2 000 000	100.00
28	UAB „Invalda service“	5 000	100	500 000.00	500 000	100.00
29	UAB „Kelio ženklai“	3 466 133	1	1 519 945.18	3 466 133	100.00
30	UAB „Ekotra“	5 000	100	500 000.00	500 000	100.00
31	UAB „IBC logistika“	14 000	100	1 400 000.00	1 400 000	100.00
32	UAB „Saistas“	153 946	1	1 219 029.00	236 768	65.01
33	SIA InReal / Latvia/	30	4 961	151 726.00	148 830	100.00
34	SIA „Gravity“ / Latvia/	100	248.05	766 098.52	24 805	100.00
35	AB „Kauno tiltai“	30 902	130	12 624 820	10 409 360	38.59
				191 561 676.41		

Associated firms

Associated firms are those, whose finance policy and operations may be significantly influenced but not controlled. In the consolidated financial statements the share of profit and losses of all associated firms falling to the Group is disclosed using the equity method as from the day on which significant influence is acquired until the company stops exerting significant influence or until associate firm is recorded as held with a view to its subsequent resale.

The list of associated firms is provided in table 14.2.

Table 14.2 Information about associated firms

NO.	SECURITIES	AMOUNT OF SECURITIES, UNITS	NOMINAL VALUE OF ONE SHARE, LTL	BOOK VALUE, LTL	SHARE CAPITAL, LTL	SHAREHOLDING, %
1	AB „Umega“	695	100	2 683 594.73	325 200	21.37
2	UAB „Laikinosios sostinēs projektai“	4 999	1	4 999.00	10 000	49.99
3	UAB „MBGK“	100	100	700 000.00	20 000	50.00
5	UAB „Panevėžio melioracija“	16 287	40	454 406.81	2 497 000	26.09
6	Amber Viking Capital / Ukraine/	Registered capital isn't divided into shares		9 641,04	18 645	50,00
7	UAB „DOMMO Nerija“	50	100	5 000.00	10 000	50.00
8	UAB „VIPK Klaipėda“	42	100	3 671 640.00	10 000	42.00
9	UAB Žemės vystymo fondas 12	2 146	10	21 460.00	100 000	21.46
10	UAB „ŽVF projektai“	2 146	1	2 146.00	10 000	21.46
11	UAB „Žemės vystymo fondas 11“	21 460	1	21 460.00	100 000	21.46
12	UAB „Žemės vystymo fondas“	21 460	1	160 950.00	100 000	21.46
13	AB „Agrovaldymo grupė“	42 920	1	355 420.00	200 000	21.46
14	SIA „Industrial and logistics centre „Lapegles““ / Latvia/	750 000	4,961	3 725 800.00	7 441 500	50.00
15	SIA „AMMO“ / Latvia/	125 000	4,961	619 856.50	1 240 250	50.00
				12 436 374.08		

Other investments

Other investments are recorded as non-current assets held exclusively for resale and calculated at their fair value, while profit or losses arising from them are disclosed in the Income Statement.

Investments for resale are recognised or written off when the company acquires or sells the investment.

Inventories

The inventories are recorded at the acquisition cost or at net realizable value, whichever is lower. When calculating the costs the FIFO method is applied. The costs of the inventories means the costs related to their acquisition, delivery and preparation for consumption.

Trade debtors and other amounts receivable

The accounts receivable are disclosed at their nominal value after the deduction of the provisions for projected losses. Problematic debts and bad debts are appraised by calculating all accounts receivable at the end of the year.

Cash and cash equivalents

For the purposes of cash flow accounting, cash and cash equivalents include cash balance and demand deposit, with the initial maturity of less than 3 months.

Impairment of the assets

The carrying amount of the company's assets, except deferred tax assets, is re-calculated every time at the Balance Sheet date, in order to evaluate whether there is any indication of the impairment of the assets. Where such an indication exists, the recoverable amount of the assets is measured. Impairment losses are recognised when the carrying amount of the asset exceeds its recoverable amount. The impairment losses are disclosed in the Income Statement.

Calculation of the recoverable amounts

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The value in use is calculated as the present value of estimated future cash flows, applying the pre-tax

discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Dividend

Dividends are recorded as a liability in the period they are announced.

Amounts carrying interest

The amounts carrying interest are disclosed at fair value, less the costs of related transactions. After the initial recognition, the amounts carrying interest are recorded at amortized value, showing the difference between the nominal and amortized value in the Income Statement during the life-time of the liability in accordance with the effective interest rates.

3. Short-term loans extended

As on 30 June 2006, AB "Invalda" had loans extended to the firms of the Group for the total amount of LTL 64.6 million and accrued interest of over LTL 2 million. Loans extended by AB "Invalda" to the firms of the Group mature on 31 December 2006, with the interest payable on the maturity day.

4. Loans and borrowings carrying interest

AB "Invalda":

	LOAN, LTL
NON-CURRENT LIABILITIES	
AB "Valmeda"	12,251,000
CURRENT LIABILITIES	
Debt to DnB NORD	60,192,662
Other debts	60,735,550
RESIDUAL VALUE ON 30 JUNE	133,179,212

The loan extended by DnB NORD matures on 31 January 2007. To secure this loan 1,630,000 shares of AB "Vilniaus baldai" and 4,000,000 shares of AB "Sanitas" were pledged with the bank.

Group:

The balances of the Group are eliminated at consolidation.

Total amounts of loans received and extended after eliminating of mutual debts:

LOANS RECEIVED FROM:	
Financial institutions	729,900,933.47
Other	108,874,412.90
TOTAL:	838,775,346.37

LOANS EXTENDED TO:	
AB FMĮ "Finasta" clients	35,143,258.70
Other	18,541,899.02
TOTAL:	53,685,157.72

AB "Invalda":

Sales income	30.06.2006
Income from sales of financial assets	15,476,822
Lease income	2,400

Sales costs	30.06.2006
Acquisition costs of financial assets	14,877,536
Other	94,037

Sales expenditure	30.06.2006
Securities accounting, commission fees for securities transactions	174,847
Administration costs	979,843
Other	22,925

5. FINANCIAL INCOME AND EXPENSES AT NET VALUE

AB "Invalda":

	30.06.2006
Dividend received	18,301,503
Interest on loans from the Group companies	767,997
Bank interest on deposits	341
	19,069,841
Loan interest	1,600,735
Other	9,838
	1,610,573
FINANCIAL INCOME AND EXPENSES AT NET VALUE	17,459,268

In 2006, dividend received from subsidiaries and associated companies amounted to LTL 18,301,503.

Income and expenditure, profit and losses from transactions within the Group are fully eliminated when drawing up the consolidated financial statements.

Events after the balance sheet date

On 31 July 2006, a sale transaction of AB "Klaipėdos konditerija" shares was completed.

15. Information about the audit

The audit of the financial statements of AB "Invalda" for the first half of the year 2006 was not performed, neither were they reviewed by the auditors.

IV. MATERIAL EVENTS IN THE ISSUER'S ACTIVITY

16. Material events in the issuer's activity

In 2005 AB "Invalda" earned an audited net profit of LTL 9,619,953, calculated in accordance with the International Financial Reporting Standards. The audited consolidated profit of the Company and its subsidiaries in 2005 amounted to LTL 20,325,664.

An Extraordinary General Meeting (EGM) of AB "Invalda" shareholders held on 12 January 2006 resolved to change the number of the Board members from 3 to 4 and amend the Company's Articles of Association accordingly. The EGM removed from office the Company's Board. It was resolved that the Board terminates its activities as from the day of the registration of the amendments to the Articles of Association of AB "Invalda". Alvydas Banys, Vytautas Bučas, Dailius Juozapas Mišeikis and Darius Šulnis were elected to the new Board. The new Board is to commence its activities from the day of registration of the amendments to the Articles of Association of AB "Invalda". The meeting has also resolved to approve the reorganisation by merger by acquisition of the private company "Pozityvios investicijos" and the public company "Invalda" pursuant to Paragraph 1 of Article 63 of the Law on Companies of the Republic of Lithuania.

On 1 February 2006, the new wording of the Articles of Association of AB "Invalda" was registered that set forth the composition of the Company's Board of 4 members.

The meeting of AB "Invalda" Board held on 1 February 2006 elected Alvydas Banys Chairman of the Board.

In order to ensure repayment of EUR 14.48 million of credit, in February 2006 the Company pledged 66,813 shares of AB "Vilniaus baldai" and 2,828,095 shares of AB "Sanitas".

On 24 February 2006, the Company announced that after an additional pledge of AB "Vilniaus baldai" and AB "Sanitas" shares the total number of shares pledged amounted to 2,212,940 shares (56.94 %) of AB "Vilniaus baldai" and 4,000,000 shares (36.4 %) of AB "Sanitas".

In April 2006, it was announced that due to admission of AB "Invaldos nekilnojamojo turto fondas" shares into the Current List of the Vilnius Stock Exchange a resolution was passed to sell not more than 415,165 ordinary registered shares of AB "Invalda nekilnojamojo turto fondas" (5.21 % of the authorised capital) held by AB "Invalda", in order to meet the special requirements of the VSE Trading Rules.

After AB "Invalda" had purchased additional 5,285,920 ordinary registered shares of AB "Sanitas" in April 2006, the Company holds 30.86 % votes in that issuer; the figure goes up to 47.03 if calculated with persons acting in concert and to as many as 90.53 % calculating with those held together with persons who concluded shareholding agreements.

On 28 April 2006, the Annual General Meeting of AB "Invalda" shareholders resolved to take into consideration the auditor's report when voting for approval of the Company's annual financial statements and the Activity Report, to approve the Company's Annual Report for 2005, the financial statements for the

year 2005 and consolidated accounts for 2005. The meeting voted for approval of the Company's profit appropriation for 2005, which is as follows:

- The profit (loss) brought forward at the end of the previous financial year: LTL 9,624,843;
- Net result (profit (loss)) of the reporting year: LTL 9,619,953;
- Profit (loss) for appropriation at the end of the financial year: LTL 19,244,796;
- Profit to be appropriated: LTL 19,244,796;
- Profit appropriation:
 - to legal reserve: LTL 481,000;
 - dividend: LTL 8,346,932, or LTL 0.20 per share.
- Retained earnings at the end of the financial year: LTL 10,416,864.

On 9 May 2006, AB "Invalda" signed a contract concerning a sale of 100 % of AB "Klaipėdos konditerija" ordinary registered shares.

Acting in accordance with Paragraph 1 of Article 101 of the Civil Code of the Republic of Lithuania (Book 2) and Paragraph 1 of Article 65 of the Law on Companies of the Republic of Lithuania, on 16 May 2006 the Company announced the terms of reorganisation drawn up for the reorganisation of public companies specified below:

The company being reorganised:

AB "Pozityvios investicijos"; the company's name: AB "Pozityvios investicijos"; legal form: public company; registered office: Vilnius municipality, Vilnius, Konstitucijos St. 23; code 1258 28616; the company is not a VAT payer; authorised capital: LTL 400,000 (four hundred thousand); paid up authorised capital: LTL 400,000 (four hundred thousand); register, in which data about the company are accumulated and stored: Register of Legal Entities; administrator of the register: Division of Legal Entities of the state enterprise "Centre of Registers", Vilnius branch.

The company involved in the reorganisation:

Public company "Invalda"; the company's name: AB "Invalda"; legal form: public company; registered office: Vilnius municipality, Vilnius, Šeimyniškių St. 3; code 1213 04349; VAT payer's code: LT213043414; authorised capital: LTL 41,734,662; paid up authorised capital: LTL 41,734,662; register, in which data about the company are accumulated and stored: Register of Legal Entities; administrator of the register: Division of Legal Entities of the state enterprise "Centre of Registers", Vilnius branch.

The companies undergo reorganisation by way of merger by acquisition, merging AB "Pozityvios investicijos" (the company being reorganised), which winds up after the reorganisation, to AB "Invalda" (the company involved in the reorganisation), continuing after the reorganisation that assumes all rights and obligations of the company being reorganised. The rights and obligations of the company being wound up after the reorganisation are assumed by the company continuing after the reorganisation; while the assets and the transactions are included into the accounting of this company from 30 June 2006.

The unaudited consolidated net profit of the first quarter of 2006 of AB "Invalda" and its subsidiaries according to the International Financial Reporting Standards amounted to LTL 2.765 million. The unaudited net profit of the first quarter of 2006 of AB "Invalda" according to the International Financial Reporting Standards was LTL 3.962 million.

Investment assets managed by AB “Invalda” Group as of 31 December 2005 were re-evaluated at market value, while the hotels it owns being non-current tangible assets were attributed to a different class of assets. As of 31 December 2005, these changes increased AB “Invalda” shareholders’ equity by LTL 171m, the consolidated value of AB “Invalda” Group’s investment assets by LTL 173m, and the value of the Group’s hotels by LTL 22.2 million.

On 15 June 2006, AB “Invalda” announced that, having acquired 33,040 of AB “Miniija” shares in the tender offer, it holds 88.46 % of the Company’s authorised capital and 90.01 % of votes.

An extraordinary General Meeting of AB “Invalda” shareholders of 19 June 2006 resolved to:

1. Reorganise AB “Invalda” by merging to it AB “Pozityvios investicijos”. After the reorganisation AB “Invalda” will continue and the merged company will cease its activities;
2. Approve conditions of the reorganisation;
3. Approve the Articles of Association of AB “Invalda” which will continue its activities after the reorganisation;
4. Approve appointment of the audit firm UAB “Ernst & Young Baltic” auditor of AB “Invalda” and set its annual remuneration for the services of LTL 109,000 a year, excluding VAT.

On 30 June 2006, the Company announced that in order to ensure fulfilment of AB “Kauno tiltai” loan agreement it had pledged with banks a 38.59 % holding of AB “Kauno tiltai” shares.

On 30 June 2006, the Articles of Association of AB “Invalda” that continues its activities after the reorganisation were registered stating the Company’s authorised capital at LTL 45,008,376.

On 12 July 2006, AB “Invalda” announced that in Latvia it founded the company “Finasta Asset Management” and holds title to 100 % of its shares. The newly founded company will seek a licence of an asset management enterprise.

The unaudited consolidated net profit of AB “Invalda” and its subsidiaries for the first half of the year 2006 according to the International Financial Reporting Standards was LTL 20.67 million, the share falling to the shareholders of the parent company amounted to LTL 11.45 million. The unaudited net profit of AB “Invalda” for the first half of the year 2006 according to the International Financial Reporting Standards totalled LTL 16.83 million.

In 2006, AB “Invalda” projects to reach a consolidated net profit of LTL 67.76 million, if calculated applying the International Financial Reporting Standards, including LTL 43.1 million to fall to the shareholders of the parent company. The projection was made under the assumptions that during the second half of the year there will be no material positive or negative changes in the value of the investment assets and no significant changes in the structure of the Group.

17. Court (arbitration) proceedings

During the reporting period, there were no court (arbitration) proceedings likely to have had or to have a material effect on the financial status of AB “Invalda”.