AB Hanner

Annual financial statements for the year ended 31 December 2007

Contents

Company details

AB Hanner

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Registered office:	Konstitucijos Ave. 7, Vilnius, Lithuania LT 09308

Management

Robertas Kisielius (Chief Executive Officer)
Tomas Pauliukonis (Chief Financial Officer)

Board

Arvydas Avulis (Chairman)
Vladas Kojala
Robertas Kisielius

Auditor

KPMG Baltics, UAB

Banks

AB Bankas Hansabankas
AB SEB Bankas

Management's statement on the financial statements

The Management has today discussed and authorized for issue the financial statements and the annual report and has signed the financial statements and the report on behalf of the Company.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. We consider that the accounting policies used are appropriate and that the financial statements thus give a true and fair view.

We recommend the financial statements to be approved at the Annual General Meeting.

Vilnius, 15 July 2008

Management:

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Robertas Kisielius	Tomas Pauliukonis
Chief Executive Officer	Chief Financial Officer

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Independent auditor's report to the shareholders of AB Hanner

We have audited the accompanying financial statements of AB Hanner, which comprise the balance sheet as at 31 December 2007, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, set out on pages 6-45.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AB Hanner as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on legal and other regulatory requirements

Furthermore, we have read the annual report for the year 2007 set out on pages 46-53 of the financial statements and have not identified any material inconsistencies between the financial information included in the annual report and the financial statements for the year ended 31 December 2007.

Vilnius, 15 July 2008
KPMG Baltics, UAB

Domantas Dabulis
Partner
Certified Auditor

Balance sheet

as at 31 December

In thousand Litas	Notes	2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	6	11,633	2,842
Investments property	7	259,560	235,000
Investments in subsidiaries	8	316,462	193,543
Investments in joint ventures	9	19,595	30,350
Other amounts receivable	10	49,471	118,547
Total non-current assets		**656,721**	**580,282**
Current assets			
Inventories	11	2,170	2,684
Trade and other receivables	12	129,002	93,215
Investment available-for-sale	13		24,573
Cash and cash equivalents	14	416	8,933
Total current assets		**131,588**	**129,405**
TOTAL ASSETS		**788,309**	**709,687**

The notes, set out on pages 12 to 45, are an integral part of these financial statements.

Balance sheet (cont'd)

as at 31 December

In thousand Litas	Notes	2007	2006
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	16,000	16,000
Legal reserve	16	1,600	1,600
Fair value reserve	17		3,901
Retained earnings (losses)		372,851	343,033
Total equity		**390,451**	**364,534**
Non-current liabilities			
Interest bearing loans and borrowings	18	311,183	300,720
Liabilities related to bonds	19	36,370	
Advances received		282	
Deferred tax liabilities	20	32,779	28,513
Total non-current liabilities		**380,614**	**329,233**
Current liabilities			
Interest bearing loans and borrowings	18	12,146	10,346
Trade and other payables	21	4,815	4,245
Corporate income tax payable		283	1,329
Total current liabilities		**17,244**	**15,920**
Total liabilities		**397,858**	**345,153**
TOTAL EQUITY AND LIABILITIES		**788,309**	**709,687**

The notes, set out on pages 12 to 45, are an integral part of these financial statements.

Income statement

for the year ended 31 December

In thousand Litas	Notes	2007	2006
Revenue	23	29,047	78,526
Evaluation result on investment property	7	24,560	57,951
Direct property operating expenses	24	(8,501)	(8,790)
Services of sub-contractors		(825)	(31,624)
Depreciation of property, plant and equipment	6	(335)	(394)
Employee benefits	25	(3,494)	(2,683)
Other expenses	26	(5,699)	(2,215)
Result from operating activities		**34,753**	**90,771**
Finance income	27	33,847	19,878
Finance expenses	28	(33,691)	(21,450)
Profit before tax		**34,909**	**89,199**
Corporate income tax	29	(5,091)	(13,783)
Profit for the year		**29,818**	**75,416**

The notes, set out on pages 12 to 45, are an integral part of these financial statements.

Statement of changes in equity

In thousand Litas	Notes	Share capital	Legal reserve	Fair value reserve	Retained earnings (losses)	Total shareholders' equity
Capital and reserves as at 1 January 2006		**16,000**	**1,600**	**0**	**199,884**	**217,484**
Merger of the subsidiary to the Company					67,733	67,733
Revaluation on available-for-sale investments				3,901		3,901
Profit for the year 2006					75,416	75,416
Capital and reserves as at 31 December 2006		**16,000**	**1,600**	**3,901**	**343,033**	**364,534**
Revaluation on available-for-sale investments				(3,901)		(3,901)
Profit for the year 2007					29,818	29,818
Capital and reserves as at 31 December 2007		**16,000**	**1,600**	**0**	**372,851**	**390,451**

The notes, set out on pages 12 to 45, are an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December

In thousand Litas	Notes	2007	2006
Net result (profit)		29,818	75,416
Adjustments for:			
Depreciation and amortisation	6	335	394
Finance costs, net		5,854	3,348
Cancelled shares of merged subsidiaries			51,864
Gain (loss) on disposal of fixed assets			(975)
Gain (loss) from fair value adjustment of investment property	7	(24,560)	(57,951)
Gain (loss) from fair value adjustment of short-term investment			(3,901)
Share of profit of the merged subsidiary	8		67,733
Income tax expenses		5,091	13,783
Net cash inflow from ordinary activities before any change in working capital		16,538	149,711
Change in inventories		514	20,351
Change in trade and other receivables		(2,852)	19,792
Change in trade and other payables		570	(39,163)
Net cash inflow from ordinary activities		14,770	150,691
Profit tax paid		(4,976)	(7,049)
Net cash inflow from operating activities		**9,794**	**143,642**
Interest received	27	5,727	12,529
Purchase of property, plant and equipment	6	(9,237)	(1,435)
Additions to investment property	7		(1,805)
Proceeds from disposal of fixed assets			975
Investments to subsidiaries	8	(122,929)	(62,317)
Investments to joint ventures	9	(12,248)	(5,334)
Sales (purchase) of short-term investments		23,949	(20,672)
Disposals of subsidiaries	8	120	14
Disposals of joint ventures	9	35,475	427
Loan repayments received		64,724	
Loans granted		(34,321)	(64,314)
Net cash inflow from investing activities		**(48,740)**	**(141,932)**

Statement of cash flows (cont'd)

for the year ended 31 December

In thousand Litas	Notes	2007	2006
Loans received		14,921	69,221
Issue of bonds		34,528	
Repayment of loans		(10,346)	(86,991)
Interest paid	28	(8,674)	(11,512)
Net cash inflow/(outflow) from financing		**30,429**	**(29,282)**
Net cash inflow/outflow from operating activities, investing activities and financing activities		**(8,517)**	**(27,572)**
Cash and cash equivalents as at 1 January		**8,933**	**36,505**
Cash and cash equivalents as at 31 December		**416**	**8,933**

The notes, set out on pages 12 to 45, are an integral part of these financial statements.

Notes to the financial statements

1 Reporting entity

AB Hanner (hereinafter the Company) was registered as a closed joint stock company under the laws of the Republic of Lithuania on 27 July 1995. On 8 September 2005 the Company changed its legal status to Joint Stock Company.

The Company is domiciled in Lithuania. The address of its registered office is Konstitucijos Ave. 7, Vilnius.

Mr. Arvydas Avulis holds 100% of shares of AB Hanner.

The Company is primarily involved in development of real estate projects and lease of real estate.

AB Hanner employed 39 staff members as at 31 December 2007 (42 staff members were employed as at 31 December 2006).

2 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The Board has authorized the financial statements for issue on 15 July 2008 and signed the financial statements on behalf of the Company.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment property and available-for-sale financial assets, which are measured at fair value.

Functional and presentation currency

The financial statements are presented in Litas, being the functional currency of the Company. All financial information presented in Litas has been rounded to the nearest thousand.

Notes to the financial statements (cont'd)

2 Basis of preparation (cont'd)

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs, as adopted by the European Union, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs, as adopted by the European Union, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 4.

3 Summary of significant accounting policies

The accounting policies of the Company set out below have been applied consistently to all periods presented in these financial statements.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

Investments in subsidiaries and associated companies

Investment in subsidiaries, joint ventures and associated companies are stated at cost less impairment.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Financial instruments

The Company did not use derivative financial instruments as at 31 December 2007.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and financial liabilities as well as trade and other payables.

Notes to the financial statements (cont'd)

3 Summary of significant accounting policies (cont'd)

Non-derivative financial instruments (cont'd)

Non-derivative financial instruments are recognised initially at fair value plus, except for instruments booked at fair value in the profit and loss account, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Receivables are non-derivative financial assets and are not quoted in an active market. They are included in current assets except for maturities greater than 12 months. Receivables are initially recognized at fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less impairment, if any. Short-term receivables are not discounted.

Certain investments in equity securities and debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in equity. When an investment is derecognized, the cumulative gain in equity is transferred to profit or loss.

Borrowings are initially recognized at fair value less direct costs related to the occurrence of respective loan and other liabilities. Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Trade payables are initially recognized at fair value and are subsequently measured at amortized cost. Short-term liabilities are not discounted.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is re-measured to fair value and reclassified as investment property. Any gain or loss arising on re-measurement is recognized in profit or loss.

Notes to the financial statements (cont'd)

3 Summary of significant accounting policies (cont'd)

Reclassification to investment property (cont'd)

When the use of a property changes from company-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognized directly in equity. Any loss is recognized immediately in profit or loss.

Subsequent costs

The costs incurred when replacing part of an item of property, plant and equipment or related to the reconstruction of the property, plant and equipment are capitalized if it is probable that the future economic benefits will flow to the Company and its cost can be measured reliably. All other day-to-day servicing or repair costs are recognized in profit or loss as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

- Buildings and constructions 8–15 years
- Motor vehicles 6 years
- Other assets 2–6 years

Depreciation methods, residual values and useful lives are reassessed annually.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any changes therein recognized in profit or loss.

When the use of a property changes that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Leased assets

Leases, in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Notes to the financial statements (cont'd)

3 Summary of significant accounting policies (cont'd)

Inventories

Inventories (trading properties) are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of development projects of trading properties comprises construction costs and other direct and cost related to property development, but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is determined based on FIFO (First-In, First-Out) principle.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at the initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes to the financial statements (cont'd)

3 Summary of significant accounting policies (cont'd)

Reversals of impairment

An impairment loss in respect of receivables carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

Liabilities

Liabilities are initially recognized at fair value less direct costs related to occurrence of respective loan and other liabilities. Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Short-term liabilities are not discounted.

Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Revenue

Sales of trading properties

Revenue from the sale of trading properties is measured at the fair value of the consideration received or receivable, net of allowances and discounts. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the properties.

Notes to the financial statements (cont'd)

3 Summary of significant accounting policies (cont'd)

Rental income

Rental income from investment property is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Services rendered

Revenue from the services rendered is recognized in the income statement as the services are rendered.

Lease payments

Operating lease payments

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the financial statements (cont'd)

3 Summary of significant accounting policies (cont'd)

Finance income and expenses

Finance income comprises interest income on loans granted and funds invested, dividend income, gains on the disposal of available-for-sale financial assets and foreign currency gains. Interest income is recognized as it accrues, using the effective interest method. Dividend income is recognized on the date that the Company's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, impairment losses recognized on financial assets and foreign currency losses. All borrowing costs are recognized in profit or loss using the effective interest method.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except for the extent that it relates to the items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of assets or liabilities that do not affect either accounting or taxable profit, or differences relating to the investments in the subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Notes to the financial statements (cont'd)

3 Summary of significant accounting policies (cont'd)
Standards, interpretations and amendments to published standards that are not yet effective

New standards, amendments to standards and interpretations are not yet effective or not yet adopted by the EU for the year ended 31 December 2007, and have not been applied in preparing these financial statements:

- Revised IFRS 2 Share-based Payment (effective from 1 January 2009). The revised Standard will clarifies the definition of vesting conditions and non-vesting conditions. Based on the revised Standards failure to meet non-vesting conditions will generally result in treatment as a cancellation. The revised IFRS 2 is not relevant to the Company's operations as the Company does not have any share-based compensation plans.
- Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009). The scope of the revised Standard has been amended and the definition of a business has been expanded. Revised IFRS 3 is relevant to the Company. However, the Company has not yet completed its analysis of the impact of the revised Standard.
- IFRS 8 Operating Segments (effective from 1 January 2009). The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has not yet completed its analysis of the impact of the revised Standard.
- The revised IAS 1 Presentation of Financial Statements (effective from 1 January 2009). The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Company is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.
- Revised IAS 23 Borrowing Costs (effective from 1 January 2009). The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Company has not yet completed its analysis of the impact of the revised Standard.
- Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. The Company has not yet completed its analysis of the impact of the revised Standard.

Notes to the financial statements (cont'd)

3 Summary of significant accounting policies (cont'd)

Standards, interpretations and amendments to published standards that are not yet effective (cont'd)

- IFRIC 11 IFRS 2 – Company and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The Interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC 11 is not relevant to the Company's operations as the Company has not entered into any share-based payments arrangements.

- IFRIC 12 Service Concession Arrangements (effective from 1 January 2008). The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Company's operations as the Company has not entered into any service concession arrangements.

- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. The Company does not expect the Interpretation to have any impact on the financial statements.

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements (hereinafter MFR) and their interactions (effective for annual periods beginning on or after 1 January 2008). The interpretation addresses:
  1) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19;
  2) how a MFR might affect the availability of reductions in future contributions; and
  3) when a MFR might give rise to the liability.
  No additional liability need be recognised by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. The Company has not yet completed its analysis of the impact of the new interpretation.

Notes to the financial statements (cont'd)

4 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Estimate of fair value of investment properties

An external, independent valuation company, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property portfolio on an annual basis. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their credit worthiness; the allocation of maintenance and insurance responsibilities between the Company and the lessee; and the remaining economic life of the property.

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, national or local economic conditions that influence the Company of the receivables.

The management evaluates probable cash flows from the debtors based on historical loss experience related to the debtors with a similar credit risk. Methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Notes to the financial statements (cont'd)

5 Financial risk management

Company has exposure to the following risks:

- credit risk,
- liquidity risk,
- market risk,
- operational risk,
- capital management risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these annual accounts.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The risk is reduced by the fact that related parties are partially or fully controlled by the Company.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance for impairment includes only specific loss, related to individually significant trade and other receivables. The balances of trade and other receivables are not significant, and the actual loss during 2007 was not significant as well.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December 2007 was:

In thousand Litas	2007	2006
Cash and cash equivalents, net	416	8,933
Trade and other receivables	178,473	211,762
Other assets		
Total	**178,889**	**220,695**

Notes to the financial statements (cont'd)

5 Financial risk management (cont'd)

Credit risk (cont'd)

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region could be specified as follows:

In thousand Litas	2007	2006
Local market	25,796	44,007
Euro-zone countries	60,731	56,588
Russia	6,836	
Belarus	632	
Ukraine	84,478	111,167
Total	**178,473**	**211,762**

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company's borrowings are subject to variable interest rates related to LIBOR. As at 31 December 2007, the Company did not use financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

A change in average annual interest rate for the Company's borrowings by 1 percentage point would have increased (decreased) the interest expenses and the profit for the year ended 31 December 2007 by approximately 3,171 thousand Litas.

Notes to the financial statements (cont'd)

5 Financial risk management (cont'd)

Currency risk

The functional currency of the Company is Litas (LTL). The Company faces foreign currency risk on purchases and borrowings that are denominated in currencies other than Litas and EUR. The risk related to transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to EUR at a fixed rate. The most significant currency exchange risks as at 31 December 2006 and 31 December 2007 are related to the loans granted to the related parties in USD.

The Company's foreign currency exchange risk has been concentrated in the below provided items of the balance sheet:

	31 12 2007				31 12 2006			
In tLitas	USD	EUR	LTL	LVL	USD	EUR	LTL	LVL
Receivables	84,478	65,127	25,796	3,072	111,167	56,298	44,007	290
Cash and cash equivalents		11	405		15	5,923	2,995	
Financial liabilities		(224,564)	(98,765)			(251,765)	(59,001)	
Payables		(36,369)	(5,098)			(489)	(5,085)	
Total currency exchange risk in the balance sheet	84,478	(195,795)	(77,662)	3,072	111,182	(190,033)	(17,084)	290

The currency exchange risk was not considered in respect of income and expenses because most items are related to the functional currency – Litas.

Below the significant currency exchange rates applied during the period (in respect of functional currency) are presented:

	Average rates of 2007	Average rates of 2006
EUR	3.4528	3.4528
LVL	4.9324	4.9594
USD	2.5230	2.7513

Capital management

The Board's policy is to maintain a strong capital base, in comparison with the borrowed means, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position.

There were no changes in the Company's approach to capital management during the year.

Notes to the financial statements (cont'd)

5 Financial risk management (cont'd)

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on an arm's length transaction, other than in forced or liquidation sale.

Fair values are obtained from quoted market prices, discounted cash flow models as appropriate.

Carrying amount of trade amounts receivable, amounts payable and short-term credit lines is close to their fair value. The fair value of the long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current loans, borrowings and other payables with variable interest rates approximates their carrying amounts.

Notes to the financial statements (cont'd)

6 Property, plant and equipment

In thousand Litas	Buildings and other constructions	Vehicles	Other fixed assets	Land	Total
At 1 January 2006					
Acquisition costs	1,225	871	669		2,765
Accumulated depreciation	(227)	(408)	(206)		(841)
Net book value	998	463	463		1,924
For the year ended 31 December 2006					
Opening net book value	998	463	463		1,924
Additions	1,147	76	212		1,435
Write-offs/sales	(75)	(48)			(123)
Reclassifications	109		(109)		0
Depreciation	(89)	(101)	(204)		(394)
As at 31 December 2006					
Acquisition costs	2,430	722	594		3,746
Accumulated depreciation	(340)	(332)	(232)		(904)
Net book value	2,090	390	362		2,842
For the year ended 31 December 2007					
Opening net book value	2,090	390	362		2,842
Acquisitions	8,254	39	187	757	9,237
Write-offs/ sales	(63)	(79)	(3)		(145)
Depreciation	(88)	(100)	(147)		(335)
Depreciation of assets written off/sold		34			34
Closing net book value	**10,193**	**284**	**399**	**757**	**11,633**
As at 31 December 2007					
Acquisition value	10,621	682	778	757	12,838
Accumulated depreciation	(428)	(398)	(379)		(1,205)
Net book value	10,193	284	399	757	11,633

Notes to the financial statements (cont'd)

In thousand Litas	2007	2006
7 Investment property		
At beginning of the year	235,000	175,644
Subsequent expenditure - additions		1,805
Net gain from fair value adjustments on investment property	24,560	57,951
Sales		(400)
Total	**259,560**	**235,000**

As at 31 December 2007 all investment properties have been pledged as security for bank borrowings (Note 18).

The investment properties as at 31 December 2007 were valued by independent qualified valuators UAB Ober-Haus based on prices that existed in an active market as at 31 December 2007.

In thousand Litas	2007	2006
8 Investments in subsidiaries		
At the beginning of the year	193,543	183,104
Establishment of subsidiaries	132	1,103
Acquisition of subsidiaries	65,098	58,552
Contribution to share capital of subsidiaries	57,699	2,662
Subsidiary merged to the Company		(51,864)
Disposal of subsidiaries	(10)	(14)
At the end of the year	**316,462**	**193,543**

On 27 July 2007, AB Hanner established a legal limited liability entity IOOO Hanner Bel Invest in the Republic of Belarus, in which AB Hanner holds 51% of the parts in the authorised capital of the company established.

On 19 March 2007, the Board of AB Hanner accepted a decision re establishment of a new legal entity, i.e. UAB TVD Statyba, which was registered with PE Registrų Centras on 28 March 2007.

The authorised capital of UAB TVD Statyba amounts to 10,000.00 Litas. AB Hanner acquired 51% of the shares of the legal entity being established.

On 30 November 2007, transactions of purchase-sales of shares with the joint venture of Lithuania and USA UAB Sanitex and UAN Avestis were concluded, following which AB Hanner acquired 100% of the shares of UAB Avesko, company code 300145810, registration address – Konstitucijos Ave. 7, Vilnius. UAB Avesko holds 95.6% of the shares of AB Klaipėdos Kartonas, company code 141011268, registration address - Nemuno Str. 2, Klaipėda.

Notes to the financial statements (cont'd)

8 Investments in subsidiaries (cont'd)

On 5 May 2007, an increase of 32,250,000 Litas of the secondary company of the Company UAB Avestis Capital, in which the Company holds 99% of the authorised capital, was registered with PE Registrų Centras.

On 17 December 2006, the sole shareholder of AB Hanner accepts a decision to authorise Lionginas Šepetys, the former general director of AB Hanner, to vote at the general shareholders' meeting of the limited liability company Hanner Vostok re issue of 400,000,000 shares. On 2 August 2007, AB Hanner acquired 249,445,126 shares for 62,361,281.50 UAH (28,443,994 Litas). On 22 November 2007, the authorised capital of the limited liability company Hanner Vostok is increased by 100,000,000, i.e. from 1,000,000 UAH to 101,000,000 UAH. The capital is divided into 404,000,000 ordinary shares with a nominal value of 25 kopecks each. AB Hanner holds 99.8% of the shares of Hanner Vostok.

On 14 December 2007 AB Hanner, the sole shareholder of the limited liability company Hanner Real Estate, accepted a decision to increase the authorised capital of the limited liability company Hanner Real Estate from 2,000 LVL to 95,000 LVL and to pay for the newly issued shares on 1 February 2008. The authorised capital of the limited liability company Hanner Real Estate is divided into 4,750 shares with a nominal value of 20 LVL each.

On 14 February 2007, the Company sold 100 ordinary shares (100% of the authorised capital) to UAB HD Statyba.

Name	Country of incorporation	Assets	Liabilities	Revenue	Profit/ (loss)	% interest held
Bajorų Kalvos	Lithuania	170,799	97,826	68,310	6,882	100%
Hanner AG	Lithuania	23,283	11,389	72,389	1,067	100%
Hanner Property	Lithuania	105,172	4,593	3,980	10,611	100%
Verkių Slėnis	Lithuania	34,184	21,060	24,963	10,018	100%
Avestis Capital	Lithuania					99%
Hanner Development	Lithuania	33,452	17,383	105,563	636	100%
Hanner Real Estate	Latvia	530	134	612	(59)	100%
UAB TVD Statyba	Lithuania	180	441	1,523	(272)	51%
SIA Dentava	Latvia	92,195	89,865	54	(2,343)	100%
Hanner RD SRL	Romania	47,158	30,549	897	(3,145)	100%
OOO Stroitelnye Technologii	Ukraine	1,287	1,519		(155)	75%
ZAO Hanner Vostok	Ukraine	30,578	322		653	90%
ZAO Palmyra Invest	Ukraine	5			(117)	70%
ZAO Plochad Tolbuxina	Ukraine	107			(7)	80%
ZAO JBK Invest	Ukraine	34,940	34,721		(12)	99%
ZAO Hanner Invest	Ukraine	9,646	7,613	99	(585)	99%
SIA Hanner Olympia Centrs	Latvia	8,773			8,671	100%
OOO Hanner Manedzment	Ukraine	30	414	19	(438)	100%
VSI Hanner Up	Lithuania	57	1	6	6	100%
UAB Avesko	Lithuania	59,032	40,245	1,666	(1,117)	100%
ZATT Hanner Bel Invest	Belarus	978	746		(4)	51%

Notes to the financial statements (cont'd)

In thousand Litas	2007	2006
9 Investment in joint ventures		
At the beginning of the year	30,350	25,442
Establishment of joint ventures	757	
Acquisitions of joint ventures	8,991	5,335
Contribution to share capital of joint ventures	2,500	
Disposals of joint ventures	(23,003)	(427)
At the end of the year	**19,595**	**30,350**

On 27 February 2007, the Company together with the partner UAB Girteka established OOO Shusary Logistik in the Russian Federation. The Company holds 50% of the authorised capital.

On 2 May 2007, the Company together with the partner Kęstutis Mickus, established OOO Hanner SPB Development in the Russian Federation The Company holds 50% of the authorised capital.

On 9 November 2007, UAB H5 Development was established and registered, in which AB Hanner holds 50 per cent of the parts in the authorised capital of the established company.

On 1 June 2007, an agreement re purchase-sales of parts was signed. According to the agreement signed, AB Hanner acquired 50% of the parts of the limited liability company Pidpriemstvo Vaizbunas established in the Republic of Ukraine. The authorised capital of the limited liability company Pidpriemstvo Vaizbunas amounts to 27,000 UAH.

On 2 May 2007, AB Hanner acquired shares of UAB Santariškių Namai owned by UAB Hanner Development. On 22 May 2007, AB Hanner and UAB Eika decided to increase the authorised capital of UAB Santariškių Namai by 4,990,000.00 Litas up to 5,000,000.00 Litas. AB Hanner and UAB Eika hold 50 per cent (each) of the shares of the mentioned company.

On 22 March 2007, the Company signed an agreement on sales of parts related to ZAO Nest Hanner 17,535,000 ordinary intangible shares, making 50% of the authorised capital.

On 11 May 2007, agreement No. 11/05 re purchase-sales of parts in the authorised capital was signed. According to the agreement mentioned, AB Hanner sold 39.99999% of parts in the authorised capital of the limited liability company established in the Republic of Ukraine Judžin (in Russian - OOO Юджин), company code 31303824, address – Generolo Naumovo Str. 23B, Kiev, Ukraine (hereinafter - OOO Judžin).

On 4 September 2007, an agreement of purchase-sales of shares was signed. As to the mentioned agreement, AB Hanner sold 533 units of the shares of UAB Gudelių Šilas established in Lithuania, comprising 9.892 per cent from the total shares of the company UAB Gudelių Šilas. Currently AB Hanner holds 2,161 shares of UAB Gudelių Šilas, comprising 40.1076 per cent from the total shares. The authorised capital of UAB Gudelių Šilas amounts to 5,388,000.00 Litas and is divided into 5,388 shares. The nominal value per share is 1,000 Litas.

Notes to the financial statements (cont'd)

9 Investment in joint ventures (cont'd)

Name	Country of incorpo-ration	Assets	Liabilities	Revenue	Profit/ (loss)	% interest held
UAB Gudelių Šilas	Lithuania	35,630	30,752		(499)	50%
UAB Santariškių Namai	Lithuania	48,853	45,546		(1,591)	50%
UAB H5 Development	Lithuania	9	1		(3)	50%
Puces Birzs	Latvia	73,631	71,372	16,872	3,494	50%
SIA Equilibrium	Latvia	12,979	467	4,578	2,592	50%
Carol Park Residence SRL	Romania	86,161	93,455		(8,015)	50%
Europe Group Hanner SRL	Romania	61,857	49,231	53,749	16,466	50%
OOO Predprijatie Vaizbunas	Ukraine	1,708	1,696	19	1	50%
OOO Šušary Logistik	Russia	27,636	26,952		(778)	50%
OOO SPB Development Logistik	Russia	603	604	378	(2)	50%

In thousand Litas	2007	2006
10 Other receivables		
Long-term loans to related parties	51,210	114,966
Less: impairment of loans to related parties	(3,136)	(1,325)
Long-term loans to related parties, net	48,074	113,641
Long-term loans to third parties	1,397	4,178
Other long-term receivables		728
Total	**49,471**	**118,547**

Loans to related parties were granted with repayment terms ranging from 2 to 5 years. The annual interest rate ranges from 2.5 to 14 per cent. Average interest rate as at 31 December 2007 was 7 per cent.

In the opinion of the Company's management, the carrying amounts of long-term receivables approximate their fair value.

In thousand Litas	2007	2006
11 Inventories		
Development projects of trading properties	2,170	2,684
Total	**2,170**	**2,684**

Notes to the financial statements (cont'd)

12 Trade and other receivables

In thousand Litas	2007	2006
Trade receivables:		
- *receivables for development projects*		3,836
- *receivables for rent*	1,408	1,142
Total trade receivables	1,408	4,978
Less: impairment for doubtful receivables	(19)	(2)
Trade receivables, net	**1,389**	**4,976**
Short-term loans:		
- *loans to related parties*	119,460	82,861
Less: impairment for loans to related parties	(1,350)	(189)
- *loans to related parties, net (Note 30)*	118,110	82,672
- *loans to other parties*	3,206	4,323
Receivable loans, net	121,316	86,995
Prepayments and accrued income	1,431	862
Taxes paid in advance, other amounts receivable	4,866	5,358
Total	**129 002**	**93,215**

13 Investments available-for-sale

In thousand Litas	2007	2006
At the beginning of the year	24,573	
Acquisitions		19,983
Disposals	(24,573)	4,590
Total	**0**	**24,573**

14 Cash and cash equivalents

In thousand Litas	2007	2006
Cash at bank	395	8,923
Cash in hand	21	10
Total cash and cash equivalents	**416**	**8,933**

Notes to the financial statements (cont'd)

15 Share capital

As at 31 December 2007 the share capital comprised of 16,000 ordinary registered shares with par value of 1,000 Litas each. All the shares are fully paid. There were no changes in the share capital during the year.

16 Legal reserve

Legal reserve amounting 1,600 thousand Litas represents non-distributable reserve, which can only be used for offsetting future operating losses, if any.

17 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognized.

18 Borrowings

In thousand Litas	2007	2006
Current liabilities		
Current portion of long-term bank borrowings	10,346	10,346
Current borrowings from related parties (Note 30)	1,800	
Total current liabilities	**12,146**	**10,346**
Non-current liabilities		
Long-term bank borrowings	149,544	187,323
Long-term borrowings from related parties (Note 30)	161,639	113,397
Total non-current liabilities	**311,183**	**300,720**
Total	**323,329**	**311,066**

The borrowings are secured by investment property, the value of which is 259,560 thousand Litas (Note 6).

Notes to the financial statements (cont'd)

18 Borrowings (cont'd)

Weighted average interest rates effective as at 31 December (per cent) were as follows:

	2007	2006
Long-term bank borrowings	5.31	4.79
Borrowings from subsidiaries	4.56	4.00

Maturity terms of non-current borrowings:

	2007	2006
Within 1 year	12,146	10,346
Between 1 and 2 years	10,346	10,346
Between 2 and 5 years	84,744	46,706
Over 5 years	216,093	243,668
	323,329	311,066

Company's bank borrowings are denominated in Euro and borrowings from related parties are denominated in Litas.

Fair value of borrowings approximates to their carrying values.

19 Bonds

On 19 February 2007, the public emission of the Company's bonds amounting to 10 million EUR and with a term of 2 years was successfully issued. The interest rate was set on the last day of the issue of bonds' emission, i.e. on 19 February 2007 and is by 2 per cent higher than the interest rates of the standard swap agreement with a term of 2 years (4.2 per cent) (Interest Rate Swap - IRS). As at 31 December 2007, the costs of the accrued interest amounted to 1,842 thousand Litas.

20 Deferred income tax

The gross movement on the deferred income tax account is as follows:

In thousand Litas	2007	2006
At the beginning of the year	(28,513)	(17,974)
Change in deferred tax recognized in the income statement	(4,955)	(9,850)
Change in deferred tax recognized in equity	689	(689)
At the end of the year	**(32,779)**	**(28,513)**

Deferred income tax payable after more than 12 months	(32,779)	(28,513)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Notes to the financial statements (cont'd)

20 Deferred income tax (cont'd)

The offset amounts are as follows:

In thousand Litas	2007	2006
Deferred tax assets	44	51
Deferred tax liabilities	(32,823)	(28,564)
Total	**(32,779)**	**(28,513)**

The gross movement on the deferred income tax account is as follows:

In thousand Litas	Investment relief	Increases in fair value of investment properties	Increase in fair value of AFS investments	Total
Deferred tax liabilities				
As at 1 January 2006	(599)	(17,390)		(17,989)
Credited/(charged) to income statement	146	(10,032)		(9,886)
Credited/(charged) to equity			(689)	(689)
As at 31 December 2006	(453)	(27,422)	(689)	(28,564)
Credited/(charged) to income statement	97	(5,045)		(4,948)
Credited/(charged) to equity			689	689
As at 31 December 2007	**(356)**	**(32,467)**	**0**	**(32,823)**

In thousand Litas	Vacation reserve	Total
Deferred tax assets		
At 1 January 2006	15	15
Credited/(charged) to income statement	36	36
At 31 December 2006	51	51
Credited/(charged) to income statement	(7)	(7)
At 31 December 2007	**44**	**44**

Notes to the financial statements (cont'd)

21 Trade and other amounts payable

In thousand Litas	2007	2006
Taxes	338	837
Trade payables for construction works		690
Advances	328	359
Liabilities related to shares	2,357	
Other payables	1,792	2,359
Total	**4,815**	**4,245**

22 Commitments and contingent liabilities

Contingent liabilities – tax audits

The tax authorities have carried out full-scope tax audit at the Company for the year 2001. The tax authorities may at any time inspect and impose additional tax assessments and penalties within 5 years subsequent to the reported tax year. The Company's management is not aware of any circumstances which may give rise to a potential liability to the Company in this respect.

23 Revenue

In thousand Litas	2007	2006
Development projects	870	51,165
Rental income	18,405	17,285
Service charges	7,942	8,107
Other services	1,830	1,969
Total	**29,047**	**78,526**

The period of leases whereby the Company leases out its investment property under operating leases ranges from 2 to 10 years.

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

In thousand Litas

	2007	2006
No later than 1 year	18,877	21,345
After 1 year but not later than 5 years	88,043	90,543
After 5 years	24,378	18,968
Total	**131,298**	**130,856**

Notes to the financial statements (cont'd)

24 Direct property operating expenses

In thousand Litas	2007	2006
Utilities and exploitation expenses	6,461	7,176
Repair and maintenance	829	552
Land and real estate taxes	911	752
Other	300	310
Total	**8,501**	**8,790**

25 Employee payroll expenses

In thousand Litas	2007	2006
Wages and salaries	2,583	1,853
Social security payments	834	600
Vacation reserve	(37)	142
Other costs	114	88
Total	**3,494**	**2,683**

26 Other expenses

In thousand Litas	2007	2006
Charity, support	434	114
Consulting and mediation	1,049	747
Marketing and advertising expenses	490	556
Telecommunication and IT maintenance expenses	25	30
Business trip expenses	87	80
Transportation expenses	167	189
Taxes (other than income tax)	34	91
Office supplies and utilities	227	122
Office rent		1
Impairment provision for trade receivables	738	
Withholding tax	2,168	
Other expenses	280	285
Total	**5,699**	**2,215**

Notes to the financial statements (cont'd)

27 Finance income

In thousand Litas	2007	2006
Interest income		
- interest income from related parties (Note 30)	13,900	9,086
- interest income from third parties	383	3,443
Gain from currency exchange	676	43
Reversed impairment of loans and other receivables		1,728
Profit from sale of shares and parts of equity to subsidiary and joint venture companies	12,728	1,961
Gain from disposal of investments	6,160	3,617
Total	**33,847**	**19,878**

28 Finance costs

In thousand Litas	2007	2006
Interest expense		
- borrowings from third parties	8,824	7,398
- borrowings from related parties (Note 30)	5,889	4,114
Losses from currency exchange	14,165	9,938
Impairment of loans and other receivables	2,972	
Interest related to bonds	1,841	
Total	**33,691**	**21,450**

Notes to the financial statements (cont'd)

In thousand Litas	2007	2006
29 Income tax		
Current tax	137	3,933
Change in deferred tax	4,954	9,850
Total	**5,091**	**13,783**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

In Litas	2007		2006	
Profit before taxes		34 909		89,199
Tax calculated at a tax rate of 18 per cent (2006: 19 per cent)	18.0%	6,284	19.0%	16,948
Non-deductible expenses (income not subject to tax)	-4.0%	(1,432)	-1.0%	(856)
Charity expenses deductible twice for tax purposes	0.5%	(156)	0.0%	(22)
Non-accumulated part in the previous years	1,0%	428	0.5%	413
Impact of change of tax rates on temporary differences	-0.0%	(33)	-3.0%	(2,700)
Total tax charges	**15.5%**	**5,091**	**15.5%**	**13,783**

Notes to the financial statements (cont'd)

30 Related party transactions

Subsidiaries, joint ventures and associates of the Company, members of the Board and Senior Management and their close family members are treated as related parties.

The Company is controlled by Mr. A. Avulis who owns 100.0 per cent of the Company's share capital. Companies controlled or significantly influenced by Mr. A. Avulis are treated as other related parties.

(i) the following transactions were carried out with related parties:

In thousand Litas	2007	2006
Sales		
Sale to subsidiary	1,205	118
Total	**1,205**	**118**

In thousand Litas	2007	2006
Interest income		
Interest income from loans to subsidiaries, associates and joint ventures	13,878	9,058
Interest income from loans to other related parties	16	23
Interest income from loans to Mr. A. Avulis	6	5
Total	**13,900**	**9,086**

In thousand Litas	2007	2006
Purchases		
Purchases of services from subsidiaries	526	14,699
Total	**526**	**14,699**

In thousand Litas	2007	2006
Interest expenses		
Interest expenses for loans from subsidiaries	5,889	3,722
Total	**5,889**	**3,722**

Notes to the financial statements (cont'd)

30 Related party transactions (cont'd)

(ii) year end balances arising from transactions with related parties:

In thousand Litas	2007	2006
Trade receivables		
Trade receivables from subsidiaries, associates and joint ventures	1,255	837
Total	**1,255**	**837**

In thousand Litas	2007	2006
Long-term loans		
Loans to subsidiaries, associates, joint ventures	50,673	104,822
Less: impairment of long-term loans to subsidiaries, associates, joint ventures	(3,136)	(1,325)
Long term loans to subsidiaries, associates, joint ventures, net	47,537	103,497
Loans to other related parties	537	10,144
Total (Note 10)	**48,074**	**113,641**
Short-term loans		
Loans to subsidiaries, associates, joint ventures	119,433	81,861
Less: impairment of short-term loans to subsidiaries, associates, joint ventures	(1,350)	(189)
Short-term loans to subsidiaries, associates, joint ventures, net	118,083	81,672
Loans to other related parties	27	1,000
Total (Note 12)	**118,110**	**82,672**

In thousand Litas	2007	2006
Trade payables		
Trade payables to subsidiaries	2	676
Total	**2**	**676**

In thousand Litas	2007	2006
Borrowings		
Borrowings from subsidiaries (Note 18)	163,439	113,397
Total	**163,439**	**113,397**

Notes to the financial statements (cont'd)

30 Related party transactions (cont'd)

(iii) compensation of key management:

In thousand Litas	2007	2006
Salaries	304	623

Key management includes 3 (2006: 5) members of the Board and Senior Management.

31 Subsidiaries and joint ventures

Subsidiary / joint venture	Country of incorpo-ration	Direct ownership interest in % 2007	2006	Activity of the enterprise
Subsidiaries				
UAB Hanner Property	Lithuania	100%	100%	The main activity is development of real estate.
UAB Hanner Development	Lithuania	100%	100%	Subsidiary is managing real estate projects and construction works.
UAB Hanner AG	Lithuania	90%	90%	The main activity is wholesale in coal.
UAB Bajorų Kalvos	Lithuania	100%	100%	Subsidiary is developing the residential project Bajorų Kalvos at Bajorų street and Mokslininkų street in Vilnius.
UAB Verkių Slėnis	Lithuania	100%	100%	Subsidiary is developing a luxury residential project Verkių Slėnis in Verkiai regional park, Vilnius.
UAB HD Statyba	Lithuania	-	100%	Construction work.
UAB Avestis Capital	Lithuania	99%	99%	The main activity of the subsidiary is investment, purchase of companies. The company owns 40% of shares of UAB General Financing and 70.27% of shares of UAB of Avesko Keliai.
PE Hanner Up	Lithuania	100%	100%	The subsidiary is engaged in organisation and coordination of the show „Running to the skyscraper „Europa".
UAB Avesko	Lithuania	100%	-	The main activity of the subsidiary is investment management. UAB Avesko owns 95.6 of shares of AB Klaipėdos Kartonas.
UAB TVD Statyba	Lithuania	51%	-	Joint venture is engaged in construction works.
SIA Hanner Real Estate	Latvia	100%	100%	Subsidiary is coordinating activity of Hanner and investment in Latvia.
SIA Dentava	Latvia	100%	100%	Company in Latvia is developing multifunctional real estate project „Ropazu" at Ropazu street, Riga.

Notes to the financial statements (cont'd)

31 Subsidiaries and joint ventures (cont'd)

SRL Hanner RD	Romania	100%	100%	Enterprise is coordinating Hanner activities and investments in Romania; at the moment it is developing a residential Tineretului project in Bucharest, Romania.
ZAO Hanner Invest	Ukraine	99.9%	99.9%	Subsidiary is coordinating Hanner activities and investments in Ukraine, besides it owns interest in indirect subsidiaries Prioritet OOO, Olimpeks Trans OOO, Budmarin OOO, Hanber OOO, Mir Atrakcionov OOO and associate Jugstroi Invest OOO of the Company.
OOO Hanner Management	Ukraine	100%	100%	Subsidiary is engaged in real estate project management and construction in Ukraine.
ZAO JBK Invest	Ukraine	99%	99%	Enterprise which main activity is implementation of OOO Prioritet developed real estate project.
ZAO Palmyra Invest	Ukraine	70%	70%	Enterprise, which main activity is implementation of OOO Hanber developed real estate project.
ZAO Ploshad Tolbuchina	Ukraine	80%	80%	Enterprise, which main activity is implementation of OOO Jugstroj Invest developed real estate project.
ZAO Stroitelnyje Technologii Budusevo	Ukraine	75%	75%	Subsidiary is developing implementation of the real estate project Fontanka in Odessa.
ZAO Zakrytyj Nediversifikovanyj Investicionyj Fond Hanner-Vostok	Ukraine	90%	90%	Subsidiary which main activity is sales of real estate developed in Ukraine.
ZATT Hanner Bel Invest	Belarus	51%	-	Joint venture with AKOOO Salner Kompanija Limited is engaged in reconstruction of cinema studio buildings as well as development of residential project in Minsk, Belarus. The company was established in 2007.
Joint ventures				
UAB Gudelių Šilas	Lithuania	40%	50%	Join venture with Faulana is developing implementation of residential project Gudelių Šilas in Lazdynai district, Vilnius.
UAB Santariškių Namai	Lithuania	50%	50%	Joint venture with UAB Eika is engaged in development of residential project Santariškių Namai in Vilnius.
UAB H5 Development	Lithuania	50%		Joint venture with UAB Penki Kontinentai, UAB Trinapolis is engaged in development of the block of buildings of commercial (administrative) offices.

Notes to the financial statements (cont'd)

31 Subsidiaries and joint ventures (cont'd)

SIA Puces Birzs	Latvia	50%	50%	Joint venture with I un MC is developing a residential block district project Purvciems in Purvciems district, Riga.
SIA Equilibrium	Latvia	50%	50%	Joint venture is developing residential project in Purvciems district, Riga. Joint venture shares were acquired in 2006.
SRL S. C. Carol Park Residence	Romania	50%	50%	Joint venture with Bellerive Holdings Ltd. Is developing the residential block district project in Bucharest, Romania.
SRL Europa Group Hanner	Romania	50%	50%	Joint venture with UAB Group Europa Investment is developing the residential block district project City Center Residence in Bucharest, Romania.
ZAO Nest Hanner	Ukraine	---	50%	Joint venture with ZAO Nest is developing a multifunctional complex project at the territory of the former tobacco factory in Kiev, Ukraine, besides it owns interest in the indirect subsidiary of the Company Ippon Ltd. The company was sold in 2007.
OOO Yudgin	Ukraine	-	40%	Joint venture with ZAO Nest is developing the shopping center Olympic Plaza project in Kiev, Ukraine. The company was sold in 2007.
OOO Predprijatie Vaizbunas"	Ukraine	50%	-	Joint venture with UAB Progresyvios Investicijos is engaged in construction of residential buildings. The company was acquired in 2007.
OOO Šušary Logistik	Russia	50%	-	Joint venture with UAB Girteka is engaged in development of the Logistics Center project in St. Petersburg, Russia. The company was established in 2007.
OOO SPB Development Logistik	Russia	50%	-	Joint venture with UAB Girteka is engaged in management of the Logistics Center project and construction. The company was established in 2007.

Notes to the financial statements (cont'd)

32 Legal claims

The Company is not involved in any litigation where it acts as a defendant.

33 Fair value of financial instruments

The Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, borrowings.

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

In the opinion of the Company's management, the carrying amounts of trade and other receivables, trade and other payables and borrowings approximate their fair values.

34 Subsequent events

1. In 2008, while implementing decisions, dated 11 December 2007, of the sole shareholder of AB Hanner, the actions re end of the activity of the subsidiaries of AB Hanner ZAO Ploshad Tolbuchina and ZAO Palmira Invest established in the Republic of Ukraine were started.

2. On 12 February 2008, new Articles of Association of AB Hanner were registered with the Register of Legal Entities. According to the new Articles of Association, the number of the Board members of the Company was decreased from 5 (five) to 3 (three). Mr. Arvydas Avulis, Mr. Vladas Kojala and Mr. Robertas Kisielius were elected as new members of the Board for a period of four years.

3. On 7 May 2008, AB Hanner signed an agreement of purchase-sales of parts with UAB Progresyvios Investicijos. As to the agreement mentioned, UAB Progresyvios Investicijos, having carried out the terms of the agreement mentioned above, shall acquire 50% of the parts (held by AB Hanner) of the limited liability company Pidpriemstvo Vaizbunas established in the Republic of Ukraine.

4. On 1 July 2008, Robertas Kisielius was appointed as the General Director of AB Hanner.

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AB Hanner was registered on 27 July 1995.

The authorised capital of the Company, registered with the Company Register, amounts to 16,000,000 Litas as at 31 December 2007 and consists of 16,000 ordinary registered shares with a nominal value of 1 thousand Litas each. All the shares are fully paid in.

There are no debt or derivative securities issued and the increase of the authorised capital on the securities' basis is not foreseen.

As at 31 December 2007, the number of AB Hanner shareholders amounted to 1. The sole shareholder of the Company was:

Shareholder	Registered address	Number of shares	Share of authorised capital and votes %
Arvydas Avulis	Nugalėtojų Str. 6, Vilnius	16,000	100

Members of the management bodies and their participation in the Company's authorised capital

Position	Name, surname	Participation in the authorised capital
Chairman of the Board	Arvydas Avulis	Holds 100% of the Company's shares
Member of the Board and General Director of the Company	Vladas Kojala	Does not participate
Member of the Board	Robertas Kisielius	Does not participate

AB Hanner performs its activities in accordance with the Law of the Republic of Lithuania on Companies and other legal acts effective in the Republic of Lithuania.

The Company is primarily involved in the management of real estate development projects and lease of real estate. The investments into the development of real estate and constructions are made both using own and borrowed funds.

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The Company owns non-current tangible assets and investment property of 271,159 thousand Litas, which include:

Investment property	259,560	thousand Litas
Buildings	10,193	thousand Litas
Land	757	thousand Litas
Vehicles	286	thousand Litas
Other assets	363	thousand Litas

The Company's liability to the credit institutions amounted to 159,890 thousand Litas.

The assets of the Company are insured by AB Lietuvos Draudimas, UAB Ergo Lietuva, UAB If Draudimas.

At the end of 2007 the Company employed 39 employees. The remuneration fund amounts to 2,683 thousand Litas.

The continuity of the Company's activities is guaranteed by the concluded long-term agreements with the lessees and partners.

All assets of the Company at the moment amount to 788,309 thousand Litas and, if to compare with the same period of the previous year, increased by 78,622 thousand Litas.

As at 19 February 2007, the public emission of the Company's bonds amounting to 10 million EUR and with a term of 2 years was successfully issued. The interest rate was set on the last day of the issue of bonds' emission, i.e. on 19 February 2007 and is by 2 per cent higher than the interest rates of the standard swap agreement with a term of 2 years (4.2 per cent) (Interest Rate Swap - IRS).

In 2007, AB Hanner did not participate and currently is not participating in any lawsuits or arbitral procedures that could influence financial position of the Company.

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Titles of the Company's subsidiaries

Subsidiaries, joint ventures and associated companies

Subsidiary/ joint venture	Country of incorpora-tion	Direct ownership interest in % 2007	2006	Activity of the enterprise
Subsidiary				
UAB Hanner Property	Lithuania	100%	100%	The main activity is development of real estate.
UAB Hanner Development	Lithuania	100%	100%	Subsidiary is managing real estate projects and construction works.
UAB Hanner AG	Lithuania	90%	90%	The main activity is wholesale in coal.
UAB Bajorų Kalvos	Lithuania	100%	100%	Subsidiary is developing the residential project Bajorų Kalvos at Bajorų street and Mokslininkų street in Vilnius.
UAB Verkių Slėnis	Lithuania	100%	100%	Subsidiary is developing a luxury residential project Verkių Slėnis in Verkiai regional park, Vilnius.
UAB HD Statyba	Lithuania	-	100%	Construction work.
UAB Avestis Capital	Lithuania	99%	99%	The main activity of the subsidiary is investment, purchase of companies. The company owns 40% of shares of UAB General Financing and 70.27% of shares of UAB of Avesko Keliai.
PE Hanner Up	Lithuania	100%	100%	The subsidiary is engaged in organisation and coordination of the show „Running to the skyscraper „Europa".
UAB Avesko	Lithuania	100%	-	The main activity of the subsidiary is investment management. UAB Avesko owns 95.6 of shares of AB Klaipėdos Kartonas.
UAB TVD Statyba	Lithuania	51%	-	Joint venture is engaged in construction works.
SIA Hanner Real Estate	Latvia	100%	100%	Subsidiary, coordinating activity of Hanner and investment in Latvia.
SIA Dentava	Latvia	100%	100%	Company in Latvia is developing multifunctional real estate project „Ropazu" at Ropazu street, Riga.
SIA Hanner Olympia Centrs	Latvia	100%	100%	The company engaged in multifunctional project development in Latvia.
SRL Hanner RD	Romania	100%	100%	Enterprise is coordinating Hanner activities and investments in Romania; at the moment it is developing a residential Tineretului project in Bucharest, Romania

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ZAO Hanner Invest	Ukraine	99.9%	99.9%	Subsidiary is coordinating Hanner activities and investments in Ukraine, besides it owns interest in indirect subsidiaries Prioritet OOO, Olimpeks Trans OOO, Budmarin OOO, Hanber OOO, Mir Atrakcionov OOO and associate Jugstroi Invest OOO of the Company.
OOO Hanner Management	Ukraine	100%	100%	Subsidiary is engaged in real estate project management and construction in Ukraine.
ZAO JBK Invest	Ukraine	99%	99%	Enterprise which main activity is implementation of OOO Prioritet developed real estate project.
ZAO Palmyra Invest	Ukraine	70%	70%	Enterprise, which main activity is implementation of OOO Hanber developed real estate project.
ZAO Ploshad Tolbuchina	Ukraine	80%	80%	Enterprise, which main activity is implementation of OOO Jugstroj Invest developed real estate project.
ZAO Stroitelnyje Technologii Budusevo	Ukraine	75%	75%	Subsidiary is developing implementation of the real estate project Fontanka in Odessa.
ZAO „Zakrytyj Nediversifikovanyj Investicionyj Fond Hanner-Vostok	Ukraine	90%	90%	Subsidiary which main activity is sales of real estate developed in Ukraine.
ZATT Hanner Bel Invest	Belarus	51%	-	Joint venture with AKOOO Salner Kompanija Limited is engaged in reconstruction of cinema studio buildings as well as development of residential project in Minsk, Belarus. The company was established in 2007.
Joint ventures				
UAB Gudelių Šilas	Lithuania	40%	50%	Join venture with Faulana is developing implementation of residential project Gudelių Šilas in Lazdynai district, Vilnius.
UAB Santariškių Namai	Lithuania	50%	50%	Joint venture with UAB Eika is engaged in development of residential project Santariškių Namai in Vilnius.
UAB H5 Development	Lithuania	50%		Joint venture with UAB Penki Kontinentai, UAB Trinapolis is engaged in development of the block of buildings of commercial (administrative) offices.
SIA Puces Birzs	Latvia	50%	50%	Joint venture with I un MC is developing a residential block district project Purvciems in Purvciems district, Riga.
SIA Equilibrium	Latvia	50%	50%	Joint venture is developing a residential project in Purvciems district, Riga. Joint venture shares were acquired in 2006.

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SRL S. C. Carol Park Residence	Romania	50%	50%	Joint venture with Bellerive Holdings Ltd. Is developing residential block district project in Bucharest, Romania.
SRL Europa Group Hanner	Romania	50%	50%	Joint venture with UAB Group Europa Investment is developing the residential block district project City Center Residence in Bucharest, Romania.
ZAO Nest Hanner	Ukraine	---	50%	Joint venture with ZAO Nest is developing a multifunctional complex project at the territory of the former tobacco factory in Kiev, Ukraine, besides it owns interest in indirect subsidiary of the Company Ippon Ltd. The company was sold in 2007.
OOO Yudgin	Ukraine	-	40%	Joint venture with ZAO Nest is developing the shopping center Olympic Plaza project in Kiev, Ukraine. The company was sold in 2007.
OOO Predprijatie Vaizbunas	Ukraine	50%	-	Joint venture with UAB Progresyvios Investicijos is engaged in construction of residential buildings. The company was acquired in 2007.
OOO Šušary Logistik	Russia	50%	-	Joint venture with UAB Girteka is engaged in development of the Logistics Center project in St. Petersburg, Russia. The company was established in 2007.
OOO SPB Development Logistik	Russia	50%	-	Joint venture with UAB Girteka is engaged in management of the Logistics Center project and construction. The company was established in 2007.

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Number of own shares acquired or transferred during the accounting financial year, amount of their nominal values and share in the Company's authorised capital, motivation for acquisition and transfer of these shares

During the accounting year, the Company neither had nor acquired its own shares.

Information regarding branches and representative offices

The Company has no branches and representative offices.

Major invents in the Company during 2007

Major events in the Company during the current financial year until Annual General Meeting:

On 31 January 2007, the Company signed an agreement with AB Bankas Hansabankas regarding additional credit amount of 8,688,600 EUR (29,999,998 Litas).

On 19 February 2007, the public emission of the Company's bonds amounting to 10 million EUR and with a term of 2 years was successfully issued. The interest rate was set on the last day of the issue of bonds' emission, i.e. on 19 February 2007 and is by 2 per cent higher than the interest rates of the standard swap agreement with a term of 2 years (4.2 per cent) (*Interest Rate Swap* – IRS).

On 14 February 2007, the Company sold 100 ordinary intangible shares (100% of the authorised capital) to UAB HD Statyba.

On 22 March 2007, the Company sold 17,535,000 intangible shares (50% of the authorised capital) to ZAO Nest Hanner.

On 27 February 2007, the Company, together with its partner UAB Girteka, established a company OOO Shusary Logistik, which is located in the Russian Federation. The Company holds 50% of the authorised capital.

On 2 May 2007, the Company, together with its partner Kęstutis Mickus, established a company OOO Hanner SPB Development, which is located in the Russian Federation. The Company holds 99% of the authorised capital.

On 2 May 2007, AB Hanner acquired shares of UAB Santariškių Namai owned by UAB Hanner Development. On 22 May 2007, AB Hanner and UAB Eika decided to increase the authorised capital of UAB Santariškių Namai by 4,990,000.00 Litas up to 5,000,000.00 Litas. AB Hanner and UAB Eika hold 50 per cent (each) of the shares of the mentioned company.

On 11 May 2007, agreement No. 11/05 re purchase-sales of parts in the authorised capital was signed. According to the agreement mentioned, AB Hanner sold 39.99999% of parts in the authorised capital of the limited liability company established in the Republic of Ukraine

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Judžin (in Russian - ООО Юджин), company code 31303824, address – Generolo Naumovo Str. 23B, Kiev, Ukraine (hereinafter - OOO Judžin).

On 1 June 2007, an agreement re purchase-sales of parts was signed. According to the agreement signed, AB Hanner acquired 50% of parts of the limited liability company Pidpriemstvo Vaizbunas established in the Republic of Ukraine. The authorised capital of the limited liability company Pidpriemstvo Vaizbunas amounts to 27,000 UAH.

On 9 November 2007, UAB H5 Development was established and registered in which AB Hanner holds 50 per cent parts in the authoried capital of the company established.

On 5 May 2007, the increase of 32,250,000 Litas of the secondary company of the Company UAB Avestis Capital, in which the Company holds 99% of the authorised capital, was registered at PE Registrų Centras.

On 29 October 2007, AB Hanner signed a purchase-sales of shares agreement with a joint venture of Lithuania and USA UAB Sanitex and UAB Avestis, according to which AB Hanner, having carried out the terms of the agreement, shall acquire 100 per cent of the shares of UAB Avesko, company code 300145810, registered address - Konstitucijos Ave. 7, Vilnius. UAB Avesko holds 95.6 per cent of the shares of AB Klaipėdos Kartonas, company code 1410 11268, registered address - Nemuno Str. 2, Klaipėda.

On 30 November 2007, transactions of purchase-sales of shares with the joint venture of Lithuania and USA UAB Sanitex and UAN Avestis were concluded, following which AB Hanner acquired 100% of the shares of UAB Avesko, company code 300145810, registration address – Konstitucijos Ave. 7, Vilnius. UAB Avesko holds 95.6% of the shares of AB Klaipėdos Kartonas.

On 4 September 2007, an agreement of purchase-sales of shares was signed. As to the mentioned agreement, AB Hanner sold 533 units of the shares of UAB Gudelių Šilas established in Lithuania, comprising 9.892 per cent from the total shares of the company UAB Gudelių Šilas. Currently AB Hanner holds 2,161 shares of UAB Gudelių Šilas, comprising 40.1076 per cent from the total shares. The authorised capital of UAB Gudelių Šilas amounts to 5,388,000.00 Litas and is divided into 5,388 shares. The nominal value per share is 1,000 Litas.

On 17 December 2006, the sole shareholder of AB Hanner accepts a decision to authorise Lionginas Šepetys, the former general director of AB Hanner, to vote at the general shareholders‘ meeting of the limited liability company Hanner Vostok re issue of 400,000,000 shares. On 2 August 2007, AB Hanner acquired 249,445,126 shares for 62,361,281.50 UAH (28,443,994 Litas). On 22 November 2007, the authorised capital of the limited liability company Hanner Vostok is increased by 100,000,000, i.e. from 1,000,000 UAH to 101,000,000 UAH. The capital is divided into 404,000,000 ordinary shares with a nominal value of 25 kopecks each. AB Hanner owns 99.8% of the shares of Hanner Vostok.

On 14 December 2007 AB Hanner, the sole shareholder of the limited liability company Hanner Real Estate, accepted a decision to increase the authorised capital of the limited liability company Hanner Real Estate from 2,000 LVL to 95,000 LVL and to pay for the

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newly issued shares on 1 February 2008. The authorised capital of the limited liability company Hanner Real Estate is divided into 4,750 shares with a nominal value of 20 LVL each.

Plans and forecasts for the activities of the Company

In 2008 AB Hanner plans to continue already started and new projects of the real estate development in Lithuania and abroad. In Lithuania, the Company plans to finish the second stage of the developed project performed by the subsidiary UAB Bajorų Kalvos and to start developing the third and the fourth stages, besides, the project of the residential construction being developed by the subsidiary UAB Verkių Slėnis will be finished. UAB Gudelių Šilas, the joint venture of AB Hanner, is planning to finish the residential construction project, and UAB Santariškių Namai expects to finish the first stage of the project. It is foreseen to finish projects abroad: one project in Ukraine and two projects in Romania. In 2008, the Company will continue development of the real estate project in the Russian Federation and a real estate project will be started to be developed in the Republic of Belarus.

Chief Executive Officer Robertas Kisielius