

LHV Ilmarise Kinnisvaraportfelli OÜ

II half-year interim report for period

01.07.2007-31.12.2007

(unaudited)

(Translation of the Estonian original)

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LHV Ilmarise Kinnisvaraportfelli OÜ**Interim report for** **01.07.2007 – 31.12.2007**

Äriniimi	LHV Ilmarise Kinnisvaraportfelli OÜ
Commercial Registry no.	11050254
Legal address	Tartu mnt 2, Tallinn 10145
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Main activities	Capital lease, EMTAK 64911
Management Board	Tarmo Jüristo
Auditor	AS PricewaterhouseCoopers

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Management Report

LHV Ilmarise Kinnisvaraportfell OÜ was established at 24.05.2004 and was registered in the Commercial Registry at 14.06.2004. The main activities of the Company are real estate leasing (finance lease).

Share capital of the company is 40 000 kroons and the 100% owner is AS Lõhmus, Haavel & Viisemann (LHV). The shares of the company are easily disposable. Amendments to the statutes of the Company are made according to regulatory acts and the management board members are appointed by the shareholder. The Company does not have a supervisory board.

The Company started its main business activities in 2005 and it has not incurred any staff costs in 2005 or 2006. All accounting and administration services are provided by the parent company AS Lõhmus Haavel & Viisemann. Company's management board has one member, there is no remuneration, compensation or any other benefits paid to the management board.

At 23.12.2004, a purchase-sale contract under the law of obligations was entered into between LHV Ilmarise Kinnisvaraportfelli OÜ and OÜ Ilmarise Kvartal for the sale of apartment ownerships together with the transfer of the seller's rights and obligations and the cession of finance lease receivables related to the subject apartments of the contract. On the basis of that agreement LHV Ilmarise Kinnisvaraportfelli OÜ acquired from OÜ Ilmarise Kvartal the finance lease receivables arising from the finance lease agreements with lessees of the apartments. In this purchase-sale contract under the law of obligations, the realisation of these lease receivables was contingent on the arrangement of a bond issue by LHV Ilmarise Kinnisvaraportfelli OÜ and on the conclusion of a real right contracts for the sale of the apartment ownerships.

At 21.01.2005, these persons (lessees) entered into a supplement to the initial contract under the law of obligations for the sale of apartment ownerships, a contract for the transfer of claims and a real right contract. Thus, the receivables arising from finance lease agreements and the title to apartments' ownerships were transferred to LHV Ilmarise Kinnisvaraportfelli OÜ upon the conclusion of the real right contract and the subsequent entry of LHV Ilmarise Kinnisvaraportfelli OÜ as the owner of apartment ownerships in the land register.

At 19 January 2005, AS LHV carried out a placement of securitised bonds backed with the above mentioned finance lease agreements. 185 295 bonds were issued in the amount of 18 529 500 kroons (EUR 1 184 251). At 13.10.2005, LHV Ilmarise Kinnisvaraportfell OÜ listed its bonds at Tallinn Stock Exchange.

By the time of signing these financial statements, there have been twelve redemption and interest payments to bond holders. A total of 141 296 bonds were redeemed for the amount of 14 129 600 kroons (903 046 EUR), of which 76 853 (7 685 300 EEK / 491 180 EUR) were redeemed in 2005, 62 346 (6 234 600 EEK / 398 464 EUR) were redeemed in 2006 and 2 097 (209 700 EEK / 13 402 EUR) were redeemed in 2007. The number of bonds outstanding after redemptions is 43 999 and the nominal value of the issue is 4 399 900 kroons (EUR 281 205).

Financial Statements of LHV Ilmarise Kinnisvaraportfelli OÜ

Declaration of the Management Board

The Management Board confirms the correctness and completeness of LHV Ilmarise Kinnisvaraportfelli OÜ interim report financial statements as presented on pages 5-13.

The Management Board confirms that:

- the financial statements have been prepared in compliance with International Financial Reporting Standards as adopted by the European Union;
- the financial statements present a true and fair view of the financial position, the results of its operations and the cash flows of the Company;
- LHV Ilmarise Kinnisvaraportfelli OÜ is a going concern.

Date

Signature

Management Board:

Member of the Management Board

Tarmo Jüristo

10.08.2007



Balance Sheet

	Note	EEK 31.12.2007	EEK 31.12.2006	EUR 31.12.2007	EUR 31.12.2006
Assets					
Cash and bank		58 747	1 885 341	3 755	120 495
Finance lease receivables	2	4 410 230	4 581 643	281 865	292 820
Other receivables	3	59 080	0	3 776	0
Total assets		4 528 058	6 466 984	289 396	413 315
Liabilities					
Issued Bonds	4	4 485 420	6 426 196	286 671	410 709
Total liabilities		4 485 420	6 426 196	286 671	410 709
Equity					
Share capital	5	40 000	40 000	2 556	2 556
Statutory reserve capital		2 638	2 638	169	169
Retained earnings		-1 850	50 121	-118	3 203
Net profit/loss for financial year		1 850	-51 971	118	-3 322
Total equity		42 638	40 788	2 725	2 606
Total liabilities and equity		4 528 058	6 466 984	289 396	413 315

Income statement

	Note	EEK 6 months 2007	EEK 6 months 2006	EUR 6 months 2007	EUR 6 months 2006
Interest income from the finance lease	6	138 354	282 781	8 842	18 073
Interest expense from bonds		-129 662	-210 853	-8 287	-13 476
Net interest income		8 692	71 928	555	4 597
Operating expenses	7	-24 283	-22 215	-1 552	-1 420
Other financial income		15 591	315	997	20
Net profit / loss for financial year		0	50 028	0	3 197
Average number of issued shares	5	1	1	1	1
Basic and diluted earnings per share		0	50 028	0	3 197

The notes of pages 9 to 13 are an integral part of these financial statements.

Cash flow statement

		EEK	EEK	EUR	EUR
		6 months	6 months	6 months	6 months
	Note	2007	2006	2007	2006
Cash flow from operating activities					
Expenses related to operating activities		-24 283	-28 649	-1 552	-1 831
Proceeds from settlement of finance lease receivables	2	61 307	3 095 028	3 918	197 808
Interest received		138 756	227 102	8 868	14 514
Total cash flow from operating activities		175 780	3 293 481	11 234	210 492
Cash flow from financing activities					
Redeemed bonds	4	-139 600	-2 214 400	-8 922	-141 526
Interests paid	4	-131 118	-236 048	-8 380	-15 086
Total cash flow from financing activities		-270 718	-2 450 448	-17 302	-156 612
Total cash flow		-94 938	843 033	-6 068	53 880
Cash and cash equivalents at beginning of the period		153 685	1 042 308	9 822	66 616
Cash and cash equivalents at end of the period		58 747	1 885 341	3 755	120 495
Net increase in cash and cash equivalents		94 938	843 033	6 068	53 880

As investing is the core activity of the Company, then regular cash flows relating to investing activities are included in cash flows from operating activities.

The notes of pages 9 to 13 are an integral part of these financial statements.

Statement of changes in equity

	Share capital	Statutory reserve capital	Retained earnings	Total
EEK				
Balance as at 31.12.2005	40 000	0	52 759	92 759
Transfers to statutory reserve capital	0	2 638	-2 638	0
Net loss for I half-year 2006	0	0	-102 000	-102 000
Balance as at 30.06.2006	40 000	2 638	-51 879	-9 241
Net profit for II half-year 2006	0	0	50 029	50 029
Balance as at 31.12.2006	40 000	2 638	-1 850	40 788
Net profit for I half-year 2007	0	0	1 850	1 850
Balance as at 30.06.2007	40 000	2 638	0	42 638
Net profit for II half-year 2007	0	0	0	0
Balance as at 31.12.2007	40 000	2 638	0	42 638
EUR				
Balance as at 31.12.2005	2 556	0	0	2 556
Transfers to statutory reserve capital	0	169	-169	0
Net loss for I half-year 2006	0	0	-6 519	-6 519
Balance as at 30.06.2006	2 556	169	-3 316	-591
Net profit for II half-year 2006	0	0	3 197	3 197
Balance as at 31.12.2006	2 556	169	-119	2 606
Net profit for I half-year 2007	0	0	119	119
Balance as at 30.06.2007	2 556	169	0	2 725
Net profit for II half-year 2007	0	0	0	0
Balance as at 31.12.2007	2 556	169	0	2 725

More detailed information about sharecapital and equity is provided in Note 5.

The notes of pages 9 to 13 are an integral part of these financial statements.

Notes to the financial statements

Note 1. Accounting policies and measurement basis used in the preparation of the financial statements

Basis of preparation

The interim report for 01.07.07 - 31.12.07 of LHV Ilmarise Kinnisaraportfelli OÜ been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The same accounting policies are followed in the interim financial statements as were followed in annual report of 2006.

The financial figures have been presented in Estonian kroons (which is the presentation currency of the Company) and Euros (for supplementary financial information according to the Stock Exchange requirements in Estonia) unless referred otherwise.

Note 2. Finance lease receivables

	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	EEK	EEK	EUR	EUR
Net investment by due dates				
Up to 1 aasta	165 793	160 428	10 596	10 253
Between 1 and 5 years	668 689	676 161	42 737	43 215
Over 5 years	3 575 748	3 745 054	228 532	239 352
Total net investment	4 410 230	4 581 643	281 865	292 820
Future interest income by due dates				
Up to 1 aasta	270 138	284 501	17 265	18 183
Between 1 and 5 years	982 131	1 039 486	62 770	66 435
Over 5 years	1 727 191	1 998 034	110 388	127 698
Total future interest income	2 979 460	3 322 021	190 423	212 316
Gross investment by due dates				
Up to 1 aasta	435 931	444 929	27 861	28 436
Between 1 and 5 years	1 650 820	1 715 647	105 507	109 650
Over 5 years	5 302 939	5 743 088	338 920	367 050
Total gross investment	7 389 690	7 903 664	472 288	505 136

At 21.01.2005, LHV Ilmarise Kinnisaraportfelli OÜ acquired from a third party OÜ Ilmarise Kvartal the portfolio of lease receivables arising from finance lease agreements against finance lessees concerning finance lease payments in the amount of 18 529 454 kroons (EUR 1 184 248) (principal payments according to contracts). The underlying currency of finance lease agreements is the Estonian kroon. The annual interest rate on the finance lease agreements is between 6% and 8%. Interest rate is fixed. In addition OÜ Ilmarise Kvartal also made an irrecoverable payment in the amount of 141 019 kroons (9 013 EUR) to cover the credit risks associated with these lease receivables and the clients in these lease contracts.

These lease contracts are on leasing of apartments by the lessees and upon payment of all lease payments according to the contract the lessees will become owners of these apartments. They additionally have right upon early payment of the full amount of net investment of the lease contract to acquire the apartment before the end of the lease term.

01.07.2007-31.12.2007 non of the apartments were bought out and principal payments were made for the apartments not yet transferred in the amount of 61 307 kroons (3 918 EUR). 01.01.2007 – 30.06.2007 1 apartment for the total amount of 70 642 kroons (4 515 EUR) were bought out by lessees and principal payments were made for the apartments not yet transferred in the amount of 54 394 kroons (3 476 EUR). In 2006 ownerships of 8 apartments were transferred (purchased out by lessees)

for the total amount of 5 827 068 kroons (EUR 372 418) and principal payments were made for the apartments not yet transferred in the amount of 431 529 kroons (EUR 27 580). By the time of compiling this report, 8 apartments are yet not bought out.

All finance lease receivables have been pledged to secure issued bonds. AS Sampo Pank acts as a guarantee agent and custodian of pledged assets. See Note 4.

Note 3. Other receivables

According to agreement the company that arranged the bond issue – AS Lõhmus, Haavel & Viisemann – and AS GILD Financial Advisory Services, that de-merged from the latter, participate equally in covering the loss of LHV Ilmarise Kinnisvaraportfelli OÜ. Receivable as at the end of accounting period amounted to 59 080 kroons (3 776 EUR).

Note 4. Issued bonds

Maturities of liabilities	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	EEK	EEK	EUR	EUR
Up to 1 aasta	208 090	1 956 571	13 300	125 048
Between 1 and 5 years	673 871	683 565	43 068	43 688
Over 5 years	3 603 459	3 786 060	230 303	241 973
Total issued bonds	4 485 420	6 426 196	286 671	410 709

At 19 January 2005, AS LHV carried out a placement of securitised bonds backed with finance lease agreements in the amount of 18 529 500 kroons (EUR 1 184 251), disclosed in Note 2.

Bonds carry a coupon of 5.8% per annum. The redemption payments of bonds and the interest payments to bond holders take place on a quarterly basis in the month following the end of the quarter.

By the time of signing this report, the following principal and interest payments have been made to bonds holders:

(EEK)

Date	Number of bonds	Amount of principal payment	Cumulative principal payment	Amount of interest payment	Cumulative interest payment
19.04.2005	23 875	2 387 500	2 387 500	268 677	268 677
19.07.2005	30 128	3 012 800	5 400 300	235 863	504 540
19.10.2005	13 359	1 335 900	6 736 200	190 040	694 580
Total redeemed in 2005	67 362	6 736 200	6 736 200	694 580	694 580
19.01.2006	9 491	949 100	7 685 300	171 002	865 582
19.04.2006	22 767	2 276 700	9 962 000	157 241	1 022 823
19.07.2006	8 558	855 800	10 817 800	124 229	1 147 052
19.10.2006	13 586	1 358 600	12 176 400	111 820	1 258 872
Total redeemed in 2006	54 402	5 440 200	12 176 400	564 292	1 258 872
19.01.2007	17 435	1 743 500	13 919 900	92 120	1 350 992
19.04.2007	356	35 600	13 955 500	66 839	1 417 831
19.07.2007	1 054	105 400	14 060 900	66 323	1 484 154
19.10.2007	342	34 200	14 095 100	64 795	1 548 949
Total redeemed in 2007	19 187	1 918 700	14 095 100	290 077	1 548 949
19.01.2008	345	34 500	14 129 600	64 299	1 613 248
Total	141 296	14 129 600	14 129 600	1 613 248	1 613 248

(EUR)

Date	Number of bonds	Amount of principal payment	Cumulative principal payment	Amount of interest payment	Cumulative interest payment
19.04.2005	23 875	152 589	152 589	17 172	17 172
19.07.2005	30 128	192 553	345 142	15 074	32 246
19.10.2005	13 359	85 380	430 522	12 146	44 392
Total redeemed in 2005	67 362	430 522	430 522	44 392	44 392
19.01.2006	9 491	60 659	491 181	10 929	55 321
19.04.2006	22 767	145 508	636 689	10 050	65 371
19.07.2006	8 558	54 696	691 385	7 940	73 311
19.10.2006	13 586	86 830	778 215	7 147	80 458
Total redeemed in 2006	54 402	347 693	778 215	36 066	80 458
19.01.2007	17 435	111 430	889 645	5 888	86 346
19.04.2007	356	2 275	891 920	4 271	90 617
19.07.2007	1 054	6 736	898 656	4 239	94 856
19.10.2007	342	2 186	900 842	4 141	98 997
Total redeemed in 2007	19 187	122 627	900 842	18 539	98 997
19.01.2008	345	2 204	903 046	4 109	103 106
Total	141 296	903 046	903 046	103 106	103 106

Note 5. Shareholder's equity

Since its foundation, the share capital of the private limited company is 40 000 (2 556 EUR) kroons, which is made up of one share. The 100% parent company is AS Lõhmus, Haavel & Viisemann, which in turn is a 100% subsidiary of AS LHV Group, who is effectively the ultimate controlling party. The share capital has been paid for in cash.

LHV Ilmarise Kinnisvaraportfelli OÜ is a private limited company specifically set up for issuing bonds related to earning rental income and related liabilities. After the issue, the share of the private limited company has been transferred to custody of a guarantee agent, AS Sampo Pank. The granting of custody of the share has been arranged in such a way that pursuant to the guarantee agent's contract, the 100% share of the issuer has been transferred to the securities account of AS Lõhmus, Haavel & Viisemann at AS Sampo Pank and after transferring the share to the securities account, AS Sampo Pank has blocked the use and disposal of the securities account until the expiry of the contract with the guarantee agent or the need to dispose of the share.

Note 6. Segment reporting

The only activity of the Company is real estate leasing as a lessor. All real estate properties leased out under the finance lease terms are located in Estonia. Due to the above, the Company has only one business and one geographical segment. In II half-year 2007 intrests earned from capital lease amounted to 138 354 kroons (in II half-year 2006: 282 781).

Note 7. Operating expenses

	EEK 6 months 2007	EEK 6 months 2006	EUR 6 months 2007	EUR 6 months 2006
Accounting and audit	14 160	14 160	905	905
Other operating expenses	10 123	8 055	647	515
Total	24 283	22 215	1 552	1 420

Note 8. Related party transactions

In compiling this report, the following entities have been considered as related parties:

- owners (parent company and owners of the immediate and ultimate parent company);
- other firms belonging to the same consolidation group (incl. fellow subsidiaries and associates);
- management and supervisory boards;
- close relatives of the persons mentioned above and the companies related to them.

In second half of the year 2007 the services from parent company AS Lõhmus, Haavel & Viisemann have been bought for 14 160 kroons (905 EUR). In second half on the year 2006 the services were also bought for 14 160 kroons (905 EUR).

There were no remunerations, compensations nor other benefits paid or accrued to the management board in 2007 and 2006.

Note 9. Risk management

The risks threatening the Company's business activities include are financial risks and operating risk. The Company's overall risk management system attempts to minimise potential unfavourable effects on the Company's financial activities. Management board and LHV Finance Department are responsible for company's risk management.

9.1 Financial risks

- Credit risk
- Liquidity risk
- Market risks

Credit risk

The Company regularly monitors the adherence of customers to the terms of agreements. The legal title of leased property remains to the Company until lease receivables have been collected in full. Therefore the Company does not have any significant credit risk assuming that prices do not decrease significantly in the real estate market due to which the value of collateral would fall below the nominal value of the amount of all receivables. According to the assessment reports of apartments from 2004, the collaterals are adequate to cover the capital lease receivables. The prices on real estate market have significantly risen in past three years, on account of which there are no risks involved with the collateral.

Consequent with credit risk the capital lease receivables are divided as follows:

	31.12.2007	31.12.2006
Current and not impaired	4 393 589	4 570 818
Past due but not impaired	16 641	10 825
Total	4 410 230	4 581 643

As at 31.12.2007 and 31.12.2006 there were no impairments of the receivables made.

Liquidity risk

The maturities of bonds issued by the Company match the scheduled collections of finance lease agreements. In order to avoid liquidity risk caused by delayed lease payments, the Company has an additional guarantee of the parent company AS Lõhmus, Haavel & Viisemann to make the contractual payments of issued bonds on time. Also a payment to guarantee reserve was received from OÜ Ilmarise Kvartal (Note 2) from which the real estate lease portfolio was taken over.

Market risks

The main market risk arising from company's activities is **interest rate risk**. In order to hedge market risk there are not used floating interest rates in contracting the capital lease agreements, all the agreements and issued bonds are at fixed interest rate. The Company's finance lease receivables are with fixed interest rates of 6-8% and issued bonds are at 5.8%. The redemption of bonds is performed in accordance with a scheduled collection of finance lease receivables. If customers wish to terminate finance lease agreements before maturity date then the Company has the right to redeem the issued bonds in the additionally collected amount. Due to this, the Company lacks significant interest risk.

All Company's agreements have been concluded in Estonian kroons, as a result of which there is no foreign **currency risk**.

9.2. Fair value

As at 31 December 2007, the carrying amounts of the Company's financial assets and financial liabilities do not significantly differ from their fair values.

9.3. Operating risk

Operating risk is a potential loss caused by insufficient or non-functioning processes, employees and information systems or external factors. As per politics of parent company AS LHV also in LHV Ilmarise Kinnisvaraportfelli OÜ there is implemented the principle of duality, according to which there should be an approval by at least two employees independent of each other to execute the transaction.

Note 10. Trading statistics

There have been no transactions with the bonds of LHV Ilmarise Kinnisvaraportfelli OÜ since their first quotation on stock exchange on 13.10.2005 until 31.12.2007, thus there is no information on price movements.

Note 11. Contingent liabilities

Tax authorities have the right to review the Company's tax records for up to 6 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The Company's management estimates that there are not any circumstances which might lead the tax authorities to impose additional significant taxes on the Company.