

AB Hanner

**Financial statements for the
3rd quarter of year 2007**

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**Consolidated and companies financial statements for the 3rd
quarter of year 2007
Not audited**

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MANAGEMENT CONFIRMATION

The persons responsible for preparation of the financial statements hereby confirms, that information disclosed in the financial statements gives a true and fair view and there are no any hidden facts which may make influence for investors decisions to buy or sell securities and for market price and valuation of the securities.

Vilnius, November 30, 2007

Management:

Vladas Kojala
Chief Executive Officer

Tomas Pauliukonis
Chief Financial Officer

Balance sheet

In thousands of Lit	Group		Company	
	2007 09 30	2006 12 31	2007 09 30	2006 12 31
ASSETS				
Non-current assets				
Property, plant and equipment	2 956	3 268	1 957	2 842
Investments property	274 952	267 000	242 952	235 000
Investments in subsidiaries			249 742	193 543
Investments in joint ventures	52 064	33 492	19 750	30 350
Other receivables	43 386	58 464	145 546	118 547
Deferred income tax assets	11	130		
Total non-current assets	373 369	362 354	659 947	580 282
Current assets				
Inventories	280 612	223 453	2 135	2 684
Trade and other receivables	147 658	104 444	72 432	93 215
Income tax prepayment		-		-
Investment available-for-sale	49 966	24 573	49 966	24 573
Cash and cash equivalents	29 560	20 702	335	8 933
Total current assets	507 796	373 172	124 868	129 405
TOTAL ASSETS	881 165	735 526	784 815	709 687

Balance sheet (cont'd).

In thousands of Lit

	Group		Company	
	2007 09 30	2006 12 31	2007 09 30	2006 12 31
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	16 000	16 000	16 000	16 000
Legal reserve	1 600	1 600	1 600	1 600
Fair value reserve	8 743	3 901	8 730	3 901
Cumulative translation difference	(3 179)	(1 611)		
Retained earnings	394 757	367 473	359 370	343 033
Total equity attributable to equity holders of the Company	417 921	387 363	385 700	364 534
Minority interest	1 571	1 366		-
Total equity	419 492	388 729	385 700	364 534
Non-current liabilities				
Interest bearing loans and borrowings	291 989	263 470	255 395	300 720
Bonds issued	34 528		34 528	
Trade and other payables	282	2 992	282	-
Deferred tax liability	31 751	30 832	29 432	28 513
Total non-current liabilities	358 550	297 294	319 637	329 233
Current liabilities				
Interest bearing loans and borrowings	31 302	17 372	66 018	10 346
Trade and other payables	57 825	26 013	9 412	4 245
Provisions	5 074	4 528		-
Corporate income tax payable	8 922	1 590	4 048	1 329
Total current liabilities	103 123	49 503	79 478	15 920
Total liabilities	461 673	346 797	399 115	345 153
TOTAL EQUITY AND LIABILITIES	881 165	735 526	784 815	709 687

Income statement.

In thousands of Litas	Group		Company	
	2007 09 30	2006 09 30	2007 09 30	2006 09 30
Revenue	153 094	110 985	22 201	64,243
Direct property operating expenses	(6 481)	(5 781)	(5 940)	(5 150)
Cost of coal	(42 741)	(37 879)		
Services of sub-contractors	(60 645)	(36 377)	(799)	(33 976)
Depreciation of property, plant and equipment	(1 600)	(560)	(1 024)	(369)
Employee benefits	(6 449)	(4 050)	(2 565)	(1 817)
Associate and joint ventures results	(1 621)	(533)		
Other income (expenses)	(1 410)	47	(3 296)	(1 667)
Result from operating activities	32 147	25 852	8 577	21 264
Finance income	18 620	4 661	23 799	3 821
Finance expenses	(13 580)	(7 042)	(11 072)	(5 200)
Profit before tax	37 187	23 471	21 304	19 885
Corporate income tax	(9 698)	(3 860)	(4 967)	(2 983)
Net profit for the year	27 489	19 611	16 337	16 902
Attributable to:				
Equity holders of the Company	27 284	19 450		
Minority interest	205	161		
Net profit for the year	27 489	19 611		

Statement of changes in shareholders' equity

GROUP

In thousands of Litas

	Share capital	Legal reserve	Fair value reserve	Cumulative translation difference	Retained earnings	Total shareholders' equity	Minority interest	Total equity
Capital and reserves at 1 January 2006	16 000	1 600	-	1 335	303 190	322 125	3 011	325 136
Acquisition of subsidiaries	0	0	0	0	0	0	165	165
Revaluation on available-for-sale investments			3 901			3 901		3 901
Profit for the year 2006					64 283	64 283	(1 789)	62 494
Currency translation differences				(2 946)		(2 946)	(21)	(2 967)
Capital and reserves at 1 January 2007	16 000	1 600	3 901	(1 611)	367 473	387 363	1 366	388 729
Revaluation on available-for-sale investments			4 842			4 842		4 842
Profit for the 3rd quarter year 2007					27 284	27 284	205	27 489
Currency translation differences				(1 568)		(1 568)		(1 568)
Capital and reserves at 30 September 2007	16 000	1 600	8 743	(3 179)	394 757	417 921	1 571	419 492

COMPANY

In thousands of Litas

	Share capital	Legal reserve	Fair value reserve	Retained earnings	Total shareholders' equity
Capital and reserves at 1 January 2006.	16 000	1 600		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 at 1 January 2007	16 000	1 600	3 901	343 033	364 534
Revaluation on available-for-sale investments			4 829		4 829
Profit for the 3rd quarter of year 2007				16 337	16 337
Capital and reserves at 30 September 2007.	16 000	1 600	8 730	359 370	385 700

Statement of cash flows

In thousands of Lit	Group		Company	
	2007 09 30	2006 09 30	2007 09 30	2006 09 30
Net result (profit)	27 284	19 450	16 337	16 902
Minority shares	205			
Adjustments:				
Depreciation and amortisation	1 600	560	1 024	369
Interest expense	13 580	7 042	11 072	5 200
Interest income	(5 892)	(1 044)	(11 070)	(1 825)
Loss (gain) on disposal of investments	(4 829)		(4 829)	
Share of loss of associates and joint ventures	1 621	534		
Income tax expenses	9 698	3 860	4 967	2 983
Net cash inflow from ordinary activities before any change in working capital	43 267	30 402	17 501	23 629
Change in inventories	(57 159)	(104 950)	549	21 700
Change in trade and other receivables	(48 953)	(22 551)	(9 861)	8 729
Change in trade and other payables	16 207	(908)	(1 550)	(33 346)
Change in provisions	546			
Net cash inflow from ordinary activities	(46 092)	(98 007)	6 639	20 712
Interest paid	(13 580)	(7 042)	(6 564)	(5 113)
Profit tax paid	(9 698)	(5 060)	(4 967)	(4 210)
Net cash inflow from operating activities	(69 370)	(110 109)	(4 892)	11 389
Interest received	6 555	1 156	6 555	784
Purchase of property, plant and equipment	(1 288)	(142)	(139)	(106)
Additions to investment property	(7 952)	(2 153)	(7 952)	(2 153)
Investments to subsidiaries		(5 841)		(59 694)
Investments to associates and joint ventures	(42 286)	(5 315)	(69 614)	(4 912)
Purchase of short-term investments (AFS)	(20 564)	(19 984)	(20 564)	(19 984)
Disposals of joint ventures	35 732	3 617	35 732	3 617
Cash from merged subsidiary				53
Loan repayments received	48 661	56 960	50 186	64 811
Loan granted	(17 829)	(55 292)	(38 679)	(130 465)
Net cash inflow from investing activities	1 029	(26 994)	(44 475)	(148 049)
Proceeds from borrowings	112 752	286 851	14 001	275 090
Proceeds from bonds	34 528		34 528	
Repayment of borrowings	(70 081)	(177 788)	(7 760)	(174 057)
Net cash inflow/(outflow) from financing	77 199	109 063	40 769	101 033
Net cash inflow/outflow from operating activities, investing activities and financing	8 858	(28 040)	(8 598)	(35 627)
Cash and cash equivalents, opening balance	20 702	41 915	8 933	36 505
Cash and cash equivalents, closing balance	29 560	13 875	335	878

Notes

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.

Mr. Arvydas Avulis is the 100% owner of AB Hanner.

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

The consolidated financial statements for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and jointly controlled entities.

The Group is a real estate property development group with a major portfolio in Lithuania, Ukraine, Romania, Latvia and Russia. It is primarily involved in development of real estate projects and leasing out investment property under operating lease. The Group engaged in wholesale of coal.

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.

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.

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.

3 Segment information

Primary reporting format - geographical segments

The home-country of the Company - which is also the main operating company - is Lithuania. The Group has five reportable segments: Lithuania, Ukraine, Latvia, Romania and Russia.

The segment results for the 3rd quarter year 2007 are as follows:

In thousand of Litas	Lithuania	Ukraine	Latvia	Romania	Russia	Group
Total revenue	152 410		-	684		153 094
Profit before tax	42 050	(1 481)	(2 659)	(723)		37 187
Corporate income tax	(9 698)	-	-			(9 698)
Net profit for the year						27 489

Segments' assets and liabilities

In thousand of Litas	Lithuania	Ukraine	Latvia	Romania	Russia	Group
Assets						
Assets	630 292	100 914	71 385	26 493	-	829 090
Joint ventures	36 986	9 019	5 096	93	870	52 064
Total segments' assets	667 284	109 933	76 481	26 586	870	881 154
Deferred income tax assets	11	-	-			11
Total assets	667 295	109 933	76 481	26 586	870	881 165
Total segments' liabilities						
Loans	245 513	14 584	63 194	-	-	323 291
Bonds issue	34 528					34 528
Deferred tax liability	31 751	-	-	-	-	31 751
Corporate income tax payable	8 922	-	-	-	-	8 922
Total liabilities	354 871	39 043	66 162	1 597	-	461 673

Secondary reporting format - business segments

The Group has two business segments - property development and trading coal. Property development includes building residential areas, office sets, buildings for other commercial purposes as well rent of offices and buildings for commercial purposes

In thousand of Lit	Property development	Trading coal	Group
Segments' assets	793 557	35 531	829 088
Associates and joint ventures	52 064	-	52 064
Total segments' assets	845 621	35 531	881 152
Deferred income tax assets	11	-	11
Total assets	845 632	35 531	881 163
Total segments' liabilities	55 539	7 643	63 182
Loans	316 291	7 000	323 291
Bonds issue	34 528		34 528
Deferred tax liability	31 751	-	31 751
Corporate income tax payable	8 678	244	8 922
Total liabilities	446 787	14 887	461 674
External revenue	108 170	44 924	153 094

4 Subsidiaries, joint ventures and associates

Subsidiary / joint venture	Country of incorporation	Direct ownership interest in %		Activity of the enterprise
		2007	2006	
Subsidiaries				
UAB Hanner Property	Lithuania	100%	100%	The main activity real estate management .
UAB Hanner Development	Lithuania	100%	100%	Subsidiary managing real estate projects and construction works.
UAB Hanner AG	Lithuania	90%	90%	The main activity is wholesale of coal.
UAB Bajorų Kalvos	Lithuania	100%	100%	Subsidiary developing the residential project "Bajorų Kalvos" at Bajorų road and Mokslininkų street in Vilnius.
UAB Verkių Slėnis	Lithuania	100%	100%	Subsidiary developing a luxury residential project "Verkių Slėnis" in Verkių regional park, Vilnius.
UAB HD Statyba	Lithuania	-	100%	Construction works.
UAB Avestis Capital	Lithuania	99%	99%	Main activity of the subsidiary- investments, acquisitions of companies. Subsidiary owns 40 % of UAB General Financing and 70 % of UAB Avesko Keliai
VsĮ Hanner up	Lithuania	100%	100%	Subsidiary engaged in coordination and organisation of "Run to Europa" yearly event.
SIA Hanner Real Estate	Latvia	100%	100%	Subsidiary in Latvia, coordinating investment into real estate in Latvia.
SIA Dentava	Latvia	100%	100%	Enterprise in Latvia, developing multifunctional complex project "Ropazu" in Ropazu street, Riga.
SIA Hanner Olympia centrs	Latvia	100%	100%	Subsidiary coordinating multifunctional complex project in Riga.
SRL Hanner.RD	Romania	100%	100%	Enterprise coordinating "Hanner" activities and investments in Romania; at the moment developing a Tineretului project in Bucharest, Romania.
ZAO Hanner Invest	Ukraine	99,9%	99,9%	Subsidiary, coordinating "Hanner" activities and investments in Ukraine. Owns interest in indirect subsidiaries Prioritet OOO, Olimpeks Trans OOO, Budmarin OOO, Hanber OOO, Mir atrakcionov OOO and associate Jugstroj Invest OOO of the Company.
ZAO JBK Invest	Ukraine	99%	99%	Enterprise, which main activity is implementation of OOO "Prioritet" developed real estate project.

4. Subsidiaries and joint ventures (cont'd)

Subsidiary / joint venture	Country of incorporation	Direct ownership interest in %		Activity of the enterprise
		2007	2006	
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%	Joint Stock Company, developing a real estate project "Fontanka" in Odessa.
ZAO Zakrytyj nediversifikovanyj investicionyj fond "Hanner-Vostok"	Ukraine	90%	90%	Subsidiary which main activity is sale of the real estate that is developed in Ukraine.
OOO Hanner management	Ukraine	100%	100%	Subsidiary managing real estate projects and construction works in Ukraine.
Joint Ventures				
UAB Gudelių Šilas	Lithuania	50%	50%	Joint venture with UAB Faulana developing residential project "Gudelių šilas" in Lazdynai district, Vilnius.
UAB Santariškių namai	Lithuania	50%	50%	Joint venture with UAB Eika developing residential project "Santariškių namai" in Vilnius.
TVD Statyba	Lithuania	51%	-	Joint venture engaged in construction of residential project "Gudeliu Šilas"
SIA Puces Birzs	Latvia	50%	50%	Joint venture with SIA I un MC developing a residential block district project "Purvciems" in Purvciems district, Riga.
SIA Equilibrium	Latvia	50%	50%	Joint venture developing a residential block district project in Purvciems district, Riga. Joint venture acquired in 2006.
SRL S.C. Carol Park Residence	Romania	50%	50%	Joint venture with Bellerive Holdings Ltd. developing residential block district project in Bucharest, Romania.
SRL Europa Group Hanner	Romania	50%	50%	Joint venture with UAB "Group Europa Investment" developing the residential block district project "EUROPA" in Bucharest, Romania.
ZAO Nest Hanner	Ukraine	-	50%	Joint venture with ZAO Nest developing a multifunctional complex project at the territory of the former tobacco factory in Kiev, Ukraine. Owns interest in indirect subsidiary of the Company Ippon Ltd.
OOO Yudgin	Ukraine	-	40%	Joint venture with ZAO Nest developing the shopping center "Olympic Plaza" project in Kiev, Ukraine.

OOO "Predpriятие "Vaizbunas"	Ukraine	50%		Joint venture developing a residential project in Kiev, Ukraine. Joint venture acquired in 2007.
OOO Shushary Logistik	Russia	50%	-	Joint venture with UAB Girtėka developing the logistics center project in S.Petersburg, Russia. Joint venture established in 2007
OOO "SPB Development Logistik"	Russia	50%	-	Joint venture with UAB Girtėka engaged in logistics center project management and construction in S.Petersburg, Russia. Joint venture established in 2007
ZATT "Hanner Bel Invest"	Belarus	51%	-	Joint venture with AKOOO Salner engaged in reconstruction of cinema studio reconstruction and developing residential project in Minsk, Belarus. Joint venture established in 2007

Material events during 2007

As at 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).

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

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*).

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

As at 19 March 2007, AB Hanner Board decided to establish a new juridical person – UAB TVD statyba, which was registered in VĮ Registrų centras on 28 March 2007. UAB TVD statyba statutory capital is equal to 10.000 (ten thousands) litas. AB Hanner acquired 51% (fifty one percent) of statutory capital in the established company.

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

As at 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

As at 2 May 2007 the Company purchased the shares of UAB "Santariškių namai" held by UAB "Hanner Development". 22/05/07 AB Hanner together with UAB "Eika" decided to increase UAB "Santariškių namai" statutory capital by 4'990'000,00 Lt to 5'000'000,00 Lt. Each AB "Hanner" and UAB "Eika" holds 50 perc. of mentioned company shares.

As at 05 May 2007, there was registered increased statutory capital of AB Hanner subsidiary UAB Avestis capital, where AB Hanner holds 99% of statutory capital, in VĮ Registrų centras.

As at May 11, 2007, was signed the Contract No. 11/05 regarding purchase-sale of the parts in the statutory capital. Under above mentioned Contract AB "Hanner" sells 39,99999% (thirty nine point nine hundred ninety nine hundreds ninety nine percent) part in statutory capital of limited liability company Judzhin (in the Russian language - ООО "Юджин"), established in the Republic of Ukraine, company code - 31303824, legal address - General Naumov 23B, Kyev, Ukraine.

As at 01 June 2007 there was signed capital parts purchase-sale agreement. Under mentioned agreement AB Hanner acquired 50% in statutory capital of limited liability company Pidpriemstvo Vaizbunas, established in the Republic of Ukraine, which statutory capital is equal to 27.000 (twenty seven thousand) UAH.

As at 27 July 2007 AB Hanner established limited liability company IOOO "Hanner Bel Invest" in the Republic of Belarus. AB Hanner holds 51 perc. of the part in the statutory capital of the Company.

As at 20 September 2007 AB "Hanner" signed shares purchase-sale agreements with UAB "Sanitex" and UAB "Avestis", according to which AB "Hanner" shall acquire 100 perc. of UAB "Avesko", company code 300145810, registration address - Konstitucijos pr. 7, Vilnius, shares, when conditions of the above mentioned agreements are fulfilled. UAB "Avesko" holds 95,6 perc. of AB "Klaipėdos kartonas", company code 1410 11268, registration address - Nemuno g. 2, Klaipėda, shares.

As at 9 November 2007 there was established and registered UAB "H5 Development", where AB "Hanner" holds 50 perc. of shares in the statutory capital if the established company.

As at 30 November 2007 there was fulfilled all conditions of shares purchase-sale agreements with UAB "Sanitex" and UAB "Avestis", according to which AB "Hanner" acquired 100 perc. of UAB "Avesko", company code 300145810, registration address - Konstitucijos pr. 7, Vilnius, shares. UAB „Avesko“ holds 95,6 perc. of AB „Klaipėdos kartonas“, company code 1410 11268, registration address - Nemuno g. 2, Klaipėda, shares