

AB Hanner

Financial statements for the
quarter ended 31 March 2007

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**Consolidated and companies financial statements for the quarter
ended 31 March 2007**

Notaudited

AB Hanner

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MANAGEMENT CONFIRMATION

The persons responsible for preparation of the financial statements hereby confirms, that information disclosed in the financial statments 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, 3 July 2007

Management:

Vladas Kojala
Chief Executive Officer

Tomas Pauliukonis
Chief Financial Officer

Balance sheet

In thousands of Litas

	Group		Company	
	2007 03 31	2006 12 31	2007 03 31	2006 12 31
ASSETS				
Non-current assets				
Property, plant and equipment	4 475	3 268	3 750	2 842
Investments property	267 000	267 000	235 000	235 000
Investments in subsidiaries			192 508	193 543
Investments in joint ventures	22 050	33 492	22 050	30 350
Other receivables	56 799	58 464	154 844	118 547
Deferred income tax assets	16	130		
Total non-current assets	350 340	362 354	608 152	580 282
Current assets				
Inventories	268 930	223 453	2 545	2 684
Trade and other receivables	94 609	104 444	70 817	93 215
Income tax prepayment		-		-
Investment available-for-sale	26 603	24 573	26 603	24 573
Cash and cash equivalents	50 345	20 702	39 463	8 933
Total current assets	440 487	373 172	139 428	129 405
TOTAL ASSETS	790 827	735 526	747 580	709 687

Balance sheet (cont'd).

In thousands of Litas

	Group		Company	
	<u>2007 03 31</u>	<u>2006 12 31</u>	<u>2007 03 31</u>	<u>2006 12 31</u>
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	5 931	3 901	5 931	3 901
Cumulative translation difference	(1 200)	(1 611)		
Retained earnings	<u>369 086</u>	<u>367 473</u>	<u>346 984</u>	<u>343 033</u>
Total equity attributable to equity holders of the Company	391 417	387 363	370 515	364 534
Minority interest	1 288	1 366		-
Total equity	<u>392 705</u>	<u>388,729</u>	<u>370 515</u>	<u>364 534</u>
Non-current liabilities				
Interest bearing loans and borrowings	258 491	263 470	298 963	300 720
Bonds issued	34 528		34 528	
Trade and other payables	286	2 992	286	-
Deferred tax liability	<u>31 197</u>	<u>30 832</u>	<u>28 878</u>	<u>28 513</u>
Total non-current liabilities	<u>324 502</u>	<u>297 294</u>	<u>362 655</u>	<u>329 233</u>
Current liabilities				
Interest bearing loans and borrowings	35 110	17 372	10 346	10 346
Trade and other payables	32 530	26 013	3 117	4 245
Provisions	4 749	4 528		-
Corporate income tax payable	<u>1 231</u>	<u>1 590</u>	<u>947</u>	<u>1 329</u>
Total current liabilities	<u>73 620</u>	<u>49 503</u>	<u>14 410</u>	<u>15 920</u>
Total liabilities	<u>398 122</u>	<u>346 797</u>	<u>377 065</u>	<u>345 153</u>
TOTAL EQUITY AND LIABILITIES	<u>790 827</u>	<u>735,526</u>	<u>747 580</u>	<u>709 687</u>

Income statement.

In thousands of Litas

	Group		Company	
	2007 03 31	2006 03 31	2007 03 31	2006 03 31
Revenue	18 999	23 430	5 439	13 362
Direct property operating expenses	(2 287)	(2 618)	(2 070)	(2 401)
Cost of coal	(10 944)	(8 295)		
Services of sub-contractors	(959)	(4 182)	(379)	(4 181)
Depreciation of property, plant and equipment	(376)	(283)	(342)	(259)
Employee benefits	(2 017)	(912)	(866)	(550)
Associate and joint ventures results	(1 327)	(1 648)		
Other expenses	(230)	(484)	(594)	(621)
Result from operating activities	859	5 008	1 188	5 350
Finance income	6 308	432	7 613	435
Finance expenses	(4 015)	(1 997)	(3 538)	(2 458)
Profit before tax	3 152	3 443	5 263	3 327
Corporate income tax	(1 617)	(1 027)	(1 312)	(632)
Net profit for the year	1 535	2 416	3 951	2 695
Attributable to:				
Equity holders of the Company	1 614	2 419		
Minority interest	- 79	-3		
Net profit for the year	1 535	2 416		

Statement of changes in shareholders' equity

Group:

In thousands of Lit

	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	-	-	2 030	-	-	2 030		2 030
Profit for the I-st quarter 2007	-	-	-	-	1 614	1 614	(79)	1 535
Currency translation differences	-	-	-	411	-	411		411
Capital and reserves at 31 March 2007	16 000	1 600	5 931	(1 200)	369 087	391 418	1 287	392 705

Company:

In thousands of Lit

	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	0	0	0	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			2 030		2 030
Profit for the I-st quarter 2007				3 951	3 951
Capital and reserves at 31 March 2007.	16 000	1 600	5 931	346 984	370 515

Statement of cash flows

In thousands of Litas

	Group		Company	
	2007 03 31	2006 03 31	2007 03 31	2006 03 31
Net result (profit)	1 614	2 419	3 951	2 695
Minority shares	(79)	(3)		
Adjustments:				
Depreciation and amortisation	376	283	342	259
Interest expense	4 015	1 997	3 538	2 458
Interest income	(2 408)	(432)	(3 713)	(435)
Loss (gain) on disposal of investments	(2 030)		(2 030)	
Share of loss of associates and joint ventures	1 327	1 648		
Income tax expenses	1 617	1 027	1 312	632
Net cash inflow from ordinary activities before any change in working capital	4 432	6 939	3 400	5,609
Change in inventories	(43 447)	(21 317)	139	(7,516)
Change in trade and other receivables	1 872	20 548	(2 294)	16 048
Change in trade and other payables	3 452	(13 450)	(752)	(14 158)
Change in provisions	220			
Net cash inflow from ordinary activities	(33 471)	(7 281)	494	(18)
Interest paid	(4 015)	(1 997)	(2 261)	(1 343)
Profit tax paid	(1 617)	(1 027)	(1 312)	(632)
Net cash inflow from operating activities	(39 103)	(10 305)	(3 080)	(1 993)
Interest received	3 713	432	3 713	440
Purchase of property, plant and equipment	(1 584)	(172)	(1 250)	(620)
Investments to subsidiaries		(5 334)		(5 837)
Investments to associates and joint ventures	(571)		(571)	(5 334)
Purchase of short-term investments (AFS)		(20 672)		(20 672)
Disposals of joint ventures	12 796		12 796	14
Cash from merged subsidiary				59
Loan repayments received	11 136	21 000	21 511	21 000
Loan granted	(1 995)	(35 504)	(34 531)	(44 497)
Net cash inflow from investing activities	23 496	(40 250)	1 668	(55 447)
Proceeds from borrowings	20 974	22 926		32 181
Proceeds from bonds	34 528		34 528	
Repayment of borrowings	(8 189)	(1 174)	(2 586)	(1 627)
Net cash inflow/(outflow) from financing	47 313	21 752	31 942	30 554
Net cash inflow/outflow from operating activities, investing activities and financing	31 706	(28 803)	30 530	(26 886)
Exchange gains on cash and equivalents	(2 063)	(1 250)		
Cash and cash equivalents, opening balance	20 702	41 915	8 933	36 505
Cash and cash equivalents, closing balance	50 345	11 862	39 463	9 619

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 judgements

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 I-st quarter 2007 are as follows:

In thousand of Litas	Lithuania	Ukraine	Latvia	Romania	Russia	Group
Total revenue	18 858		-	141		18 999
Profit before tax	5 361	(1 701)	(248)	(260)		3 152
Corporate income tax	(1 617)	-	-			(1 617)
Net profit for the year						1 535

Segments' assets and liabilities

In thousand of Litas	Lithuania	Ukraine	Latvia	Romania	Russia	Group
Assets	630 350	65 172	49 053	24 186	-	768 761
Joint ventures	2 705	13 589	5 097	93	566	22 050
Total segments' assets	633 055	78 761	54 150	24 279	566	790 811
Deferred income tax assets	16	-	-			16
Total assets	633 071	78 761	54 150	24 279	566	790 827
Total segments' liabilities	26 364	8 680	1 079	1 442	-	37 565
Loans	291 039	2 562	-	-	-	293 601
Bonds issue	34 528					34 528
Deferred tax liability	31 197	-	-	-	-	31 197
Corporate income tax payable	1 231	-	-	-	-	1 231
Total liabilities	384 359	11 242	1 079	1 442	-	398 122

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	747 328	21 433	768 761
Associates and joint ventures	22 050	-	22 050
Total segments' assets	769 378	21 433	790 811
Deferred income tax assets	16	-	16
Total assets	769 394	21 433	790 827
Total segments' liabilities	36 062	1 503	37 565
Loans	286 601	7 000	293 601
Bonds issue	34 528	-	34 528
Deferred tax liability	31 197	-	31 197
Corporate income tax payable	1 175	56	1 231
Total liabilities	389 563	8 559	398 122
External revenue	7 382	11 617	18 999

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 is development of real estate projects in Lithuania.
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 Verkiai regional park, Vilnius.
UAB HD Statyba	Lithuania	-	100%	Subsidiary coordinating construction of some of AB “Hanner” developed projects in Vilnius.
UAB Avestis Capital	Lithuania	99%	99%	Main activity of the subsidiary– investments, acquisitions of companies.
VšĮ 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 and managing the implementation of the Olympia project in Kipsala, Riga.
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.

30 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	Lietuva	50%	50%	Joint venture with UAB Eika developing residential project „Santariškių namai“ in Vilnius.
SIA Pucis Birzs	Latvia	50%	50%	Joint venture with 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%	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%	40%	Joint venture with ZAO Nest developing the shopping center "Olympic Plaza" project in Kiev, Ukraine.
OOO Shushary Logistik	Russia	50%	-	Joint venture with UAB Girtoka developing the logistics center project in S.Petersburg, Russia

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 Girteka, 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 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 - OOO “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.