

AB Hanner

Financial statements for the
3rd quarter of year 2008

Contents

Balance sheet	3
Income statement.	5
Statement of changes in shareholders' equity	6
Statement of cash flows	7
Notes	8

**Consolidated and companies financial statements for the 3-rd
quarter year 2008
Notaudited**

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MANAGEMENT CONFIRMATION

The persons responsible for preparation of the financial statements hereby confirms, that information disclosed in the financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), gives a true and fair view of assets, liabilities, financial status and profit.

Vilnius, 28 November 2008

Management:



Robertas Kisielius
Chief Executive Officer



Tomas Pauliukonis
Chief Investment Officer

Balance sheet

In thousands of Lit

	Group		Company	
	2008 09 30	2007 12 31	2008 09 30	2007 12 31
ASSETS				
Non-current assets				
Property, plant and equipment	106 323	115 552	10 223	11 633
Investments property	299 560	299 560	259 560	259 560
Investments in subsidiaries			325 622	316 462
Investments in joint ventures	69 173	59 819	10 604	19 595
Other receivables	34 977	27 659	81 780	49 471
Deferred income tax assets	72	577		
Total non-current assets	510 105	503 167	687 789	656 721
Current assets				
Inventories	396 477	325 895	2 168	2 170
Trade and other receivables	157 164	138 624	166 394	129 002
Cash and cash equivalents	24 689	12 803	502	416
Total current assets	578 330	477 322	169 064	131 588
TOTAL ASSETS	1 088 435	980 489	856 853	788 309

Balance sheet (cont'd).

In thousands of Lit

	Group		Company	
	<u>2008 09 30</u>	<u>2007 12 31</u>	<u>2008 09 30</u>	<u>2007 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
Cumulative translation difference	(460)	34		
Retained earnings	<u>475 594</u>	<u>426 260</u>	<u>378 881</u>	<u>372 851</u>
Total equity attributable to equity holders of the Company	492 734	443 894	396 481	390 451
Minority interest	<u>3 350</u>	<u>3 701</u>		-
Total equity	<u>496 084</u>	<u>447 595</u>	<u>396 481</u>	<u>390 451</u>
Non-current liabilities				
Interest bearing loans and borrowings	361 957	329 069	375 999	311 183
Bonds issued		36 370		36 370
Trade and other payables	282	282	282	282
Deferred tax liability	<u>42 985</u>	<u>43 510</u>	<u>32 779</u>	<u>32 779</u>
Total non-current liabilities	<u>405 224</u>	<u>409 231</u>	<u>409 060</u>	<u>380 614</u>
Current liabilities				
Interest bearing loans and borrowings	77 879	32 595	11 689	12 146
Bonds issue	35 836		35 836	
Trade and other payables	55 723	76 643	2 723	4 815
Provisions	9 213	7 180		
Corporate income tax payable	<u>8 476</u>	<u>7 245</u>	<u>1 064</u>	<u>283</u>
Total current liabilities	<u>187 127</u>	<u>123 663</u>	<u>51 312</u>	<u>17 244</u>
Total liabilities	<u>592 351</u>	<u>532 894</u>	<u>460 372</u>	<u>397 858</u>
TOTAL EQUITY AND LIABILITIES	<u>1 088 435</u>	<u>980 489</u>	<u>856 853</u>	<u>788 309</u>

Income statement.

In thousands of Litas

	Group		Company	
	2008 09 30	2007 09 30	2008 09 30	2007 09 30
Revenue	286 923	153 094	25 160	22 201
Direct property operating expenses	(9 864)	(6 481)	(7 961)	(5 940)
Cost of goods sold	(120 309)	(42 741)		
Services of sub-contractors	(80 228)	(60 645)		(799)
Depreciation of property, plant and equipment	(328)	(1 600)	(259)	(1 024)
Employee benefits	(9 595)	(6 449)	(2 969)	(2 565)
Associate and joint ventures results	13 723	(1 621)		
Other expenses	(9 430)	(1 410)	(2 938)	(3 296)
Result from operating activities	70 892	32 147	11 033	8 577
Finance income	8 547	18 620	10 745	23 799
Finance expenses	(21 452)	(13 580)	(14 684)	(11 072)
Profit before tax	57 987	37 187	7 094	21 304
Corporate income tax	(8 495)	(9 698)	(1 064)	(4 967)
Net profit for the year	49 492	27 489	6 030	16 337
Attributable to:				
Equity holders of the Company	49 334	27 284		
Minority interest	158	205		
Net profit for the year	49 492	27 489		

In thousands of Litas

	Group		Company	
	III-Q 2008	III-Q 2007	III-Q 2008	III-Q 2007
Revenue	59 420	105 564	7 351	7 596
Direct property operating expenses	(3 339)	(2 158)	(2 309)	(1 975)
Cost of goods sold	(38 093)	(17 215)		
Services of sub-contractors	(4 980)	(58 153)		(28)
Depreciation of property, plant and equipment	(107)	(840)	(87)	(342)
Employee benefits	(3 184)	(2 221)	(947)	(862)
Associate and joint ventures results	4 959	(150)		
Other expenses	(1 867)	(1 666)	(365)	(1 075)
Result from operating activities	12 809	23 171	3 643	3 314
Finance income	3 269	2 824	4 272	4 934
Finance expenses	(6 497)	(4 775)	(5 205)	(3 798)
Profit before tax	9 581	21 220	2 710	4 450
Corporate income tax	(1 166)	(4 909)	(406)	(806)
Net profit for the year	8 415	16 311	2 304	3 644
Attributable to:				
Equity holders of the Company	8 415	16 259		
Minority interest	-	52		
Net profit for the year	8 415	16 311		

Statement of changes in shareholders' equity

Group:

In thousands of Lit

	Share capital	Legal reserve	Fair value reserve	Cumulative translation difference	Retained earnings	Total shareholder s' equity	Minority interest	Total equity
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 3-rd 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
Capital and reserves at 1 January 2008	16 000	1 600	0	34	426 260	443 894	3 701	447 595
Profit for the 3-rd quarter year 2008					49 334	49 334	158	49 492
Currency translation differences				(494)		(494)	(509)	(1 003)
Capital and reserves at 30 September 2008	16 000	1 600	0	(460)	475 594	492 734	3 350	496 084

Company:

In thousands of Lit

	Share capital	Legal reserve	Fair value reserve	Retained earnings	Total shareholders' equity
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 3-rd quarter 2007				16 337	16 337
Capital and reserves at 30 September 2007	16 000	1 600	8 730	359 370	385 700
Capital and reserves at 31 December 2007	16 000	1 600		372 851	390 451
Profit for the 3-rd quarter year 2008				6 030	6 030
Capital and reserves at 30 September 2008.	16 000	1 600		378 881	396 481

Statement of cash flows

In thousands of Lit

	Group		Company	
	2008 09 30	2007 09 30	2008 09 30	2007 09 30
Net result (profit)	49 334	27 284	6 030	16 337
Minority shares	158	205		
Adjustments:				
Depreciation and amortisation	4 957	1 600	259	1 024
Interest expense	21 452	13 850	14 684	11 072
Interest income	(8 547)	(5 892)	(10 745)	(11 070)
Loss (gain) on disposal of investments		(4 829)		(4 829)
Share of loss of associates and joint ventures	(13 723)	1 621		
Income tax expenses	8 495	9 968	1 064	4 967
Net cash inflow from ordinary activities before any change in working capital	62 126	43 267	11 292	17 501
Change in inventories	(67 474)	(57 159)	2	549
Change in trade and other receivables	11 953	(48 953)	(495)	(9 861)
Change in trade and other payables	(19 690)	16 207	(2 092)	(1 550)
Change in provisions	2 033	546		
Net cash inflow from ordinary activities	(11 052)	(46 092)	8 707	6 639
Interest paid	(17 615)	(13 580)	(6 890)	(6 564)
Profit tax paid	(8 495)	(9 698)	(1 341)	(4 967)
Net cash inflow from operating activities	(37 162)	(69 370)	476	(4 892)
Interest received	8 547	6 555	3 829	6 555
Purchase of property, plant and equipment	(2 734)	(1 288)	(124)	(139)
Additions to investment property		(7 952)		(7 952)
Investments to subsidiaries				
Investments to associates and joint ventures		(42 286)		(69 614)
Acquisition of short term investments		(20 564)		(20 564)
Disposals of joint ventures		35 732		35 732
Loan repayments received	24 104	48 661	29 874	50 186
Loan granted	(59 153)	(17 829)	(81 898)	(38 679)
Net cash inflow from investing activities	(29 236)	1 029	(48 319)	(44 475)
Proceeds from borrowings	229 410	112 752	93 928	14 001
Proceeds from bonds		34 528		34 528
Repayment of borrowings	(151 126)	(70 081)	(45 999)	(7 760)
Net cash inflow/(outflow) from financing	78 284	77 199	47 929	40 769
Net cash inflow/outflow from operating activities, investing activities and financing	11 886	8 858	86	(8 598)
Exchange gains on cash and equivalents				
Cash and cash equivalents, opening balance	12 803	20 702	416	8 933
Cash and cash equivalents, closing balance	24 689	29 560	502	335

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 3-rd quarter year 2008 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, Russia and Belarus. It is primarily involved in development of real estate projects and leasing out investment property under operating lease. The Group engaged in private equity investments and 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 other (Russia and Belarus).

The segment results for the 3-rd quarter year 2008 are as follows:

In thousand of Litas	Lithuania	Ukraine	Latvia	Romania	Other	Group
Total revenue	285 718	602	243	360		286 923
Profit before tax	55 625	(3 785)	3 620	2 841	(314)	57 987
Corporate income tax	(8 495)					(8 495)
Net profit for the year	47 130	(3 785)	3 620	2 841	(314)	49 492

Segments' assets and liabilities

In thousand of Litas	Lithuania	Ukraine	Latvia	Romania	Russia	Group
Assets	727 488	107 429	137 131	36 311	10 831	1 019 190
Joint ventures	41 347	1 183	15 165	11 278	200	69 173
Total segments' assets	768 835	108 612	152 296	47 589	11 031	1 088 363
Deferred income tax assets	72					72
Total assets	768 907	108 612	152 296	47 589	11 031	1 088 435
Total segments' liabilities	17 150	16 668	19 183	2 162	842	56 005
Provisions		4 037		5 034	142	9 213
Loans and bonds issue	302 019	22 830	132 023	8 415	10 385	475 672
Deferred tax liability	42 985					42 985
Corporate income tax payable	8 476					8 476
Total liabilities	370 630	43 535	151 206	15 611	11 369	592 351

Secondary reporting format – business segments

The Group has three business segments – property development and private equity investments, trading coal and cardboard production. Property development includes building residential areas, office sets, buildings for other commercial purposes. Property lease includes lease of offices and buildings for commercial purposes

In thousand of Lit	Property development and investments	Property lease	Trading coal	Cardboard production	Group
Segments' assets	506 046	310 885	61 405	140 854	1 019 190
Associates and joint ventures	69 173				69 173
Total segments' assets	575 219	310 885	61 405	140 854	1 088 363
Deferred income tax assets	72				72
Total assets	575 291	310 885	61 405	140 854	1 088 435
Total segments' liabilities	25 982	282	9 777	19 964	56 005
Provisions	9 213				9 213
Loans and bonds issue	218 818	168 129	12 560	76 165	475 672
Deferred tax liability	15	36 794		6 176	42 985
Corporate income tax payable	5 585	1 429		1 462	8 476
Total liabilities	259 613	206 634	22 337	103 767	592 351
External revenue	118 678	28 571	50 840	88 834	286 923

4 Subsidiaries, joint ventures and associates

Subsidiary / joint venture	Country of incorporation	Direct ownership interest in %		Activity of the enterprise
		2008	2007	
Subsidiary				
UAB Hanner Property	Lithuania	100%	100%	The main activity is development of real estate. The company owns 100% of shares of SIA "Europa business centre", located in Ryga , Latvia
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 Verkių 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 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%	100%	The main activity of the subsidiary is investment management. UAB Avesko owns 96.16% of shares of AB Klaipėdos Kartonas.
UAB TVD Statyba	Lithuania	51%	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

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 Jugstroj Invest OOO of the Company.
OOO Hanner Management	Ukraine	100%	100%	Subsidiary is engaged in real estate project management and construction in Ukraine. Enterprise which main activity is implementation of OOO Prioritet developed real estate project.
ZAO JBK Invest	Ukraine	99%	99%	Enterprise, which main activity is implementation of OOO Hanber developed real estate project.
ZAO Palmyra Invest	Ukraine	70%	70%	Enterprise, which main activity is implementation of OOO Jugstroj Invest developed real estate project.
ZAO Ploshad Tolbuchina	Ukraine	80%	80%	Subsidiary is developing implementation of the real estate project Fontanka in Odessa.
ZAO Stroitelnyje Technologii Budusevo	Ukraine	75%	75%	
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%	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%	40%	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.

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.
OOO Predpriyatje Vaizbunas	Ukraine	50%	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%	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%	50%	Joint venture with UAB Girteka is engaged in management of the Logistics Center project and construction. The company was established in 2007.

Material events during 2008

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
5. On 28 July 2008 AB Hanner subsidiary UAB Avestis Capital signed share purchase-sales agreement with SG Consumer Finance. According to agreement UAB Avestis Capital disposed 576 000 ordinary shares of UAB General Financing, company code 300515252. Each share par value 10 LTL and their accounts 38,4 % of UAB General Financing share capital.