

AB Hanner

Financial statements for the
quarter ended 31 March 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 quarter
ended 31 March 2008
Notaudited**

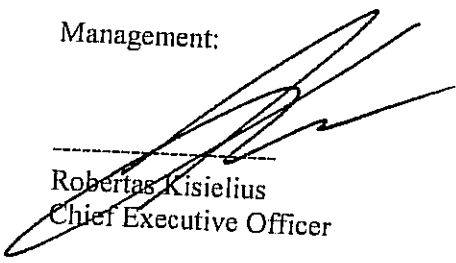
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Registered office: Konstitucijos ave. 7,
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MANAGEMENT CONFIRMATION


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, 19 August 2008

Management:



Robertas Kisielius
Chief Executive Officer



Tomas Pauliukonis
Chief Financial Officer

Balance sheet

In thousands of Litas

	Group		Company	
	<u>2008 03 31</u>	<u>2007 12 31</u>	<u>2008 03 31</u>	<u>2007 12 31</u>
ASSETS				
Non-current assets				
Property, plant and equipment	106 641	115 552	10 287	11 633
Investments property	299 560	299 560	259 560	259 560
Investments in subsidiaries			316 462	316 462
Investments in joint ventures	66 384	59 819	19 595	19 595
Other receivables	24 124	27 659	52 296	49 471
Deferred income tax assets	555	577		
Total non-current assets	<u>497 264</u>	<u>503 167</u>	<u>658 200</u>	<u>656 721</u>
Current assets				
Inventories	322 765	325 895	2 174	2 170
Trade and other receivables	148 891	138 624	159 316	129 002
Cash and cash equivalents	19 094	12 803	252	416
Total current assets	<u>490 750</u>	<u>477 322</u>	<u>161 742</u>	<u>131 588</u>
TOTAL ASSETS	<u>988 014</u>	<u>980 489</u>	<u>819 942</u>	<u>788 309</u>

Balance sheet (cont'd).

In thousands of Litas

	Group		Company	
	2008 03 31	2007 12 31	2008 03 31	2007 12 31
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital				
Legal reserve	16 000	16 000	16 000	16 000
Cumulative translation difference	1 600	1 600	1 600	1 600
Retained earnings	-2 110	34		
	<u>444 752</u>	<u>426 260</u>	<u>375 010</u>	<u>372 851</u>
Total equity attributable to equity holders of the Company	460 242	443 894	392 610	390 451
Minority interest	3 762	3 701		
Total equity	<u>464 004</u>	<u>447 595</u>	<u>392 610</u>	<u>390 451</u>
Non-current liabilities				
Interest bearing loans and borrowings				
Bonds issued	346 771	329 069	341 585	311 183
Trade and other payables		36 370		36 370
Deferred tax liability	282	282	282	282
	<u>43 037</u>	<u>43 510</u>	<u>32 779</u>	<u>32 779</u>
Total non-current liabilities	<u>390 090</u>	<u>409 231</u>	<u>374 646</u>	<u>380 614</u>
Current liabilities				
Interest bearing loans and borrowings				
Bonds issue	24 352	32 595	12 146	12 146
Trade and other payables	34 763		34 763	
Provisions	60 074	76 643	5 162	4 815
Corporate income tax payable	8 396	7 180		
	<u>6 335</u>	<u>7 245</u>	<u>615</u>	<u>283</u>
Total current liabilities	<u>133 920</u>	<u>123 663</u>	<u>52 686</u>	<u>17 244</u>
Total liabilities	<u>524 010</u>	<u>532 894</u>	<u>427 332</u>	<u>397 858</u>
TOTAL EQUITY AND LIABILITIES	<u>988 014</u>	<u>980 489</u>	<u>819 942</u>	<u>788 309</u>

Income statement.

In thousands of Litas

	Group		Company	
	2008 03 31	2007 03 31	2008 03 31	2007 03 31
Revenue	107 946	18 999	8 131	5 439
Direct property operating expenses	(4 200)	(2 287)	(3 104)	(2 070)
Cost of goods sold	(41 847)	(10 944)		
Services of sub-contractors	(32 409)	(959)		(379)
Depreciation of property, plant and equipment	(134)	(376)	(87)	(342)
Employee benefits	(3 314)	(2 017)	(1 037)	(866)
Associate and joint ventures results	5 744	(1 327)		
Other expenses	(3 200)	(230)	(576)	(594)
Result from operating activities	28 586	859	3 327	1 188
Finance income	2 247	6 308	2 965	7 613
Finance expenses	(8 781)	(4 015)	(3 752)	(3 538)
Profit before tax	22 052	3 152	2 540	5 263
Corporate income tax	(3 463)	(1 617)	(381)	(1 312)
Net profit for the year	18 589	1 535	2 159	3 951
Attributable to:				
Equity holders of the Company	18 492	1 614		
Minority interest	97	(79)		
Net profit for the year	18 589	1 535		

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 2007	16 000	1 600	3 901	(1 611)	367 473	387 363	1 366	388 729
Revaluation on available-for-sale investments			(3 901)			(3 901)		(3 901)
Acquisition of subsidiaries								
Profit for the year 2007		-	-	-	58 787	58 787	2 666	2 666
Currency translation differences	-	-	-	1 645	-	1 645	31	58 818
Capital and reserves at 31 December 2007	16 000	1 600	0	34	426 260	443 894	(362)	447 595
Profit for the I-st quarter 2008					18 492	18 492	97	18 589
Currency translation differences				(2 144)		(2 144)	-36	(2 180)
Capital and reserves at 31 March 2008	16 000	1 600	0	(2 110)	444 752	460 242	3 762	464 004

Company:

In thousands of Litas

	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	217 484
Revaluation on available-for-sale investments			(3 901)		(3 901)
Profit for the year 2007				29 818	29 818
Capital and reserves at 31 December 2007	16 000	1 600		372 851	390 451
Profit for the I-st quarter 2008				2 159	2 159
Capital and reserves at 31 March 2008.	16 000	1 600		375 010	392 610

Statement of cash flows

In thousands of Litass

	Group		Company	
	2008 03 31	2007 03 31	2008 03 31	2007 03 31
Net result (profit)	18 492	1 614	2 159	3 951
Minority shares	97	(79)		
Adjustments:				
Depreciation and amortisation	1 683	376	87	342
Interest expense	8 781	4 015	3 752	3 538
Interest income	(2 247)	(2 408)	(2 965)	(3 713)
Loss (gain) on disposal of investments		(2 030)		(2 030)
Share of loss of associates and joint ventures	(5 744)	1 327		
Income tax expenses	3 463	1 617	381	1 312
Net cash inflow from ordinary activities before any change in working capital	24 525	4 432	3 414	3 400
Change in inventories	(4 803)	(43 447)	(4)	139
Change in trade and other receivables	182	1 872	(1 938)	(2 294)
Change in trade and other payables	(16 289)	3 452	(314)	(752)
Change in provisions	1 216	220		
Net cash inflow from ordinary activities	4 831	(33 471)	1 158	494
Interest paid	(8 781)	(4 015)	(2 152)	(2 262)
Profit tax paid	(3 463)	(1 617)	(381)	(1 312)
Net cash inflow from operating activities	(7 413)	(39 103)	(1 375)	(3 080)
Interest received	2 247	3 713	2 247	3 713
Purchase of property, plant and equipment	(1 675)	(1 584)	(68)	(1 250)
Investments to subsidiaries				
Investments to associates and joint ventures		(571)		(571)
Disposals of joint ventures		12 796		12 796
Loan repayments received	11 807	11 136	11 808	21 511
Loan granted	(4 299)	(1 995)	(42 112)	(34 531)
Net cash inflow from investing activities	8 080	23 496	(28 125)	1 668
Proceeds from borrowings	63 286	20 974	31 923	
Proceeds from bonds		34 528		34 528
Repayment of borrowings	(57 662)	(8 189)	(2 587)	(2 586)
Net cash inflow/(outflow) from financing	5 624	47 313	29 336	31 942
Net cash inflow/outflow from operating activities, investing activities and financing	6 291	31 706	(164)	30 530
Exchange gains on cash and equivalents		(2 063)		
Cash and cash equivalents, opening balance	12 803	20 702	416	8 933
Cash and cash equivalents, closing balance	19 094	50 345	252	39 463

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 quarter ended 31 March 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 I-st quarter 2008 are as follows:

In thousand of Litas	Lithuania	Ukraine	Latvia	Romania	Other	Group
Total revenue	107 363	339	45	199		107 946
Profit before tax	20 234	(2 742)	1 916	2 789	(145)	22 052
Corporate income tax	(3 463)	-	-			(3 463)
Net profit for the year						18 589

Segments' assets and liabilities

In thousand of Litas	Lithuania	Ukraine	Latvia	Romania	Russia	Group
Assets	685 197	109 050	100 558	26 153	117	921 075
Joint ventures	36 478	8 585	10 786	10 353	182	66 384
Total segments' assets	721 675	117 635	111 344	36 506	299	987 459
Deferred income tax assets	16	-	-	539		555
Total assets	721 691	117 635	111 344	37 045	299	988 014
Total segments' liabilities	33 490	14 270	8 666	3 814	116	60 356
Provisions		3 812		4 584		8 396
Loans and bonds issue	288 517	20 822	96 547	-	-	405 886
Deferred tax liability	43 037	-	-	-	-	43 037
Corporate income tax payable	6 335	-	-	-	-	6 335
Total liabilities	371 379	38 904	105 213	8 398	116	524 010

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 as well rent of offices and buildings for commercial purposes

In thousand of Litas	Property development and investments	Trading coal	Cardboard production	Group
Segments' assets	796 443	21 642	102 990	921 075
Associates and joint ventures	66 384	-		66 384
Total segments' assets	862 827	21 642	102 990	987 459
Deferred income tax assets	555	-		555
Total assets	863 382	21 642	102 990	988 014
Total segments' liabilities	37 775	1 208	21 373	60 356
Provisions	8 396			8 396
Loans and bonds issue	395 703	7 000	3 183	405 886
Deferred tax liability	36 794	-	6 243	43 037
Corporate income tax payable	2 915		3 420	6 335
Total liabilities	481 583	8 208	34 219	524 010
External revenue	57 444	17 291	33 211	107 946

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.
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 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%	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%	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. 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.
ZATT Hanner Bel Invest	Belarus	51%	51%	
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 Pucis 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