

AB Hanner

Financial statements for the I-
st half year 2008

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**Consolidated and companies financial statements for the I-st half
year 2008
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 statements, prepared in accordance with International Financial Reporting Standards (IFRS), gives a true and fair view of assets, liabilities, financial status and profit.

Vilnius, 29 August 2008

Management:



Robertas Kisielius
Chief Executive Officer



Tomas Pauliukonis
Chief Financial Officer

Balance sheet

In thousands of Litás

	Group		Company	
	2008 06 30	2007 12 31	2008 06 30	2007 12 31
ASSETS				
Non-current assets				
Property, plant and equipment	107 605	115 552	10 256	11 633
Investments property	299 560	299 560	259 560	259 560
Investments in subsidiaries			316 462	316 462
Investments in joint ventures	71 127	59 819	19 595	19 595
Other receivables	34 385	27 659	75 066	49 471
Deferred income tax assets	563	577		
Total non-current assets	513 240	503 167	680 939	656 721
Current assets				
Inventories	347 110	325 895	2 166	2 170
Trade and other receivables	166 196	138 624	163 708	129 002
Cash and cash equivalents	16 415	12 803	1 084	416
Total current assets	529 721	477 322	166 958	131 588
TOTAL ASSETS	1 042 961	980 489	847 897	788 309

Balance sheet (cont'd).

In thousands of Lit

	Group		Company	
	<u>2008 06 30</u>	<u>2007 12 31</u>	<u>2008 06 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	(143)	34		
Retained earnings	467 179	426 260	376 577	372 851
Total equity attributable to equity holders of the Company	484 636	443 894	394 177	390 451
Minority interest	3 777	3 701		-
Total equity	488 413	447 595	394 177	390 451
Non-current liabilities				
Interest bearing loans and borrowings	355 085	329 069	366 943	311 183
Bonds issued		36 370		36 370
Trade and other payables	282	282	282	282
Deferred tax liability	43 004	43 510	32 779	32 779
Total non-current liabilities	398 371	409 231	400 004	380 614
Current liabilities				
Interest bearing loans and borrowings	36 944	32 595	12 146	12 146
Bonds issue	35 296		35 296	
Trade and other payables	64 757	76 643	5 616	4 815
Provisions	9 213	7 180		
Corporate income tax payable	9 967	7 245	658	283
Total current liabilities	156 177	123 663	53 716	17 244
Total liabilities	554 548	532 894	435 720	397 858
TOTAL EQUITY AND LIABILITIES	1 042 961	980 489	847 897	788 309

Income statement.

In thousands of Litae

	Group		Company	
	2008 06 30	2007 06 30	2008 03 31	2007 06 30
Revenue	227 503	47 530	17 809	14 605
Direct property operating expenses	(6 525)	(4 323)	(5 652)	(3 965)
Cost of goods sold	(82 216)	(25 526)		
Services of sub-contractors	(75 248)	(2 492)		(771)
Depreciation of property, plant and equipment	(221)	(760)	(172)	(682)
Employee benefits	(6 411)	(4 238)	(2 022)	(1 703)
Associate and joint ventures results	8 764	(1 471)		
Other expenses	(7 563)	256	(2 573)	(2 221)
Result from operating activities	58 083	8 976	7 390	5 263
Finance income	5 278	15 796	6 473	18 865
Finance expenses	(14 955)	(8 805)	(9 479)	(7 274)
Profit before tax	48 406	15 967	4 384	16 854
Corporate income tax	(7 329)	(4 789)	(658)	(4 161)
Net profit for the year	41 077	11 178	3 726	12 693
Attributable to:				
Equity holders of the Company	40 919	11 025		
Minority interest	158	153		
Net profit for the year	41 077	11 178		

Statement of changes in shareholders' equity

Group:

In thousands of Litus

	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							2 666	2 666
Profit for the year 2007		-	-	-	58 787	58 787	31	58 818
Currency translation differences	-	-	-	1 645	-	1 645	(362)	1 283
Capital and reserves at 31 December 2007	16 000	1 600	0	34	426 260	443 894	3 701	447 595
Profit for the 1-st half year 2008					40 919	40 919	158	41 077
Currency translation differences				(177)		(177)	-82	(2 180)
Capital and reserves at 30 June 2008	16 000	1 600	0	(143)	467 179	484 636	3 777	488 413

Company:

In thousands of Litus

	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 1-st quarter 2008				3 726	3 726
Capital and reserves at 30 June 2008.	16 000	1 600		376 577	394 177

Statement of cash flows

In thousands of Litus

	Group		Company	
	2008 06 30	2007 06 30	2008 06 30	2007 06 30
Net result (profit)	40 919	11 205	3 726	12 693
Minority shares	158	(153)		
Adjustments:				
Depreciation and amortisation	1 770	760	172	682
Interest expense	14 955	8 805	9 479	7 274
Interest income	(5 278)	(4 592)	(6 473)	(7 661)
Loss (gain) on disposal of investments		(5 049)		(5 049)
Share of loss of associates and joint ventures	(8 764)	1 471		
Income tax expenses	7 329	4 789	658	4 161
Net cash inflow from ordinary activities before any change in working capital	51 089	17 056	7 562	12 100
Change in inventories	(21 215)	(66 304)	4	523
Change in trade and other receivables	(2 174)	2 012	(1 882)	952
Change in trade and other payables	(8 233)	6 008	801	1 531
Change in provisions	2 033	539		
Net cash inflow from ordinary activities	21 500	(40 689)	6 485	15 106
Interest paid	(13 594)	(8 805)	(4 267)	(4 399)
Profit tax paid	(7 329)	(4 789)	(658)	(4 161)
Net cash inflow from operating activities	577	(54 283)	1 560	6 546
Interest received	5 278	6 579	560	6 579
Purchase of property, plant and equipment	(1 675)	(1 142)	(124)	(380)
Additions to investment property		(5 117)		(5 117)
Investments to subsidiaries				
Investments to associates and joint ventures		(36 071)		(35 506)
Acquisition of short term investments		(35 211)		(39 414)
Disposals of joint ventures		33 674		33 674
Loan repayments received	12 535	48 614	13 720	51 474
Loan granted	(47 925)	(11 224)	(67 505)	(31 335)
Net cash inflow from investing activities	(31 787)	102	(53 349)	(20 025)
Proceeds from borrowings	177 000	71 643	87 630	14 001
Proceeds from bonds		34 528		34 528
Repayment of borrowings	(142 178)	(16 004)	(35 173)	(5 173)
Net cash inflow/(outflow) from financing	34 822	90 167	52 457	43 356
Net cash inflow/outflow from operating activities, investing activities and financing	3 612	35 986	668	29 877
Exchange gains on cash and equivalents		1 519		
Cash and cash equivalents, opening balance	12 803	20 702	416	8 933
Cash and cash equivalents, closing balance	16 415	58 207	1 084	38 810

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 1-st half 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 I-st half year 2008 are as follows:

In thousand of Litas	Lithuania	Ukraine	Latvia	Romania	Other	Group
Total revenue	226 552	406	226	319		227 503
Profit before tax	44 862	(3 314)	4 034	3 123	(299)	48 406
Corporate income tax	(7 329)					(7 329)
Net profit for the year	37 533	(3 314)	4 034	3 123	(299)	41 077

Segments' assets and liabilities

In thousand of Litas	Lithuania	Ukraine	Latvia	Romania	Russia	Group
Assets	711 152	103 091	125 284	29 979	1 766	971 272
Joint ventures	38 039	8 115	12 330	12 523	119	71 126
Total segments' assets	749 191	111 206	137 614	42 502	1 885	1 042 398
Deferred income tax assets	16			547		563
Total assets	749 207	111 206	137 614	43 049	1 885	1 042 961
Total segments' liabilities	34 121	17 405	10 682	2 075	756	65 039
Provisions		4 037		5 034	142	9 213
Loans and bonds issue	288 974	16 454	114 663	5 630	1 604	427 325
Deferred tax liability	43 004					43 004
Corporate income tax payable	9 967					9 967
Total liabilities	376 066	37 896	125 345	12 739	2 502	554 548

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 Litus	Property development and investments	Trading coal	Cardboard production	Group
Segments' assets	789 150	34 881	147 240	971 271
Associates and joint ventures	71 127			71 127
Total segments' assets	860 277	34 881	147 240	1 042 398
Deferred income tax assets	563			563
Total assets	860 840	34 881	147 240	1 042 961
Total segments' liabilities	30 862	7 728	26 449	65 039
Provisions	9 213			9 213
Loans and bonds issue	335 636	12 560	79 129	427 325
Deferred tax liability	36 794		6 210	43 004
Corporate income tax payable	5 962		4 005	9 967
Total liabilities	418 467	20 288	115 793	554 548
External revenue	130 182	33 691	63 630	227 503

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 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 Investicijnyj 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%	Joint 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 Predpriятие 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 Girtelka 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 Girtelka 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