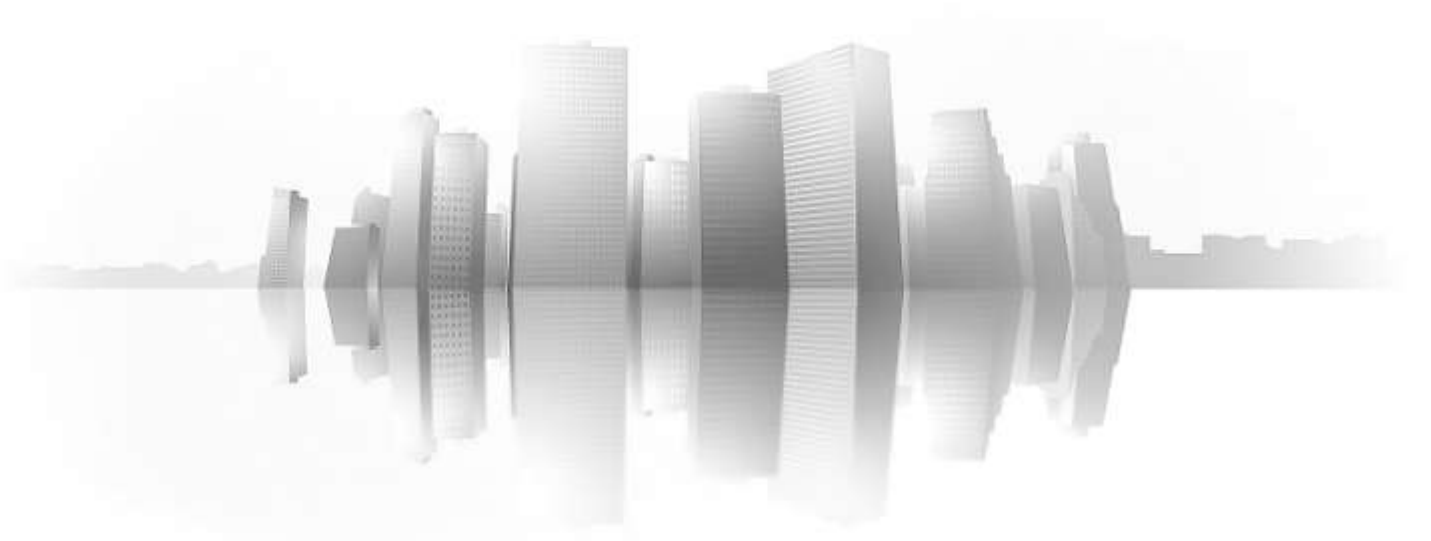


CITYservice



City Service AB

**Consolidated and parent company's interim financial
statements for the twelve months of 2010
(unaudited)**

Prepared in accordance with the Rules of preparation and submission of periodic
and additional information of the Lithuanian Securities Commission

Confirmation of responsible persons to the shareholders of the company and Lithuanian securities commission

Following the Law on Securities of Republic of Lithuania and rules of preparation and submission of periodic and additional information of Lithuanian Securities Commission hereby confirm that City Service AB Interim Consolidated and parents company's Financial Statements for the year 2010, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of activity results, assets, liabilities and financial position of City Service AB and the Group as well. To our knowledge, there are no any concealed essential facts herein which may influence the value of the shares.

General Manager

Žilvinas Lapinskas

Chief financial officer and head of administration

Jonas Janukėnas



Statements of financial position

	Group		Company	
	As of 31 December 2010	As of 31 December 2009	As of 31 December 2010	As of 31 December 2009
Assets				
Non-current assets				
Goodwill	58,466	31,515	-	-
Other intangible assets	78,487	62,062	784	37
Property, plant and equipment	46,889	27,231	3,000	3,042
Investment property	589	609	-	-
Investments into subsidiaries	-	-	128,136	45,419
Investments into associates	837	351	701	220
Non-current financial assets receivables and prepayments	352	2,748	-	29
Deferred income tax asset	3,299	2,630	560	650
Total non-current assets	188,919	127,146	133,181	49,397
Current assets				
Inventories	2,329	3,909	528	322
Prepayments	14,457	13,991	487	146
Trade receivables	100,031	74,575	40,233	32,092
Receivables from related parties (including loans granted)	3,559	5,065	33,720	53,476
Other receivables and current assets	16,094	5,914	11,854	994
Cash and cash equivalents	18,655	5,510	246	425
Total current assets	155,125	108,964	87,068	87,455
Total assets	344,044	236,110	220,249	136,852



Statements of financial position (cont'd)

	Group		Company	
	As of 31 December 2010	As of 31 December 2009	As of 31 December 2010	As of 31 December 2009
Equity and liabilities				
Equity attributable to equity holders of the Company				
Share capital	31,610	19,110	31,610	19,110
Reserves and share premium	82,285	31,378	82,274	31,367
Foreign currency translation	(2,026)	(491)	-	-
Retained earnings (deficit)	40,680	22,472	30,391	17,774
	152,549	72,469	144,275	68,251
Non-controlling interests	484	10	-	-
Total equity	153,033	72,479	144,275	68,251
Liabilities				
Non-current liabilities				
Non-current borrowings	23,266	21,649	20,659	21,649
Financial lease obligations	5,454	229	450	131
Deferred income tax liabilities	16,133	13,260	-	-
Non-current payables	997	712	312	226
Total non-current liabilities	45,850	35,850	21,421	22,006
Current liabilities				
Current portion of non-current borrowings	7,116	7,116	7,116	7,116
Current portion of financial lease obligations	3,662	486	285	265
Short term loans	9,465	6,303	14,418	9,317
Trade payables	83,755	71,927	13,977	8,911
Payables to related parties	8,130	12,447	8,783	12,130
Advances received	11,215	11,570	4,773	4,114
Other current liabilities	21,818	17,932	5,201	4,742
Total current liabilities	145,161	127,781	54,553	46,595
Total equity and liabilities	344,044	236,110	220,249	136,852



Statements of comprehensive income (for the period 1 January – 31 December)

	Group		Company	
	2010	2009	2010	2009
Sales	545,807	374,495	118,439	124,570
Cost of sales	(453,068)	(308,753)	(87,045)	(101,065)
Gross profit (loss)	92,739	65,742	31,394	23,505
General and administrative expenses	(72,774)	(45,546)	(16,544)	(15,878)
Other operating income (expenses)	3,428	392	871	47
Profit (loss) from operations	23,393	20,588	15,721	7,674
Income from financial and investment activities, net	2,214	(3,563)	2,508	4,847
Profit (loss) before tax	25,607	17,025	18,229	12,521
Income tax	(3,732)	(1,732)	(2,393)	(1,856)
Net profit (loss)	21,875	15,293	15,836	10,665
Other comprehensive income				
Exchange differences on translation of foreign operations	(1,535)	153	-	-
Total comprehensive income for the year, net of tax	20,340	15,446	15,836	10,665
Attributable to:				
The shareholders of the Company	21,428	15,287	15,836	10,665
Non-controlling interests	447	6	-	-
	21,875	15,293	15,836	10,665
Total comprehensive income attributable to:				
The shareholders of the Company	19,893	15,440	15,836	10,665
Non-controlling interests	447	6	-	-
	20,340	15,446	15,836	10,665
Basic and diluted earnings per share (LTL)	0.68	0.80		



Statements of comprehensive income (for the period 1 October – 31 December)

	Group		Company	
	2010 4th Q	2009 4th Q	2010 4th Q	2009 4th Q
Sales	157,246	121,695	36,608	40,921
Cost of sales	(129,635)	(103,113)	(26,625)	(34,330)
Gross profit (loss)	27,611	18,582	9,983	6,591
General and administrative expenses	(22,889)	(14,761)	(4,779)	(3,953)
Other operating income (expenses)	1,346	2,123	810	(23)
Profit (loss) from operations	6,068	5,944	6,014	2,615
Income from financial and investment activities, net	2,349	105	110	234
Profit (loss) before tax	8,417	6,049	6,124	2,849
Income tax	(1,914)	(1,042)	(949)	(570)
Net profit (loss)	6,503	5,007	5,175	2,279



Statements of changes in equity

<u>Group</u>	Share capital	Share premium	Legal reserve	Foreign currency translation	Other reserves	Retained earnings (deficit)	Total	Non-controlling interest	Total
Balance as of 31 December 2008	19,110	23,456	1,586	(644)	-	15,483	58,991	266	59,257
Net profit for the year	-	-	-	-	-	15,287	15,287	6	15,293
Income (expenses) for the year recognised directly in equity	-	-	-	153	-	-	153	-	153
Total income and (expense) for the year	-	-	-	153	-	15,287	15,440	6	15,446
Transfer to legal reserve	-	-	336	-	6,000	(6,336)	-	-	-
Dividends declared	-	-	-	-	-	(2,102)	(2,102)	-	(2,102)
Acquisition of non-controlling interest	-	-	-	-	-	140	140	(262)	(122)
Balance as of 31 December 2009	19,110	23,456	1,922	(491)	6,000	22,472	72,469	10	72,479
Net profit for the year	-	-	-	-	-	21,428	21,428	447	21,875
Income (expenses) for the year recognised directly in equity	-	-	-	(1,535)	-	-	(1,535)	-	(1,535)
Total income (expense) for the year	-	-	-	(1,535)	-	21,428	19,893	447	20,340
Increase of the Share Capital	12,500	50,374	-	-	-	-	62,874	-	62,874
Transfer to legal reserve	-	-	533	-	-	(533)	-	-	-
Dividends declared	-	-	-	-	-	(2,687)	(2,687)	-	(2,687)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	27	27
Balance as of 31 December 2010	31,610	73,830	2,455	(2,026)	6,000	40,680	152,549	484	153,033

<u>Company</u>	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings (deficit)	Total
Balance as of 31 December 2008	19,110	23,456	1,575	-	15,547	59,688
Net profit for the year	-	-	-	-	10,665	10,665
Dividends declared	-	-	-	-	(2,102)	(2,102)
Transfer to legal reserve	-	-	336	6,000	(6,336)	-
Balance as of 31 December 2009	19,110	23,456	1,911	6,000	17,774	68,251
Net profit for the year	-	-	-	-	15,836	15,836
Increase of the Share Capital	12,500	50,374	-	-	-	62,874
Transfer to legal reserve	-	-	533	-	(533)	-
Dividends declared	-	-	-	-	(2,686)	(2,686)
Balance as of 31 December 2010	31,610	73,830	2,444	6,000	30,391	144,275



Statements of cash flows

	Group		Company	
	2010	2009	2010	2009
I. Cash flows from (to) operating activities				
I.1. Net profit	21,875	15,293	15,837	10,665
Adjustments for non-cash items:				
I.2. Income tax expenses	3,732	1,732	2,393	1,856
I.3. Depreciation and amortisation	11,709	4,580	1,184	1,133
I.4. Impairment and discounting of accounts receivable	11,183	7,022	-	882
I.5. Financial activity, net	(1,015)	2,115	(2,519)	(4,979)
I.6. (Gain) loss on disposal of property, plant and equipment	52	(46)	(13)	(4)
	47,536	30,696	16,882	9,553
Changes in working capital:				
I.7. (Increase) decrease in inventories	1,962	3,683	(206)	780
I.8. (Increase) decrease in receivables and other current assets	(23,506)	(16,732)	(16,028)	(30,079)
I.9. (Increase) decrease in prepayments	(127)	(6,719)	(72)	4,470
I.10. Increase (decrease) in trade payables and payables to related parties	12,945	15,386	1,801	20,345
I.11. Income tax (paid)	(6,061)	(4,940)	(2,569)	(2,189)
I.12. Increase (decrease) in advances received and other current liabilities	(3,326)	(4,917)	1,116	8,684
Net cash flows from (to) operating activities	29,423	16,457	924	11,564
II. Cash flows (to) investing activities				
II.1. (Acquisition) of non-current assets (except investments)	(6,335)	(1,830)	(1,143)	(1,340)
II.2. (Acquisition) of investments in subsidiaries and associates (net of cash acquired in the Group)	(58,739)	(24,194)	(56,434)	(11,159)
II.3. Disposal of investments in subsidiaries and associates	257	7,812	-	-
II.4. Interest received	18	135	592	135
II.5. Dividends received	-	-	1,930	5,225
II.6. Loans granted	(8,705)	-	(8,705)	(18,531)
Net cash flows from (to) investing activities	(73,504)	(18,077)	(63,760)	(25,670)
III. Cash flows (to) from financing activities				
III.1. Dividends paid	(2,687)	(639)	(2,687)	(639)
III.2. Contributions of the shareholders	62,914	-	62,873	-
III.3. Proceeds from loans	13,205	24,332	7,916	20,606
III.4. (Repayment) of loans	(9,417)	(18,254)	(3,804)	(4,600)
III.5. (Repayment) of financial lease liabilities	(5,560)	(885)	(265)	(590)
III.6. Interest (paid)	(1,229)	(2,810)	(1,376)	(859)
Net cash flows from (to) financial activities	57,226	1,744	62,657	13,918
IV. Net increase (decrease) increase in cash and cash equivalents	13,145	124	(179)	(188)
V. Cash and cash equivalents at the beginning of the period	5,510	5,386	425	613
VI. Cash and cash equivalents at the end of the period	18,655	5,510	246	425



Notes to the financial statements

1. General Information

AB City Service (hereinafter – “the Company”) is a public limited liability company registered in the Republic of Lithuania on 28 January 1997.

The Company together with the controlled subsidiaries is the leader in the facility management market in the Baltic States. The Company and its subsidiaries provide the facilities management services in the following cities and their regions: in Lithuania – in the cities and towns such as Vilnius, Kaunas, Klaipėda, Šiauliai, Alytus, Utena, Marijampolė, Radviliškis, Palanga, Šilutė, Pagėgiai and regions of these cities and towns; in Latvia – in the city of Riga and other regions; in the Russian Federation – in the city of Saint Petersburg and in Leningrad district. In Ukraine, in the city of Kiev, the subsidiary still had not started to render the facilities management services due to uncertainty of legal and economical conditions of building administration.

1.1. Activities

The Company and its subsidiaries provide the following services: (i) administration, (ii) maintenance of engineering systems (heat and hot water supply, water supply and sewerage, ventilation and cooling, maintenance of power supply systems, etc.); (iii) management of energy resources; (iv) services in the field of technical audits of buildings, consultations on the issues of technical service and usage of energy resources; (v) management of various subcontractors (interior and exterior cleaning, security, repair works and renovation, maintenance of gas supply systems, elevators, etc.); (vi) management of the projects on heating facility renovation; (vii) services on healthcare and security for employees; (viii) waste management; (ix) Elevator installing & technical support;

1.2. Share Capital of the Company

The share capital of the Company is LTL 31,610 thousand as of 31 December 2010. It is divided into 31,610 thousand ordinary shares with the nominal value of LTL 1 each. All shares of the Company are paid up.

The share capital was increased based on the shareholders decision dated 5 October 2009 to increase the authorized share capital by issuing new emission of 12,500 thousand shares. As per Board decision dated 21 December 2009 the price of the new emission was set at LTL 5.06 per share, distribution period – from 28 December 2009 to 13 January 2010. After having successfully issued the new share emission, trade of the new shares of the Company in NASDAQ OMX Vilnius Stock Exchange started on 21 January 2010.

The Company does not have any other classes of shares than ordinary shares mentioned above, there are no any restrictions of share rights or special control rights for the shareholders settled in the Articles of Association of the Company. No shares of the Company are held by itself or its subsidiaries. No convertible securities, exchangeable securities or securities with warrants are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital.

On 31 December 2010 all 31,610 thousand ordinary shares of the Company are included into Official List of NASDAQ OMX Vilnius Stock Exchange (ISIN Code of the shares is [LT0000127375](#)). Trading Code of the shares on NASDAQ OMX Vilnius Stock Exchange is CTS1L.

1.3. Shareholders of the Company

On 31 December 2010 the total number of shareholders of the Company was 1978.

On 31 December 2010 directly or together with the associated persons more than 5 percent of the Company was owned by ICOR UAB, company code 300021944, address Konstitucijos av. 7, Vilnius, and below in the table listed individuals, who control ICOR UAB.



1.3. Shareholders of the Company (cont'd)

Company's shares distribution among shareholders as of 31 December 2010 was the following:

	Number of shares held	Owned percentage of the share capital and votes, %
ICOR UAB	19,751,547	62.50%
Shareholders of ICOR UAB:		
Andrius Janukonis	95,784	0.30 %
Gintautas Jaugielavičius	95,782	0.30 %
Linas Samuolis	95,782	0.30 %
"East Capital Asset Management" AB	3,035,009	9.60 %
Other private and institutional shareholders*	8,536,096	27.00 %
Total	31,610,000	100 %



1.4. City Service Group

On 31 December 2010 the City Service AB group consists of City Service AB and the following subsidiaries (hereinafter referred to as „the Group“):

Company	Country	Share of the stock held by the Group as of 31 Dec 2010	Share of the stock held by the Group as of 31 Dec 2009	Main activities
UAB Žaidas	Lithuania	99.33%	99.33%	Administration of dwelling-houses
UAB Vingio valdos	Lithuania	100%	100%	Administration of dwelling-houses
UAB Buitis be rūpesčių	Lithuania	100%	100%	Administration of dwelling-houses
UAB Sostinės Naujienos	Lithuania	100%	100%	Dormant
UAB Ažuolyno valda	Lithuania	100%	100%	Administration of dwelling-houses
UAB Marių valdos	Lithuania	100%	100%	Administration of dwelling-houses
UAB Pempininkų valdos	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mūsų namų valdos	Lithuania	100%	100%	Administration of dwelling-houses
UAB Namų priežiūros centras	Lithuania	100%	100%	Administration of dwelling-houses
UAB Pašilaita	Lithuania	100%	100%	Administration of dwelling-houses
ОАО Сити Сервис	Russia	100%	100%	Administration of dwelling-houses
ЗАО Сити Сервис	Russia	100%	100%	Administration of dwelling-houses
ОАО Специализи-рованное ремонтно-наладочное управление	Russia	100%	100%	Construction and engineering
SIA Riga City Service	Latvia	100%	100%	Administration of dwelling-houses
ТОВ Київ Сіті Сервіс	Ukraine	100%	100%	Administration of dwelling-houses
UAB Fervėja	Lithuania	100%	100%	Dormant
UAB Saulės valda	Lithuania	100%	100%	Administration of dwelling-houses
UAB Ūkvedys	Lithuania	-	100%	Administration of dwelling-houses
UAB Eco Holding	Lithuania	100%	100%	Development of eco-friendly utilities
UAB Lazdynų būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Vilko pėda	Lithuania	100%	100%	Administration of dwelling-houses
UAB Šilutės butų ūkis	Lithuania	99.84%	99.84%	Administration of dwelling-houses
UAB Antakalnio ūkis	Lithuania	100%	100%	Administration of dwelling-houses
UAB Naujamiesčio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Karoliniškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Viršuliškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Radviliškio komunalinės paslaugos	Lithuania	100%	-	Administration of dwelling-houses
UAB Litmilma	Lithuania	100%	-	Administration of dwelling-houses
UAB Ecoservice	Lithuania	100%	-	Collection and removal of waste
UAB Specialus autotransportas	Lithuania	100%	-	Collection and removal of waste
UAB Trakų rajono komunalinių įmonių kombinatas	Lithuania	99.71%	-	Collection and removal of waste
UAB Pagėgių savivaldybės komunalinis ūkis	Lithuania	66%	-	Dormant
UAB Šiaulių liftas	Lithuania	95.76%	-	Elevator installing & techn. support
UAB Baltijos liftai	Lithuania	100%	-	Elevator installing & techn. support
UAB Baltijos pastatų valdymas	Lithuania	100%	-	Administration of dwelling-houses
UAB Baltijos būsto priežiūra	Lithuania	100%	-	Administration of dwelling-houses
UAB Skolos LT	Lithuania	100%	-	Debt collection services
ООО Жилкомсервис г. Ломоносов	Russia	-	80%	Administration of dwelling-houses
ООО Жилкомсервис № 3 Фрунзенского района	Russia	80%	80%	Administration of dwelling-houses
ООО Жилкомсервис № 2 Невского района	Russia	80%	80%	Administration of dwelling-houses



1.4. City Service Group (cont'd)

During June – July 2010 there was a reorganisation process of UAB Sinsta, which is controlled by AB City Service. As a result, UAB Sinsta was merged with UAB Namų priežiūros centras. On 27 July, 2010 UAB Sinsta was removed from the company register, whereas all the rights and obligations were taken over by UAB Namų priežiūros centras.

During October 2010 there was a reorganisation process of UAB Ūkvedys, which is controlled by AB City Service. As a result, UAB Ūkvedys was merged with UAB Atidumas. On 2 November, 2010 UAB Ūkvedys was removed from the company register, whereas all the rights and obligations were taken over by UAB Atidumas. On 9th December, 2010 UAB Atidumas was renamed into UAB Saulės valda

On 14 of October 2010 according to the decision of the Board of the Company the title and the trends of activities of UAB Šiaulių butų ūkio remonto tarnyba has been changed and the UAB Eco Holding was formed. UAB Eco Holding will execute active development of public utility and environmental business in Lithuania and foreign markets by acquiring enterprises of this branch. UAB Eco Holding will manage UAB Ecoservice and its subsidiaries.

On 23rd of December, 2010 The Company's subsidiary ОАО «Сити Сервис» has sold the shares of the company operating in Lomonosov town of Leningrad district ООО „Жилкомсервис г. Ломоносов“. The value of the contract is the RUB 3 million.

The Group's and the Company's investment in an associate as of 31 December 2010 included an investment in Būsto Administravimo Agentūra UAB (37% of the share capital), which was acquired on 7 November 2005, and an investment in Economus UAB (49% of the share capital).

1.5. Company's Board

As of 31 December 2010, the Board of the Company comprises of the following persons:

Name and surname	Position	Start of term	End of term
Andrius Janukonis	Board Chairman	October 6, 2009	October 6, 2013
Gintautas Jaugielavičius	Board Member	October 6, 2009	October 6, 2013
Darius Leščinskas	Board Member	October 6, 2009	October 6, 2013
Žilvinas Lapinskas	Board Member	April 30, 2010	October 6, 2013

Andrius Janukonis

At present, he is a member of the board of UAB Litesko (since 1999), a member of the board of UAB Vilniaus Energija (since 2002), as well as chairman of the council of the Lithuanian Heat Supplier's Association (since 2005) and a member of the Lithuanian Committee of the World Energy Council since 2005). He works as a consultant for ICOR UAB and is the chairman of the board of the company (since 2004). Andrius Janukonis holds the title to 95,784 shares of the Company and is also a shareholder of ICOR UAB.

Gintautas Jaugielavičius

Concurrently he is a consultant and a member of the Board of ICOR UAB (since May 2004). Gintautas Jaugielavičius owns 95,782 shares of the Company and is the shareholder of ICOR UAB.

Darius Leščinskas

At present, Darius Leščinskas works as a consultant for ICOR UAB and is a member of the board of the company (since 2004) is also a shareholder of ICOR UAB. Darius Leščinskas does not own shares of the Company.



1.5. Company's Board (cont'd)

Žilvinas Lapinskas

Žilvinas Lapinskas is the General Manager of the Company. As the board member he was elected on 30 April, 2010 during the General Meeting of Shareholders. More information about Žilvinas Lapinskas can be found under clause 1.6. of this report called "Company's management".

1.6. Company's Management

As of 31 December, 2010 and as of date of submission of this report, the key managers of the Company and of the Group are as follows:

Name and surname	Position within the Company	Start of employment
Žilvinas Lapinskas	General Manager, the Board member	March 1999
Vytautas Turonis	Executive Manager for Lithuania	May 2004
Jonas Janukėnas	Financial and Administrative Director	May 2007
Arūnas Kubilius	Foreign Markets Head	July 2002
Edvinas Paulauskas	Commercial Director	February 2005

They do not control any shares of the Company.

Žilvinas Lapinskas

Žilvinas Lapinskas, General Manager and the Board member of the Company, has managed the building sector of the Company since the very beginning (in the position of the Sales Manager since 1999, as the Head of building sector management department since 2002, and as the General Manager since 2004).

The current key task for the general manager is the management of the development of the Group both in Lithuania and abroad. He is also direct manager of the Group heating sector renovation projects.

Vytautas Turonis

Vytautas Turonis, Executive Manager for Lithuania, is in charge of the Group's activity in Lithuania, and, together with the General Manager, is in charge of the development of the Group in Lithuania. Vytautas Turonis has been with the Company since 2004; his previous position was the Director of the Markets' Development department.

Jonas Janukėnas

Jonas Janukėnas, Financial and Administrative Director, is in charge of the management of the Group's financial resources, the work of administrative staff, implementation of business management and information systems within the Group. He has been with the Company since 2007.

Arūnas Kubilius

Arūnas Kubilius, Head for the Foreign Markets at City Service AB and General Manager at OAO Сити Сервис (OAO City Service) is in charge of current activities of the Group entities operating in Russia. He has first started at the Company as the Director of Building Sector Management department (since 2002).



1.6. Company's Management (cont'd)

Edvinas Paulauskas

Commercial Director Edvinas Paulauskas is responsible for the activities of the Group within the commercial and public buildings administration area (since 2008). He has previously worked in the Group as a Project Manager (since 2005) and Executive Manager (since 2006).

1.7. Activity and Segment Information

Information on main activity segments:

	2010			2009		
	Heating infrastructure renovation. extra works	Buildings' administration		Heating infrastructure renovation. extra works	Buildings' administration	
		Resale of utility services	Administration services		Resale of utility services	Administration services
Revenue: Company	19,157	-	99,282	31,268	-	93,302
Revenue: Group	19,157	215,999	310,651	31,268	101,361	241,866

Information on main geographical segments for the Group:

	2010		2009	
	Baltic states	CIS States	Baltic states	CIS States
Revenue	199,359	346,448	186,537	187,958
Net profit (loss)	21,231	644*	10,034	5,259

* Including consolidated loss of 2,662 thousand Lit for the year from disposed investment ООО „Жилкомсервис г. Ломоносов“.

Main activity indicators for the Group:

	2010	2009	Change (%)
Area of multi-flat apartment buildings under administration (million square meters)	15.8	15.6	1%
Area of public. commercial building and a typical properties under administration (million square meters)	2.7	2.5	8%
Number of employees	3,011	3,501	(14%)
Sales for the period*	545,807	374,495	46%
Pardavimai (pagrindinė veikla)*	329,808	273,134	21%
Gross margin*	28.1%	24.1%	17%
EBITDA margin*	10.6%	7.5%	41%
EBIT margin*	7.1%	7.5%	(6%)
Net margin*	6.6%	5.6%	18%
Number of shares (thousand)	31,610	19,110	65%
Return on equity	19.4%	24.3%	(20%)
Return on assets	7.5%	8.2%	(8%)
Financial Net Debt to equity**	20%	36%	(45%)

* Calculated by reducing sales for the resale of utility services.

** Interest bearing debt (net of cash balance) to Shareholders' equity.



2. Accounting Policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

3. Goodwill

	Group
Cost:	
Balance as of 31 December 2008	14,816
Additions	16,989
Balance as of 31 December 2009	31,805
Additions	27,282
Disposals	(1,281)
Correction of previous periods	402
Exchange differences	548
Balance as of 31 December 2010	58,756
Impairment:	
Balance as of 31 December 2008	290
Impairment for the year	-
Balance as of 31 December 2009	290
Impairment for the year	-
Balance as of 31 December 2010	290
Net book value as of 31 December 2010	58,466
Net book value as of 31 December 2009	31,515

Acquisitions during 2010

On 5 January 2010, the Company via a 100 % owned subsidiary acquired the title to 100 % shareholding interest in UAB Ecoservice, from a related party UAB Bionovus (a subsidiary of ICOR UAB). Total purchase price is LTL 55 million, of which LTL 7,856 thousand will be paid in cash and LTL 47,144 thousand shall be paid by issuing ordinary shares of the Company (9,316,931 units). UAB Ecoservice has two subsidiaries: UAB Specialus Autotransportas and UAB Traku Rajono Komunalinių Įmonių Kombinas, performing its operations (waste collection business) in the regions of Vilnius, Klaipėda and Trakai.

On 23 March, 2010 City Service AB acquired 49 % share stock of Economus UAB, company code 300582646, and with the shareholders of Economus UAB signed shareholders' agreement of company control. Economus UAB provides individual residential house maintenance and environmental care services.

In May 2010 the subsidiary of City Service, AB won the auction of the privatisation of Radviliškis komunalinės paslaugos, UAB and on 23 of July the 100 per cent of Radviliškio komunalinės paslaugos, UAB shares were acquired. The value of the contract is LTL 1.635 million. Radviliškis komunalinės paslaugos, UAB maintains the area of the apartment buildings of 220 thousand square metres in Radviliškis district.

On 17 August City Service, AB, through its subsidiary company, has acquired 100 percent of Litmilma, UAB, shares, legal entity code 220664740. The value of the contract is LTL 2.4 million.

On 8 November 2010 the subsidiary of City Service has acquired 95.76 per cent of Šiaulių liftas UAB, legal entity code 144707512, shares. The value of the contract is the LTL 1 million. Šiaulių liftas UAB provides the elevator installing and technical support.

At the acquisition of these subsidiaries goodwill of LTL 27,282 thousand has been accounted for (the rest of it classified under intangible assets caption). The goodwill appears due to expected synergies.



3. Goodwill (cont'd)

The differences between the amounts paid and the fair values of assets acquired and liabilities and contingent liabilities assumed for the acquisitions of 2010 were as follows:

	UAB „Ecoservice“	UAB „Radviliškio komunalinės paslaugos“	UAB „Litmilma“	UAB „Šiaulių liftas“
Date of acquisition	5 January, 2010	23 July, 2010	17 August, 2010	8 November, 2010
Fair value of acquired assets, liabilities and contingent liabilities attributable to the Group	27,957	1,690	2,293	936
Goodwill	27,043	(55)	199	95
Total purchase consideration	55,000	1,635	2,492	1,031
Cash acquired	615	273	858	420
Total purchase consideration, net of cash acquired	54,385	1,362	1,634	611

4. Other Intangible Assets

Movement of other intangible assets of the Group during 2010 and 2009 is presented below:

	Group	Company
Cost:		
Balance as of 31 December 2008	9,009	374
Additions arising from acquisitions of subsidiaries	55,036	-
Additions	19	19
Disposals	(20)	(1)
Exchange differences	4	-
Retirements	(7)	-
Balance as of 31 December 2009	64,041	392
Additions arising from acquisitions of subsidiaries	31	-
Additions	19,578	790
Disposals	(2)	(2)
Exchange differences	21	-
Retirements	(106)	(24)
Balance as of 31 December 2010	83,563	1,156
Accumulated amortisation:		
Balance as of 31 December 2008	535	297
Charge for the year	1,454	59
Disposals	(1)	(1)
Exchange differences	(2)	-
Retirements	(7)	-
Balance as of 31 December 2009	1,979	355
Charge for the year	3,204	41
Disposals	(1)	-
Retirements	(106)	(24)
Balance as of 31 December 2010	5,076	372
Net book value as of 31 December 2010	78,487	784
Net book value as of 31 December 2009	62,062	37



4. Other Intangible Assets (cont'd)

The Group and the Company has not capitalised any internally generated intangible assets. Amortisation expenses of intangible assets are included within general and administrative expenses in the income statement.

5. Property, Plant and Equipment

Movement of the property, plant and equipment during 2010 and 2009 can be specified as follows:

Group	Buildings	Vehicles	Other property. plant and equipment	Construc- tion in progress	Total
Cost:					
Balance as of 31 December 2008	12,486	4,975	2,664	164	20,289
Additions arising from acquisitions of subsidiaries	10,108	741	585	48	11,482
Additions	85	736	944	380	2,145
Disposals	(12)	(369)	(184)	-	(565)
Exchange differences	-	51	10	12	73
Retirements	(14)	(92)	(125)	(60)	(291)
Reclassifications	-	221	(221)	-	-
Balance as of 31 December 2009	22,653	6,263	3,673	544	33,133
Additions arising from acquisitions of subsidiaries	1,334	12,681	6,220	564	20,799
Additions	-	3,050	4,121	779	7,950
Disposals	(367)	(672)	(336)	-	(1,375)
Exchange differences	-	145	57	-	202
Retirements	-	(227)	(3,253)	(687)	(4,167)
Balance as of 31 December 2010	23,620	21,240	10,482	1,200	56,542
Accumulated depreciation:					
Balance as of 31 December 2008	424	1,622	1,269	-	3,315
Charge for the year	1,075	1,072	959	-	3,106
Disposals	-	(263)	(148)	-	(411)
Exchange differences	-	7	3	-	10
Retirements	-	(4)	(114)	-	(118)
Reclassifications	-	165	(165)	-	-
Balance as of 31 December 2009	1,499	2,599	1,804	-	5,902
Charge for the year	1,127	3,270	3,529	-	7,926
Disposals	(56)	(356)	(145)	-	(557)
Exchange differences	-	39	35	-	74
Retirements	-	(255)	(3,437)	-	(3,692)
Balance as of 31 December 2010	2,570	5,297	1,786	-	9,653
Net book value as of 31 December 2010	21,050	15,943	8,696	1,200	46,889
Net book value as of 31 December 2009	21,154	3,664	1,869	544	27,231



6. Investment Property

Movement of the Groups' investment property during 2010 and 2009 is presented below:

	Buildings
Cost:	
Balance as of 31 December 2008	759
Reclassifications to property, plant and equipment	(29)
Balance as of 31 December 2009	730
Reclassifications to property, plant and equipment	-
Balance as of 31 December 2010	730
Accumulated depreciation:	
Balance as of 31 December 2008	101
Reclassifications to property, plant and equipment	-
Charge for the year	20
Balance as of 31 December 2009	121
Reclassifications to property, plant and equipment	-
Charge for the year	20
Balance as of 31 December 2010	141
Net book value as of 31 December, 2010	589
Net book value as of 31 December, 2009	609

Investment property includes part of office building in Vilnius and premises in Alytus owned by UAB Pašilaita leased to other entities. The expenses related to investment property comprising of depreciation charge are included under the cost of sales caption in the statement of comprehensive income. The fair value of investment property as of 31 December 2010 is estimated by the management to approximately LTL 700 thousand.

As of 31 December 2010 investment property of the Group with a net book value of LTL 589 thousand was pledged to banks as collateral for the loans.

7. Investments to Subsidiaries

The Company's investments into subsidiaries as of 31 December 2010 and 31 December 2009 are as follows:

	31 December, 2010	31 December, 2009
Cost of investments at the beginning of the year	45,419	30,177
Increase of authorised share capital of UAB Šiaulių Butų Remonto Tarnyba	55,000	-
Increase of authorised share capital of UAB Naujamiesčio būstas	23,943	-
Increase of authorised share capital of UAB Namų priežiūros centras	6,234	-
Establishment of four new subsidiaries: UAB Baltijos liftai, UAB Baltijos pastatų valdymas, UAB Baltijos būsto priežiūra, UAB Skolos LT	40	-
Increase of authorised share capital of UAB Baltijos liftai	1,000	-
Disposal of Atidumas UAB to Ūkvedys UAB	(3,413)	-
Acquisition of UAB Fervėja	-	12,968
Acquisition of non-controlling interest of UAB Pempininkų valdos	-	100
Increase of authorised share capital of OAO City Service	-	1,133
Set-off loss of OAO City Service carried from 2008	-	1,785
Acquisition of UAB Šiaulių Butų Remonto Tarnyba	-	91
Impairment of investment in Šiauliai	-	(711)
Impairment of investment in TOB Kiev City Service	(87)	(124)
Cost of investments at the period end	128,136	45,419



8. Borrowings

Borrowings of the Group and the Company as of 31 December 2010 and 31 December 2009 were as follows:

Creditor	Currency of the loan	Amount of the loan (in currency of the loan)	Final repayment date	Group		Company	
				Balance as of 31 December 2010 (in LTL)	Balance as of 31 December 2009 (in LTL)	Balance as of 31 December 2010 (in LTL)	Balance as of 31 December 2009 (in LTL)
Current loans							
Swedbank, AB (overdraft)	EUR	1,448	17.08.2011	5,000	5,000	5,000	5,000
Swedbank, AB (overdraft)	LTL	5,000	17.08.2011	4,465	887	4,465	887
Tax loan (UAB Naujamiesčio būstas)	LTL	1,040	10.06.2010	-	416	-	-
Group Account (eliminated in the consolidated group accounts)*	Unspecified	Unspecified	Unspecified	-	-	4,953	3,430
Current loan balance				9,465	6,303	14,418	9,317
Non-current loans							
Swedbank, AB	EUR	10,486	09.08.2015	27,775	28,765	27,775	28,765
DnB NORD bankas, AB (UAB Ecoservice)	EUR	435	30.11.2012	1,389	-	-	-
UAB Bionovus (UAB Ecoservice)	LTL	2,177	31.12.2012	1,218	-	-	-
Less: current portion of non-current borrowings				(7,116)	(7,116)	(7,116)	(7,116)
Non-current loan balance				23,266	21,649	20,659	21,649

* Based overdraft facility agreement signed on 25 August 2008 with the Company, its subsidiaries operating in Lithuania and with Swedbank, AB, the Group can utilise net cash balances of the Company and its subsidiaries operating in Lithuania as inter-group borrowings.

For the loan and overdraft facility the Company and its subsidiaries have pledged to the bank real estate and bank accounts of the Company and its subsidiaries in Lithuania.

9. Cost of Sales

	Group		Company	
	2010	2009	2010	2009
Services of subcontractors and materials used	374,993	250,606	66,247	83,162
Wages and salaries and social security	64,417	52,205	19,643	17,271
Cost of goods sold	6,337	5,455	1,155	632
Depreciation	4,396	487	-	-
Other	2,925	-	-	-
Total cost of sales	453,068	308,753	87,045	101,065



10. General and Administrative Expenses

	Group		Company	
	2010	2009	2010	2009
Wages and salaries and social security	28,865	17,013	6,535	5,266
Allowance for and write-off of receivables	11,602	6,743	74	881
Depreciation and amortisation	7,297	4,013	1,169	1,089
Commissions for collection of payments	4,209	840	1,609	1,692
Consulting and similar expenses	2,967	2,041	1,017	884
Rent of premises and other assets	2,410	1,822	458	1,112
Computer software maintenance	2,073	608	46	44
Utilities	1,551	677	333	250
Fuel expenses	1,362	508	162	134
Transportation	1,233	445	159	209
Advertising	1,232	678	857	557
Communication expenses	1,159	891	233	289
Business trips and training	1,059	725	857	546
Taxes other than income tax	751	354	22	22
Representational costs	669	-	407	-
Charity and support	630	453	554	443
Bank payments	570	-	55	-
Insurance	452	487	135	226
Vacation pay accrual	404	1,405	32	298
Other	2,279	5,843	1,830	1,936
Total general and administrative expenses	72,774	45,546	16,544	15,878

11. Other Operating Income (expenses), net

	Group		Company	
	2010	2009	2010	2009
Income from rent (net)	102	483	149	162
Gain (loss) on disposal of property, plant and equipment	52	46	(84)	4
Depreciation of rented assets	(16)	(42)	(16)	(42)
Fines and penalties, net	1,416	132	-	-
Other income (expenses), net	1,874	(227)	822	(77)
Total other operating activity	3,428	392	871	47



12. Finance Income and (Expenses), net

	Group		Company	
	2010	2009	2010	2009
Interest income	687	215	1,683	1,768
Dividend income	-	-	1,930	5,225
Foreign currency exchange gain	1,101	75	34	71
Gain on sale of investments	1,757	426	-	-
Other financial income	257	174	295	31
Total finance income	3,802	890	3,942	7,095
Interest (expenses)	(1,433)	(2,796)	(1,379)	(1,179)
Foreign currency exchange loss	(93)	(1,078)	(43)	(206)
Impairment of investments	-	-	-	(835)
Discounting effect of long-term loans	-	(240)	-	-
Other financial (expenses)	(62)	(379)	(12)	(28)
Total finance (expenses)	(1,588)	(4,493)	(1,434)	(2,248)
Financial activity, net	2,214	(3,603)	2,508	4,847

13. Related Party Transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Group and the Company and considered the following:

- UAB „ICOR“ - the shareholder of the Company;
- Subsidiaries of UAB „ICOR“ (same ultimate controlling shareholder);
- Subsidiaries of AB City Service (for the list of the subsidiaries, see also Note 1)
- Mr. Ž. Lapinskas (General Manager and the Board Member of the Company).

Transactions with related parties include sales and purchases of goods and services in the ordinary course of business, and acquisitions and disposals of property, plant and equipment. Property, plant and equipment to related parties in 2010 was sold for the net book value.

The sales price for the intercompany subsidiary purchase and sale transactions are established by the management and shareholders of the UAB ICOR and AB City Service considering the results of independent valuations, if any, undertaken for the purposes of the transfer pricing regulations – which may not always be at their fair value.

There are no guarantees or pledges given or received in respect of the related party payables and receivables. Related party receivables and payables are expected to be settled in cash or set-off against payables / receivables to / from a respective related party.



13. Related Party Transactions (cont'd)**2010**

Group	Purchases	Sales	Receivables and prepayments	Loans granted	Payables (long and short-term)
UAB ICOR	2,787	2,821	336	-	1,465
Subsidiaries of UAB ICOR					
AB Axis Industries	20,265	1,260	42	-	6,457
Other subsidiaries of UAB ICOR	1,057	2,163	3,181	-	1,426
Management of the Company	-	15	352	650	-
Shareholders of the Company	-	-	19	-	-
Total	24,109	6,259	3,930	650	9,348

2010

Company	Purchases	Sales	Receivables and prepayments	Loans granted	Payables
UAB ICOR	1,936	2,821	336	-	1,231
Subsidiaries of UAB ICOR:					
AB Axis industries	19,869	1,216	36	-	6,261
Other subsidiaries of UAB Rubicon Group	38	1,249	3,086	-	-
Subsidiaries of the Company	7,480	28,203	30,262	-	1,291
Management of the Company	-	15	352	650	-
Shareholders of the Company	-	-	19	-	-
Total	29,323	33,504	34,091	650	8,783

14. Subsequent Events

On January 2011 The Company has acquired a group of private companies in the city of Stavropol, Russia. The group consists of 17 separate companies. The value of the contract is the RUB 68.5 million. The acquired companies manage approximately 2 million square meters of residential buildings.

On 11 February 2011 the shareholder of the Company East Capital Asset Management AB has acquired 19.5 thousand shares of the Company and crossed the 10 percent limit.

