



City Service AB

Consolidated and parent company's interim financial
statements for the nine months of 2012
(unaudited)

Statements of financial position

	Group		Company	
	As of 30 September 2012	As of 31 December 2011	As of 30 September 2012	As of 31 December 2011
Assets				
Non-current assets				
Goodwill	66,934	68,157	-	-
Other intangible assets	65,395	78,692	3	1,186
Property, plant and equipment	50,451	52,751	393	4,044
Investment property	316	382	-	-
Investments into subsidiaries	-	-	156,909	127,913
Investments into associates	578	578	-	-
Non-current financial assets receivables and prepayments	4,656	10,960	687	6,733
Deferred income tax asset	9,251	9,243	303	736
Total non-current assets	197,581	220,763	158,295	140,612
Current assets				
Inventories	5,050	4,040	16	701
Prepayments	6,250	8,911	107	252
Trade receivables	87,804	77,376	17,549	20,558
Receivables from related parties (including loans granted)	1,369	1,309	20,205	35,284
Other receivables and current assets	7,281	7,116	1,308	4,196
Cash and cash equivalents	19,399	25,050	64	216
Total current assets	127,153	123,802	39,249	61,207
Total assets	324,734	344,565	197,544	201,819



Statements of financial position (cont'd)

	Group		Company	
	As of 30 September 2012	As of 31 December 2011	As of 30 September 2012	As of 31 December 2011
Equity and liabilities				
Equity attributable to equity holders of the Company				
Share capital	31,610	31,610	31,610	31,610
Reserves and share premium	83,002	83,002	82,991	82,991
Foreign currency translation	(1,781)	(1,824)	-	-
Retained earnings (deficit)	67,306	63,451	26,661	33,087
	180,137	176,239	141,262	147,688
Non-controlling interests	1,771	2,231	-	-
Total equity	181,908	178,470	141,262	147,688
Liabilities				
Non-current liabilities				
Non-current borrowings	13,160	18,497	13,080	18,417
Financial lease obligations	7,648	6,207	267	1,596
Deferred income tax liabilities	13,107	15,306	-	-
Non-current payables	6,221	6,651	360	503
Total non-current liabilities	40,136	46,661	13,707	20,516
Current liabilities				
Current portion of non-current borrowings	7,385	8,103	7,116	7,116
Current portion of financial lease obligations	1,846	3,859	12	569
Short term loans	8,420	856	17,606	3,148
Trade payables	32,771	59,035	761	4,334
Payables to related parties	8,732	13,212	12,119	13,559
Advances received	18,363	14,047	1,644	1,490
Other current liabilities	25,173	20,322	3,317	3,399
Total current liabilities	102,690	119,434	42,575	33,615
Total equity and liabilities	324,734	344,565	197,544	201,819



Statements of comprehensive income (for the period 1 January – 30 September)

	Group		Company	
	2012 Q3	2011 Q3	2012 Q3	2011 Q3
Sales	389,014	379,787	37,301	79,723
Cost of sales	(303,833)	(306,975)	(29,522)	(59,043)
Gross profit (loss)	85,181	72,812	7,779	20,680
General and administrative expenses	(62,553)	(55,246)	(7,815)	(13,619)
Other operating income (expenses)	(738)	1,542	1,760	69
Profit (loss) from operations	21,890	19,108	1,724	7,130
Income from financial and investment activities, net	(7,726)	(1,655)	(429)	2,959
Profit (loss) before tax	14,164	17,453	1,295	10,089
Income tax	(2,248)	(145)	(451)	(1,030)
Net profit (loss)	11,916	17,308	844	9,059
Other comprehensive income				
Exchange differences on translation of foreign operations	43	728	-	-
Total comprehensive income for the year, net of tax	11,959	18,036	844	9,059
Attributable to:				
The shareholders of the Company	11,125	17,116	844	9,059
Non-controlling interests	791	192	-	-
	11,916	17,308	844	9,059
Total comprehensive income attributable to:				
The shareholders of the Company	11,168	17,844	844	9,059
Non-controlling interests	791	192	-	-
	11,959	18,036	844	9,059
Basic and diluted earnings per share (LTL)	0.35	0.54		



Statements of comprehensive income (for the period 1 July – 30 September)

	Group		Company	
	2012 Q3	2011 Q3	2012 Q3	2011 Q3
Sales	118,294	111,697	3,138	22,592
Cost of sales	(87,951)	(87,821)	(3,668)	(17,129)
Gross profit (loss)	30,343	23,876	(530)	5,463
General and administrative expenses	(20,500)	(19,314)	(1,681)	(4,225)
Other operating income (expenses)	(78)	959	70	35
Profit (loss) from operations	9,765	5,521	(2,141)	1,273
Income from financial and investment activities, net	(7,178)	(1,121)	(193)	(47)
Profit (loss) before tax	2,587	4,400	(2,334)	1,226
Income tax	(686)	1,871	355	299
Net profit (loss)	1,901	6,271	(1,979)	1,525



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 1 January 2011	31,610	73,830	2,455	(1,712)	6,000	43,346	155,529	1,396	156,925
Net profit for the year	-	-	-	-	-	17,116	17,116	192	17,308
Income (expenses) for the year recognised directly in equity	-	-	-	728	-	-	728	-	728
Total income and (expense) for the year	-	-	-	728	-	17,116	17,844	192	18,036
Transfer to legal reserve	-	-	717	-	-	(717)	-	-	-
Dividends declared	-	-	-	-	-	(7,903)	(7,903)	-	(7,903)
Balance as of 30 September 2011	31,610	73,830	3,172	(984)	6,000	51,842	165,470	1,588	167,058
Balance as of 1 January 2012	31,610	73,830	3,172	(1,824)	6,000	63,451	176,239	2,231	178,470
Net profit for the year	-	-	-	-	-	11,125	11,125	791	11,916
Income (expenses) for the year recognised directly in equity	-	-	-	43	-	-	43	-	43
Total income (expense) for the year	-	-	-	43	-	11,125	11,168	791	11,959
Disposal of subsidiary	-	-	-	-	-	-	-	(1,251)	(1,251)
Dividends declared	-	-	-	-	-	(7,270)	(7,270)	-	(7,270)
Balance as of 30 September 2012	31,610	73,830	3,172	(1,781)	6,000	67,306	180,137	1,771	181,908

<u>Company</u>	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings (deficit)	Total
Balance as of 1 January 2011	31,610	73,830	2,444	6,000	29,604	143,488
Net profit for the year	-	-	-	-	9,059	9,059
Transfer to legal reserve	-	-	717	-	(717)	-
Dividends declared	-	-	-	-	(7,903)	(7,903)
Balance as of 30 September 2011	31,610	73,830	3,161	6,000	30,043	144,644
Balance as of 1 January 2012	31,610	73,830	3,161	6,000	33,087	147,688
Net profit for the year	-	-	-	-	844	844
Dividends declared	-	-	-	-	(7,270)	(7,270)
Balance as of 30 September 2012	31,610	73,830	3,161	6,000	26,661	141,262



Statements of cash flows

	Group		Company	
	2012 Q3	2011 Q3	2012 Q3	2011 Q3
I. Cash flows from (to) operating activities				
I.1. Net profit	11,916	17,308	844	9,059
Adjustments for non-cash items:				
I.2. Income tax expenses	2,248	145	451	1,030
I.3. Depreciation and amortisation	9,978	9,115	231	1,108
I.4. Impairment and discounting of accounts receivable	6,936	3,111	(815)	-
I.5. Loss from sale of investments	7,367	-	-	-
I.6. Financial activity, net	1,985	1,372	451	(2,943)
I.7. (Gain) loss on disposal of property, plant and equipment	(402)	511	(13)	(5)
	40,028	31,562	1,149	8,249
Changes in working capital:				
I.8. (Increase) decrease in inventories	(1,334)	(95)	685	(370)
I.9. (Increase) decrease in receivables and other current assets	(27,187)	20,234	3,827	18,669
I.10. (Increase) decrease in prepayments	(3,092)	1,297	145	(227)
I.11. Increase (decrease) in trade payables and payables to related parties	(13,434)	(36,516)	(5,156)	(11,180)
I.12. Income tax (paid)	(3,524)	(4,416)	433	(1,950)
I.13. Increase (decrease) in advances received and other current liabilities	13,615	20,291	72	9,806
Net cash flows from (to) operating activities	5,072	32,357	1,155	22,997
II. Cash flows (to) investing activities				
II.1. (Acquisition) of non-current assets (except investments)	(1,785)	(9,161)	(859)	(428)
II.2. (Acquisition) of investments in subsidiaries and associates (net of cash acquired in the Group)	(2,342)	(5,914)	(21)	(690)
II.3. Disposal of investments in subsidiaries, net	3,898	-	-	-
II.4. Interest received	302	40	85	34
II.5. Dividends received	-	-	-	2,957
II.6. Loans granted	-	(1,009)	(40)	(6,932)
Net cash flows from (to) investing activities	73	(16,044)	(835)	(5,059)
III. Cash flows (to) from financing activities				
III.1. Dividends (paid)	(7,270)	(7,903)	(7,270)	(7,903)
III.2. Repayment proceeds from loans	7,564	(1,201)	15,523	(6,512)
III.3. (Repayment) of financial lease liabilities	(10,168)	(4,249)	(7,812)	(757)
III.4. Interest (paid)	(922)	(1,233)	(913)	(1,255)
Net cash flows from (to) financial activities	(10,796)	(14,586)	(472)	(16,427)
IV. Net increase (decrease) increase in cash and cash equivalents	(5,651)	1,727	(152)	1,511
V. Cash and cash equivalents at the beginning of the period	25,050	17,435	216	296
VI. Cash and cash equivalents at the end of the period	19,399	19,162	64	1,807



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 City Service group is the market leader in facility management and integrated utility services in the Baltic States. It provides services in the following cities and regions: in the municipalities of Vilnius, Kaunas, Klaipėda, Šiauliai, Alytus, Utena, Marijampolė, Palanga, Trakai, Širvintos, Radviliškis, Neringa, Varėna, Kazlų Rūda, Vilkaviškis, Šilutė and Pagėgiai in Lithuania; in Riga and separate regions in Latvia; in St. Petersburg and Stavropol in the Russian Federation.

1.1. Activities

The Company provides facility management; maintenance and repair of engineering systems; management and renovation of energy resources; technical and energy audit of buildings; waste management and eco-business; maintenance of elevators; maintenance and cleaning of territories.

The most important buildings segment administered by the City Service group: are residential apartment buildings; commercial buildings; public buildings; industrial buildings. The total area of buildings under the management of the Group is 16.1 million sq. m. at present.

1.2. Share Capital of the Company

The share capital of the Company is LTL 31,610 thousand as of 30 September 2012. 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 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 30 September 2012 all 31,610 thousand ordinary shares of the Company are included into the 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 30 September 2012 the total number of shareholders of the Company was 1978.

Company's shares distribution among shareholders as of 30 September 2012 was the following:

	Number of shares held	Owned percentage of the share capital and votes, %
ICOR UAB	20,205,595	63.92%
“East Capital Asset Management“ AB	3,167,722	10.02%
Genesis Asset Managers, LLP	1,644,183	5.20%
Other private and institutional shareholders	6,592,500	20.86%
Total	31,610,000	100%



1.4. City Service Group

On 30 September 2012 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 30 September 2012	Share of the stock held by the Group as of 31 Dec 2011	Main activities
UAB Antakalnio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB ANV Capital (now – UAB Sinsta)	Lithuania	100%	-	Dormant
UAB Aukštaitijos būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Baltijos būsto priežiūra	Lithuania	100%	100%	Administration of dwelling-houses
UAB Baltijos liftai	Lithuania	100%	100%	Elevator installing & tech. support
UAB Baltijos NT valdymas	Lithuania	100%	-	Real estate management
UAB Baltijos pastatų valdymas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Būsto administravimo agentūra	Lithuania	100%	100%	Administration of dwelling-houses
UAB Dainavos būstas	Lithuania	100%	-	Dormant
UAB Danės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Ekonomus	Lithuania	100%	100%	Administration of dwelling-houses
UAB Ecoservice	Lithuania	100%	100%	Collection and removal of waste
UAB Justiniškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Jūros būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Kauno centro būstas	Lithuania	100%	-	Dormant
UAB Karoliniškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Komunalinių įmonių kombinatas	Lithuania	99.71%	99.71%	Collection and removal of waste
UAB Lazdynų būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano būstas LT	Lithuania	100%	100%	Commercial real estate management and building maintenance
UAB Namų priežiūros centras	Lithuania	100%	100%	Administration of dwelling-houses
UAB Naujamiesčio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Nemuno būsto priežiūra	Lithuania	100%	-	Dormant
UAB Pagėgių savivaldybės komunalinis ūkis	Lithuania	66%	66%	Dormant
UAB Pašilaičių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Pempininkų būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Radviliškio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Skolos LT	Lithuania	100%	100%	Debt collection services
UAB Specialus autotransportas	Lithuania	100%	100%	Collection and removal of waste
UAB Šiaulių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Šiaulių liftas	Lithuania	100%	100%	Elevator installing & tech. support
UAB Šilutės būstas	Lithuania	99.84%	99.84%	Administration of dwelling-houses
UAB Tvar.com	Lithuania	100%	100%	Collection and removal of waste
UAB Vėtrungės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Vilkpėdės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Vingio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Viršuliškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Žaidas	Lithuania	99.33%	99.33%	Administration of dwelling-houses
UAB Žardės būstas	Lithuania	100%	100%	Administration of dwelling-houses



UAB Žirmūnų būstas	Lithuania	100%	-	Administration of dwelling-houses
SIA Riga City Service	Latvia	100%	100%	Administration of dwelling-houses
INTERBUD MAX Sp. z.o.o	Poland, Krakow	100%	100%	Dormant
ТОВ Київ Сіті Сервіс	Ukraine	100%	100%	Administration of dwelling-houses
ОАО Сити Сервис / ОАО City service	Russia, St. Petersburg	100%	100%	Administration of dwelling-houses
ЗАО Сити Сервис / ZAO City service	Russia, St. Petersburg	100%	100%	Administration of dwelling-houses
ОАО Специализи-рованное ремонтно-наладочное управление	Russia, St. Petersburg	100%	100%	Construction and engineering
ООО Жилкомсервис № 3 Фрунзенского района	Russia, St. Petersburg	80%	80%	Administration of dwelling-houses
ООО «Чистый дом»	Russia, St. Petersburg	100%	100%	Maintenance and cleaning of territories
ООО «Управляющая компания -1»	Russia, Stavropol	76%	76%	Administration of dwelling-houses
ООО «ПРОМИНТЕР - управление проектами»	Russia, Stavropol	100%	100%	Administration of dwelling-houses
ООО «Управляющая компания -2»	Russia, Stavropol	76%	76%	Administration of dwelling-houses
ООО «Управляющая компания -3»	Russia, Stavropol	76%	76%	Administration of dwelling-houses
ООО «Управляющая компания -4»	Russia, Stavropol	76%	76%	Administration of dwelling-houses
ООО «Управляющая компания -5»	Russia, Stavropol	76%	76%	Administration of dwelling-houses
ООО «УК -5»	Russia, Stavropol	100%	100%	Administration of dwelling-houses
ООО «Управляющая компания -6» (legal entity code 2635085674)	Russia, Stavropol	76%	76%	Administration of dwelling-houses
ООО «Управляющая компания -6» (legal entity code 2635105070)	Russia, Stavropol	100%	100%	Administration of dwelling-houses
ООО «Жилищная Управляющая компания № 6»	Russia, Stavropol	100%	100%	Administration of dwelling-houses
ООО «Объединенная управляющая компания – 7»	Russia, Stavropol	100%	100%	Administration of dwelling-houses
ООО «Обслуживающая управляющая компания-7»	Russia, Stavropol	100%	100%	Administration of dwelling-houses
ООО «Управляющая компания – 8» (legal entity code 2635105218)	Russia, Stavropol	100%	100%	Administration of dwelling-houses
ООО «Управляющая компания – 8» (legal entity code 2635085459)	Russia, Stavropol	76%	76%	Administration of dwelling-houses
ООО «Управляющая компания – 10»	Russia, Stavropol	100%	100%	Administration of dwelling-houses

The Group's and the Company's investment in an associate as of 30 September 2012 included an investment in Marijampolės butų ūkis UAB (34% of the share capital).



1.5. Company's Board

As of 30 September 2012, 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

They do not control any shares of the Company.



Andrius Janukonis

Andrius Janukonis (born in 1971) is the Chairman of the Board of AB City Service (since 2009). He holds a Master's degree in Law. He works as a consultant for ICOR UAB and is the chairman of the board of the company (since 2004).

Gintautas Jaugielavičius

Gintautas Jaugielavičius (born in 1971) is a Member of the Board of AB City Service (since 2005). He holds a Bachelor's degree in Economics. At present, he works as a consultant for ICOR UAB and is a member of the board of the company (since 2004).



Darius Leščinskas

Darius Leščinskas (born in 1968) is a Member of the Board of AB City Service (since 2009). He holds a Master's degree in Law. At present, he works as a consultant for ICOR UAB and is a member of the board of the company (since 2004).

Žilvinas Lapinskas

Refer described below (note 1.6).



1.6. Company's Management

As of 30 September 2012 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
Jonas Janukėnas	Financial and Administrative Director	May 2007
Vytautas Turonis	Executive Manager for Lithuania	May 2004
Tomas Augutavičius	Chairman of the Board of City Service group in Russia	June 2006
Edvinas Paulauskas	Commercial Director	February 2005

They do not control any shares of the Company.



Žilvinas Lapinskas

Žilvinas Lapinskas (born in 1976) is the General Manager of AB City Service (since 2004). He completed business administration studies. He started working in the Company in 1999 and worked as the Commercial Manager (1999 – 2002) and the Facilities Management Department Head (2002 – 2004).

At present, the main task of the General Manager is to head the holding and take charge of planning and coordination of important development projects in Russia, Poland, as well as other markets in Eastern and Western Europe.



Jonas Janukėnas

Jonas Janukėnas (born in 1976) is the Financial and Administrative Manager of AB City Service (since 2007). Since 2012, Mr. Janukėnas is also the Chairman of the Board at Mano būstas LT. He holds a Master's degree in Business Administration. Prior to coming to work at the Company, he worked as the Senior Auditor and Risk Management Consultant at the Vilnius division of Andersen (1998 – 2001) and the Financial Manager of UAB Litesko (2001 – 2007).

The Finance and Administrative Manager Jonas Janukėnas is responsible for the management of financial resources of the Group and for supervision of the administrative staff, IT projects implementation and Lean 6 Sigma project.



Vytautas Turonis

Vytautas Turonis (born 1972 m.) is the General Manager at Mano būstas LT UAB and works as the Executive Manager for Lithuania at City Service AB. He holds a Bachelor's degree in International Business. Previously he worked as the Marketing Manager of UAB Specialus Autotransportas (2003 – 2004). He started to work in the Company as the Market Development Department Manager (2004 – 2008).

General Manager is responsible for the Group's activities throughout Lithuania.



1.6. Company's Management (cont'd)



Tomas Augutavičius

Tomas Augutavičius (born 1973 m.) is the Chairman of the Board of City Service group in Russia (since 2009). He holds a Bachelor degree in technology. He started working in the Company as Head of Kaunas Department (2006 - 2009).

The Chairman of the Board of City Service group in Russia Tomas Augutavičius is responsible for activities of companies operating in Russia.



Edvinas Paulauskas

Edvinas Paulauskas (born in 1976) is the Commercial Manager of AB City Service (since 2008). He holds a Bachelor's degree in Environment Engineering. Edvinas Paulauskas started working in the Company in 2005 and worked as the Project Manager (2005-2006) and Executive Manager (2006-2008).

At present, the Commercial Manager Edvinas Paulauskas is responsible for the facility management projects of commercial and public establishments.

1.7. Activity and Segment Information

Information on main activity segments:

	2012 Q3				2011 Q3		
	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	-	-	37,301	4,151	-	75,572	
Revenue: Group	-	124,455	264,559	4,151	147,882	227,754	

Information on main geographical segments for the Group:

	2012 Q3		2011 Q3	
	Baltic states	CIS States	Baltic states	CIS States
Revenue	179,705	209,309	158,085	221,702
Net profit (loss)	12,017	7,266*	15,404	1,904

* ООО «Жилкомсервис № 2 Невского района» disposal result excluded.



Main activity indicators for the Group:

	2012 Q3	2011 Q3	Change (%)
Area of multi-flat apartment buildings under administration (million square meters)	13.0	17.0	(23.5%)
Area of public. commercial building and a typical properties under administration (million square meters)	3.1	2.9	14.8%
Number of employees	3,028	3,455	(12.4%)
Sales for the period*	389,014	379,787	2.4%
Sales (main activity)*	264,559	231,905	14.1%
Gross margin*	32.2%	31.4%	2.5%
EBITDA margin*	12.0%	12.2%	(1.0%)
EBIT margin*	8.3%	8.2%	0.4%
Net margin*	4.5%	7.5%	(39.7%)
Number of shares (thousand)	31,610	31,610	0%
Return on equity	6.6%	10.7%	(38.1%)
Return on assets	3.6%	5.1%	(30.2%)
Financial Net Debt to equity**	0.63%	6%	(89.3%)

* 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 1 January 2011	64,474
Additions	4,076
Exchange differences	(103)
Balance as of 31 December 2011	68,447
Additions	7,701
Disposals	(8,924)
Balance as of 30 September 2012	67,224
Impairment:	
Balance as of 1 January 2011	290
Impairment for the year	-
Balance as of 31 December 2011	290
Impairment for the year	-
Balance as of 30 September 2012	290
Net book value as of 30 September 2012	66,934
Net book value as of 31 December 2011	68,157



3. Goodwill (cont'd)

Investments and other changes during the first nine months of the year 2012

On 10-12 January 2012 the Company established three new subsidiaries – Nemuno būsto priežiūra UAB, Baltijos NT valdymas UAB and Neris būstas UAB (now Dainavos būstas UAB). Establishment of the companies is related to planned expansion in Lithuania. As a result, no goodwill has been accounted for.

On 27 March 2012 share capital of Saulės valda UAB (now Šiaulių būstas UAB) was increased by LTL 3.1 million by additional ordinary share issue of 3,100 thousand shares. The share capital was increased by netting off with the receivable from the subsidiary. At the date of issue of these financial statements the share capital of Šiaulių būstas UAB amounts to LTL 3,761,214.

In May the Company continued the process of brand unification in secondary companies. The names of the companies operating in Šiauliai and Radviliškis were changed. Saulės Valda, UAB and Radviliškio Komunalinės Paslaugos, UAB were changed to Šiaulių Būstas, UAB and Radviliškio Būstas, UAB respectively.

During the first half of the year 2012 the Company has transferred the commercial real estate management, maintenance activities and all the subsidiaries which manage residential facility in Lithuania and perform other activities related with the residential facility management, except for Lazdynų būstas UAB which shares are the object of the litigation, to the subsidiary of the Company City Service LT UAB (code 300883806 now – Mano būstas LT UAB) direct control. The transfer has been made by implementing the decision of the Board of the Company, adopted on 29 December 2011. The above mentioned internal transfer had no impact towards financial position of the Group.

On 3rd of July two newly established companies ANVO Baltic, UAB (now Kauno centro būstas, UAB) and ANV Capital, UAB (now Sinsta, UAB) have been acquired.

On 12th of July the Company's subsidiary ANV Capital, UAB has acquired 100 % shares of Mano būstas, UAB, legal entity code 124450551. The value of the contract is LTL 30 thousand. The acquired company after the process of reorganization has been incorporated to its sole shareholder company and at the date of submission of these financial statements is removed from the Register of Legal Entities.

On 31st of August the Company's subsidiary ООО Жилкомсервис № 2 Невского района, which operates in Russia, St. Petersburg has been sold. The value of the contract is RUB 54 million.

On 26th of September the Company has acquired 100 % shares of Žirmūnų būstas, UAB, legal entity code 121483222. The acquired company maintains services of administration of dwelling-houses in Vilnius city (Lithuania). At the acquisition of this subsidiary the management estimated provisional goodwill of LTL 7,701 thousand.

4. Investments to Subsidiaries

The Company's investments to subsidiaries movement from 31 December 2011 to 30 September 2012 is represented below:

Cost of investments at the beginning of the year	127,913
Increase of authorised share capital of UAB Šiaulių būstas	3,100
Increase of authorised share capital of UAB Baltijos NT valdymas	1,627
Transfer of Company's activities (note 3) to UAB Mano būstas LT	24,269
Cost of investments at the period end	156,909



5. Borrowings

Borrowings of the Group and the Company as of 30 September 2012 and 31 December 2011 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 30 September 2012 (in LTL)	Balance as of 31 December 2011 (in LTL)	Balance as of 30 September 2012 (in LTL)	Balance as of 31 December 2011 (in LTL)
Current loans							
Swedbank, AB (overdraft)	EUR	1,448	16.08.2013	5,000	86	5,000	86
Swedbank, AB (overdraft)	LTL	5,000	16.08.2013	2,965	-	2,965	-
DNB bank, AB (UAB Ecoservice)	EUR	435	30.11.2012	455	770	-	-
Group Account (eliminated in the consolidated group accounts)*	Unspecified	Unspecified	Unspecified	-	-	9,641	3,062
Current loan balance				8,420	856	17,606	3,148
Non-current loans							
Swedbank, AB	EUR	10,486	09.08.2015	20,196	25,533	20,196	25,533
AS UniCredit Bank (UAB Tvar.com)	EUR	309	15.01.2013	349	1,067	-	-
Less: current portion of non-current borrowings				(7,385)	(8,103)	(7,116)	(7,116)
Non-current loan balance				13,160	18,497	13,080	18,417

* 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.

6. Cost of Sales

	Group		Company	
	2012 III Q	2011 III Q	2012 III Q	2011 III Q
Services of subcontractors and materials used	238,200	250,003	27,181	41,864
Wages and salaries and social security	52,630	50,190	2,339	16,436
Cost of goods sold	4,944	1,707	2	743
Depreciation	4,481	4,057	-	-
Other	3,578	1,018	-	-
Total cost of sales	303,833	306,975	29,522	59,043



7. General and Administrative Expenses

	Group		Company	
	2012 III Q	2011 III Q	2012 III Q	2011 III Q
Wages and salaries and social security	27,951	27,427	2,271	5,427
Depreciation and amortisation	5,497	5,058	231	1,108
Allowance for and write-off of receivables	6,936	3,111	(815)	-
Bonuses	2,420	800	2,420	800
Commissions for collection of payments	2,506	3,634	268	1,416
Consulting and similar expenses	2,606	1,911	1,086	738
Rent of premises and other assets	2,008	2,254	344	773
Fuel expenses	1,137	1,138	63	174
Utilities	875	823	241	265
Transportation	823	874	31	120
Communication expenses	827	935	97	178
Computer software maintenance	787	750	22	64
Advertising	783	909	267	546
Business trips and training	613	695	222	486
Insurance	555	414	35	129
Charity and support	335	428	233	361
Bank payments	390	375	6	17
Representational costs	370	330	173	227
Taxes other than income tax	320	425	11	62
Other	4,814	2,955	609	728
Total general and administrative expenses	62,553	55,246	7,815	13,619

8. Other Operating Income (expenses), net

	Group		Company	
	2012 III Q	2011 III Q	2012 III Q	2011 III Q
Income from rent	1	161	252	115
Gain (loss) on disposal of property, plant and equipment	402	(511)	1,551	(48)
Other income (expenses), net	(1,141)	1,892	(43)	2
Total other operating activity	(738)	1,542	1,760	69



9. Finance Income and (expenses), net

	Group		Company	
	2012 III Q	2011 III Q	2012 III Q	2011 III Q
Interest income	302	443	710	1,244
Dividend income	-	-	-	2,957
Foreign currency exchange gain	4,283	555	52	2
Other financial income	170	196	13	77
Total finance income	4,755	1,194	775	4,280
Interest (expenses)	(922)	(1,304)	(1,161)	(1,258)
Foreign currency exchange loss	(3,400)	(1,446)	(19)	(30)
Loss on sale of investments	(7,367)	-	-	-
Other financial (expenses)	(792)	(99)	(24)	(33)
Total finance (expenses)	(12,481)	(2,849)	(1,204)	(1,321)
Financial activity, net	(7,726)	(1,655)	(429)	2,959

10. 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 Lag&d – the ultimate shareholder of the Company since 2010;
- 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, J. Janukėnas, V. Turonis (Management 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 during the first half of 2012 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/or UAB Lag&d 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.

2012 III Q

Group			Receivables	Loans	Payables
	Purchases	Sales	and prepayments	granted	(long and short-term)
UAB ICOR	1,875	18	-	-	6,905
Subsidiaries of UAB ICOR:					
AB Axis Industries	1,494	669	1	-	818
Other subsidiaries of UAB ICOR	1,002	2,038	1,059	-	180
Management of the Company	-	9	6	-	-
Shareholders of the Company	-	-	25	-	-
Total	4,371	2,734	1,091	-	7,903



11. Subsequent Events

On the 1st of October 51% of "Mano sauga", UAB, legal entity code 302628213, shares has been acquired. "Mano sauga", UAB provides security services in Lithuania.

On 5th of November the Extraordinary General Meeting of the Shareholders of the Company has approved Ernst & Young Baltic UAB, company code 110878442, for the performance of the audit of the Company's and the Company's set of consolidated financial statements for the year 2012 and for the evaluation of the Company's consolidated annual report. The meeting has also established the payment conditions for the audit services.

On 22th of November the new subsidiary „City Service Poland“ Sp .z.o.o. was established. This decision is related to the expansion of Group's business activities in Poland.

